

OUR COMMITMENT TO YOU

building
for future
generations

2004 SUSTAINABILITY REPORT



Building the future™

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We have used the Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines as well as the Cement Sustainability Initiative Agenda for Action to inform the content and structure of this report. Detailed descriptions of the GRI indicators listed above can be found at www.globalreporting.org/guidelines/2002.asp.

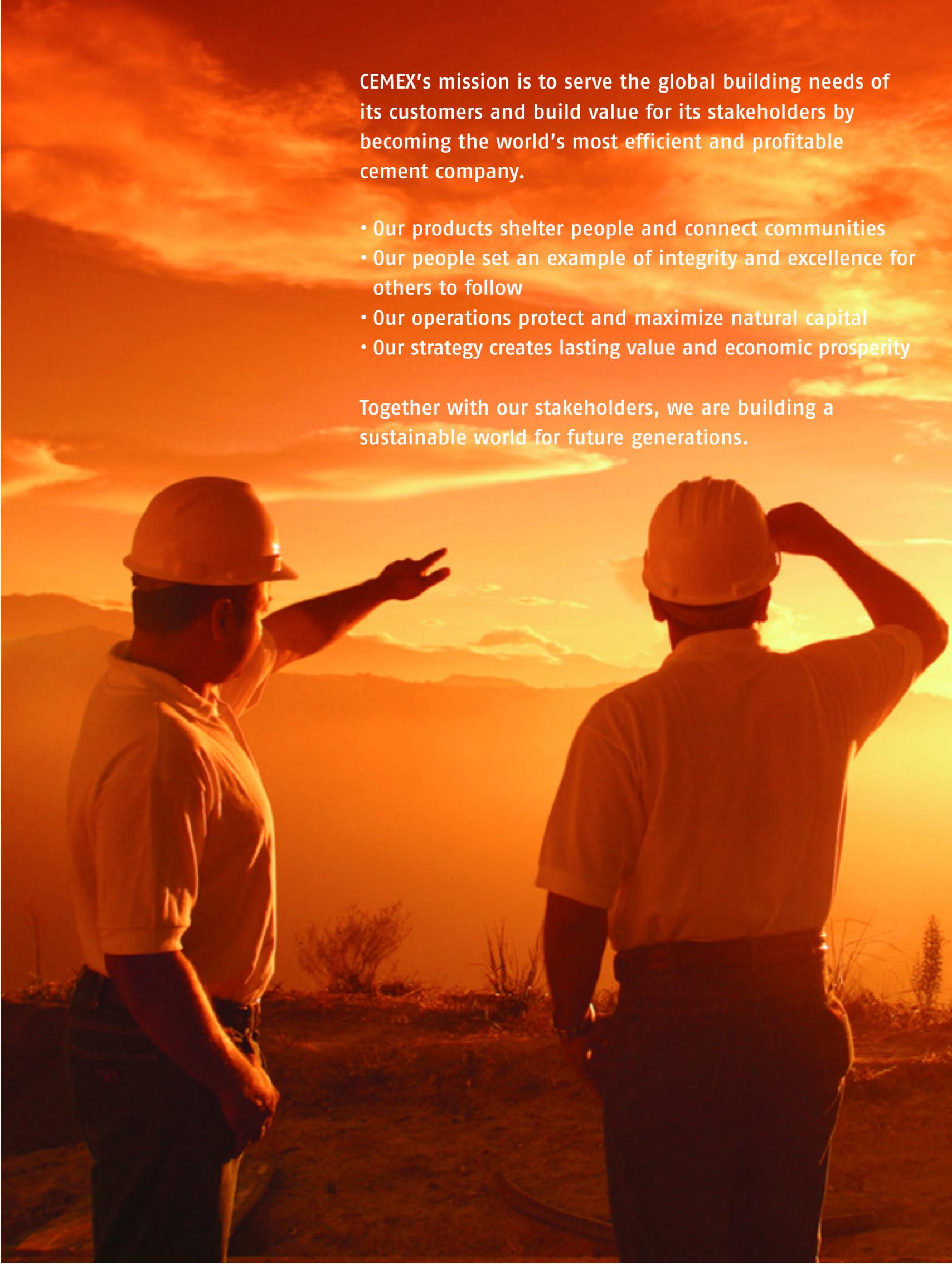
About this report

CEMEX's 2004 sustainability report is an important part of our ongoing efforts to communicate our approach to sustainable development and our company's economic, social, and environmental performance. In this report—our second—we further define our commitment to you, our stakeholders, and discuss how we see CEMEX contributing to a sustainable future.

Unless we have indicated otherwise, the information presented in this report covers CEMEX's global operations for the 2004 calendar year and includes aggregated data wherever possible.

Reporting history

CEMEX first published an environmental report in 1995. Our next report covered our environmental, health, and safety performance for 1996 and was followed by annual EHS reports. In 2003 we issued our first sustainability report. All of our reports published since 1997, including sustainability, EHS, and annual financial reports, can be found on our website, www.cemex.com.



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 products shelter people and connect communities
- Our people set an example of integrity and excellence for others to follow
- Our operations protect and maximize natural capital
- Our strategy creates lasting value and economic prosperity

Together with our stakeholders, we are building a sustainable world for future generations.

Building for future generations

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

We at CEMEX have built our business around continuous improvement, and we know that the challenges of sustainable development require a relentless focus on originality in both thought and action. We bring this discipline to bear on all of our efforts to build a more sustainable and responsible CEMEX. We are committed to ensuring the well-being of our employees, protecting the environment, and contributing to the growth of societal infrastructure and the development of our communities. We are guided in our efforts to meet these commitments by our environmental, health, and safety policy; the Cement Sustainability Initiative (CSI); our relationships with our stakeholders; and the highest ethical standards. In this, our second sustainability report, we discuss our progress over the past year in pursuit of these objectives.

These are exciting times for CEMEX. We took an important step in executing our business strategy by acquiring RMC Group. The acquisition will extend our global presence, strengthen our positions across the value chain, and allow us to better integrate our core cement, ready-mix, and aggregates operations. It will also strengthen our financial position and allow us to continue to grow profitably throughout the business cycle. Ultimately, this acquisition will enable us to better serve our customers and bring greater value to our investors.

This acquisition also offers our new and existing employees great opportunity for professional growth. We extend to our new colleagues a warm and enthusiastic welcome, and we look forward to helping them achieve their professional goals.

Our presence in new communities brings with it both an opportunity and a responsibility to reinforce our commitment to be a responsible neighbor. Wherever we operate around the world, our code of ethics, our company values, and our governance standards will guide our actions and help us build lasting and productive relationships with all of our stakeholders.

These are exciting times for CEMEX. We took an important step in executing our business strategy by acquiring RMC Group.

We are pleased to present the tangible results of our efforts. These positive outcomes can be seen in various dimensions of our business operations—including health and safety, customer service, and product design:

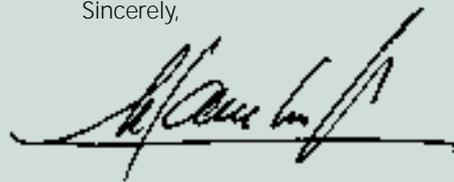
- > Employee health and safety remains our top priority. In 2004 we continued to move toward our goal of zero lost-time injuries, reducing our consolidated accident rate to 1.46% from 1.60% in 2003. In our concrete sector, we achieved an all-time low of 1.20% in 2004.
- > In 2004 we began sourcing electricity from the Termoeléctrica del Golfo (TEG) power plant in Mexico. TEG, which uses lower-cost pet coke, employs special technology and lower operating temperatures that reduce emissions of sulfur oxides and nitrogen oxides compared with those of conventional fuel-oil power plants.
- > We are encouraged by the success of the initiatives we have designed to address the distinct needs of customers, from large contractors to individual homebuilders. Now in its seventh year, our Patrimonio Hoy program continues to provide credit, materials, and training to underserved communities. And our newly launched Construcard initiative offers credit and financing options for small contractors and individuals.
- > We are using the principles of sustainable design to bring innovative products to market—ones that offer not only superior performance but also environmental and social benefits. For example, our new paving concrete, Llancreto, incorporates used tires to produce a smoother road surface.

These initiatives serve our employees, customers, and communities and also strengthen our business.

We recognize that sustainable development is an evolving process that requires continuous self-evaluation and improvement. Therefore, we are working with our industry peers through the CSI to establish new standards for sustainability performance and refine those that already exist. In line with the CSI Agenda for Action, we have agreed to track our performance in the areas of air emissions, employee health and safety, use of alternative fuels and raw materials, and local impacts. We are also in the process of defining our own company-specific goals and targets in these areas.

We thank you for your trust in our company and for your support of our efforts to become an ever more sustainable, responsible organization. As our partners in creating solutions for today and tomorrow, we invite you to share with us your comments regarding this report and our performance. We look forward to continuing to work with you in building a sustainable world for future generations.

Sincerely,



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



We embrace our responsibility to lead our industry in its efforts to eliminate or minimize its environmental and social impacts.

CEMEX profile

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Meeting the world's construction needs

We make cement and ready-mix concrete, building products that, quite literally, form the foundation for every kind of building project and help to improve the lives of people all over the world. The many qualities of cement and the concrete made from it make these the world's most popular building materials. In fact, second to water, concrete is the most-used substance in the world. In 2004 we sold approximately 65.8 million metric tons of cement and 23.9 million metric tons of concrete in more than 60 countries throughout the world.

Global presence . . .

Our network of cement and ready-mix plants, distribution facilities, and marine terminals strengthens our ability to serve our customers throughout the world. We operate facilities in more than 30 countries and have established trade relations with more than 60 countries. Our global presence allows us to bring our cement and ready-mix products to customers in such major markets as Mexico, the United States, and Spain and in countries in Central and South America, Southeast Asia, and Africa. Our acquisition of RMC expands our production and distribution capacity in the major European markets and solidifies our leadership position as one of the world's largest cement and building-materials companies.

our global trading operations

Our global trading network gives us tremendous flexibility and enables us to optimize our worldwide production capacity by balancing supply and demand throughout our regional markets. Our worldwide network of strategically located marine terminals allows us to coordinate maritime logistics on a global basis and minimize transportation expenses. Our trading operations also enable us to explore new markets without significant initial capital investment.

. . . local knowledge

Our local operating networks allow us to provide broad coverage and better service to our customers. We carefully plan the location of our distribution centers to ensure that customers, distributors, and contractors have ready access to our products where and when they need them. When we open a facility in a new location, we take care to learn the culture of the communities that we will serve in order to better anticipate and meet their needs.

Operations at a glance

We have

- > production capacity of more than 80 million metric tons of cement per year
- > 71 cement plants, 17 of which have minority participation
- > 490 ready-mix plants
- > 189 distribution centers
- > 61 marine terminals
- > trade relations with more than 60 countries throughout the world

Key 2004 statistics

in millions of US dollars, except employee amount

Employees	26,679
Sales	8,149
Operating income	1,852
Assets	17,381

SALES, EBITDA, AND MAJOR ACQUISITIONS

millions of US dollars





Our building products shelter people, build communities, and help improve the lives of people all over the world.



Our global trading operations enable us to deliver cement to where it is most needed. To date, we have established trade relations with more than 60 countries.

Global markets

	PRODUCTION CAPACITY MMT/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	14.3	13	4	97	48	6
Spain	11.0	8	0	77	11	19
Venezuela	4.6	3	0	35	12	4
Colombia	4.8	5	0	22	2	0
Central America & Caribbean*	4.0	5	6	36	12	10
Egypt	4.9	1	0	3	4	1
Philippines	5.8	3	0	0	7	3
Indonesia	4.4	0	4	9	25	10
Thailand	0.7	1	0	0	0	0
TOTAL	81.7	54	17	490	189	61

As of December 31, 2004

*Includes Barbados, Costa Rica, Chile, the Dominican Republic, Jamaica, Nicaragua, Panama, Puerto Rico, and Trinidad & Tobago.

Working to meet sustainability challenges

We are committed to identifying sustainability issues and challenges and developing policies and programs to successfully address them—within our industry as well as our company. We embrace our responsibility to lead our industry in its efforts to minimize or eliminate altogether the environmental and social impacts of its activities. And we work to improve our internal practices, from developing alternative fuels programs to devising ways to help build communities and improve their quality of life.

Our approach to sustainable development is shaped by our participation in the World Business Council for Sustainable Development's Cement Sustainability Initiative (CSI). Over the past five years, we have worked in collaboration with our industry peers to tackle head-on the significant sustainability challenges faced by the cement sector.

Did you know?

- Cement is a powdery binding material that is mixed with water and sand and gravel or other aggregates to make concrete
- Each year about 1.6 billion metric tons of cement are sold, and enough concrete is used worldwide to account for more than three metric tons for every man, woman, and child
- Concrete is strong, durable, waterproof, and shapeable; these unique and useful properties make it the world's most popular building material
- Concrete is a key component of many familiar structures that are essential to modern living, including homes, bridges, dams, roads, and buildings
- Technological innovations and continuous improvement in the cement-manufacturing process are helping us to reduce the environmental impacts of cement and concrete production

Our acquisition of RMC will enhance our growth platform and diversify our geographic base; it will strengthen our U.S. presence, provide exposure to high-growth markets in Eastern Europe, and give us an important position in Western Europe's more mature markets.

Our acquisition of RMC Group

The acquisition of RMC Group strengthens our competitive position in the consolidating global building-materials industry. Our greater global market access and diversification—we will now operate in approximately 50 countries—will position us for more profitable growth and provide more stable cash-flow generation.

We will be better able to serve customers through stronger vertical integration, our expanded global network, and a broader knowledge base. Our enhanced trading operations will also enable us to fulfill demand in more markets while utilizing excess capacity in others. And by sharing best practices—which we see as a two-way process—we expect to implement new and better ways to meet our customers' needs.

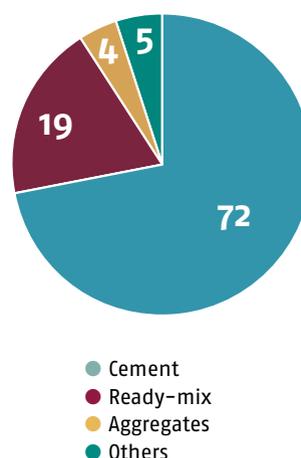
The acquisition offers greater opportunity to both our new colleagues from RMC and continuing CEMEX employees. Our expanded operations open doors to new experiences, and our culture of learning and continuous improvement offers motivated employees tremendous potential for professional growth. We carry our deep commitment to our employees into our new operations and look forward to sharing best practices to continue to ensure their health, safety, and well-being.

We see significant synergies inherent in this acquisition. For example, we expect to yield about U.S.\$200 million in annual savings by 2007, which will come primarily from our global trading network and centralized management platforms and operating systems.

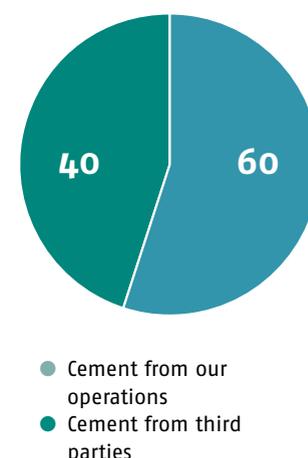
We will work to incorporate our ecoefficiency programs, including our alternative-fuels programs, into our newly acquired operations and to implement best environmental practices from RMC into our current operations. We are cognizant of the environmental impacts of the operations we have acquired, and we look forward to working together with our new neighbors to ensure that all of our facilities and plants continue to operate in a safe and sustainable manner.

In short, we believe that this acquisition is the right one, at the right time, for CEMEX and its stakeholders.

SALES DISTRIBUTION
percentage by product



TRADING VOLUME*
percentage



* Approximately 10 million metric tons traded in 2004.

Major changes in operations in 2004

CEMEX and RMC Group agreed that CEMEX would acquire RMC for U.S.\$4.1 billion cash. The enterprise value, including the assumption of debt, is U.S.\$5.8 billion. The acquisition was completed March 1, 2005.

CEMEX sold its Charlevoix and Dixon-Marquette cement plants and other associated operating assets in the Great Lakes region of the United States to Votorantim Participacoes S.A. at the end of the first quarter of 2005. The transaction was structured as a sale of assets and valued at approximately U.S.\$390 million.

We acquired 13 ready-mix plants in Atlanta, Georgia, in December 2004, and began building two new ready-mix plants and one new block plant in Florida, one of which will replace an existing facility. These acquisitions and expansions broaden the company's current ready-mix market in the southeastern United States.





We are committed to ensuring the well-being of our employees, protecting the environment, and contributing to the growth of societal infrastructure and the development of our communities.

Our commitment to a sustainable future

Our role in creating a sustainable future begins with our philosophy of corporate responsibility—to run an efficient and profitable business while caring for our employees, our communities, and the environment. We believe that by following this course we can retain and develop the best talent, improve the quality of life of our communities, protect the environment, and bring value to investors.

Our core values are essential to our efforts to be a more sustainable and responsible company:

- > **Collaboration:** We work with our stakeholders to develop programs that meet their needs.
- > **Leadership:** We aim to be a leader in the effort to build a more sustainable future for our company and industry, our global society, and our planet.
- > **Integrity:** We insist that all of our employees carry out their responsibilities in line with the highest ethical standards.

By living our core values and our sustainability philosophy, our company has flourished throughout our 98-year history.

Our commitment to . . . our customers

Our products shelter people and form the basic infrastructure of daily living. We help our customers address the technical, financial, and aesthetic challenges of construction by offering an array of quality products and specialized services. We also explore innovative ways of doing business—for example, developing materials and programs that facilitate small contractors' work and offering lower-income families better access to building materials and technical expertise. Programs like these benefit not only our customers but also our company, for as our customers succeed, so do we.

our investors

CEMEX pursues responsible growth through strategic acquisitions and the development of our markets, both of which have enhanced our position as a global leader in the construction-materials industry. Our experience integrating new acquisitions into our network maximizes efficiency and the abilities of our people, facilitates the sharing and implementation of best practices, and, in turn, brings value to our investors. In evaluating new growth opportunities, the members of our board of direc-

tors and our executive team carefully weigh risks and opportunities in order to chart the most promising course for our company's future.

our employees

Nothing is more important to our company than the health, safety, and well-being of our employees. We work to create a culture of safety awareness and personal wellness and to ensure that all of our employees have access to proper health care.

We recognize the substantial intellectual and social capital that our global workforce represents, and we strive to create an environment in which all employees can reach their full potential. We see the development and retention of talented employees as a win-win proposition. As our employees succeed in their lives and their careers, they enable our company to make a greater contribution to society.

our communities

We take very seriously our role as a good neighbor. Our presence in the community creates value through direct and indirect economic contributions, social programs, and participation in philanthropic giving and voluntarism. By working directly with our communities, and also by selling our products, we endeavor to create conditions that will promote long-term economic prosperity and improve quality of life.

the planet

We are mindful that our business uses nonrenewable natural resources. We have developed programs to maximize resource use and decrease our reliance on fossil fuels for energy. We continue to invest in technologies that help to reduce the environmental impacts of our operations and seek new ways to better care for the planet's biodiversity, air, water, and land.

Our employees play a vital role in ensuring the integrity of our operations by voicing their concerns about our business practices and financial reporting methods.



Managing for sustainability

Our commitment to sustainable development is evident in our efforts to ensure the well-being of our employees, protect the environment, build societal infrastructure, and contribute to the development of our communities. These are priorities for our company and are driven by our own internal policies, shaped by the CSI Agenda for Action, and informed by our stakeholder relationships. Our management framework, together with our core values, embodies our commitment to conduct our business with integrity and with the highest regard for our customers, investors, employees, communities, and the environment.

Cement Sustainability Initiative: Agenda for Action

Published in 2002, the CSI Agenda for Action establishes key milestones for joint industry projects to reduce the cement sector's ecological footprint, increase stakeholder engagement, and contribute to social development. The document also provides guidelines for individual corporate action, as each participant is responsible for setting company-specific performance goals and targets. The next CSI progress report, detailing work conducted by the CSI task forces, is expected to be published in June 2005.

The CSI has established the following priorities:

- > Climate protection
- > Fuels and raw-materials use
- > Employee health and safety
- > Emissions reduction
- > Local impacts
- > Reporting and communication with external audiences

We are proud to chair the CSI Employee Health and Safety Task Force, which issued a draft report in October 2004 entitled "Safety in the Cement Industry: Guidelines for Measuring and Reporting." The report

- > establishes common and consistent reporting standards for employee health and safety statistics;
- > outlines a process for tracking baseline safety performance across the cement industry; and
- > encourages transparent reporting of safety information and performance.

CEMEX will continue to be an active participant in the CSI, applying the learning, best practices, and stakeholder input flowing from the initiative to the company's operations around the world.

Our EHS policy and steering committee

Our EHS policy, established in 1994 and refined throughout the past ten years, is the foundation of our strategy for a sustainable CEMEX. The policy requires that we, at a minimum, comply with all laws, regulations, and voluntary agreements relating to matters of environment, health, and safety in each business unit. We must also

- > employ the most advanced technology to ensure efficiency and the optimal use of raw materials;
- > promote a culture of environmental awareness, personal wellness, and safety within our plants, facilities, and communities; and
- > use the most effective systems and equipment to protect our people, our neighboring communities, and the environment.

Our EHS steering committee develops our overall strategy for sustainable development, obtains the necessary corporate support for its initiatives, and evaluates the effectiveness of these measures. The EHS steering committee chair, currently held by the president of our South America and Caribbean region, rotates annually.

The nine members of our EHS steering committee, all top CEMEX executives, meet regularly to discuss the implementation of our EHS policy. The committee also communicates EHS best practices to all areas of our global operations. Business unit managers are charged with implementing EHS policy and reporting back to the steering committee on their units' performance.

Putting accountability into practice

We work hard to maintain the highest standards of corporate governance and accountability to our stakeholders. We have implemented measures throughout our organization to ensure the integrity of our operations and decision-making processes, from the plant floor to the boardroom.

board of directors

CEMEX's Board of Directors is responsible for supervising the overall operation of our company. Chaired by our CEO Lorenzo H. Zambrano, the Board consists of 12 directors and 3 alternate directors; 5 of our directors and 1 of our alternate directors are independent. The audit committee established by the Board has five members, four of whom are independent. Our articles and bylaws require at least three of the members of the audit committee, including its president, to be independent directors. The audit committee is responsible for the appointment, compensation, and oversight of our auditors and the review of related-party transactions. It also establishes procedures for handling complaints regarding accounting or internal-control matters, including confidential methods for addressing concerns raised by employees. Each year, the audit committee submits a report of its activities to the Board.

executive compensation

To better align the interests of our executives with those of our stockholders, we established an employee stock-option plan in 1995. In early 2004 we offered to exchange our executives' options for new options that can be exercised into restricted stock instead of cash, and in the fourth quarter we offered our executives an early-exercise program to accelerate the transition to restricted stock. In 2005 we will offer a new executive stock-ownership plan designed to move our company's long-term incentives from stock options to programs based on restricted stock. We have also established for our executives a variable compensation plan that distributes a bonus pool based on actual business results.

protecting confidentiality, preserving trust

All employees and suppliers must sign an agreement accepting responsibility for the proper use of confidential information. The confidentiality agreement, the letter confirming adherence to our code of ethics, and our insider trading policy all expressly prohibit employees and all persons who receive or have access to confidential information from using that information for personal gain.

Stakeholder engagement

We value the stakeholder relationships we have built over the years. They are a rich source of information and insight that we can constructively apply to making CEMEX an ever-stronger business. We listen to our stakeholders and work to maintain channels of communication that promote open and honest dialogue.

Customers

We conduct customer surveys in most of our major markets to understand what we are doing well and where we can better serve our customers' needs.

Investors

We communicate with our stockholders and their representatives on a regular basis through our annual reports, quarterly earnings and guidance releases, conference calls, and personal interaction. We aim to keep our investors fully and fairly informed of our activities and to ensure that our financial disclosure not only complies with all laws and regulations but also meets the highest ethical standards.

Employees

We foster a work culture that is open and responsive to employee feedback. We measure employee satisfaction through internal surveys and encourage employees to submit their ideas as to how we can improve our operations.

Communities

We engage with our communities on multiple levels, from negotiating new plant openings to supporting local cultural initiatives and economic development programs. The community-relations coordinators at our plants ensure that we listen and respond to community concerns.

Suppliers

Our suppliers know that they can reach us at any time with their concerns or suggestions, either through direct contact with their supplier representatives or through our dedicated supplier website.

Governments and regulators

Many of our activities are subject to local, state, and federal regulations, requiring regular communication with government representatives to ensure that we maintain full compliance, fulfill mandatory reporting requirements, and are available to clarify and resolve any issues.

Organizational chart*



Our code of ethics

Our code of business conduct and ethics ensures that our employees adhere to a uniform standard of conduct in performing their business activities. The code governs

- > our stakeholder relationships
- > workplace safety and health
- > environmental stewardship
- > conflicts of interest
- > political contributions
- > avoidance of corruption
- > treatment of confidential information
- > procedures regarding financial controls and preservation of assets

We periodically evaluate the code and update provisions to reflect changes in laws or societal norms. In 2004 we revised the code to clarify and strengthen certain of its provisions and to ensure compliance with the Sarbanes-Oxley Act of 2002. A copy of our code of ethics can be found on our website.

We ensure awareness and enforcement of the code through our country- and corporate-level ethics committees and training and internal communications programs. All of our employees receive a copy of the code and must sign a letter stating that they have read and understood it and will abide by its provisions. We have established confidential channels for alerting our ethics committee and senior managers to any suspected violations of the code, including secure websites that employees can use to provide information anonymously. We do not tolerate retaliation for reports or complaints made in good faith.



the Sarbanes-Oxley Act of 2002

As a non-U.S. company whose securities are traded on a U.S. securities exchange, CEMEX is subject to the Sarbanes-Oxley Act of 2002 (SOX). To ensure compliance with SOX and all applicable regulations, we have implemented confidential and anonymous whistle-blowing procedures and have established a disclosure committee and an internal process for certifying public disclosures. To coordinate these efforts, we have assembled an internal task force whose members work in the internal control, legal, and finance departments. In addition to our independent audit committee, established in 2002, and our code of ethics, established well before SOX was passed, we have taken the following steps to ensure our compliance with SOX¹:

- > As of 2003, our CEO and our executive vice president of planning and finance have been certifying in our Form 20-F annual report that no material untrue statements are made and no material omissions exist.
- > We are working diligently to ensure that our management will be able to attest to the effectiveness of the company's internal control over financial reporting as required by section 404 of SOX.

We have also developed an internal certification system by which all senior executives responsible for providing information for public disclosure certify the accuracy of the information and that no material omissions exist. Although not required by SOX, this system assists the CEO and CFO in their certification process and, we believe, helps to ensure compliance.

For a more detailed description of these measures, please visit our website.

¹We are in compliance with the required sections of SOX and expect to be in compliance with section 404. All foreign private issuers in the United States must comply with Section 404 for their fiscal years ending on or after July 15, 2006.

responding to employee concerns

By voicing their comments and concerns about our business practices and financial reporting methods, our employees play a vital role in ensuring the integrity of our operations.

With regard to financial reporting, employees may submit— anonymously if they wish—complaints or concerns about accounting and auditing matters through a secure internet site or by phone, mail, or email. Upon receipt of an employee's comments, our financial expert, who is an independent voting member of our Board of Directors' audit committee, reviews the comments and presents a report to the entire audit committee. The audit committee then determines the appropriate action. This process complies with the requirements of SOX.

For complaints or concerns regarding damage to CEMEX's assets or any other matter related to our business processes, employees may contact our internal audit department through a secure external website or by telephone, mail, or email. Messages sent through the website may be submitted anonymously, and all communications are handled confidentially. Our vice president of process assessment (internal audit) reviews all messages sent through the site and submits a report to management, which determines the appropriate action.

Internal control and process assessment

We are constantly seeking new ways to mitigate risk and protect company assets. Through our system of internal controls we assess risk and measure and strengthen the performance of all of our business and operating processes. Our internal control department supports management by designing internal controls, by assuring their existence and effectiveness, and by supervising the implementation of measures to mitigate risks. Internal control also manages compliance with section 404 of SOX.

Our internal audit, or process assessment, department independently tests the integrity of our internal control system in order to provide reasonable assurance to stockholders, the financial community, and other interested parties that (1) we execute transactions in accordance with management authorization, (2) our records form a reliable basis for the preparation of financial statements, and (3) we safeguard our assets against loss by unauthorized use or disposition. Through PACS (Process Assessment Certification System)—our proprietary testing, verification, and grading system—process assessment works to strengthen management and promote integrity and operating efficiency in all of our organizational processes. This department also identifies best practices in each country and shares them throughout the company twice each year.

A global partnership to reduce risk

In 1997 we began collaborating with FM Global, one of the world's best-known property insurers, to improve CEMEX's risk profile. FM Global helped us design a long-term master loss-prevention plan, the implementation of which has enabled 50 of our 54 cement plants to achieve FM Global's Highly Protected Risk (HPR) designation.

As we expand our operations worldwide, our collaboration with FM Global allows us to maintain consistency and transparency in our loss-prevention efforts. When we announced in 2004 our planned acquisition of RMC, we began coordinating with FM Global to initiate loss-prevention seminars at all of our locations, to be taught in each facility's local language.







We have a strong presence, and see robust growth potential for our products, in both developing and developed markets.

A strong and growing organization

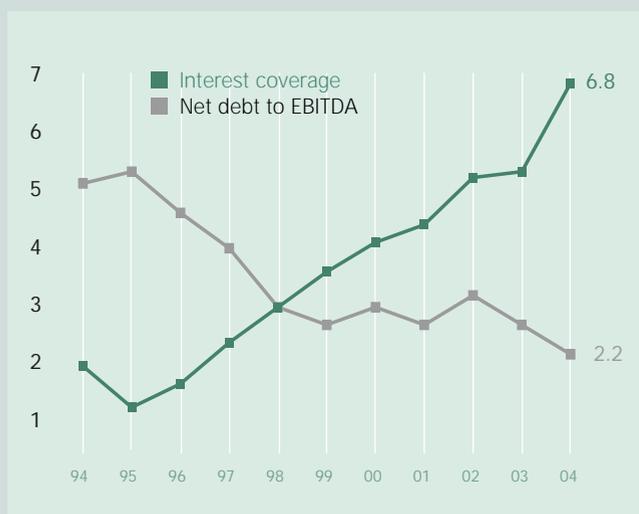
Our business model—with its focus on efficient and profitable growth—has enabled our company to become a global competitor in a consolidating industry. Because we have diversified our portfolio mainly in dynamic markets with long-term growth potential and often complementary economic cycles, we are able to generate stable cash flow throughout the business cycle.

A financially disciplined organization

Our financial discipline is reflected in our solid balance sheet and investment-grade credit ratings. Because of our sound capital structure and ability to effectively allocate capital, we can make acquisitions that meet our strict investment criteria while maintaining our financial flexibility. Since we acquired Southdown in the United States in 2000, for example, we have steadily improved our interest coverage—to 6.8 times at the end of 2004 from 4.1 times for 2000. And with our acquisition of RMC, completed on March 1, 2005, we expect to be able to maintain our interest coverage at over five times throughout 2005 and to reach our target net-debt-to-EBITDA ratio of 2.7 times by the end of 2005.

FINANCIAL INDICATORS

times



Our financial discipline enables us to quickly recover our financial flexibility following an acquisition.

Capitalizing on growth potential in our markets

We continue to see significant potential for the use of our products in both developing and developed markets. In California, for example, we are partnering with customers to increase concrete use in parking, commercial, residential, and road construction. As a result of our efforts, we have secured several projects and exceeded our expectations for total EBITDA contribution in 2004. At the same time, we have raised our profile as a resource for concrete and cement among engineering, architectural, and development professionals. Through our Catedra Blanca and Catedra CEMEX España programs in Spain, we teach the theoretical and practical applications of our white cement, as well as other cement products, to students of the building professions. These programs, held at universities in Barcelona, Madrid, and Valencia, are led by an interdisciplinary team of experts, including architecture professors and CEMEX research and technology specialists.

Our commitment to continuous improvement strengthening our supply chain, streamlining our procurement process

In 2004 we began an intensive program to streamline our procurement process by consolidating our global negotiations and separating them from our purchasing activities, reinforcing planning, and standardizing the goods that we purchase. As a result, we have dramatically improved the efficiency of this process and the consistency and quality of our products and services. We have reduced working capital by more than 60%, or around U.S.\$150 million, through inventory optimization and better pricing and other terms. And we are strengthening relationships with suppliers and other areas of our operations.

seamlessly integrating acquisitions

Our process for integrating acquisitions into the CEMEX network brings our company and our stakeholders significant benefits. Well before completing an acquisition, we assemble a multinational, multicultural team of professionals—from accountants to engineers to efficiency experts. This team analyzes the new operation and identifies synergies, talent, best practices, and opportunities for improvement. This information allows us to quickly integrate the acquisition, cultivate strong relationships with our new employees, and assure continuity of service to customers. We also share and implement best practices—ours as well as those of the new operation—throughout the expanded organization.

Financial highlights <small>in millions of US dollars,¹ except per-ADR data</small>	2004	2003	change
Net sales	8,149	7,164	14%
Operating income	1,852	1,455	27%
EBITDA	2,538	2,108	20%
Consolidated net income	1,328	659	101%
Earnings per ADR ²	3.93	1.99	97%
Free cash flow	1,478	1,143	29%
Total assets	17,381	16,016	9%
Net debt ³	5,588	5,641	(1%)
Stockholders' equity, majority interest	7,831	6,234	26%

¹For 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 2003 and 2004 are 11.24 and 11.14 Mexican pesos per US dollar, respectively.

²Based on an average of 332.9 and 315.2 million American depository receipts (ADRs) for 2004 and 2003, respectively.

³Net debt for 2004 includes the acquisition of 50 million RMC shares representing approximately 18.8% of the issued share capital of RMC.

Over the years we have dramatically improved the speed and efficiency with which we integrate acquisitions. For example, we integrated our 1992 acquisitions in Spain, which added annual capacity of 11.5 million metric tons, over a period of two years; in 2000 we integrated Southdown, which added annual capacity of 11 million metric tons, in four months. We expect to fully realize the synergies from the RMC integration—including cost savings of U.S.\$200 million a year and a return on capital employed of 10%—by 2007.

ensuring product quality

We make products of consistently high quality by investing in advanced technologies to optimize production processes and precisely measure and control our output. Our standardized, automated information-management platforms enable us to analyze quality data from all of our plants and quickly implement global quality-management decisions. On the procurement side, we work with only those suppliers who can meet our high quality standards.

Our quality-management systems are based on the ISO 9001 standard. All of our cement plants in Colombia, Costa Rica, the Dominican Republic, Egypt, Mexico, Panama, the Philippines, Spain, and Venezuela are ISO 9001 certified. In the United States our audit system incorporates the highest quality-management standards. Our quality-control managers continually seek out and share best practices throughout our organization.

rewarding good ideas: Your Opinion Counts

For the third year in a row, our U.S. operations conducted the Your Opinion Counts campaign, a program designed to foster innovation and knowledge transfer. Employees are encouraged to submit suggestions for improving all aspects of our operations, from customer service to internal communication. In 2004 we received more than 800 ideas from all over the country. The three best ideas will be announced and recognized at the 2005 annual employee meeting. Among the winning ideas in past years were proposals to improve customer service, promote teamwork, and reduce costs.

Strengthening customer relationships customer relationship management

Our comprehensive customer relationship management (CRM) platform utilizes the following standardized service initiatives, which enable us to keep our promises and save clients time and money:



Our ready-mix operations platform uses advanced technology to guarantee on-time delivery and control the quality of our products. This platform reduces waste and helps keep customers' projects on track and on budget.

- > Customer service center, a call center that enables us to quickly and effectively respond to our customers' cement orders, inquiries, complaints, and suggestions and monitor our customer commitments
- > Demand fulfillment, which ensures on-time delivery of our products and seamless, automatic inventory management
- > Value-added tools such as internet and mobile-phone portals for handling customer inquiries, orders, and payments

This system has been fully implemented in most of our operations. In 2004 average electronic CRM interactions increased to 22 per client per month from 12 in 2003, and 22% of our total cement volume was ordered online. As part of our continuous improvement effort, our next step is to use what we have learned through our CRM interactions to further benefit our clients and strengthen our relationships.

creating opportunity for our customers: Construrama and Construcard

Through Construrama, our retail network, we partner with our distributors to offer customers an entire line of building materials, from plumbing and electrical supplies to paint, lumber, and lighting fixtures. Begun in Mexico in 2001, we have expanded this initiative to South America; there are now 98 Construrama



We now provide building molds for smaller contractors, which enable them to build homes more quickly and at lower cost to them and their customers.

stores in Venezuela and more than 2,100 across Mexico. We also train our distributors in Mexico and Venezuela to manage all aspects of their business—including inventory control, product promotion, sales-force training, and transportation logistics.

In 2004 we partnered with GE Capital Bank to launch Construcard, a construction-financing initiative designed for our do-it-yourself customers. Available through Construrama distributors in 57 Mexican cities, Construcard allows cardholders to purchase any item sold through Construrama—in some stores, customers can choose from around 40,000 items. Applicants—most occupy the base of the economic pyramid and have very limited financing options—need not provide collateral to obtain a Construcard. Thus, these individuals can use the card, which has an average credit line of U.S.\$1,000, to finance home remodeling or, over time, the construction of an entire home. As an example, in Mexico U.S.\$1,000 will buy enough materials to add a nine-square-meter room to a customer's house.

As of the end of 2004, we had issued more than 80,000 Construcards, which are accepted at more than 700 Construrama stores in Mexico. In its first year, Construcard sales reached approximately U.S.\$15 million.

helping small businesses to help themselves

Because we believe that our customers' success is our success, we have begun a pilot program to work with small contractors—who usually employ ten or fewer people—to help them better manage their businesses. We offer revolving credit lines of up to U.S.\$100,000 to enable them to purchase materials, optimize their working capital, and better manage cash flow.

In Panama we have formed a strategic alliance with the Cámara Panameña de la Construcción, Panama's construction chamber of commerce, to assess the skills-training needs of area masons; this diagnostic tool will serve as the basis for a development program for the masonry profession financed by the Inter-American Development Bank.

Communicating with our customers

The following are only a few examples of how we communicate with our customers.

In Bangladesh we conduct customer surveys to gauge satisfaction. When a customer registers a complaint, we log it, analyze the cause, work immediately to resolve the issue to the customer's satisfaction, and follow up to ensure that the issue has been resolved.

In 2004 sales managers for our APO and Solid cement plants in the Philippines solicited feedback through a customer-satisfaction survey. The results: very high levels of satisfaction with the quality, availability, and reliability of our cement and moderately high levels of satisfaction with regard to cement pricing.

In Colombia our new publication, *Manos a la Obra (Lets Get to Work)*, communicates to clients different CEMEX initiatives to help meet their needs and enables them to express their ideas and concerns. We distributed 4,000 copies of the first issue in December 2004.



With 98 new stores opened in 2004, Construrama is already Venezuela's largest building-materials network.

Our commitment to the environment

18

Environmental stewardship is an integral part of our business strategy. By operating as efficiently as possible, we conserve energy and natural resources and reduce waste and emissions—actions that benefit the environment as well as our bottom line. We constantly seek out new opportunities to improve our environmental performance by sharing best practices across our global network of plants and facilities. And we collaborate with our communities and industry peers to create joint solutions to environmental challenges.

The cornerstone of our commitment to the environment is our environmental, health, and safety (EHS) policy. We have appointed country- and facility-level EHS coordinators to implement programs and initiatives to meet policy objectives. As CEMEX expands its operations, our EHS coordinators ensure the application of our EHS policy at our new locations.

Environmental management systems

Many of our cement plants worldwide, including all plants in Egypt, Mexico, the Philippines, Spain, and Venezuela, are certified to the ISO 14001 standard, and our Panama and Costa Rica plants are scheduled to be certified in 2005. Each of our locations has a locally certified environmental management system.



In November 2004 CEMEX Nicaragua received the *Semper Virens* award from Nicaragua's ministry of the environment and natural resources. The award recognizes companies that use the most effective processes and technologies to control pollution and protect the environment.

We conduct internal and external audits to ensure compliance with environmental standards—ours as well as those of the locales in which we are operating. For example, our Philippine quarries are inspected quarterly by a monitoring team composed of representatives from the federal environmental agency, local government units and NGOs, and CEMEX facility directors and EHS managers.

Ecoefficiency

For more than ten years, our ecoefficiency program has helped us to reduce the environmental impact of our operations. We have implemented innovative processes to effectively utilize natural resources, and we invest in new technologies to improve plant environmental performance. We expect that these investments will not only reduce our environmental footprint but also increase long-term business value.

energy use, air emissions, and climate protection

Cement production is an energy-intensive process that results in the release of greenhouse gases (GHGs)—primarily carbon dioxide (CO₂)—into the atmosphere. Our main sources of CO₂ emissions are our calcination process, the burning of fossil fuels in our plants, and the transportation of our products. We developed a corporate strategy to manage these impacts in 1997 and have instituted CO₂-reduction programs throughout our global operations, including initiatives to optimize energy, use alternative fuels, and reduce clinker usage. We are continually updating our CO₂ emissions inventory and climate-change mitigation strategy in accordance with the CSI Agenda for Action.

We are also working to improve air quality around our plants. We utilize advanced control technologies such as high-efficiency burners to minimize emissions of sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and particulate matter (dust).

- > The Termoeléctrica del Golfo (TEG) power plant in Mexico began operations in 2004. TEG will supply over 60% of the energy used at our plants in Mexico under a 20-year power-supply agreement and will utilize pet coke as fuel. TEG's state-of-the-art, circulating-fluidized-bed technology results in a very high SO_x capture rate, which reduces sulfur emissions compared with those of a conventional fuel-oil power plant.



We use advanced control technologies such as high-efficiency burners to minimize air emissions.



Lower operating temperatures also result in NO_x emissions that are much lower than those of a conventional coal or fuel-oil plant.

- > In Nicaragua our partnership with the national office of clean development explores clean development mechanism (CDM) projects as specified under the Kyoto Protocol.
- > CEMEX Mexico is participating in a pilot project administered by SEMARNAT (Mexico's secretariat for the environment and natural resources) to help establish a voluntary national program to promote the measurement and reporting of GHG emissions by Mexican businesses. The program will be based on the GHG Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development.
- > As members of Oficemen, Spain's association of cement makers, we have signed an agreement with the major national labor unions to help advance the sustainable development of the cement industry. The agreement calls for the reduction and control of air emissions and establishes procedures for utilizing residual materials as fuel.
- > At several of our U.S. plants we have tested and implemented an innovative approach that minimizes NO_x emissions by injecting small quantities of water into the kiln combustion flame. This procedure yields up to a 30% reduction in NO_x emissions.



We employ the most advanced technology to ensure efficiency and optimal use of raw materials.

alternative fuels

In order to reduce our energy costs and environmental impacts, including CO₂ emissions and solid wastes, we seek alternatives to traditional fossil fuels—oil, coal, and natural gas. We have found that substitutes such as spent oil and solvents, biomass, used tires, and solid waste can be burned in our kilns to produce high-quality cement. We are working to give all of our cement plants the flexibility to use nontraditional fuels.

alternative raw materials

We lower energy consumption and reduce our reliance on virgin raw materials by using alternative materials such as fly ash, pozzolana, slag, and synthetic gypsum to produce cement. Our operations vary in the amounts of alternative materials they can use. For example, these materials replace as much as 18% of the total clinker used in our Costa Rica plant, 6% in our U.S. plants, and about 6% in our plant in the Dominican Republic. In Nicaragua we have reduced both clinker use and energy consumption by capturing and reusing waste dust in our cement-production process. In Mexico we received a Best Practices award from CEMEFI (the Mexican Center for Philanthropy) in recognition of our alternative raw-materials programs.

land stewardship

We obtain the raw materials for our products from quarries that we either own or lease. We establish in many of our operations biodiversity-management and land-rehabilitation plans to minimize the impacts of our extraction activities. These programs facilitate the transition from quarry to functioning ecosystem following a quarry's closure.

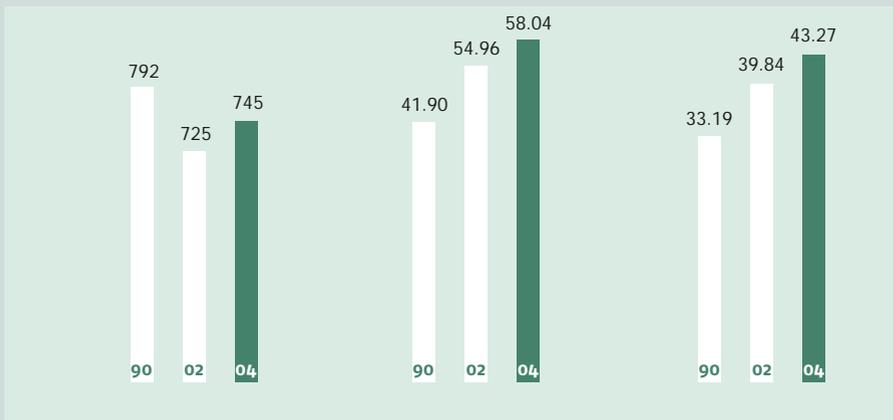
For example, the rehabilitation plan at our Marena quarry in Nicaragua calls for the development of a lake area that will provide a habitat for indigenous fish, amphibians, and mammal species. At our Fairborn plant in the United States, we have incorporated buffer zones around stream banks and wetland areas at a new quarry site; these areas, over which we have obtained a conservation easement, will be planted with native vegetation. In Spain we have transformed a spent quarry by planting more than 92,000 grape vines on 26 hectares of land. And through our reforestation program in Venezuela, now in its fifth year, we have reforested four quarries covering more than 36 hectares of land with 38,800 plants.

We constantly seek new opportunities to improve our environmental performance by sharing best practices across our global network of plants and facilities.

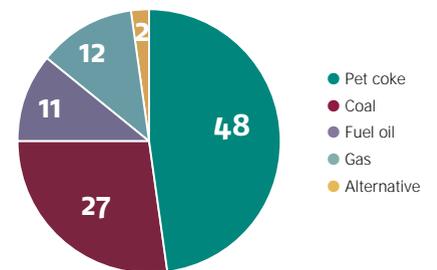
SPECIFIC EMISSIONS
kg CO₂/metric ton of cement

CEMENT PRODUCTION
million metric tons of cement

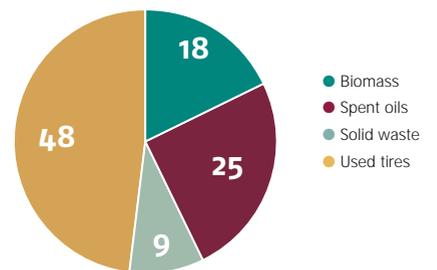
GROSS CO₂ EMISSIONS
million metric tons



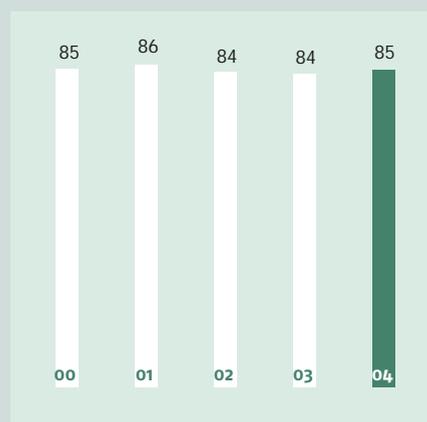
TOTAL FUEL DISTRIBUTION
percentage of energy



ALTERNATIVE FUEL DISTRIBUTION
percentage of energy



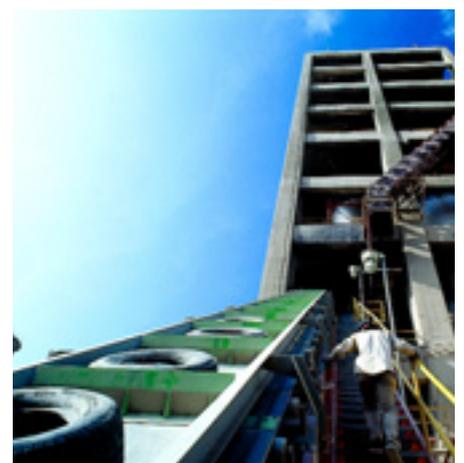
CLINKER FACTOR IN CEMENT
percentage clinker content



The increase in our gross and specific CO₂ emissions in 2004 resulted from

- > the acquisition of Dixon-Marquette in the United States, completed at the end of 2002
- > increased use of pet coke
- > reactivation of lower-efficiency kilns due to high demand

We are taking measures to offset the increase in CO₂ emissions, such as using alternative fuels and raw materials, increasing additives in the cement-making process, and optimizing energy use.



We employ the most advanced technology to ensure efficiency and the optimal use of raw materials.

We have implemented innovative processes to effectively utilize natural resources, and we invest in new technologies to improve plant environmental performance.

Alternative fuels use					
	USED TIRES	SPENT OILS	LIQUID WASTE	SOLID WASTE	BIOMASS
Colombia		▲			●
Costa Rica		▲			▲
Dominican Republic	●	▲		▲	▲
Mexico	▲	▲	▲	▲	
Nicaragua		▲			▲
Panama	▲	▲			
Philippines	▲				▲
Spain	▲			●	
Thailand					●
United States	▲				
Venezuela		▲	▲		

▲ in use ● testing or pending approval

El Carmen conservation initiative

One of our most successful initiatives is the El Carmen conservation area in northern Coahuila, Mexico. In partnership with Agrupación Sierra Madre, a Mexico-based NGO, and others, we are working to preserve this unique ecosystem and the hundreds of plant, bird, mammal, reptile, and amphibian species that depend on it for survival. El Carmen covers a total area of 75,000 hectares and is part of one of the largest and most biodiverse transfrontier conservation areas in North America.

Promoting positive environmental action

The environmental impacts related to our operations neither begin nor end at our facility gates. We realize that we influence the actions of our employees when they leave work, the ability of our customers to purchase sustainable products, the communities in which we operate, and the performance of our suppliers. Through our environmental policies and practices we seek to foster greater environmental awareness among all of our stakeholders so that, together, we can protect and preserve natural resources.

community involvement

In many locations we have established panels composed of community representatives and CEMEX plant employees to identify and address environmental and other relevant issues. For example, at Colombia's La Fiscala aggregates plant, we held meetings with community members and representatives of the national, regional, and district governments to discuss environ-

mental and related technical, legal, and economic concerns. In the United States, we initiated a community benchmarking project in 2004 to understand local perceptions of our plants' environmental compliance status, philanthropic initiatives, and overall reputation as a good neighbor. We will follow up this initiative by developing community investment plans for each U.S. cement plant by mid-2005.

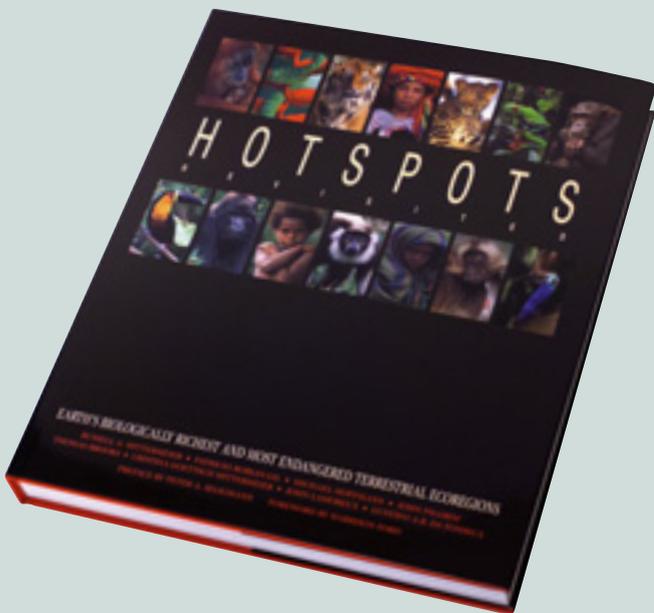
customer support

As environmental laws become more stringent, we find that our customers are turning to us for assistance and advice in complying with regulations. In Mexico we have been working with housing developers to help them navigate the permit process and better communicate with environmental NGOs. In the Philippines we initiated a cement products ecolabeling program in collaboration with the NGOs Green Choice and Concerned Citizens Against Pollution.

raising awareness

Since 1993 we have promoted public understanding of and support for biodiversity preservation through the annual publication of conservation books. The books are developed in partnership with leading NGOs involved in biodiversity issues, including Conservation International and Agrupación Sierra Madre. We distribute these books to universities, government agencies, and research institutions to support their fundraising efforts.

We also fund and participate in numerous environmental education programs for both children and adults. Our Paint Nature competition in the Dominican Republic attracted 500 entries from more than 100 educational centers. In Nicaragua we sponsored a Young Environmentalist program and, in Mexico, partnered with CONAFOR (the national forest commission) to present environmental lectures to the communities surrounding our plants. In Spain we are collaborating with municipal governments to bring to their cities an exhibition called Face to Face with the Extinction Crisis, based on one of our environmental books. In Puerto Rico we continue our partnership with Fideicomiso de Conservación, a conservation trust, to reforest areas surrounding island schools. Now on its fifth year, the program trains hundreds of students in tree cultivation, using the model forest on our site as an example, and gives them trees to plant near their schools.



Hotspots Revisited, the twelfth in our series of conservation books, features the results of a second in-depth analysis of global hotspots, a widely used prioritization strategy for allocating conservation dollars to where they will have the greatest impact. According to the new analysis, an estimated 50% of the world's vascular plants and 42% of terrestrial vertebrates exist in only 34 hotspots.

Environmental awards in 2004

Costa Rica: the Bandera Ecológica environmental program of the Ministerio del Ambiente y Energía, the country's ministry of the environment and energy, which recognizes companies that install and maintain environmental management programs, certified our Patarrá and Colorado plants.

Mexico: CEMEX Mexico's alternative raw-materials program received a Best Practices Award from Centro Mexicano para la Filantropía (CEMEFI).

Nicaragua: Nicaragua's ministry of the environment and natural resources presented CEMEX Nicaragua the Semper Virens award, which recognizes companies that use the most effective processes and technologies to control pollution and protect the environment.

Panama: Panama's national environmental authority and CONEP, the National council of private enterprise, presented the Clean Production award to our Cemento Bayano plant for the cleanest production in the following categories: Technological Innovation in Clean Production, for our alternative fuels project, and Best Implementation of Cleaner Production in Large Companies, for our dust collector filter installation.

Spain: The "Good Image in Quarries and Gravel Mines" prize awarded by ANEFA, the national association of aggregates producers, to the Llimpet quarry in Minorca.

Venezuela: the Chamber of Commerce and Industry in the city of Caroni recognized our Guyana plant as the company with the best environmental performance.





Our commitment to our employees begins with a culture of safety, embodied in our slogan: "Just one day without accidents . . . Today."

Social performance

Employee health and safety

Our commitment to our employees begins with a culture of safety, embodied in our slogan: "Just one day without accidents . . . Today." Each day gives us a new opportunity to improve workplace safety and to prevent accidents. By focusing on safety as a way of life, we not only ensure the highest possible levels of employee health and wellness; we also maintain high morale and productivity.

All of our plants and facilities are responsible for implementing programs to address the fourteen issue areas covered by our global safety management system. These areas include safety training, emergency preparation, health-risk analysis, accident investigation, and process risk management. A key part of our safety management system is SISTER, our electronic monitoring and tracking platform, which allows plant supervisors to access real-time accident data, share best practices, and alert other managers to potential safety concerns.

our performance in 2004

Our unwavering focus on safety has enabled us to improve our overall safety performance in 2004, for the eighth consecutive year. We reduced our overall accident rate to 1.46% from our 2003 rate of 1.60%. This reduction is attributable in large part to our concrete sector's excellent safety results. In 2004, 12 cement plants and 15 concrete clusters achieved a perfect safety record of zero accidents. We recognize the leadership of these facilities and the dedication of all of our employees in bringing us closer to our safety goals.

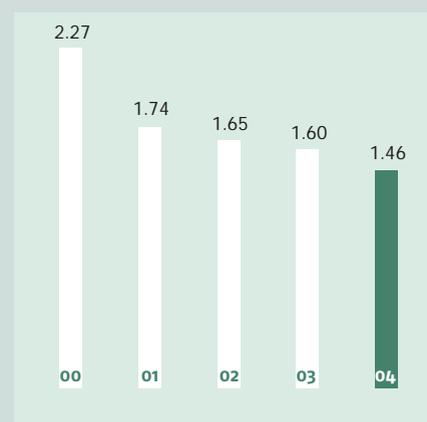
Although we are proud of these achievements, it is with deep regret that we report the deaths of 10 people—two employees, five contractors, and three third parties—in connection with our operations. Any work-related death is unacceptable, and we are working tirelessly to apply our safety training and awareness initiatives to bring the number of workplace fatalities—as well as all accidents—to zero. One key initiative that we are implementing is a method to report, track, and analyze "near-misses"—those incidents that did not result in injuries but could have.

Sharing the industry's best health and safety practices

CEMEX heads the Cement Sustainability Initiative's Employee Health and Safety Task Force (TF3), which comprises individuals from the CSI's twelve member organizations. Through their efforts TF3 has published a compilation of industry best practices entitled *Health & Safety in the Cement Industry: Examples of Good Practice*. This tool kit provides practical advice on good safety practices, focusing on identifying and eliminating the causes of injuries and fatalities in the industry. It also provides guidelines for employee health and concentrates on concerns common to the industry—for example, those related to alternative fuel use.

This publication is one example of how CSI member organizations are sharing experiences and expertise to improve health and safety performance across the entire cement industry.

CONSOLIDATED ACCIDENT RATE 2000–2004



This chart represents our overall accident rate for directly employed individuals in all CEMEX operations.

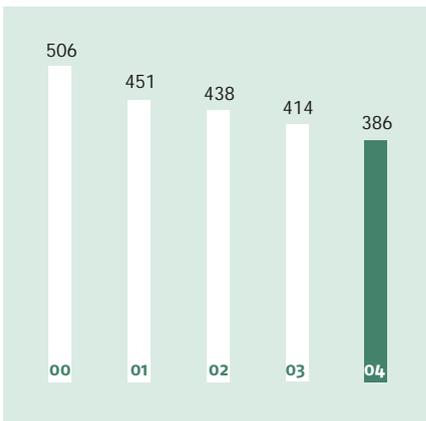
CEMEX consolidated accident indicators	2004	2003	2002	2001	2000
Accident rate	1.46	1.60	1.65	1.74	2.27
Lost-time injuries: directly employed ¹	386	414	438	451	506
Lost-time Injuries: indirectly employed ²	25	35	44	53	N/A
Fatalities: directly employed	2	7	4	6	10
Fatalities: indirectly employed	5	4	12	1	2
Fatalities: third parties ³	3	1	4	3	4
Fatality rate per 10,000 directly employed	0.8	2.7	1.5	2.3	4.5
Injury frequency rate (per 1,000,000 man-hours worked): directly employed	7.3	8.0	8.3	8.7	11.3
Average severity rate ⁴	41.5	43.1	41.8	29.6	30.1

¹CEMEX employees. ²Indirectly employed individuals include contractors and subcontractors. ³Third parties are individuals who are neither directly nor indirectly employed by CEMEX. ⁴The result obtained by dividing the number of work days by the number of lost-time injuries.



We are proud to recognize the more than 5,000 employees of our South America and Caribbean operations for achieving a record low accident rate of 0.91—down from 1.58 in 2003—while producing more than 10 million metric tons of cement and more than 3 million cubic meters of ready-mix concrete. This safety rate sets a new benchmark of performance excellence and challenges us to maintain our focus on accident and risk reduction across all our operations.

**TOTAL LOST-TIME INJURIES
2000–2004**



This chart represents the total number of lost-time injuries for directly employed individuals in all CEMEX operations.

Our ultimate safety goal is zero accidents, zero fatalities. We have established the following safety objectives for 2005:

- > Implement risk-prevention programs in the concrete sector, especially in the area of driver training and certification
- > Work to ensure that safety-performance improvements in the cement sector are made permanent
- > Continue to pursue certification of our plants and facilities to the OHSAS 18001 standard
- > Strive to reduce the average severity rate of our lost-time injuries by improving injury diagnosis, providing individualized medical evaluations to injured employees, and coordinating treatment and rehabilitation to facilitate more rapid recovery and reintegration into the workforce

safety training and awareness

We have made significant investments to ensure that our employees have the knowledge and tools to assure their own safety and that of their coworkers. We provide employees with protective equipment and rigorous instruction using the most advanced training technology. New employees undergo initial safety instruction, and all employees regularly attend refresher courses.

We reinforce employee training through weekly and monthly safety meetings. We use both formal and informal communication pathways to emphasize safety issues and institutionalize proper workplace procedures. We also conduct safety audits and risk assessments to determine where to focus our efforts. For example, each of our cement plants in Mexico has a designated safety assessor who is responsible for coordinating safety training, conducting risk assessments, and organizing safety education programs. In Thailand an 11-member safety committee composed of managers, coordinators, and supervisors oversees all workplace safety matters.

We also promote safety across our organization through the CEMEX Safety Awards. In 2004 our plants in Spain, Mexico, the United States, Colombia, and Costa Rica achieved top honors.

Employee health and wellness

Our employees' quality of life depends not only on a safe work environment but also on each individual's ability to manage his or her overall health and well-being. We have developed comprehen-



Our employees have access to training courses on facility training computers.

Safety awards

Our commitment to safety is reflected in the recognition we have received from outside organizations. For example:*

The Consejo Nacional de Higiene y Seguridad del Trabajo (the National Council of Workplace Health and Safety) awarded CEMEX Nicaragua its highest honor for the company's development of a health-management system to ensure the health and safety of its manufacturing workers. The president of Nicaragua presented the award on August 18, 2004.

CEMEX Mexico received a National Safety Award from the National Private Transport Association for its "Drive Home Safely" program.

The Consejo Colombiano de Seguridad (the Colombian Safety Board) awarded our Colombia operations the Emerald Cross for our occupational health work, in particular Plan SOL, the program we began in 2000 to implement our global safety-management system in all of our operations.

Among the many honors earned by our U.S. cement plants was the PCA Safety Excellence Award, presented to our Clinchfield cement plant for operating with no lost-time injuries in the past 10 years.

* For a complete list of our safety awards, please visit our website.

sive health-awareness and preventive-care programs that help our people address physical, environmental, and behavioral factors that could lead to sickness or injury. We encourage employees to take advantage of on-site educational seminars on topics such as stress management, nutrition, and ergonomics.

We offer preventive health exams that screen for cardiovascular, respiratory, vision, and other physical risks. In Colombia, for example, 350 employees from our 4 cement and 18 ready-mix plants participated in health check-ups. In the Philippines we monitor employees with chronic health issues such as high blood pressure and diabetes to ensure that they receive proper medical care. In Panama we conduct annual health checkups for all employees, including special tests such as chest and spinal X-rays when warranted by an employee's medical history.

To fight the spread of infectious disease, we have established vaccination programs for employees at many of our locations around the world. In Mexico we participated in a national vaccination campaign in 2004. In partnership with private laboratories and preventive-medical-services units from the Instituto Mexicano del Seguro Social, Mexico's public health agency, CEMEX Mexico delivered more than 2,500 doses of hepatitis A and B, measles, tetanus, rubella, and influenza vaccine to employees.

Employee training and development

We owe our competitive standing to the skill and talent of our employees. We invest up to U.S.\$13 million per year to foster our employees' continued professional development. And through our specialized training programs we are creating a new generation of CEMEX leaders.

- CEMEX Graduate Scholarship Program—offers qualified employees graduate scholarships to top international universities. Applicants must be full-time, high-performance employees with at least two years of seniority and must demonstrate exceptional promise and be willing to relocate internationally.
- Global Leadership Program—develops high-potential executives for leadership positions through individualized programs including formal education, professional coaching, team assignments with real-life challenges, and management-team mentoring.
- New Talents Program—allows selected employees or recent college graduates to spend one year in key operational areas and six months in the functional area most suited to their skills and preferences.
- Web-based Training—our CEMEX Plaza intranet portal gives employees access to our learning management system, which offers cross-functional instruction in areas such as customer service, finance, and project management.



**E M P R E S A
SOCIALMENTE
RESPONSABLE**

Training around the world

Our operations conduct training programs tailored to the particular needs of each country's workforce. For example, 142 corporate managers in Bogota, Colombia, participated in a multi-faceted workshop series entitled Enlázate con CEMEX (Connect with CEMEX), which focused on the business aspects of production, distribution, and facilities management. In the Dominican Republic all employees were involved in at least two development activities in the past year, averaging 5.7 hours of instruction per employee. In Mexico, 405 employees took part in courses on creativity and strategic thinking. Each of our employees in Mexico is encouraged to create an individual development plan that charts a course for enhancing his or her professional capabilities.

Partnering with communities

We partner with our communities to develop and implement programs to address local needs and improve quality of life. We contribute directly to philanthropic causes, donating money and building materials to support educational, health, environmental, and cultural initiatives. We also encourage CEMEX employees to participate in volunteer activities. More importantly, we invest significant time and resources to create model programs that foster self-sufficiency, improve socioeconomic well-being, and provide greater access to our products and services.

Patrimonio Hoy

Established in Mexico in 1998, Patrimonio Hoy is our flagship initiative to provide low-income families with reliable access to low-cost materials to upgrade their homes. We help organize groups of individuals that pool money in a structured savings plan to purchase our high-quality building materials at locked-in prices. We also offer participants technical advice and comprehensive customer service, including conveniently scheduled deliveries that reduce construction waste resulting from lack of on-site storage.

The program has been very successful, eliminating the credit issues that have prevented customers with limited financing options from achieving their construction goals. For example, one Patrimonio Hoy participant, who previously lived in a single-room dwelling with her family of six, has been able to add seven rooms and a set of stairs to her house over the past five years.

Through Patrimonio Hoy we are creating a loyal customer base for our products while improving the quality of life of our participants. We have also created a business model in Patrimonio Hoy that we expect to generate as much as U.S.\$2 million in net profits for fiscal year 2005. As a proven, viable model for reaching low-income customers, the program has received the attention of base-of-pyramid strategists from around the world. We are working to expand the Patrimonio Hoy approach to our other countries of operation. To date, we have established 61 community offices in Mexico serving 103,000 families. We will implement this program in Colombia in 2005.

Educating girls in Egypt

We continued our involvement, begun in 2003, in the Egyptian government's initiative to promote the education of young girls, a program led by Suzanne Mubarak, first lady of the Arab Republic of Egypt. In partnership with the Assiut Governorate and the National Council on Childhood and Motherhood, we built and equipped eleven schools in 2003 and ten more in 2004 in remote villages of Assiut. The schools, which educate girls who otherwise would not have access to education, also enhance the lives of local families by serving as first aid and community centers where social events, meetings, and educational programs are held.



The schools we have built in Assiut, Egypt, provide inspiration to residents by joining the promise of socioeconomic advancement for rural Egyptian women with architectural beauty and functionality.

For the second consecutive year, CEMEX Mexico has received the ESR award presented by CEMEFI (the Mexican Center for Philanthropy). Each year the ESR award recognizes excellence in corporate ethics, employee programs and workplace quality of life, community relations, and environmental performance. CEMEX Mexico was honored to receive CEMEFI Best Practices awards in 2004 for its Congruencia and Patrimonio Hoy programs.



In 2004 we continued our Granja Integral project in Colombia, which supports farming and animal husbandry activities in local communities by providing families with sheep or pigs to start their own farms and by teaching courses in the preparation of meat products, crop cultivation, and worm farming. In 2004, 210 people participated in this program.

Building a cultural center in Bogota, Colombia

We have entered into an alliance with Corporación día del Niño, an educational NGO, and the Barrio Mexico community in the southern part of Bogota, Colombia, to build a cultural center that will serve more than 1,300 families. CEMEX has taken a leadership role in the project, donating land, participating in architectural planning, and constructing the building, which will be completed in 2005. CEMEX serves on the center's board of directors and will fund a children's center that will promote children's rights and cultural development in the community. CEMEX has committed to assist in the project for three years.

Promoting health and wellness in the community

We support community well-being through targeted health and wellness programs. For example:



Nicaragua

We helped fund a mobile health diagnostic unit as part of an initiative promoted by the office of the first lady, Mrs. Lila T. de Bolaños.



Mexico

We partner with local health organizations such as Centros de Salud and COMUSIDA Zapotiltic (the Zapotiltic Municipal Council for the Prevention of AIDS) to present seminars on topics such as HIV-AIDS awareness, drug- and alcohol-abuse prevention, dental and vision care, and healthy lifestyles.



Dominican Republic

CEMEX supported the formation of DSPLR (the Dominican Society for the Prevention of Labor Risk), the first professional organization in the country of its kind. Together with DSPLR and INTEC University, we are implementing a construction safety program to reduce workplace sickness and accidents in our industry.



Costa Rica

We provided medical services for 305 school children from 15 schools in 2 communities and also sponsored a Healthy Skin Day during which more than 800 community members were treated by 10 participating dermatologists.



Philippines

Our medical, dental, and Feed-a-Kid programs focus community attention on health and hygiene.

Community-development programs*

Bangladesh

Following the devastating floods of August 2004, we participated in local flood-relief programs, providing 2,600 families with food and other supplies purchased with company funds. CEMEX employees in Bangladesh and our other Asian business units also contributed to the efforts.

Colombia

Through our partnerships with ASOCRETO and ICPC, the Colombian concrete and cement producers associations, and the IDU (the Institute of Urban Development), we teach construction professionals how to use our products and meet their building challenges. These programs also promote the broader use of our products.

Costa Rica

Together with the city of San José and ROI Consultores, we participate in El Barrio que Queremos, the Neighborhood We Love, a program whose goal is to work with municipal authorities to build streets and security and public transportation infrastructure.

Dominican Republic

We launched the CEMEX with Schools program to promote ecological curricula in community schools. We sponsored ecological workshops in which the state educational department, educational professionals, the PLAN LEA project, and CEMEX employees participated.

Egypt

We partnered with the Future Generation Foundation (FGF), a non-profit NGO that works to develop Egypt's human resources by offering worker training and development programs. CEMEX sponsored FGF charity events and provided scholarships to Assiut youth.

Mexico

Our Congruencia program promotes social equality and access for disabled people by supporting handicapped-accessible infrastructure projects and purchasing goods and services from suppliers that employ disabled workers.

Panama

We hosted a full-day safety event for employees' children, Getting to Know my Dad's Work, featuring presentations by firefighters, police officers, and safety-equipment suppliers. We also conducted a "clean hands" campaign.

Philippines

We support ongoing projects in several communities focusing on children's education such as our Isang Lapis, Isang Papel, or One Pencil, One Paper program.

* For more information on our global community initiatives, please visit our website, www.cemex.com.



In the Philippines our medical, dental, and health-education programs afford local communities greater access to health care and heighten awareness of health and hygiene issues.

Glossary

Accident rate is the result obtained by multiplying the number of lost-time injuries recorded in a one-year period by 100 and dividing the product by the number of employees in the same period.

Aggregates are sand and gravel mined from quarries, which give ready-mix concrete its necessary volume and add to its overall strength.

Calcination is the process by which limestone, clay, and iron oxide are heated to produce clinker.

Cement is a powdery binding material that is mixed with sand, gravel, or other aggregates to make concrete.

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.

Concrete is a mixture of cement as a binding agent, fine aggregates (sand), coarse aggregates (gravel), and water.

EBITDA 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.

Ecoefficiency is the optimization of energy and raw materials to produce an economic and environmental benefit by reducing environmental impact.

Free cash flow equals EBITDA minus net interest expense, capital expenditures, change in working capital, taxes paid, and other cash items (net other expenses less nonoperating asset disposal).

Interest coverage equals EBITDA divided by financial expenses.

Lost-time injury is a work-related injury causing an absence of one or more working days (or shifts), counting from the day after the injury until the person returns to normal or restricted work.

Metric ton is the equivalent of 1.102 short tons.

Net debt equals total debt plus equity obligations minus cash and cash equivalents.

Pozzolana is a volcanic ash that contains silica, alumina, lime, and other materials and which is used in the preparation of hydraulic cement.

Ready-mix concrete is a mixture of cement, aggregates, and water.

Sustainable development is defined as forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs.

Contact information

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We believe that this sustainability report gives us an opportunity to engage in candid dialogue with our stakeholders regarding sustainability issues, challenges, and opportunities. We welcome your comments and suggestions.

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