UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

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

For the transition period from ______ to ______

Commission file number 333-10682, 333-11150 and 333-11382

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

CEMEX Corp.
(Translation of Registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Ave. Constitución 444 Pte. Monterrey, Nuevo León, México 64000
(Address of principal executive offices)

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

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

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

Not applicable
(Title of Class)

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

Not applicable
(Title of Class)

SEC 1852 (11-99)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,353,897,680 CPOs
2,959,216,418 Series A shares (including Series A shares underlying CPOs)
1,479,608,209 Series B shares (including Series B shares underlying CPOs)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ___

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ___ Item 18 ✓

CEMEX, S.A. DE C.V.

1999 ANNUAL REPORT

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On September 28, 1999, the United States Securities and Exchange Commission adopted international disclosure standards for foreign private issuers that will become mandatory for annual reports relating to fiscal years ending on or after September 30, 2000. CEMEX has prepared this annual report in accordance with the new standards on a voluntary basis.

CEMEX, S.A. DE C.V.
Annual Report

PART I

Item 1 - Identity of Directors, Senior Management and Advisors

Not applicable to annual reports on Form 20-F.

Item 2 - Offer Statistics and Expected Timetable

Not applicable to annual reports on Form 20-F.

Item 3 - Key Information

Risk Factors

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

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

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

We have incurred and will continue to incur significant amounts of debt, which could have an adverse effect on the price of our CPOs and ADSs. Since the value of our ADWs and appreciation warrants is linked to the price of our CPOs, prices of these securities could also be adversely affected by our debt levels. As of December 31, 1999, we owed Ps41.6 billion (U.S.$4.4 billion), not including obligations under equity derivative financing transactions. Our indebtedness may have important consequences, including increased interest costs if we are unable to refinance existing indebtedness on satisfactory terms. In addition, debt instruments governing a substantial portion of our indebtedness contain various covenants which require us to maintain financial ratios, restrict asset sales and dictate the use of proceeds from the sale of assets. These restrictions could limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

Most of our debt is denominated in Dollars. However, this debt must be serviced by funds generated from sales received by our subsidiaries, most of which are not in Dollars. Consequently, a devaluation or depreciation in the value of the Peso or any of the other currencies of the countries in which we operate compared to the Dollar could adversely affect our ability to service our debt.

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

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

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

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

Our use of equity derivative financing and other financing may have adverse effects on the market for our securities, and our subsidiaries' securities, and may adversely affect our ability to achieve operating efficiencies as a combined group.

In recent years, we have engaged in several equity derivative financing transactions involving shares of our capital stock and shares of capital stock of our subsidiaries as a source of financing. As of December 31, 1999, our equity derivative financing transactions included an equity swap relating to 24.8% of the outstanding shares of Valenciana, having a notional amount of U.S.$500 million. In addition, in December 1999, we entered into three-year forward contracts with a number of banks covering our own equity securities and 12.2% of the outstanding shares of Valenciana. The net present value of our outstanding obligations under these forward contracts, after giving effect to a U.S.$439.9 million prepayment by us upon closing, was U.S.$471.8 million at December 31, 1999. We also have several other, less significant, outstanding equity derivative transactions.

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

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

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

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

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

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

Our Mexican and Venezuelan operations are subject to anti-dumping rulings by the U.S. Commerce Department which may limit their ability to export cement to the United States.

Since April 1990, our exports of gray cement and clinker to the United States from Mexico (representing 5% of total sales volume of our Mexican operations in 1999) have been subject to U.S. anti-dumping duties, and importers of gray cement and clinker from Mexico, including our U.S. operations, have been required to pay substantial cash deposits to the U.S. Customs Service to secure the eventual payment of those duties.

Under an anti-dumping suspension agreement entered into with the Commerce Department, Vencemos is prohibited from selling gray cement or clinker in the United States (representing 31% of the total sales volume of our Venezuelan operations in 1999) at a price less than “foreign market value”, as determined by the Commerce Department each quarter. It is uncertain whether the foreign

market value as determined by the Commerce Department will enable Vencemos to compete profitably in the U.S. market.

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

We have received notices from the Mexican tax authorities of tax claims in respect of the 1992 and 1993 tax years for an aggregate amount of approximately Ps2.6 billion, including interest and penalties through December 31, 1999. An adverse resolution of these claims could materially reduce our net income. See "Business—Regulatory Matters and Legal Proceedings—Tax Matters."

Our operations are subject to environmental laws and regulations

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

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

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

The largest percentage of our net sales (44%) and total assets (33%) are in Mexico. If the Mexican economy falls into a recession or if Mexican inflation and interest rates increase significantly, our net income from our Mexican operations may decline materially because construction activity may decrease, which may lead to a decrease in cement sales. We also have significant interests in Spain (15% of net sales and 14% of total assets), the United States (11% of net sales and 5% of total assets), Venezuela (9% of net sales and 7% of total assets), Central America and the Caribbean (7% of net sales and 4% of total assets), Colombia (3% of net sales and 6% of total assets), the Philippines (2% of net sales and 5% of total assets), Egypt (4% of total assets) and Indonesia (2% of total assets). As in the case of Mexico, adverse economic conditions in any of these countries may produce a negative impact on our net income from our operations in that country. All percentages of net sales and total assets in this paragraph are stated as of December 31, 1999.

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

We believe that Egypt, where we have recently made a significant investment, represents an important market for our future growth. Although the political situation in the Middle East has been stabilized to some extent by the ongoing Arab-Israeli peace process, and Egypt and Jordan have entered into a formal peace treaty with Israel, there can be no assurance that the peace process will continue. Instability in the region may result from the failure of that process as well as from factors that, among others, may include government or military intervention in decision making, civil unrest or extremism. Within Egypt, extremists have engaged in a campaign, sometimes violent, against the government in recent years. There can be no assurance that extremists will not escalate their violent campaign of opposition in Egypt nor that the government will continue to be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and consequently on our Egyptian operations.

Our financial condition, results of operations and liquidity could be adversely affected by political uncertainty and economic instability associated with the July 2, 2000 presidential elections in Mexico.

Mexican presidential elections are scheduled for July 2, 2000. The political uncertainty associated with the elections could result in economic instability in Mexico. It is difficult to predict the effects of such economic instability, but they may include:

- a decline in the value of securities of Mexican issuers;
- depreciation of the Peso as compared to the Dollar and other currencies; and
- a general decline in economic activity in Mexico, which could adversely affect the operating results of our Mexican operations.

The negative effects of economic instability in Mexico could adversely affect our financial condition, our results of operations and our ability to raise money in the capital markets, thereby adversely affecting our liquidity. We cannot predict how long any such economic instability could last following the elections.

Cautionary Statement Regarding Forward-Looking Statements

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

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

Mexican Peso Exchange Rates

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

Following the abolition of exchange controls in November 1991, the Mexican Central Bank, through interventions in the foreign exchange market, had kept the Peso-Dollar exchange rate within a range prescribed by the Mexican government. However, on December 21, 1994, the Mexican Central Bank abandoned the official devaluation band, allowing the Peso to float freely in currency markets. The Peso lost 59% of its value against the Dollar during 1994 and 53% of its value against the Dollar during 1995. The Peso depreciated against the Dollar by 1.9% in 1996, 2.4% in 1997 and 22.7% in 1998, and appreciated against the Dollar by 3.9% in 1999. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. The CEMEX accounting rate represents the average of three different exchange rates that are provided to us by Banco Nacional de México, S.A., or Banamex. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Pesos in New York City published by the U.S. Federal Reserve Bank of New York. We cannot predict the value of the Peso or assure you that the Mexican government will not establish new exchange controls in the future.

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

	CEMEX Accounting Rate				Noon Buying Rate			
Year ended December 31,	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
1995	7.730	6.472	8.043	5.133	7.740	6.442	8.050	5.270
1996	7.880	7.615	7.638	7.423	7.881	7.600	8.045	7.325
1997	8.070	7.969	8.500	7.725	8.070	7.970	8.410	7.720
1998	9.900	9.180	10.653	8.073	9.901	9.245	10.630	8.040
1999	9.510	9.547	10.607	9.263	9.480	9.562	10.600	9.240
1999								
December	___	___	___	___	___	___	9.31	9.53
2000								
January	___	___	___	___	___	___	9.64	9.40
February	___	___	___	___	___	___	9.60	9.35
March	___	___	___	___	___	___	9.36	9.18
April	___	___	___	___	___	___	9.50	9.29
May	___	___	___	___	___	___	9.63	9.33
June (through June 21, 2000)	9.859	9.781	9.919	9.515	9.815	9.779	9.933	9.490

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

The noon buying rate for Pesos on June 21, 2000 was Ps 9.815 to U.S.$1.00.

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

For a discussion of the financial treatment of our operations conducted in other currencies, see "Selected Consolidated Financial Information."

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five fiscal years ended December 31, 1999 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 1998 and 1999 and for each of the three fiscal years ended December 31, 1999, have been derived from, and should be read in conjunction with and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included elsewhere in this annual report.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican GAAP, which differs in significant respects from U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this annual report are stated in constant Pesos as of December 31, 1999. See Note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

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

In 1997, we adopted the provisions of Bulletin B-15 of the Mexican Institute of Public Accountants. Beginning in 1997, the Pesos previously reported were increased to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index is calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion our assets in each country represents of our total assets. Prior to 1997, previously reported Pesos were restated using the Mexican inflation rate. Bulletin B-15 does not require that 1995, as originally reported, be updated using the weighted average inflation index. Therefore, the financial data set forth below for 1995 were first updated for inflation using the Mexican inflation rate to Pesos of constant purchasing power as of December 31, 1996, and updated for inflation thereafter using the weighted average index. The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of December 31, 1999:

	Mexican Inflation Factor to 1996	Cumulative Weighted Average Index to December 31, 1999	Total Inflation Factor to December 31, 1999
1995	1.2770	1.3417	1.7134
1996	n.a.	1.3417	1.3417
1997	n.a.	1.2595	1.2595
1998	n.a.	1.0011	1.0011

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts at an exchange rate of Ps 9.51 to U.S.$1.00, the CEMEX accounting rate as of December 31, 1999. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. The noon buying rate for Pesos on December 31, 1999 was Ps9.480 to U.S.$1.00 and on June 21, 2000 was Ps 9.815 to U.S.$1.00. From December 31, 1999 through June 21, 2000, the Peso depreciated by approximately 3.5% against the Dollar, based on the noon buying rate for Pesos.

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

Selected Consolidated Financial Information

	As of and for the year ended December 31,					
	1995	1996	1997	1998	1999	1999
	(in millions of constant Pesos as of December 31, 1999 and Dollars, except share and per share amounts)					
Income Statement Information:						
Net sales	Ps. 33,961	Ps. 35,579	Ps. 38,506	Ps. 42,767	Ps. 45,914	U.S.$4,828
Cost of sales(1)	20,712	21,574	23,596	24,728	25,581	2,690
Gross profit	13,249	14,005	14,910	18,039	20,333	2,138
Operating expenses	5,141	5,524	5,811	6,367	6,672	702
Operating income	8,108	8,481	9,099	11,673	13,661	1,436
Comprehensive financing income (cost), net(2)	7,506	5,594	1,613	(1,310)	(275)	(29)
Other income (expense), net	(2,144)	(1,803)	(1,398)	(1,508)	(2,823)	(297)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	13,470	12,272	9,314	8,855	10,563	1,111
Minority interest(3)(4)	1,442	1,257	1,084	391	536	56
Majority net income	10,056	10,330	7,733	7,961	9,249	973
Earnings per share(5)(6)(7)	2.61	2.65	2.01	2.10	2.45	0.26
Dividends per share(5)(8)	0.29	- (9)	0.39(10)	0.44(11)	.50(12)	0.05
Number of shares outstanding(5)(6)	3,858	3,909	3,804	3,774	4,098	4,098
Balance Sheet Information:						
Cash and temporary investments	4,697	4,321	3,866	4,032	3,104	326
Net working capital investment(13)	7,506	6,459	5,977	6,327	6,644	699
Property, machinery and equipment, net	65,407	60,713	61,043	60,872	65,825	6,922
Total assets	110,859	105,113	103,993	103,665	112,829	11,864
Short-term debt	11,528	8,618	6,682	10,960	9,796	1,030
Long-term debt	40,179	41,803	40,258	31,083	31,768	3,340
Minority interest(3)(4)	11,772	10,574	12,005	12,398	11,912	1,253
Stockholders' equity (excluding minority interest)(14)	38,121	35,278	35,727	38,527	49,282	5,182
Book value per share(5)(6)	9.88	9.02	9.39	10.21	12.03	1.26
Other Financial Information:						
Operating margin	23.9%	23.8%	23.6%	27.3%	29.8%	29.8%
EBITDA(15)	10,798	11,496	12,129	14,713	17,037	1,791
Ratio of EBITDA to interest expense and capital securities dividends(16)	1.25	1.63	2.34	2.96	3.50	3.50
Investment in property, machinery and equipment, net	2,776	2,398	3,402	3,231	2,528	266
Depreciation and amortization	4,180	3,747	4,252	3,894	4,123	434
Net resources provided by operating activities(17)	18,801	16,154	12,867	12,065	14,661	1,542

(footnotes on next page)

	As of and for the year ended December 31,			
	1997	1998	1999	1999
	(in millions of constant Pesos as of December 31, 1999 and Dollars, except share and per share amounts)			
U.S. GAAP(18):				
Income Statement Information:				
Majority net sales	Ps.40,236	Ps.47,353	Ps.45,303	U.S.$4,764
Operating income	7,031	10,608	10,044	1,056
Majority net income	7,087	5,620	5,362	564
Basic earnings per share	1.84	1.49	1.42	0.15
Diluted earnings per share	1.75	1.48	1.41	0.15
Balance Sheet Information:				
Total assets		119,134	120,432	12,664
Total long-term debt		38,867	33,812	3,555
Minority interest		8,793	13,356	1,404
Total majority stockholders' equity		34,735	35,301	3,712

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(1) Cost of sales includes depreciation.

(2) Net comprehensive financing income (cost), net includes financial expenses, financial income, gain (loss) on marketable securities, foreign exchange result, net and monetary position result. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) In July 1995, Sunward, our indirect wholly-owned subsidiary, entered into an equity swap transaction with a financial institution pursuant to which Sunward transferred a portion of its holdings of the capital stock of Valenciana to a special purpose entity in exchange for Ptas40 billion. This equity swap transaction was initially refinanced for U.S.$320 million in August 1997. As of December 31, 1998, the transaction was partially completed for a notional amount of U.S.$422.5 million. The transaction was finalized during the first quarter of 1999 for a notional amount of U.S.$500 million (Ps4.8 billion). Sunward has an option to reacquire the shares of Valenciana that are subject to this transaction in June 2001, for an aggregate price of U.S.$500 million. Prior to the initial refinancing in August 1997, this transaction was accounted for as a minority interest in our income statement. In our income statements for all the periods presented above, we have included the cost of retaining this option in financial expenses. For purposes of the balance sheets presented above, however, all Valenciana shares subject to this equity swap transaction are treated as having been owned by an unaffiliated third party. As of December 31, 1999, the number of shares subject to this transaction represented 24.8% of the outstanding capital stock of Valenciana. We retain all economic and voting rights over these shares.

(4) In December 1999, we entered into forward contracts with a number of banks. Under the forward contracts, the banks purchased from us 21,000,000 ADSs and 33,751,566 shares (or 12.2%) of the common stock of Valenciana for an aggregate purchase price of approximately U.S.$905.7 million, or the notional amount. Absent a default under the forward contracts, the banks are required to deliver to us a number of Valenciana shares equal to that sold to them on December 13, 2002, against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the notional amount accreted at a fixed annual rate of interest. The forward contracts provide for early delivery of ADSs and Valenciana shares to us in some circumstances. Upon closing of the transaction, we made to the banks an advance payment of approximately U.S.$439.9 million of the forward purchase price, and we are required to make periodic payments to the banks during the life of the forward contracts and upon the occurrence of specified events. For accounting purposes under Mexican GAAP, the sale of the Valenciana shares to the banks and the immediate prepayment of the portion of the forward purchase price relating to those shares is not considered to be a sale. As a result, absent a default under the forward contracts, the transaction does not and will not have any effect on minority interests, in either our income statements or our balance sheets. We retain all voting and economic rights with respect to the Valenciana shares purchased by the banks. Although our obligations under the forward contracts are not treated as debt on our balance sheet under Mexican GAAP, we include the net cost of the forward contracts in financial expenses.

(5) On September 15, 1999, we effected a stock split. For every one of our shares of any series we issued two series A shares and one series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange new ADSs and new CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As a result, as of December 31, 1999, approximately 88.3% of our outstanding share capital was represented by CPOs.

(6) The number of shares outstanding represents the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.

(7) For purposes of this table, 1995 earnings per share are determined by dividing majority interest net income by the number of shares outstanding at period-end, including shares subject to equity derivative financing transactions. For 1996 through 1999, earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in Note 19 to the audited financial statements included elsewhere in this annual report.

(8) Dividends declared at each year's annual meeting are reflected as dividends of the preceding year.

(9) We did not declare or pay dividends in respect of 1996; rather, management recommended and stockholders approved a share repurchase program. As a result of that share repurchase program, as of December 31, 1997, 72 million shares were acquired for an amount of approximately Ps1.2 billion.

(10) At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the stockholders approved a dividend of Ps0.39 per share; instead of receiving that dividend in cash, stockholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps12.72 per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps338 million was paid in cash.

(11) At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the stockholders approved a dividend of Ps0.44 per share; instead of receiving that dividend in cash, stockholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.45 per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps259 million was paid in cash.

(12) At our 1999 annual shareholders' meeting, which took place on April 27, 2000, our board of directors recommended and the shareholders approved a dividend of Ps1.5 per CPO; instead of receiving that dividend in cash, stockholders were entitled to elect to receive a stock dividend per CPO of Ps1.5 worth of additional CPOs at a price of Ps32.20 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of U.S.$34 million was paid in cash.

(13) Net working capital investment equals trade receivables plus inventories less trade payables.

(14) As mentioned in note (4) above, in December 1999, we entered into forward contracts with a number of banks covering 21,000,000 ADSs. These ADSs are considered to have been sold to the banks, and, therefore, future changes in the fair value of the ADSs will not be recorded until settlement. When we repurchase the ADSs upon settlement, the costs of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity.

(15) EBITDA equals operating income before amortization expense and depreciation. Amortization of goodwill is not included in operating income, but instead is recorded in other income (expense). We present EBITDA because it is used by some investors to measure a company's ability to service debt and is included herein as a convenience only and may not be comparable to similarly titled measures reported by other companies. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operations as a measure of liquidity.

(16) Capital securities dividends consists of accrued dividends on U.S.$250 million aggregate liquidation amount of 9.66% Putable Capital Securities issued by one of our subsidiaries in May 1998.

(17) Net resources provided by operating activities equals majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions. In accordance with Mexican GAAP, operating activities include gain and loss from trading in marketable securities, including realized gain or loss from trading in our capital stock.

(18) We have restated the information at and for the year ended December 31, 1997 in U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico. See Note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.

<u>Item 4</u> - <u>Information on the Company</u>

Business

Unless the context otherwise requires, references in ths annual report to our sales and assets including percentages, for a country or region are calculated before eliminations resulting from consolidation, and thus include intercompany balances between countries and regions. These intercompany balances are eliminated when calculated on a consolidated basis. References in this annual report to "U.S.$" and "Dollars" are to U.S. Dollars, and, unless otherwise indicated, references to "Ps" and "Pesos" are to constant Mexican Pesos as of December 31, 1999.

Our corporate and commercial name is CEMEX, S.A. de C.V. ("CEMEX"). We are a stock corporation with variable capital, or sociedad anónima de capital variable, organized under the laws of the United Mexican States ("Mexico") with our principal executive offices in Ave. Constitución 444 Pte., Monterrey, Mexico 64000. Our main phone number is (011-528) 328-3000. CEMEX's agent for service, exclusively for actions brought by the Securities and Exchange Commission pursuant to the requirements of Regulation C under the Securities Act of 1933, is CEMEX USA, Inc. located at One Riverway, Suite 2200, Houston, Texas 77056.

Founded in 1906, CEMEX is the third largest cement company in the world, based on installed capacity as of December 31, 1999 of approximately 65.4 million tons, and is the world's largest trader of cement and clinker, having traded over 13 million tons of cement and clinker in 1999. We are a holding company engaged, through our operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. We are a global cement manufacturer, with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. As of December 31, 1999, we had worldwide assets of Ps112.8 billion (U.S.$11.8 billion). On June 21, 2000, CEMEX had an equity market capitalization of approximately Ps57.1 billion (U.S.$5.8 billion).

We believe that we are one of the most efficient cement producers in the world. We believe we have achieved this competitive advantage through our significant utilization of technology throughout our entire organization, our superior operating practices, our turnaround expertise in newly acquired operations and our size as one of the largest cement companies in the world.

As of December 31, 1999, our main cement production facilities were located in Mexico, Spain, Venezuela, Colombia, the United States, Egypt, the Philippines, Indonesia, Panama, the Dominican Republic and Costa Rica. As of December 31, 1999, our assets, cement plants and installed capacity were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of December 31, 1999		
	Assets (in billions of constant Pesos)	**Number of Cement Plants**	**Installed Capacity (millions of tons per annum)**
North America			
Mexico	Ps 46.7	15	27.2
United States	6.8	1	1.2
Europe, Asia and Africa			
Spain	20.2	8	10.4
Asia	10.0	3	10.8
Egypt	6.0	1	4.0
South America, Central America and the Caribbean			
Venezuela	10.6	3	4.3
Colombia	8.2	5	4.8
Central America and the Caribbean	5.6	3	2.7
Cement and Clinker Trading Assets and Other Operations	27.9	—	—

In the above table, "Asia" includes our Asian subsidiaries, and, for purposes of the columns labeled "Assets" and "Installed Capacity," our 25.5% interest as of December 31, 1999, in Gresik, an Indonesian cement producer. In addition to the three cement plants owned by our Asian subsidiaries, Gresik operated four cement plants with an installed capacity of 20.3 million tons, as of December 31, 1999. In the above table, "Central America and the Caribbean" includes our subsidiaries in Panama, the Dominican Republic, Costa Rica and other assets in the Caribbean region. In the above table, "Cement and Clinker Trading Assets and Other Operations" includes in the column labeled "Assets" our 11.9% interest in Cementos Bio Bio, a Chilean cement producer having three cement plants with an installed capacity of approximately 2.2 million tons at December 31, 1999.

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

- In 1995, we acquired a controlling interest in Cementos Nacionales, the Dominican Republic's largest cement producer, and in 1997, we acquired substantially all the minority interests in Cementos Nacionales.

- In 1996, we acquired controlling interests in Cementos Diamante and Samper, which combined are Colombia's second largest cement producer. In 1998, we increased our equity interest in Cementos Diamante to approximately 78% and integrated the operations of both companies. During 1999, we further increased our equity interest

in Cementos Diamante to approximately 99.3% of its ordinary shares and 92.3% of its total shares.

- In 1997, we acquired a 30% interest in Rizal, a Philippine cement producer, and in 1998, we increased our economic interest in Rizal to 70%. In September 1999, we contributed our interest in Rizal to CEMEX Asia Holdings, a new subsidiary created to co-invest, with institutional investors, in Asian cement operations. At December 31, 1999, we had a 86.2% interest in CEMEX Asia Holdings, and thus our economic interest in Rizal had been reduced to approximately 60%. Subsequent to December 31, 1999, we had a 77.4% interest in CEMEX Asia Holdings, and thus our economic interest in Rizal had been reduced to approximately 54%.

- In 1998, we acquired a 16.3% interest in Gresik, Indonesia's largest cement producer. In the first quarter of 1999, we increased our interest in Gresik to approximately 22.3%. In the third quarter of 1999, we further increased our interest in Gresik to approximately 25.5%.

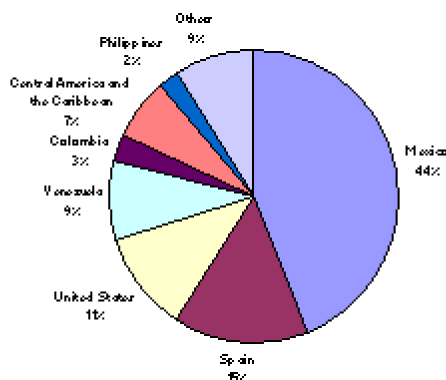
- In February 1999, we acquired a 99.9% economic interest in APO, a Philippine cement producer. In September 1999, we contributed our interest in APO to CEMEX Asia Holdings. As a result of the sales of minority interests in CEMEX Asia Holdings to institutional investors, at December 31, 1999, our economic interest in APO had been reduced to approximately 86.2%. Subsequently, as a result of sales of minority interests in CEMEX Asia Holdings to institutional investors, our economic interest in APO had been reduced to approximately 77%.

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

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

- In November 1999, we acquired a 77% interest in Assiut Cement Company, Egypt's largest cement producer. Subsequently, we increased our interest in Assiut to 90%.

For the year ended December 31, 1999, our net sales, before eliminations resulting from consolidation, were divided among the countries in which we operated as follows:



Our Production Process

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

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

There are two primary processes used to manufacture cement, the more fuel-efficient dry process and the wet process. As of December 31, 1999, 33 of our 39 majority-owned operating production plants used the dry process, four use the wet process and two used both the wet and dry processes. Three of the six production plants that used the wet process are located in Venezuela, where fuel costs are substantially lower than in the other countries in which we operate. The remaining majority owned three production plants that use the wet process are located in Colombia and the Philippines. In the wet process, the raw materials are mixed with water to form slurry which is fed into the kiln. Fuel costs are greater in the wet process than in the dry process because the water

that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the more fuel-efficient dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to precalcine the raw materials before they are calcined to produce clinker.

Finally, clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

User Base

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

North America

As of and for the year ended December 31, 1999, North America, which is comprised of our operations in Mexico and the United States, represented approximately 55% of our net sales, 43% of our total installed capacity and 38% of our total assets.

Our Mexican Operations

Overview

Our Mexican operations represented approximately 44% of our net sales in 1999.

Since the early 1970s, we have pursued a growth strategy designed to strengthen our core operations and to expand our activities beyond our traditional market in northeastern Mexico. This strategy has transformed our Mexican operations from a regional participant into the leading Mexican cement manufacturer. The process was largely completed with our acquisition of Cementos Tolteca, S.A. de C.V. in 1989, which increased our installed capacity for cement production by 6.5 million tons. Since the Cementos Tolteca acquisition, we have added 5.5 million tons of installed capacity in Mexico through acquisitions, expansion, modernization and new plant construction. Our largest new construction project in Mexico in the 1990s was the Tepeaca plant, which began operations in 1995 and had an installed capacity as of December 31, 1999 of 3.2 million tons. We do not presently foresee any significant capacity expansion in our Mexican operations in 2000.

The Mexican Cement Industry

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

Prices. Cement prices, unlike most commodity prices, vary from region to region in Mexico. Regional differences in price are influenced by such factors as supply and demand, economic trends, flexibility in sourcing of raw materials and energy costs within the region.

The cost of cement constitutes a relatively small percentage of total construction costs, and there are few available substitutes. Because of this, demand for cement is usually more dependent on the level of construction in a particular geographic area than on its price. Our average price of cement in constant Peso terms in Mexico decreased 8.7% in 1997, increased 13.7% in 1998 and increased 2.9% in 1999. Our average price of ready-mix concrete in constant Peso terms in Mexico decreased 3.0% in 1997, increased 7.6% in 1998 and increased 4.4% in 1999.

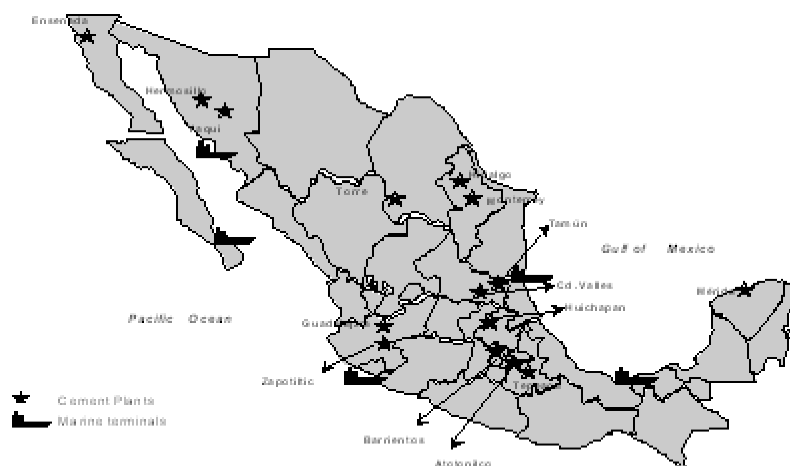
Competition. As recently as the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 25 years the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. Today, the major cement producers in Mexico are CEMEX, Apasco, S.A. de C.V., an affiliate of Holderbank Financiere Glaris Limited, Sociedad Cooperativa Cruz Azul, a Mexican operator, and Cementos Moctezuma, a subsidiary of Lafarge.

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

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

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

Our Mexican Operating Network



We have used our investments to diversify geographically within Mexico. Currently, we operate 15 plants and 77 distribution centers located throughout Mexico. We operate modern plants on Mexico's Atlantic and Pacific coasts, allowing us to take advantage of low-cost maritime transportation to Asian, Caribbean, Central and South American and U.S. markets.

We believe that geographic diversification is important because:

- it decreases the effect of regional cyclicality on total demand for our Mexican operations' products;

- it places our Mexican operations in physical proximity to customers in each major region of Mexico, allowing more cost-effective distribution; and

- it allows us to optimize production processes by shifting output to those facilities better suited to service the areas with the highest demand and prices.

Products and Distribution Channels

Our domestic cement sales represented approximately 79% in 1997, 81% in 1998 and 84% in 1999 of our total Mexican sales revenues. Gray cement is sold in standard types I, II and V, primarily for the export market, and in the form of Puzolanic, an extra-hard, lower-cost type of gray

cement. There is limited demand for specialty cement products in Mexico such as white cement, which is used primarily for decorative purposes. White cement accounted for approximately 1.6% of our Mexican operations' domestic cement volume in 1999.

Cement. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 1999, our Mexican operations sold approximately 73% of their cement sales volume through more than 5,500 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 2.6% of our Mexican operations' total sales by volume for 1999.

We own the registered trademarks for our major brands in Mexico, such as "Cemento Monterrey", "Cemento Tolteca" and "Cemento Anáhuac." We believe that these brand names are important in Mexico since cement is principally sold in bags to retail customers who may develop brand loyalty based on differences in quality and service. The retail nature of the Mexican cement market enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk in a commodity market. Our domestic sales grew 12% in 1997, 7% in 1998 and 5% in 1999.

Ready-Mix Concrete. As of December 31, 1999, we owned a ready-mix concrete distribution network of 216 ready-mix facilities in 81 cities in Mexico and owned 1,140 trucks for the delivery of ready-mix concrete. In addition, we provide a variety of concrete delivery and pumping services in Mexico.

Ready-mix concrete sales volumes by our Mexican operations grew 33% in 1997, 27% in 1998 and 4% in 1999. Although traditionally ready-mix concrete has not been an important product in Mexico because of the availability of low-cost labor and the relatively small size of private sector construction projects, as of December 31, 1999, ready-mix concrete sales represented 10.7% of our Mexican operations' total cement sales volumes.

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

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

Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations decreased 25% in 1997, decreased 45% in 1998 and increased 7% in 1999. In 1999, 47% of our exports from Mexico were to the United States, 30% to the Caribbean, and 23% to Central and South America.

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

Production Costs

Our Mexican operations' cement plants primarily use residual fuel oil, but several are designed to switch to natural gas with minimum downtime. Residual fuel oil and natural gas are supplied by Pemex, the Mexican state-owned oil and gas company. In March 1998, we entered into a 20-year contract with Pemex providing for Pemex to supply us with 900 thousand tons of petcoke per year, commencing in 2001. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distribution of hydrocarbons in petroleum and that may be used as fuel in the production of cement. We expect the Pemex petcoke contract to reduce the volatility of our fuel costs and provide us with a consistent source of petcoke. Since 1992, our Mexican operations have begun to use alternate fuels, reducing the consumption of residual fuel oil and natural gas to 79% of total fuel consumption for 1999.

In 1999, CEMEX, through a subsidiary, reached an agreement with ABB Alstom Power and Sithe Energies, Inc., requiring that Alstom and Sithe finance, build and operate Termoeléctrica del Golfo, a 230 megawatt energy plant in Tamuin, Mexico and supply electricity to CEMEX for a period of 20 years. In return, CEMEX will supply Alstom with 650 thousand tons of petcoke per year over the same period and will buy all the electricity produced by the plant. We expect this project to reduce the volatility of our energy costs and to provide approximately 60% of the electricity needs of 12 of our cement plants in Mexico. We estimate the plant will begin operations by the end of 2002.

We have from time to time purchased hedges from third parties to reduce the effect of volatility in energy prices in Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Description of Properties, Plants and Equipment

As of December 31, 1999, we operated 15 cement plants located throughout Mexico, with a total installed capacity of 27.2 million tons per year. Our Mexican operations' most significant gray cement plants are the Huichapan, Tepeaca and Barrientos plants, which serve the central region of Mexico, the Monterrey, Valles and Torreón plants, which serve the northern region of Mexico,

and the Guadalajara and Yaqui plants, which serve the Pacific region of Mexico. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that these limestone and clay reserves have an average life of more than 60 years, assuming 1999 levels of production. As of December 31, 1999, all our production plants in Mexico utilized the dry process. As a result of our rationalization of our Mexican operations, we recorded an impairment charge on several of our operating plants in Mexico during 1999. See Note 8 to our consolidated financial statements included elsewhere in this annual report for a description of this impairment charge.

As of December 31, 1999, we had a network of 72 land distribution centers in Mexico, which are supplied through a fleet of CEMEX-owned trucks and rail cars, as well as leased trucks and rail facilities and five marine terminals. In addition, we had 216 ready-mix concrete plants throughout 81 cities in Mexico and 1,140 ready-mix concrete delivery trucks.

Capital Investments

Our Mexican operations' capital expenditures were approximately U.S.$75 million in 1997, U.S.$57 million in 1998 and U.S.$90 million in 1999. We currently expect to make capital expenditures in our Mexican operations of approximately U.S.$87 million during 2000.

Our U.S. Operations

Overview

Our U.S. operations represented approximately 11% of our net sales in 1999. Our U.S. operations are organized under Sunbelt Investments, a holding company whose sole asset is 100% of the capital stock of CEMEX USA.

We believe that the U.S. market offers attractive, long-term opportunities. We operate in Texas, Arizona and California. We lease and operate an efficient low-cost cement plant in New Braunfels, Texas, referred to as the Balcones plant, which as of December 31, 1999 had an installed capacity of 910 thousand tons per year.

We have established operations in Texas, California and Arizona. Our operations in these states are primarily engaged in the production of cement, ready-mix concrete, asphalt, aggregates and other construction-related materials.

Our cement terminals in California, Arizona and Texas have allowed us to maintain a significant presence in those states. In these states, we acquire cement and supplies from our Mexican operations, our Spanish operations, our Asian operations, local firms and regional distributors. In Texas, where we operate the Balcones plant and are one of the region's primary ready-mix concrete operators, we produce and purchase cement from some of our other subsidiaries.

The Cement Industry in the United States

Prices. Within each region, there are variations in prices which arise due to fluctuations in supply and demand. Prices are also subject to variation due to fluctuations in the regional and national economies.

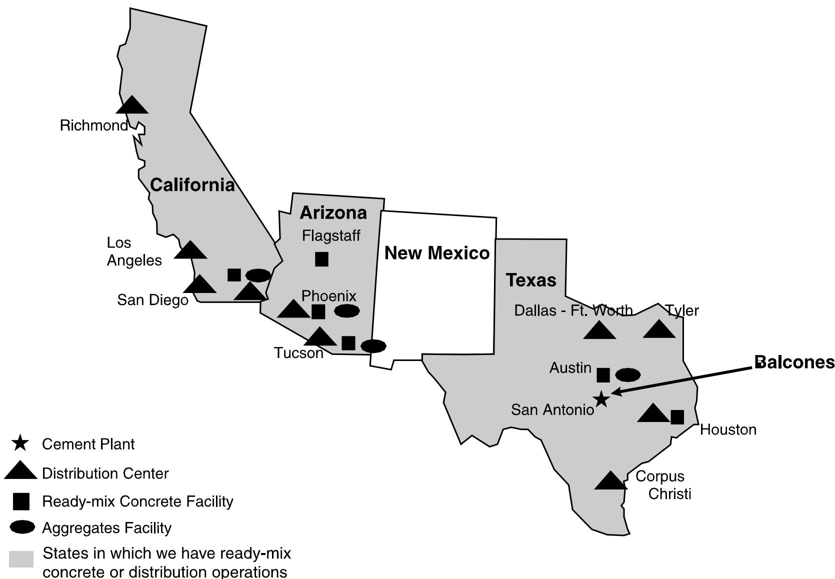
In the regions where CEMEX USA operates, our average cement prices increased 4.7% in 1997, 8.9% in 1998 and 3.2% in 1999. In addition, our average ready-mix concrete prices increased 1.1% in 1997, 5.1% in 1998 and 6.2% in 1999, while our average aggregates prices decreased 1.3% in 1997, decreased 0.4% in 1998 and increased 11.6% in 1999.

Competition. As a result of the lack of product differentiation and the commodity nature of cement, the cement industry in the United States is highly competitive. We compete with national and regional cement producers in Texas, Arizona and California. CEMEX USA's principal competitors in Texas are Alamo Cement Co., Capitol Aggregates Inc., Holnam, Inc., North Texas Cement Co, Texas Industries, Inc. and Texas-Lehigh Cement Co. In Arizona, CEMEX USA's principal competitors are Arizona Portland Cement, Phoenix Cement Co. and Southdown Inc., and in California they are California Portland Cement, Calaveras Cement Co., Kaiser Cement Corp., Mitsubishi Cement Co., National Cement Co., RCM Lonestar, Southdown Inc. and TXI-Riverside Cement Co.

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

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

Our United States Operating Network



California. We are one of the largest cement distributors in California, based on 1999 sales volumes, according to the Portland Cement Association. We currently operate four cement distribution centers, located in Richmond, Long Beach, San Diego and El Centro. We are also an important producer of ready-mix concrete and aggregates in Southern California.

Arizona. In Arizona, we are an important producer and supplier of ready-mix concrete and aggregates, particularly in the Phoenix, Tucson and Flagstaff areas. We are also one of the main bulk cement distributors in Arizona, operating out of terminals in Phoenix and Tucson.

Texas. In Texas, we operate the Balcones plant, a modern facility close to San Antonio. We also operate marine terminals and naval ports in Houston and Corpus Christi, and rail distribution terminals in Houston, Dallas/Fort Worth and Tyler. We are the largest importer of cement in Texas, according to the Port Import Export Reporting Service.

We are one of the largest producers and suppliers of ready-mix concrete in the Houston area, based on 1999 volume poured, according to the Portland Cement Association estimates. Ready-mix concrete is produced in ten plants strategically located throughout the Houston metropolitan area.

In addition, we produce concrete blocks and pre-packed products for the construction industry and supply a wide range of products related to construction in Houston, Austin and San Antonio. We also produce and supply ready-mix concrete, sand, gravel and asphalt in the Austin/Temple area. We own a limestone quarry near San Antonio with large-scale capacity and

distribute sand and gravel by rail from this point to customers throughout the state. We also sell sand, gravel and asphalt out of three strategic locations in Houston.

Distribution

Cement is usually transported from the distribution center to the consumer by truck. Because of the high cost of truck transportation, however, bulk shipments from the plant to the distribution center are made typically by rail or by sea. CEMEX USA delivers a substantial portion of cement by rail. Occasionally, these rail shipments go directly to the customer. Otherwise, the shipments go to distribution centers where the customer picks up the product by truck or CEMEX USA delivers the product by truck to the customer. Ready-mix concrete is normally transported in cement mixer trucks. As of December 31, 1999, CEMEX USA operated over 530 mixer trucks for the delivery of ready-mix concrete.

Production Costs

The largest cost components of the Balcones plant are electricity and fuel, which accounted for approximately 34.7% of its total production costs in 1999. We have improved the efficiency of its electricity usage, concentrating its manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plant and Equipment

The Balcones plant utilizes the dry process and has an installed capacity of 910 thousand tons per year. In addition, through minority holdings, we have proportional interests in an additional 245 thousand tons of installed capacity for the production of cement. As of December 31, 1999, CEMEX USA operated a concrete distribution network of 48 ready-mix concrete plants, 13 cement terminals, five of which are marine terminals, and 19 aggregate locations throughout its markets in Texas, Arizona and California.

Capital Investments

Our U.S. operations' capital expenditures were approximately U.S.$11 million in 1997, U.S.$15 million in 1998 and U.S.$16 million in 1999. We currently expect to make capital expenditures in our U.S. operations of approximately U.S.$22 million during 2000.

Europe, Asia and Africa

As of and for the year ended December 31, 1999, Europe, Asia and Africa, which is comprised of our majority owned operations in Spain, the Philippines and Egypt, as well as our minority interest in the Indonesian cement company Gresik, represented approximately 17% of our net sales, 39% of our total installed capacity and 25% of our total assets. As of December 31, 1999,

our minority interest in Gresik was accounted for under the equity method. As a result, Gresik's result of operations are not included in our consolidated sales and income.

Our Spanish Operations

Overview

Our Spanish operations represented approximately 15% of our net sales in 1999. We conduct our Spanish operations through our subsidiary Valenciana. As of December 31, 1999, we owned 74.5% of the capital stock of Valenciana (including the 12.2% interest subject to the forward contracts) and held economic and voting rights to an additional 24.8% of Valenciana's capital stock.

In addition to being the holding company for our international operations, Valenciana is the principal operating company for our Spanish operations. Our cement activities are conducted by Valenciana and Cementos Especiales and our ready-mix concrete activities are conducted by Hormicemex, S.A.

The Spanish Cement Industry

During 1997, the Spanish construction sector recovered after a reduction in public expenditures in 1996. As a result of increased public works spending and favorable economic conditions in Spain, the public construction sector grew, primarily in the housing sector of the Spanish economy. The Spanish construction sector experienced high growth levels in 1998. During 1999, the rate of growth of the construction sector of the economy slowed due to a reduction in public expenditures. The Spanish construction sector grew by approximately 8% during 1999. Cement consumption in Spain increased approximately 8.0% in 1997, 15.7% in 1998 and 11.7% in 1999. Our domestic cement and clinker sales volumes in Spain increased 21.1% in 1997, increased 14.6% in 1998 and increased 2.8% in 1999. The small increase in our domestic sales volumes during 1999 was primarily attributable to the sale in 1998 of our Alcalá cement plant located in Seville, Spain and its related assets, including ready-mix concrete, mortar and aggregate operations, which had the effect of reducing the increase in our sales volumes in Spain during 1999, when compared to 1998.

The level of cement imports into Spain has been influenced by the price in Dollar terms of domestic cement. Cement imports decreased in 1997, accounting for approximately 9% of apparent consumption of cement, meaning the total domestic consumption of cement measured by domestic sales volume plus imports, principally as a result of the depreciation of the Peseta against the Dollar. Imports fell by 26.2% in 1998, due primarily to exchange rate fluctuations between the Peseta and the Dollar and also due to stricter regulation of cement imports by the Spanish government. Cement imports increased 5.5% in 1999 due to strong domestic demand. The effect of imports has been felt primarily in coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets.

Spanish producers have sought to increase their exports of cement in order to maximize their sales and thus partially offset the negative effect on revenues of imports or downturns in the domestic market. Spain is one of the largest exporters of cement in the world, in recent years exporting over 6 million tons per year. Our Spanish operations' cement and clinker export volumes decreased by 0.9% in 1997, 3.8% in 1998 and 30% in 1999, as a result of the increases in domestic demand.

Prices. Spanish cement prices vary between the central region of Spain and the coastal regions of Levante and Cataluña, where prices have usually been lower than those in other regions due to strong import penetration. Regional differences in prices are influenced by such factors as supply and demand, economic trends, flexibility in sourcing of raw materials and energy costs within the region.

In 1997, cement prices declined as a result of competitive pressures, but have since risen. The average domestic Peseta price of gray cement sold by Valenciana decreased 3% during 1997, increased 4.2% during 1998 and increased 2.9% during 1999.

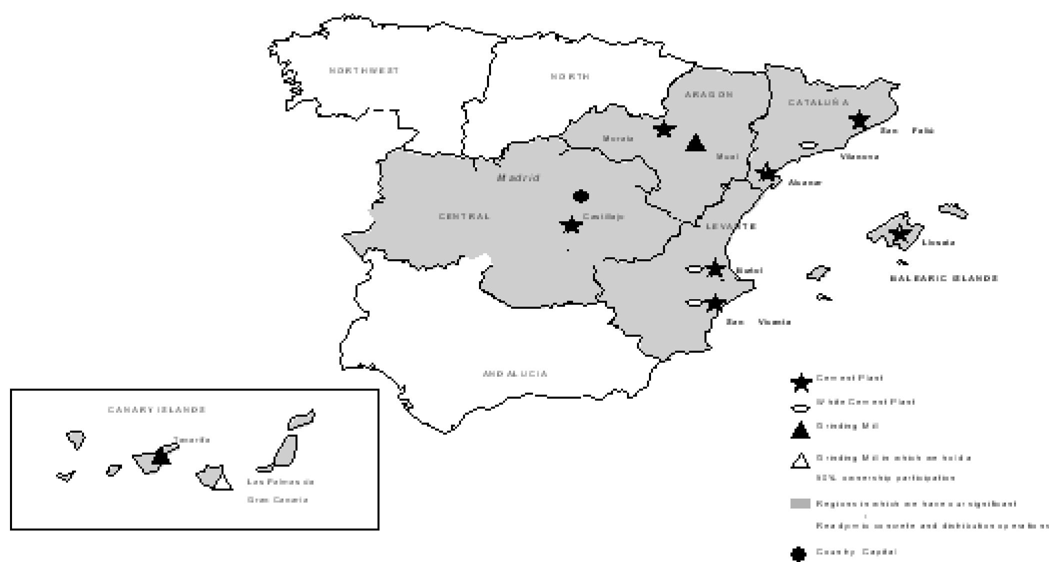
Competition. The world's two other leading cement producers, the Lafarge group of France and Holderbank of Switzerland, have acquired controlling interests in Spain's third and fourth largest cement producers, respectively. According to the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, as of December 31, 1999, approximately 76% of installed capacity for production of cement in Spain was owned by six multinational groups, including CEMEX. There has also been consolidation among Spain's independent cement producers.

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

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

Our Spanish Operating Network

OFICEMEN reported that based on 1999 sales, Valenciana had a market share of approximately 23.5% in gray and white cement, making us the leader in the Spanish cement industry. We believe that we gained this leading market position because of our geographic diversification and extensive distribution channels. Furthermore, we believe that our Spanish operations' geographical diversification enables us to cope with downturns in demand better than many of our competitors because we are able to shift output to plants serving areas with the strongest demand and prices.



The Spanish cement industry is regionalized because of Spain's fairly mountainous terrain and high transportation costs. In 1999, Valenciana's domestic inland markets represented approximately one-fourth of its domestic cement sales, while the coastal markets made up the remainder. High transportation costs usually discourage imports into mountainous regions.

Products and Distribution Channels. Valenciana offers various types of cement, targeting specific products to specific markets and users. In 1999, approximately 28% of Valenciana's domestic sales volumes were in bags through distributors and almost 72% of Valenciana's domestic sales volumes were bulk sales of cement primarily to ready-mix concrete operators, which include Valenciana's own subsidiaries, industrial customers that use cement in their production processes and construction companies.

Exports. In general, Spanish cement production exceeds domestic demand. Since acquiring Valenciana in 1992, we have been able to export excess capacity through collaboration between Valenciana and Sunbelt Trading, one of our cement trading companies. Export prices, however, are usually lower than domestic market prices, and costs are usually higher for export sales.

Valenciana exports mainly to the United States, which represented approximately 72.7% of its gray cement exports in 1999. Valenciana exports both to CEMEX USA and to other U.S. customers. Valenciana's other main export markets are located in Europe and Africa.

Production Costs

Since acquiring our Spanish operations in 1992, we have increased operating margins to approximately 32.5% in 1999 from 6.85% in 1992. This improvement was possible in part because we have been able to take advantage of operating synergies. We have eliminated redundancies in Valenciana's administrative, purchasing and procurement, technology and transportation departments.

In addition to simplifying our corporate and administrative structure in Spain, we have implemented a number of cost-cutting measures to improve profitability of Valenciana. Most significantly, we introduced technology improvements relating to, among other things, plant automation, quality control and control of the quantity of cement used. Among other benefits, these technological improvements have significantly reduced our energy costs. We have centralized administrative functions in Madrid, and closed most of the local headquarters of the various subsidiaries. In addition to eliminating overhead, centralization has permitted Valenciana to realize the benefits of centralized purchasing and cash management.

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

Description of Properties, Plants and Equipment

As of December 31, 1999, our Spanish operations operated eight plants located in Spain, with a gray cement equivalent capacity of approximately 10.4 million tons, including 850 thousand tons annually of white cement capacity, the equivalent of approximately 1.7 million tons of gray cement, and approximately 75 ready-mix concrete plants, including 14 aggregate and nine mortar plants. Valenciana's gray cement plants are composed of the Buñol and San Vicente plants, which serve the Levante region, the Alcanar plant, which primarily serves the export market, the Castillejo plant, which serves the central region, the Morata plant, which serves the Aragón and Cataluña regions, the San Feliú plant, which serves the Cataluña region, and the Lloseta plant, which serves the Balearic Islands. Valenciana's white cement plants are composed of the Villanova plant, which serves the Cataluña region, and the Buñol and San Vicente plants, which serve the Levante region. Valenciana also owned three cement mills, one of which is operated through a joint venture which is 50%-owned by Valenciana, and 22 distribution centers, including seven land and 15 maritime terminals.

As of December 31, 1999, Valenciana owned six limestone quarries located in close proximity to its plants, which have useful lives ranging from 7 to 25 years, assuming current production levels. At that date, Valenciana had concessions on limestone and clay reserves, which we believe are sufficient to supply existing plants for more than 50 years, assuming 1999 production levels.

In 1998, we sold our Alcalá cement plant located in Seville, Spain, and its related assets for approximately U.S.$260 million (Ps2,556 million). The sale included related ready-mix concrete, mortar and aggregate operations.

Capital Investments

Valenciana does not anticipate significant capital expenditures in Spain beyond normal maintenance capital requirements, mainly because of the already high level of efficiency and degree of modernization of its facilities. Valenciana's capital expenditures were approximately U.S.$40 million in 1997, U.S.$35 million in 1998 and U.S.$33 million in 1999. We currently expect to make capital expenditures in our Spanish operations of approximately U.S.$39 million during 2000.

Our Philippine Operations

Overview

Our Philippine operations represented approximately 2% of our net sales in 1999. In October 1997, we acquired, through Valenciana, a 30% economic interest in Rizal Cement Company Inc. for U.S.$93 million. In January 1999, we acquired an additional 40% economic interest in Rizal for U.S.$130 million. Rizal has two cement plants with a total installed capacity of 2.8 million tons.

In addition, in February 1999, we acquired a 99.9% economic interest in APO Cement Corporation from JG Summit Holdings, Inc. for U.S.$400 million. APO has one cement plant with an installed capacity of 3.0 million tons.

The APO acquisition consolidated our position as one of the Philippines' largest cement producers with 5.8 million tons of installed capacity and with nationwide coverage and access to the Manila, Visayas and Mindanao markets.

In September 1999, we contributed our interests in Rizal and APO to CEMEX Asia Holdings, thereby reducing our economic interest in Rizal to approximately 60% and in APO to approximately 86.2%. In February 2000, institutional investors subscribed for an additional 8.8% interest in CEMEX Asia Holdings. As a result, our economic interest in Rizal and in APO was reduced to 54% and 77%, respectively.

In April 2000, we formalized an exclusive long-term distributorship agreement with Universe Cement of Taiwan, as part of our strategy to reinforce our presence in Southeast Asia. The

agreement covers an estimated 900 thousand metric tons per year in sales in Taiwan. The cement distributed pursuant to the agreement will originate from our Philippine operations, from Gresik in which we have a 25.5% participation, or from other countries in the region.

We believe the Philippine market is attractive due to the potential for growth in the Philippine cement market. We invested in Rizal and APO because of their:

- strong market positions;
- modern facilities;
- access to the main regions of the Philippines;
- strong local management that we believe can expedite their integration into the CEMEX group and their adoption of our practices; and
- attractive asset prices.

The Philippine Cement Industry

During 1999, the cement consumption of the Philippine market totaled 12.3 million tons. Since there currently is overcapacity in the Philippines, we intend to use our trading network to export a substantial amount of our Philippine cement production.

The nature of the Philippine cement market is very much of a retail character, similar to Mexico. Approximately 85% of Philippine cement volume is typically sold in bags through distributors. The balance is sold through ready-mix concrete producers.

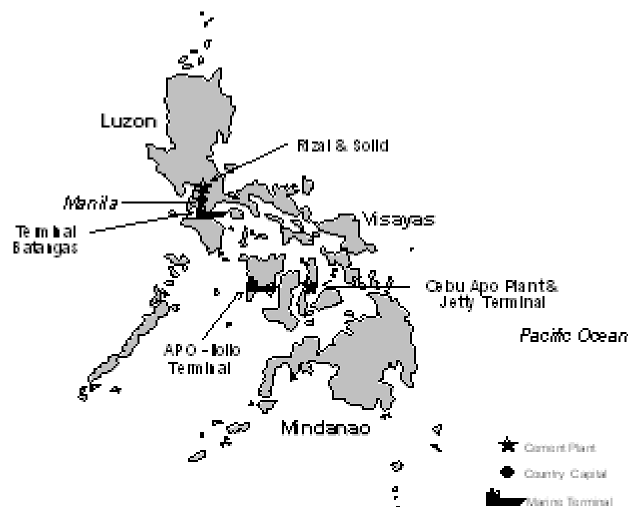
Although total Philippine cement volumes have decreased 22.5% from the commencement of the Asian economic crisis in 1997 to December 1999, the Philippine economy did not suffer as severe a recession as the rest of the region.

Prices. Cement prices fell to an eight-year low by the end of 1998, due to strong price competition in response to an industry-wide capacity expansion; cement prices have been recovering since the end of 1998.

Competition. At December 31, 1999, the Philippine cement industry had a total of 19 cement plants with an annual installed capacity of 26.4 million tons, according to the Philippine Cement Manufacturers Corporation. According to the Philippine Cement Manufacturers Corporation, major global cement producers now own nearly 87.5% of this capacity, which we expect will lead to more stability in the Philippine cement industry.

Our major competitors in the Philippine cement market are Holderbank, which has interests in five local cement producers, Blue Circle, which has interests in four local cement producers, and Lafarge, which has interests in four local cement producers.

Our Philippine Operating Network



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

Production Costs

Costs of production include energy, labor, transportation, raw materials, maintenance and packaging. We estimate that at least 150 years of limestone and clay reserves are available to supply our Philippine operations at 1999 levels of production. Other raw materials, such as gypsum and iron ore, which are used in smaller quantities than limestone and clay, are purchased from outside suppliers.

Some of our Philippine facilities have back-up electricity generating capacity which is used when government-provided electricity is in short supply.

We have increased the efficiency of our Philippine operations since their integration into the CEMEX group. Specific areas of improvements include reduction of operational costs, introducing CEMEX's technology systems, shifting production from the wet process to the dry process, improvement of marketing and logistics, achievement of economies of scale in purchasing and taking advantage of synergies between APO and Rizal.

Description of Properties, Plants and Equipment

Our Philippine operations comprise three plants with a total capacity of 5.8 million tons per year and 19 distribution terminals, two of which are marine terminals. Our cement plants include: Rizal, with three wet process production lines and an installed capacity of 665 thousand tons, which serves the Manila metropolitan region; Solid, which is a subsidiary of Rizal, with two wet process production lines and one dry process production line and an installed capacity of 2.1 million tons, which also serves the Manila metropolitan region; and APO, with two dry process production lines and an installed capacity of 3.0 million tons, which serves the Visayas and Mindanao.

Capital Investments

Our Philippine operations made approximately U.S.$13 million of capital expenditures during 1998 and U.S.$18 million in 1999. We currently expect to make capital expenditures of approximately U.S.$25 million during 2000, of which U.S.$12 million was invested in the first quarter of the year.

Our Indonesian Operations

Overview

In October 1998, we purchased from the Indonesian government a 14% interest in Semen Gresik, Indonesia's largest cement producer, for U.S.$115 million. As part of the agreement, until October 2001, the Indonesian government has the contractual right to require us to purchase up to its remaining 51% stake in Gresik for up to U.S.$418 million plus interest accrued at 8.2% per annum. Also in 1998, we increased our interest in Gresik to 16.3% through open market purchases. In 1999, we increased our interest in Gresik to approximately 25.5% through a public tender offer and open market purchases. Currently, we have two seats on each of the board of directors and the board of commissioners of Gresik, plus the right to approve Gresik's business plan jointly with the Indonesian government. We have granted to CEMEX Asia Holdings the right to acquire our interests in Gresik.

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

The Indonesian Cement Industry

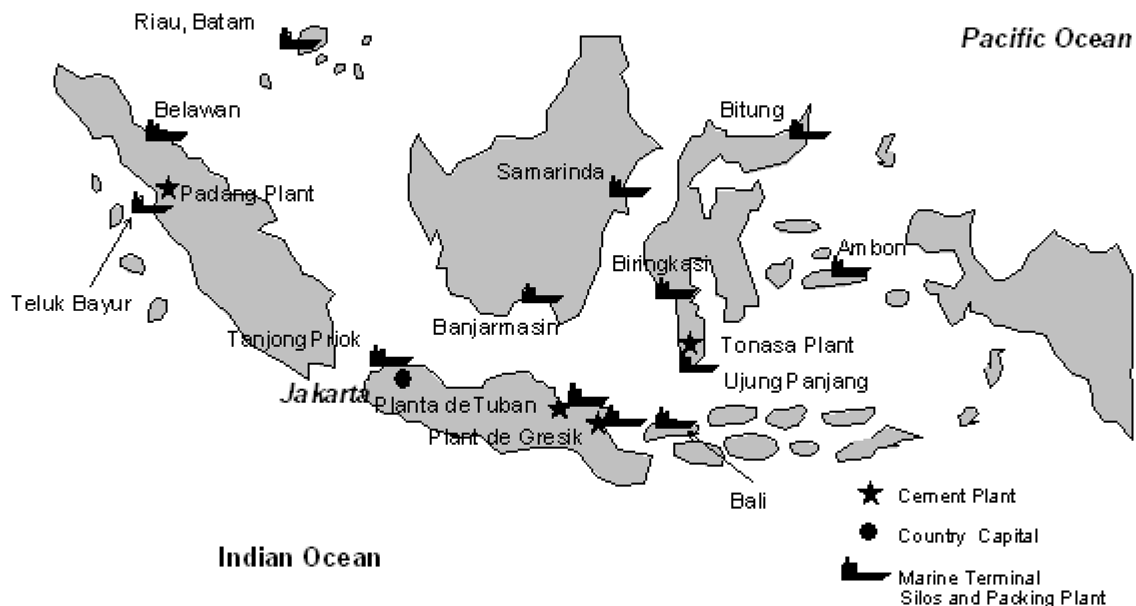
The Indonesian cement industry is one of the two largest in South East Asia, accounting for about 24% of the 80 million tons of cement consumed in South East Asia in 1999, according to the Indonesian Cement Association. Also, we believe the Indonesian cement market is important to our Asian expansion strategy, because of its strategic location, the size and the role of the Indonesian operations as an anchor for our South East Asian trading network and the significant growth potential of the Indonesian economy.

The Indonesian cement industry underwent a contraction in domestic demand in 1997, 1998 and 1999, at the same time as new cement plants began production, forcing Indonesian producers to seek export markets. Gresik's modern export facilities and our trading capabilities give it ready access to international markets.

Prices. During 1998, the average price of cement in Indonesia decreased approximately 60% in dollar terms, due to the economic and financial crisis that affected Asia. In 1999, cement prices recovered by approximately 74% in dollar terms.

Competition. Indonesia had 13 cement plants with a combined installed capacity of approximately 50 million tons as of December 31, 1999. Foreign companies continue to seek acquisition opportunities with increasing participation expected from Holderbank and Lafarge. Gresik is the largest cement producer in Indonesia, followed by Indocement and Cibinong, in each case based on installed capacity as of December 31, 1999, as reported by the Indonesian Cement Association.

Our Indonesian Operating Network



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

As of December 31, 1999, Gresik was operating at near 60% capacity utilization and was focusing on increasing cement output by increasing exports through the CEMEX trading network. In 1998, CEMEX reached an agreement in principle with Gresik to buy at least 1.5 million tons of

cement from Gresik during each of the years 1999, 2000 and 2001. Gresik is currently undertaking an upgrade of its port infrastructure, in order to increase its export capacity.

Exports. During 1999, Gresik exported more than 30% of its cement production. Gresik exports mainly to Egypt, Bangladesh and Sri Lanka.

Production Costs

We intend to enhance the efficiency of Gresik's operations by reassigning experienced CEMEX managers to key positions within Gresik's operations. In addition, we intend to improve Gresik's operations by deploying our post-merger integration teams in order to apply CEMEX production practices, to better integrate Gresik's operations into the CEMEX group and to maximize the potential benefits from Gresik's trading relationship with our Philippine operations. We have identified the potential for enhanced efficiency in several areas, including improving information technology systems, developing trading and port infrastructures, coordinating distribution channels and introducing our economies of scale in purchasing.

Description of Properties, Plants and Equipment

As of December 31, 1999, Gresik operated four cement plants with an installed capacity of 20.3 million tons, 15 distribution terminals and four export ports. Gresik's cement plants include the Padang plant, which has one production line that uses the wet process and four production lines that use the dry process and an installed capacity of 6.4 million tons; the Gresik plant, which has two production lines that use the dry process and an installed capacity of 1.7 million tons; the Tuban plant, which has three production lines that use the dry process and an installed capacity of 8.2 million tons; and the Tonasa plant, which has three production lines that use the dry process and an installed capacity of 4.0 million tons.

Capital Investments

We did not incur any significant capital expenditures in Gresik's operations in 1999 and currently we do not foresee any capital expenditures in 2000.

Other Asian Investments

As part of our strategy to reinforce our presence in South Asia, in May 2000, we committed to invest U.S.$26 million in the construction of a new grinding mill near Dhaka, Bangladesh, which is expected to have a production capacity of approximately 500 thousand metric tons per year and is expected to begin operations in March 2001. We expect to supply the mill with clinker from Gresik in Indonesia, in which we have a 25.5% interest, as well as from other countries in the region. This mill will enable us to supply cement to the local market in Bangladesh. Bangladesh has been a net importer of cement in the past.

Our Egyptian Operations

Overview

In November 1999, we acquired a 77% interest in Assiut Cement Company for approximately U.S.$318.8 million. Assiut is Egypt's largest cement producer, based on an installed capacity as of December 31, 1999 of approximately 4.0 million tons. In June 2000, we increased our interest in Assiut to 90%.

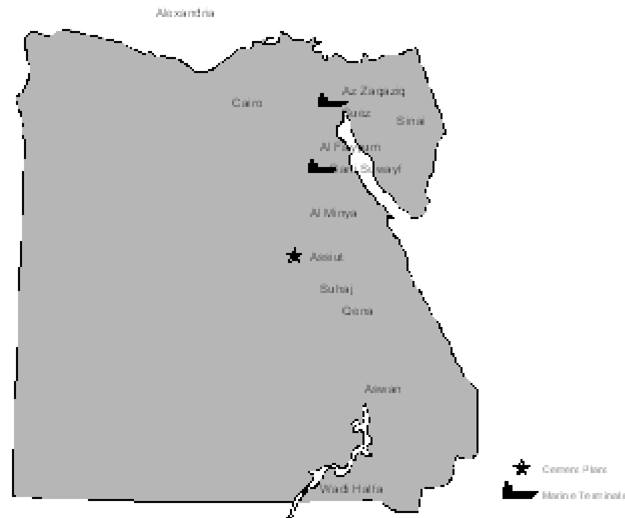
The Egyptian Cement Industry

The Egyptian cement market consumed approximately 27.6 million tons of cement during 1999. According to the Egyptian government, the market has been growing at a compound annual growth rate of 11% since 1995.

Prices. Egyptian cement prices have remained stable during the last five years, due to government imposed price controls on cement.

Competition. According to the Global Cement Report and the World Cement Directory, at December 31, 1999, the Egyptian cement industry had a total of 11 cement plants, with an aggregate annual installed capacity of 23.2 million tons. We estimate that there are nine major cement producers in Egypt responsible for more than 80% of the market. Four of the largest cement producers in the world, including CEMEX, are responsible for 42.6% of the total cement production in Egypt. Our major competitors in the Egyptian market are Suez Cement Company, Tourah Portland Cement Company and National Cement Company, with a total installed capacity of 10.8 million tons.

Our Egyptian Operating Network



Assiut has one cement plant with three dry-process production lines. The plant is located approximately 400 kilometers south of Cairo, Egypt's main cement market.

Distribution Channels

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

Production Costs

We are in the process of integrating Assiut into the CEMEX group. In addition, we have deployed our post merger integration teams in order to integrate Assiut into the CEMEX group and to increase its efficiency. Specific areas of expected efficiency improvements include reducing operational costs, introducing CEMEX's technology systems and achieving economies of scale in sourcing.

Description of Properties, Plants and Equipment

As of December 31, 1999, Assiut had one cement plant, with an installed capacity of approximately 4.0 million tons, and three dry-process production lines. Assiut's cement plant serves Cairo, Egypt's main cement market.

Capital Investments

We currently expect to make capital expenditures in our Egyptian operation of approximately U.S.$52 million during 2000.

In addition to the above-mentioned capital expenditures for 2000, we plan to increase the production capacity at Assiut's cement plant from approximately 4.0 million tons to approximately 5.0 million tons by 2002. We expect this project to cost approximately U.S.$60 million. Our plans for Egypt also include the construction of a new cement plant in Southern Egypt with a capacity of approximately 1.5 million tons. This new cement plant is still in the early planning stages, and we cannot at this time anticipate when construction may begin or estimate what this plant may cost.

South America, Central America and the Caribbean

As of December 31, 1999, South America, Central America and the Caribbean, which is comprised of our operations in Venezuela, Colombia, Panama, the Dominican Republic and Costa Rica, as well as other assets in the Caribbean, represented approximately 19% of our net sales, 18% of our total installed capacity and 17% of our total assets.

Our Venezuelan Operations

Overview

Our Venezuelan operations represented approximately 9% of our net sales in 1999. Our Venezuelan operations are organized under Vencement Investments, a holding company whose principal asset is its approximate 72.6% interest in Vencemos, a company listed on the Caracas Stock Exchange. In May 2000, Vencemos changed its name to CEMEX Venezuela S.A.C.A.

Vencemos is the largest cement producer in Venezuela, based on an installed capacity of 4.3 million tons at December 31, 1999.

Vencemos is a significant component of our overseas operations, based, in part, on the following factors: Venezuela's status as an emerging market with growth potential relating to infrastructure development; Vencemos' geographic diversification and the presence of extensive distribution channels, including ports, which strengthen its ability to service the Caribbean and U.S. markets; Vencemos' position as the leading cement producer in the country; and Vencemos' low raw material and energy costs, which make it the lowest cost producer of cement in the CEMEX group.

The Venezuelan Cement Industry

Prices. In 1999, Vencemos' average cement prices decreased approximately 2% and its ready-mix concrete prices decreased approximately 5%, on a constant Bolivar basis when compared with 1998. In 1998, Venezuela average cement prices decreased 11% and its average ready-mix concrete prices decreased approximately 2.7% on a constant Bolivar basis when compared with 1997.

Competition. At December 31, 1999, the Venezuelan cement industry was comprised of five cement producers, with a total installed capacity of approximately 8.8 million tons, according to our estimates. Vencemos' installed capacity in 1999 represented approximately 49% of that total, almost twice that of its next largest competitor, according to our estimates.

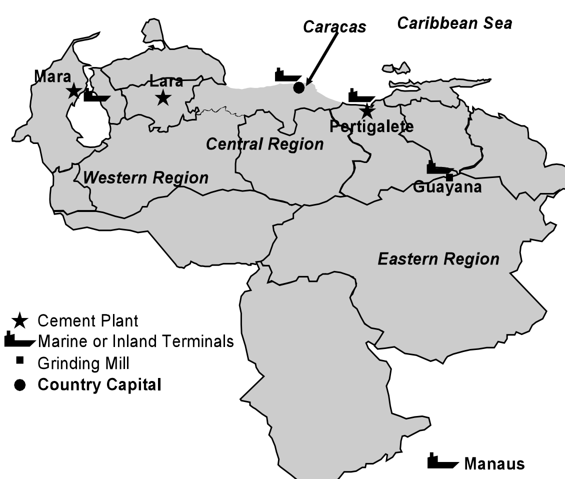
Since the early 1990s, the Venezuelan cement industry has been transformed as the large multinational cement companies have entered Venezuela by acquiring local producers. In addition to our majority ownership of Vencemos, Holderbank and Lafarge have acquired controlling interests in Venezuela's second and third largest cement producers, respectively.

In 1999, the ready-mix concrete market accounted for only about 18% of cement consumption in Venezuela, according to our estimates, a very low figure in relation to developed countries. We believe that Venezuela's construction companies, which prefer to install their own ready-mix concrete plants on-site, are the most significant barrier to penetration of the ready-mix concrete sector, with the result that on-site ready-mix concrete mixing represents a high percentage of total ready-mix concrete production.

Aside from Vencemos, the ready-mix concrete market is concentrated in four companies. Of these companies, Premezclado Caribe, is owned by Holderbank and Premex is owned by Lafarge. The other two, Simpca and Ready-Mix, are independent. The rest of the ready-mix concrete sector in Venezuela is highly fragmented.

Our Venezuelan Operating Network

As shown below, Vencemos' three cement plants and one grinding facility are located near the major population centers and the coast of Venezuela, except for the Manaus river terminal, which is located in Manaus, Brazil.



In 1999, Vencemos was the leading supplier of cement in Venezuela, based on our estimates of sales of gray and white cement in Venezuela for the year ending December 31, 1999. In addition, in 1999, Vencemos was the largest supplier of ready-mix concrete in Venezuela and the only ready-mix concrete producer with 15 distribution centers throughout Venezuela, based on our estimates of sales of ready-mix concrete in Venezuela for the year ending December 31, 1999. As of December 31, 1999, Vencemos had a combined ready-mix concrete capacity of 1.2 million cubic meters per year among its 42 concrete plants.

Distribution Channels

Transport by land is handled primarily by a subsidiary of Vencemos. During 1999, this subsidiary transported approximately 40% of Vencemos' total domestic sales through its own fleet.

Exports

During 1999 exports from Venezuela represented approximately 56% of its net sales. Vencemos' main export markets historically have been the Caribbean and the east coast of the United States. Vencemos also exports cement and clinker to countries in Africa and Central and South America, principally Brazil. We estimate that the United States, Brazil and the Caribbean will

continue to be Vencemos' principal export markets in the foreseeable future. See "Risk Factors—We are subject to several anti-dumping rulings that may limit our ability to export cement to the United States" and "— Regulatory Matters and Legal Proceedings — U.S. Anti-Dumping Rulings — Venezuela."

Production Costs

Following our acquisition of Vencemos, we implemented an optimization program aimed at increasing the efficiency of its production facilities and trading networks. Vencemos' drive for exports and the success of its optimization plan have enabled it to achieve a better mix of domestic and export sales, as well as higher operating margins, which have increased from 17.6% in 1994 to 27.3% in 1999. The restructuring program, which has been substantially completed, has focused on the disposition of non-cement related assets, the simplification of the corporate structure, the reorganization of cost centers and increases in productivity and operational efficiency.

As of December 31, 1999, the Lara and Mara plants and one of the two production lines at the Pertigalete plant utilized the wet process; the other production line at the Pertigalete plant utilized the dry process. At that time, all the plants utilized natural gas as fuel, which historically has been a low cost source of energy, given its abundance in Venezuela. Vencemos has its own electricity generating facilities, which are powered by natural gas.

During 1999, Vencemos operated its plants at full capacity and achieved production of 4.3 million tons of clinker in 1999.

Description of Properties, Plants and Equipment

As of December 31, 1999, Vencemos had three cement plants, Lara, Mara and Pertigalete, with a combined installed capacity of approximately 4.3 million tons. All the plants are strategically located to serve both domestic areas with the highest levels of cement consumption and export markets. Vencemos also owns Cementos Guayana, a grinding facility with a clinker capacity of 360 thousand tons, operates 42 ready-mix concrete production facilities, 15 storage depots and more than 200 mixer trucks. Limestone quarries are abundant in Venezuela, and Vencemos owns four quarries with reserves sufficient for over 100 years, at current production levels. In addition, Vencemos maintains three marine terminals and two river terminals, providing it with easy access to export markets.

As of December 31, 1999, Vencemos owned and operated five port facilities. Of the five port facilities, four are located in Venezuela and one in Brazil. Of the four port facilities in Venezuela, one is located at the Pertigalete plant, one at the Mara plant, one at the Catia La Mar terminal on the Caribbean Sea near Caracas, and one at Cementos Guayana on the Orinoco River in the Guayana Region. The other port facility is located in Manaus, Brazil. Vencemos' cement is transported either in bulk or in 42.5 kilogram bags.

Capital Investments

Our Venezuelan operations' capital expenditures were approximately U.S.$37 million in 1997, U.S.$57 million in 1998 and U.S.$37 million in 1999. We currently expect to make capital expenditures in our Venezuelan operations of approximately U.S.$24 million during 2000.

Our Colombian Operations

Overview

Our Colombian operations represented approximately 3% of our net sales in 1999.

In May 1996, through a series of transactions, we acquired approximately a 62.98% voting equity interest in Cementos Diamante, representing 54.4% of the total equity of Cementos Diamante, the then second largest cement producer in Colombia based on 1996 installed capacity according to the Instituto Colombiano de Productores de Cemento, or ICPC. Since May 1996, we have increased our ownership in Cementos Diamante. As of December 31, 1999, we owned a 99.3% voting equity interest in Cementos Diamante, which represented 92.3% of the total equity of Cementos Diamante due to preferred stock outstanding owned by third parties. Cementos Diamante is a public company that is listed on the Bogotá and Medellín stock exchanges. As of December 1997, Cementos Diamante purchased an additional 4.2% interest in Samper, the then third largest Colombian cement producer based on 1997 installed capacity, according to ICPC, bringing its interest from 93.6% to 97.8%. We have since formed a single industrial group integrating the operations of both companies, Diamante-Samper. As of December 31, 1999, Diamante-Samper was the second largest cement producer in Colombia, based on 1999 installed capacity, according to the ICPC.

Since 1987, Samper had been operating under bankruptcy protection in Colombia. The bankruptcy protection remained in effect until December 1999. We believe that neither the bankruptcy protection nor its removal has had a material adverse effect on Samper's operations.

Diamante-Samper has a significant market share in the cement and ready-mix concrete market in the so-called "Urban Triangle" of Colombia comprising the cities of Bogotá, Medellín and Cali. During 1999, these three metropolitan areas accounted for approximately 75% of Colombia's cement consumption. Diamante-Samper's Ibagué plant, which uses the dry process and is strategically located between Bogotá, Cali and Medellín, is Colombia's largest and, we believe, most technologically advanced cement plant, with an installed capacity of 3.1 million tons as of December 31, 1999. In 1998 we completed an expansion of the Ibagué plant that increased its installed capacity from 1.5 million tons to 3.1 million tons. Diamante-Samper, through its Bucaramanga and Cúcuta plants, also is an active participant in the Northeastern market in Colombia.

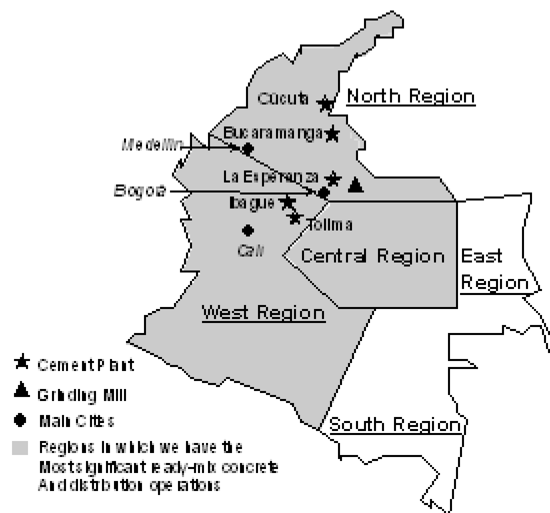
Diamante-Samper's strong position in the Bogotá ready-mix concrete market is largely due to its access to a ready supply of aggregate deposits in the Bogotá area. We believe that significant operating advantages have been achieved from combining the operations of the former Cementos Diamante and Samper. These include reduced general and administrative expenses, reduced transportation costs and the coordination and improvement of production on a country-wide basis.

The Colombian Cement Industry

Prices. The Colombian government lifted controls on cement prices in 1990. Since then, prices have usually been determined by local supply and demand, as freight costs make it difficult to transport cement from the coast to inland areas such as Bogotá and Medellín, where demand is the highest. In 1999 our Colombian operations' average sale price of cement increased by approximately 27% compared to 1998 and our average sale price of ready-mix concrete declined by approximately 9%.

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

Our Colombian Operating Network



Diamante-Samper owns quarries with minimum reserves sufficient for over 100 years, at current production levels. In addition to mining its own raw materials, Diamante-Samper also purchases raw materials from third parties.

The majority of Diamante-Samper cement is distributed through independent distributors. Diamante-Samper also distributes cement directly.

Diamante-Samper's principal concrete product is ready-mix concrete, produced to client specifications and delivered directly to job sites. Diamante-Samper also produces other specialized cement-based building materials, including mortars, shotcrete, which is sprayable concrete, and prefabricated concrete construction products.

Diamante-Samper conducts its ready-mix concrete operations through 15 ready-mix plants. Diamante-Samper also uses portable ready-mix plants, which allow concrete to be mixed at major building sites, reducing transportation costs and eliminating the need to acquire additional permanent ready-mix concrete sites.

Description of Properties, Plants and Equipment

As of December 31, 1999, Diamante-Samper operated five cement plants having a total installed capacity of 4.8 million tons of cement per year, two of which utilized the wet process and three of which utilized the dry process, and one grinding mill. Two of these cement plants, Ibagué and Tolima, serve the Urban Triangle, while Cúcuta and Bucaramanga, located in the northeastern part of the country, serve the local and coastal market. The La Esperanza cement plant, and the Santa Rosa clinker mill, are close to Bogotá. In addition, Diamante-Samper owns six land distribution centers, one mortar plant, 15 ready-mix concrete and seven aggregate plants. During 1999, as a result of our rationalization of our Colombian operations, we recorded an impairment charge on several of our operating plants in Colombia. See Note 8 to our consolidated financial statements included elsewhere in this annual report for a description of this impairment charge.

Capital Investments

Our Colombian operations' capital expenditures were approximately U.S.$57 million in 1997, U.S.$105 million in 1998 and U.S.$18 million in 1999. We currently expect to make capital investments in our Colombian operations of approximately U.S.$8 million during 2000.

Central America and the Caribbean

As of and for the year ended December 31, 1999, Central America and the Caribbean, which is comprised of our operations in Panama, the Dominican Republic, Costa Rica and other assets in the Caribbean, represented approximately 7% of our net sales, 4% of our total installed capacity and 4% of our total assets.

Our Dominican Republic Operations

Overview. Our Dominican Republic operations represented approximately 4% of our net sales in 1999.

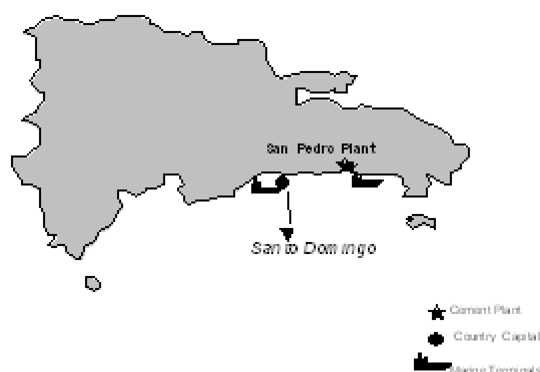
As of December 31, 1999, through Vencemos, we owned Cementos Nacionales, a cement producer in the Dominican Republic with an installed capacity of 660 thousand tons of cement, and a related distribution company, Compañía Comercializadora, S.A., with 14 distribution centers.

The Dominican Republic Cement Industry

Prices. The average price for gray cement increased by 8% in 1997, 4.6% in 1998 and 9.3% in 1999.

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

Our Dominican Republic Operating Network. For the year ended December 31, 1999, Cementos Nacionales was the leading cement producer in the Dominican Republic, based on installed capacity as reported by International Cement Review in the Global Cement Report. Cementos Nacionales' sales network covers the country's main consumption areas, which are Santo Domingo, Santiago de los Caballeros, San Francisco de Macorís and San Pedro de Macorís.



In 1999, Dominican Republic cement consumption reached 2.8 million metric tons and cement imports were necessary to fulfill domestic demand, according to our estimates.

Production Costs. We believe Cementos Nacionales is the most efficient cement producer in the Dominican Republic. Cementos Nacionales has adopted the more fuel-efficient dry process. In a country where the electricity supply is irregular and costly, Cementos Nacionales maintains its own electricity generating capacity, which affords a continuous high-quality supply of electricity and enables it to maximize production capacity without interruptions due to outages. As of December 31, 1999, Cementos Nacionales had an electricity generating capacity of approximately 28.2 megawatts, which supplied electricity to all points of production. This generating capacity affords Cementos Nacionales an inexpensive source of energy relative to its competition, which is critical to competitive production margins. Cementos Nacionales also purchases electricity form third party producers.

We have also entered into long-term electricity supply agreements that are intended to provide Cementos Nacionales with some of its third-party electricity requirements.

Cementos Nacionales has implemented other cost-cutting measures to increase profitability. Among these measures was a change in the fuel mix in the operation of its cement kiln.

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

Description of Properties, Plants and Equipment. Cementos Nacionales currently owns one dry-process cement plant with an installed capacity of 660 thousand tons per year, in addition to 14 distribution centers located throughout the country and two marine terminals. As of December 31, 1999, our Dominican Republic cement plant operated at full capacity.

Capital Investments. Our Dominican Republic operations' capital expenditures were approximately U.S.$15 million in 1997, U.S.$9 million in 1998 and U.S.$16 million in 1999. We currently expect to make capital investments in our Dominican Republic operations of approximately U.S.$50 million during 2000.

Included in the above-mentioned year 2000 capital expenditures are the year 2000 portions of the following improvements at our San Pedro plant:

- construction of a new U.S.$22 million grinding mill to increase grinding capacity to 2.4 million tons by year-end 2000; and
- construction of a new U.S.$145 million production line to increase capacity to 2.2 million tons by year-end 2002.

Our Other Caribbean Operations

During 1994, we entered into a strategic alliance in Trinidad and Tobago, through which we have the right to participate jointly in the production and sale of cement from these islands and from the Arawak plant on the island of Barbados to customers in various countries in the eastern Caribbean. We operate in the Bahamas, Bermuda, the Cayman Islands and Haiti through our wholly-owned subsidiary Concem.

We believe that the Caribbean region holds considerable strategic importance because of its geographic location, which facilitates exports from Mexico, Venezuela and Panama, through a network of eight land distribution centers and five marine terminals, as of December 31, 1999.

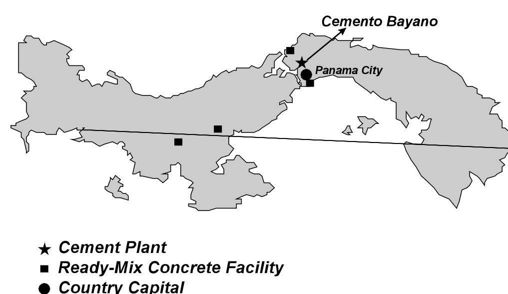
Our Panamanian Operations

Overview. As of December 31, 1999, through Valenciana, we owned a 99.2% interest in Cemento Bayano. Through our ownership of Cemento Bayano, we have established a strategic presence in the important mainland markets of Central America.

The Panamanian Cement Industry. The Panamanian cement industry is comprised of two cement producers, Cemento Bayano and Cemento Panamá, S.A., with a total installed capacity of approximately 710 thousand tons of cement as of December 31, 1999, according to our estimates. At that time, Cemento Bayano's installed capacity represented approximately 56.6% of that total.

Our Panamanian Operating Network. Cemento Bayano was the leading supplier of cement in Panama in 1999, based on sales of gray cement for the year ending December 31, 1999, with an installed capacity for cement production of approximately 402 thousand tons per year. Cemento Bayano entered the ready-mix concrete market in 1995 and principally shares this market with two

other large producers, and as of December 31, 1999, operated a distribution network of 6 ready-mix concrete plants. Its cement plant is located in the township of Calzada Larga, 19 kilometers north of Panama City, and utilizes the dry process.



Production Costs. Historically, Cemento Bayano has had the highest energy costs of any member of the CEMEX group. In 1997, we took significant steps to reduce energy costs. Cemento Bayano spent U.S.$4.25 million to upgrade its cement plant to run on a more cost-efficient mix of fuels by completely replacing fuel oil with petcoke and to reduce energy costs. We believe that this reduction in energy costs represents a key competitive advantage over our competitors.

Description of Properties, Plant and Equipment Our operations in Panama are comprised of one cement plant with a dry-production process and an installed capacity of 402 thousand tons per year. In addition, Cemento Bayano operated 6 ready-mix concrete facilities, of which three are located in Panama City, one in Colón, one in Aguadulce and one in Guararé.

Capital Investments. Our Panamanian operations' capital expenditures were approximately U.S.$8 million in 1997, U.S.$6 million in 1998 and U.S.$8 million in 1999. We currently expect to make capital expenditures in our Panamanian operations of approximately U.S.$4 million during 2000.

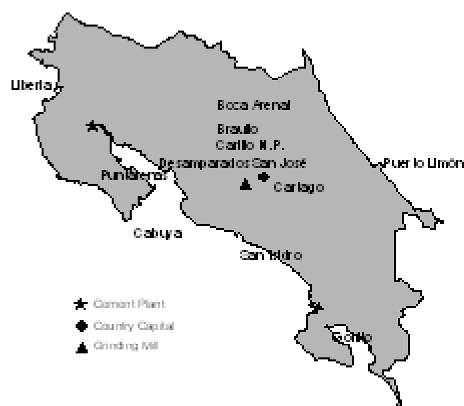
Our Costa Rican Operations

In April 1999, we acquired a 15.75% interest in Cementos del Pacífico, S.A., and in September 1999, we increased our interest in Cementos del Pacífico to 95.3%.

The Costa Rican Cement Industry. Approximately 1.1 million tons of cement were sold in Costa Rica during 1999, according to Cámara de la Construcción de Costa Rica, the Costa Rican construction industry association. The Costa Rican cement market is a predominantly retail market, with an estimated 79% of Costa Rican cement sales being bagged cement.

Competition. The Costa Rican cement industry consists of two producers, Cementos del Pacífico and Industria Nacional de Cemento, an affiliate of Holderbank. The two companies share the market in roughly equal proportions.

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



Products and Distribution Channels. In 1999, cement consumption in Costa Rica was approximately 1.1 million tons, according to the Costa Rican construction industry association. Cementos del Pacífico has three strategically located distribution centers, one of which is on the coast and two of which are in the metropolitan areas, where 65% total sales are made.

Exports. During 1999, exports of cement by our Costa Rican operations represented approximately 16% of our total cement production in Costa Rica. In 1999, 84% of our exports from Costa Rica were to Nicaragua and 16% to El Salvador.

Production Costs. During 1999, energy costs increased approximately 50% in Costa Rica. Despite this increase, we significantly reduced our energy consumption and our costs for raw materials in the production of cement. In 2000, we expect to use petcoke as fuel in the production of cement to reduce our production costs by approximately 50%.

Description of Properties, Plants and Equipment. Our Costa Rican operations' cement plant has one dry process production line with an installed capacity of 850 thousand tons. Our Costa Rican operations' grinding mill has a grinding capacity of 150 thousand metric tons.

In addition, Cementos del Pacífico owns three distribution centers.

Capital Investments. We currently expect to make capital expenditures of approximately U.S.$13 million during 2000.

Our Equity Investments in Chile

In June 1999, we acquired an 11.92% interest in Cementos Bio Bio, S.A., Chile's largest cement producer, based on an installed capacity as of December 31, 1999 of approximately 2.2 million tons. Cementos Bio Bio operates three cement plants. Two of the cement plants are located in the Santiago-Concepción corridor, and the third plant is located in the northern Antofogasta

region. Cementos Bio Bio's primary market is the Concepción market. In addition, Cementos Bio Bio has 850 thousand cubic meters per annum of ready-mix concrete production capacity. The purchase price for our 11.9% interest in Cementos Bio Bio was approximately U.S.$34 million.

Our Trading Operations

We traded more than 13 million tons of cement and clinker in 1999. Approximately 40% of this amount consisted of exports from our operations in Mexico, Venezuela, Costa Rica, Spain, the Philippines and Indonesia, and approximately 60% of this amount was purchased from third parties in countries such as China, Romania, Korea, Russia, Tunisia, Greece, Morocco, England, Ukraine and Thailand. At December 31, 1999 we conducted trading activities in 60 countries.

Our trading network enables us to maximize the capacity utilization of our facilities worldwide while reducing the inherent cyclicality of the cement industry. We are able to distribute excess capacity from countries where we have operations to regions around the world where it is in demand.

In order to maximize our trading capabilities, increase our international sales and explore new markets without the necessity of immediately making investments in new production facilities, we created our Sunbelt Trading subsidiary, a separate entity within CEMEX that focuses on cement trading. Our trading activities constitute a fundamental part of our strategic goals by allowing international development through careful, calculated steps, while at the same time satisfying worldwide demand where required. This strategy has enabled us to capitalize on our position as the world's largest trader of cement and to continually introduce products into new markets. For example, as of 1999, we continued coordinating our marketing strategy between our white cement production installations and our international markets, in order to take advantage of our position as the world's largest producer of white cement.

Employees

As of December 31, 1999, we had approximately 24,000 employees worldwide, including approximately 9,000 in our Mexican operations, 2,700 in our Spanish operations, 3,200 in our Venezuelan operations, 1,000 in our Colombian operations, 1,300 in our U.S. operations, 1,000 in our Philippine operations, 500 in our Dominican Republic operations, 300 in our Panamanian operations, 300 in our Costa Rican operations, 3,800 in our Egyptian operations and 1,300 at the holding company level and in other businesses not directly related to the production of cement. These employee numbers exclude employees of companies in which we have a minority interest. Employees in Mexico have collective bargaining agreements renewable on an annual basis in respect of salaries and on a biannual basis in respect of benefits on a plant-by-plant basis. Our Spanish union employees have contracts that are renewable every two to three years on a company-by-company basis. Each of our subsidiary companies operating Vencemos' plants has a separately negotiated three-year labor contract with the union employees of the relevant plants. There are separate unions at each of Vencemos' plants which negotiate the labor contracts. A single union represents the union

employees of all of Diamante-Samper's plants and negotiates the labor contracts on their behalf. Our Panamanian union employees have one labor contract that is renewable every four years. Our Philippine union employees are represented by three unions and have collective bargaining agreements that have a term of five years and are renegotiated in the third and fifth years of the term. Our Egyptian union employees are represented by one union. Because Assiut had been a government controlled entity prior to our purchase of a controlling interest, there are no labor agreements with the union. Instead, Assiut had internal regulations that governed the union labor arrangements. We are currently renegotiating these union labor arrangements. We consider labor relations with our employees to be satisfactory, but we have experienced minor disruptions of our operations in a few plants in Mexico as a result of labor disagreements from time to time.

Regulatory Matters And Legal Proceedings

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

Tariffs

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

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

Environmental Controls

We use leading edge processes that are designed to protect the environment throughout all the production stages in all of our operations worldwide. Raw materials come from a natural origin, the fuel oil used as energy is not flammable at environment temperatures, water is used for cooling

purposes only and is recycled almost totally, and paper bags are also recycled. We believe that we are in substantial compliance with all material environmental laws.

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

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

We were one of the first industrial groups in Mexico to sign an agreement with the Secretaría de Desarrollo Social, the Mexican government's environmental ministry, or SEDESOL, to carry out voluntary environmental inspections in our 15 operating Mexican cement plants. Currently, the Mexican government environmental regulatory agency is the Procuraduría Federal de Protección al Medio Ambiente, or PROFEPA, which is part of the Ministry of Environment, Fishing and Natural Resources (Secretaría de Medio Ambiente, Recursos Naturales y Pesca, or SEMARNAP). Since 1992, the technology for recycling used tires into an energy source has been employed in our Ensenada plant. Collection centers in Tijuana, Mexicali and Ensenada currently enable us to recycle more than an estimated one million tires per year. During 1998, approximately 12% of the total fuel consumed in the Ensenada plant was provided by this alternative fuel.

Between 1990 and 1999, our Mexican operations have invested approximately U.S.$350 million in the acquisition of environmental protection equipment, voluntary environmental inspections and the implementation of the ISO 14000 environmental management standards of the International Organization for Standardization, or ISO. In 1997, our Barrientos plant in Mexico received ISO 14001 certification for environmental management systems, and during 1998, another three of our Mexican operations' cement plants, Zapotiltic, Monterrey and Guadalajara, received this certification. In addition, our Mexican operations were recently recognized by SEMARNAP for their achievements in environmental practices.

U.S. Anti-Dumping Rulings — Mexico

During 1999, exports, measured by volume, of Mexican gray cement into the United States by our Mexican operations represented approximately 5% of total gray cement exports and approximately 3% of total sales volume of our Mexican operations. Our exports of cement from Mexico to the United States are subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. Pursuant to this order, firms that import gray Portland cement from us in the United States must make cash deposits with the U.S. Customs Service to guarantee the eventual payment of anti-dumping duties.

The anti-dumping order became applicable in April 1990 and is likely to continue for an indefinite period, although under the new World Trade Organization rules, it will be reviewed by the U.S. government not later than July 2001 to determine whether the conditions for imposing the order still exist. U.S. importers of our gray Portland cement are liable for payment of the anti-dumping duties. From March 16, 2000 to the present, importers are required to post cash deposits of 45.98% *ad valorem*.

As of December 31, 1999, CEMEX USA, our U.S. subsidiary that imports Mexican cement into the United States, had accrued liabilities of U.S.$37 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the Commerce Department in its administrative reviews.

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

On October 1, 1999, the Commerce Department initiated the ninth administrative review, covering the period August 1, 1998 through July 31, 1999. The Commerce Department is expected to publish its preliminary results for the ninth review period in the second half of 2000. The cash anti-dumping duty deposit requirement, based on the 45.98% *ad valorem* determination of the Commerce Department covering the eighth review period, will continue in effect until the Commerce Department publishes its determination for the ninth review period.

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

The status of each review period is as follows:

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

U.S. Anti-Dumping Rulings—Venezuela

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

The Commerce Department's preliminary determination regarding the dumping claim was published on November 4, 1991. The Commerce Department initially found that Vencemos had a

dumping margin of 49.2%. Rather than proceeding with the final Commerce Department and ITC determinations, Vencemos and the Commerce Department entered into an Anti-Dumping Suspension Agreement on February 11, 1992. Under the Anti-Dumping Suspension Agreement, Vencemos has agreed not to sell gray cement or clinker in the United States at a price less than the "foreign market value" of Vencemos' cement products for export to the United States. The foreign market value is determined by the Commerce Department based on information provided by Vencemos each quarter. Vencemos is required to report to the Commerce Department sales in the U.S. market, costs of production and related data. As long as Vencemos reports this information and does not sell its cement in the United States below the foreign market value, the Anti-Dumping Suspension Agreement does not limit the amount, destination or price, above the foreign market value, of Vencemos' sales in the United States.

U.S. Anti-Dumping Sunset Reviews

Under the U.S. anti-dumping and countervailing duty laws, the Commerce Department and the ITC are required to conduct "sunset reviews" of outstanding anti-dumping and countervailing duty orders and suspension agreements every five years. At the conclusion of these reviews, the Commerce Department is required to terminate the order or suspension agreement unless the agencies have found that termination is likely to lead to continuation or recurrence of dumping, or a countervailable subsidy in the case of countervailing duty orders, and material injury. Under special transition rules, the first sunset reviews for any orders or agreements issued prior to January 1, 1995, such as those in the cases involving gray Portland cement and clinker from Mexico and Venezuela, must be completed no later than June 30, 2001.

Tax Matters

On April 16, 1998, we were notified of a tax assessment in respect of the 1992 tax year for approximately Ps866 million, including interest and penalties. The Mexican tax office is claiming that we improperly took deductions for the inflationary components of some items, including interest and some losses that were deducted during that fiscal year. We have filed an appeal before the Mexican federal tax court and the appeal is pending resolution. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar claims, we believe that the resolution of this claim will not have a material adverse effect on us. However, an adverse resolution of this claim could have a material adverse effect on our results of operations.

On August 4, 1999, we were notified of a tax assessment in respect of the 1993 tax year for approximately Ps1.8 billion, including interest and penalties. The Mexican tax office is claiming that we improperly took deductions for the inflationary components of some items, including advances to suppliers and guarantee deposits and that we improperly consolidated losses generated by several of our subsidiaries. We have filed an appeal before the Mexican federal tax court and the appeal is pending resolution. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar tax claims, we believe that the resolution of this

claim will not have a material adverse effect on us. However, an adverse resolution of this claim could have a material adverse effect on our results of operations.

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

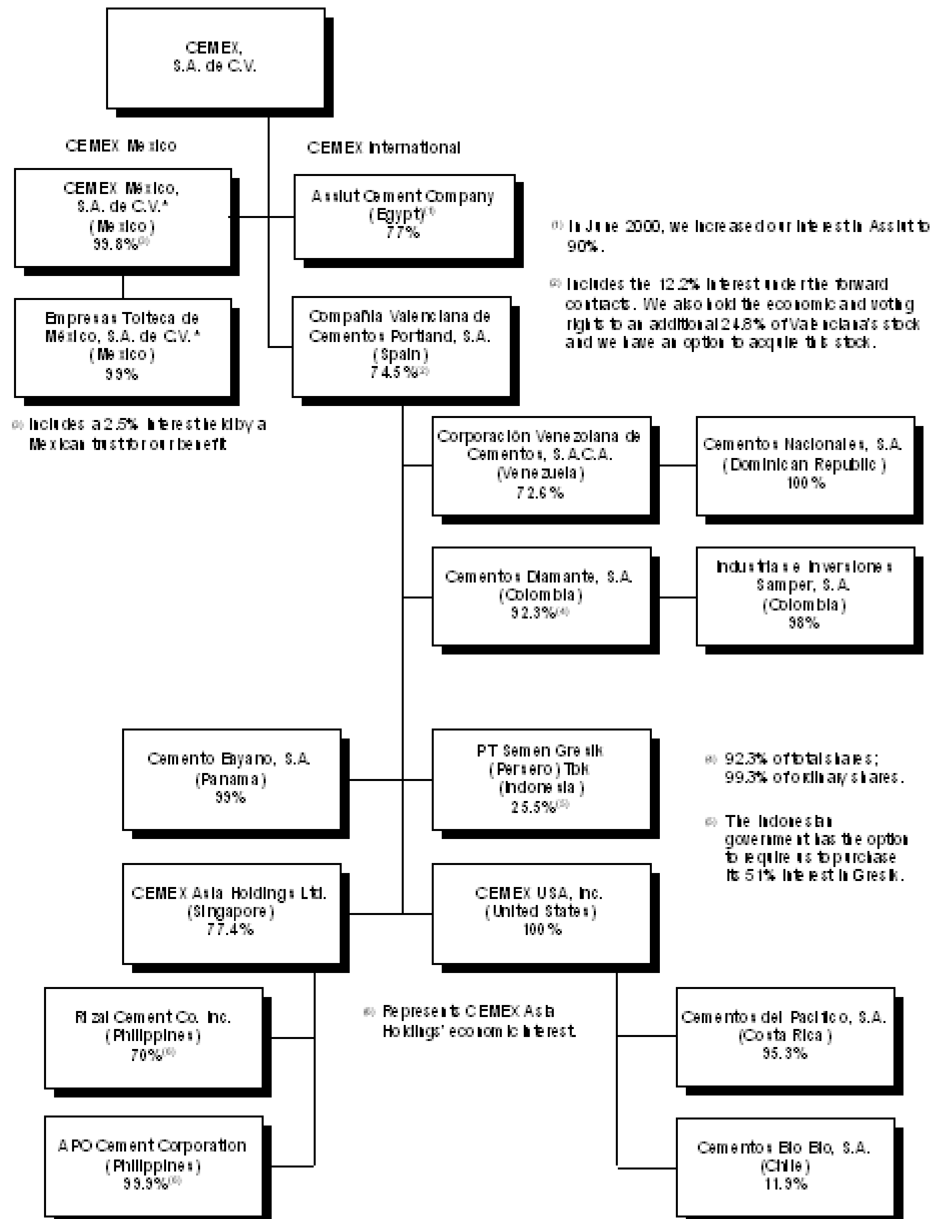
Other Legal Proceedings

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

In May 1999, several companies filed a civil liability suit in the civil court of the circuit of Ibaguē, Colombia, against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice producing capacity of land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibagué, Colombia. The plaintiffs have asked for relief in the amount of U.S. $12.6 million. This proceeding has not yet reached the evidentiary stage, since both parties have appealed the court’s evidentiary decree. Upon resolution of the appeals, the evidentiary stage will begin. Typically, proceedings of this nature continue for several years before final resolution.

Our Corporate Structure

We are a holding company and we operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart shows our corporate structure as of March 31, 2000. The chart also shows, for each company, the approximate percentage equity ownership interest of its direct parent company shown on the chart. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.



Item 5 - Operating and Financial Review and Prospects

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements which are included elsewhere in this annual report. Our financial statements have been prepared in accordance with Mexican GAAP, which differs in significant respects from U.S. GAAP. See Note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.

Mexico experienced annual inflation rates of 15.7% in 1997, 18.6% in 1998 and 12.3% in 1999, the periods covered by our consolidated financial statements included elsewhere in this annual report. Mexican GAAP requires that our consolidated financial statements recognize effects of inflation; consequently, financial data for all periods in our consolidated financial statements and throughout this annual report, except as otherwise noted, have been restated in constant Pesos as of December 31, 1999. See Notes 3(b) and 3(c) to our consolidated financial statements included elsewhere in this annual report.

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

The following table sets forth selected financial information for each of the three years ended December 31, 1997, 1998 and 1999 by principal geographic area and expressed as a percentage of our total consolidated group before eliminations resulting from consolidation. We operate in countries with economies in different stages of development and structural reform, some of which are subject to fluctuations in exchange rates, inflation and interest rates. These economic factors may affect our results of operations and financial condition depending upon the depreciation or appreciation of the exchange rate of each country in which we operate compared to the Peso and the rate of inflation of each these countries. The variations in (1) the exchange rates used in the translation of the local currency to Pesos and (2) the rates of inflation used for the restatement of our financial information to constant Pesos, as of the latest balance sheet presented, may affect the comparability of our results of operations and consolidated financial position from period to period.

(in millions of constant Pesos except percentages)

	Mexico	%	Spain	%	United States	%	Venezuela	%	Colombia	%	Egypt	%	Philip-pines	%	Central America and the Carribean	%	Others	%	Total	%	Elimina-tions	Consol-idated
Net Sales For the Period Ended:																						
December 31, 1997	Ps17,463	40%	Ps7,441	17%	Ps4,484	10%	Ps4,700	11%	Ps3,765	9%	—	—	—	—	Ps.2,362	6%	3,072	7%	43,287	100%	(4,781)	38,506
December 31, 1998	19,321	41%	8,910	19%	5,358	11%	5,173	11%	2,612	6%	—	—	—	—	2,617	6%	2,745	6%	46,736	100%	(3,969)	42,767
December 31, 1999	22,178	44%	7,335	15%	5,678	11%	4,571	9%	1,599	3%	138	0%	1,164	2%	3,509	7%	3,700	9%	49,872	100%	(3,958)	45,914
Operating Income For the Period Ended:																						
December 31, 1997	5,179	57%	1,602	18%	285	3%	1,628	18%	832	9%	—	—	—	—	608	7%	(1,035)	(12)%	9,099	100%	—	9,099
December 31, 1998	7,806	67%	2,423	21%	753	6%	1,736	15%	111	1%	—	—	—	—	439	4%	(1,595)	(14)%	11,673	100%	—	11,673
December 31, 1999	9,822	72%	2,387	17%	1,172	9%	1,248	9%	379	3%	15	0%	24	0%	642	5%	(2,028)	(15)%	13,661	100%	—	13,661
Total Assets at:																						
December 31, 1997	53,981	46%	24,844	21%	6,605	6%	11,432	9%	11,410	10%	—	—	—	—	3,961	2%	6,114	6%	118,347	100%	(14,354)	103,993
December 31, 1998	54,211	45%	22,217	18%	6,675	6%	10,413	9%	10,677	9%	—	—	3,186	3%	4,127	3%	9,160	7%	120,666	100%	(17,001)	103,665
December 31, 1999	46,721	33%	20,165	14%	6,676	5%	10,616	7%	8,172	6%	6,001	4%	7,724	5%	5,553	4%	30,103	22%	141,731	100%	(28,902)	112,829

Consolidation of Our Results of Operations

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

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

- In the fourth quarter of 1997, we acquired a 30% economic interest in Rizal, a Philippines cement producer, and in November 1998, we increased our economic interest in Rizal to 70%. As of December 31, 1999, our consolidated financial statements include the balance sheet and results of operations of Rizal for the year ended December 31, 1999. We acquired our 99.9% economic interest in APO, another Philippines cement producer, in February 1999. As of December 31, 1999, our consolidated financial statements for the year ended December 31, 1999 include APO's balance sheet and results of operations for that year. However, APO's results of operations for the first quarter of 1999 are not included in our consolidated results of operations for that period. On September 30, 1999, we contributed our interests in Rizal and APO to CEMEX Asia Holdings, in which we held an 86.2% interest. Subsequent to December 31, 1999, additional investors subscribed for an 8.8% interest in CEMEX Asia Holdings. As a result, subsequent to December 31, 1999, our interest in CEMEX Asia Holdings has been reduced to 77.4% and our economic interests in Rizal and APO have been reduced to approximately 54% and 77%, respectively. See "—Investments, Acquisitions and Divestitures" and Note 7(b) to our consolidated financial statements included elsewhere in this annual report.

- During 1998, we acquired a 16.3% ownership interest, 2.3% of which was accounted for as other investments in 1998, in Gresik, Indonesia's largest cement producer, and, in January 1999, we increased our ownership interest in Gresik to approximately 25.5%. As of December 31, 1999, our minority interest in Gresik was accounted for under the equity

method and is included in the investments in affiliated companies' caption. See Note 7(f) to our consolidated financial statements included elsewhere in this annual report.

- In December 1998, we increased our equity interest in Cementos Diamante from approximately 56% to 78%. During the first quarter of 1999, we further increased our equity interest in Cementos Diamante to approximately 84% of its total shares. As of December 31, 1999, we had increased our equity interest in Cementos Diamante from 84% to approximately 92.3% of its total shares, composed of preferred and ordinary shares, and from 93% to approximately 99.3% of its ordinary shares.

- In April 1999, we acquired a 15.8% interest in Cementos del Pacífico, a Costa Rican cement producer. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%. As of December 31, 1999, our consolidated financial statements include the balance sheet of Cementos del Pacífico as of December 31, 1999 and its results of operations for the three-month period ended December 31, 1999. See Note 7(c) to our consolidated financial statements included elsewhere in this annual report.

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

- In November 1999, we acquired a 77% interest in Assiut Cement Company, Egypt's largest cement producer. In June 2000, we increased our interest in Assiut to 90%. As of December 31, 1999, our consolidated financial statements include the balance sheet of Assiut as of November 30, 1999 and its results of operations for the one-month period ended November 30, 1999. See Note 7(a) to our consolidated financial statements included elsewhere in this annual report.

At December 31, 1999, 24.8% of the capital stock of Valenciana was subject to an equity derivative financing transaction. All shares subject to this transaction are treated as having been owned by an unaffiliated third party, thereby creating a minority interest in Valenciana's consolidated stockholders' equity when consolidated into our stockholders' equity. As Valenciana is the owner of our interests in most of our international operations, this minority interest is also applicable with respect to the stockholders' equity in each of these operations, until such time as we exercise our option to reacquire the shares subject to the equity derivative financing transaction.

As noted above, an additional 12.2% of the capital stock of Valenciana was sold in December 1999 to a number of banks and other financial institutions under certain forward contracts. We immediately prepaid to the banks the forward purchase price for this stock. We retain the economic and voting rights to this stock and we are obligated to repurchase this stock upon termination of the forward contracts. Our sale of Valenciana shares to the banks under the forward contracts for approximately U.S.$388.1 million and our immediate prepayment of this amount to the banks is not treated as a sale under Mexican GAAP; therefore no minority interest is recognized from this transaction.

Results of Operations

The following table sets forth selected consolidated income statement data for CEMEX for each of the three years ended December 31, 1997, 1998 and 1999, expressed as a percentage of net sales.

	Year Ended December 31,		
	1997	1998	1999
Net sales	100.0%	100.0%	100.0%
Cost of sales	(61.3)	(57.8)	(55.7)
Gross profit	38.7	42.2	44.3
Operating expenses:			
Administrative	(10.2)	(10.8)	(10.8)
Selling	(4.9)	(4.1)	(3.7)
Total operating expenses	(15.1)	(14.9)	(14.5)
Operating income	23.6	27.3	29.8
Net comprehensive financing income (cost):			
Financial expense	(13.5)	(11.3)	(10.1)
Financial income	1.0	0.9	0.8
Foreign exchange loss, net	(0.3)	(5.1)	0.6
Gain (Loss) on valuation of marketable securities and other investments	1.7	(0.6)	0.1
Monetary position gain	15.3	13.0	8.0
Net comprehensive financing income (cost)	4.2	(3.1)	(0.6)
Other expenses, net.	(3.6)	(3.5)	(6.1)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	24.2	20.7	23.1
Income tax and business assets tax, net	(1.4)	(1.1)	(1.4)
Employees' statutory profit sharing	(0.4)	(0.5)	(0.8)
Total income taxes, business assets tax and employees' statutory profit sharing	(1.8)	(1.6)	(2.2)
Income before equity in income of affiliates	22.4	19.1	20.9
Equity in income of affiliates	0.5	0.4	0.5
Consolidated net income	22.9	19.5	21.4
Minority interest net income	(2.8)	(0.9)	(1.2)
Majority interest net income	20.1%	18.6%	20.2%

1999 Compared to 1998

Net Sales

Our sales increased 7% from Ps42,767 million in 1998 to Ps45,914 million in 1999. This increase was largely attributable to stronger pricing and greater domestic demand in nearly all of our markets and the consolidation of Rizal's and APO's results of operations, which consolidation accounted for approximately 43% of the increase. Our cement sales volume increased 10% from 39.1 million tons in 1998 to 43.2 million tons in 1999. Ready-mix concrete sales volumes decreased 5% from 14.6 million cubic meters in 1998 to 13.9 million cubic meters in 1999, primarily as a result of decreases in Spain, Venezuela and Colombia. In 1998, the approximate percentage of our sales

to our total net sales from Mexico was 41%, from Spain was 19%, from the United States was 11%, from Venezuela was 11%, from Colombia was 6%, from Central America and the Carribean was 6%, and from other regions and trading was 6%. During 1999, the approximate percentage of our sales to our total net sales from Mexico was 44%, from Spain was 15%, from the United States was 11%, from Venezuela was 9%, from Colombia was 3%, from Central America and the Caribbean was 7%, from the Philippines was 2%, and from other regions and trading was 9%.

Our Mexican operations' domestic gray cement sales volumes increased 5% during 1999 compared to 1998. Our Mexican operations' ready-mix concrete sales volumes increased 4% during 1999 compared to 1998. This increase in our Mexican operations' domestic gray cement sales volumes and ready-mix concrete sales volumes was primarily attributable to greater private sector demand, to continued strength in the housing sector of the Mexican economy and increased public works spending, particularly in road construction projects and government owned enterprises. Our Mexican operations' cement export volumes increased 7% during 1999 compared to 1998, primarily as a result of increased demand from Central America and the Caribbean. Of our Mexican operations' cement export volumes during 1999, 52% was shipped to Central America and the Caribbean, 47% was shipped to the United States and 1% to South America. Our Mexican operations' average cement price in Mexico increased 2.9% in constant Peso terms in 1999 compared to 1998, and the average ready-mix concrete price increased 4.4% in constant Peso terms during the same period. As a result of our rationalization activities, we recorded an impairment charge on several of our operating plants in Mexico during 1999. See Note 8 to our consolidated financial statements included elsewhere in this annual report.

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

Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 15% during 1999 compared to 1998, and ready-mix concrete sales volumes increased 6% during the same period. The increases in cement sales volumes and ready-mix concrete sales volumes were primarily the result of an increase in our client base, as well as better market conditions and strong demand in Texas, California and Arizona, and an increase in the

housing and non-residential sectors and in road construction projects. Sales volumes of aggregates increased 16% in 1999 compared to 1998. In addition, our United States operations' average sales price of cement increased 3.2% in Dollar terms during 1999 compared to 1998 and the average sales price of ready-mix concrete increased 6.2% in Dollar terms during the same period.

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

Our Colombian operations' results were negatively affected by unfavorable economic conditions that affected the Colombian construction sector, resulting in depressed cement demand in 1999. Our Colombian operations' domestic cement sales volumes decreased 38% during 1999 compared to 1998, and ready-mix concrete sales volumes increased 48% during the same period. During 1999, our Colombian operations' average sales price of cement increased by approximately 27.4% in constant Colombian Peso terms compared to 1998, and the average sales price of ready-mix concrete increased by approximately 8.9% in constant Colombian Peso terms during the same period. The increase in cement and ready-mix concrete prices was primarily the result of increased competition and decreased demand for cement in 1999 compared to 1998. During 1999, as a result of economic and market conditions prevailing in Colombia, we recorded an impairment charge on some of our operating cement plants as a result of our rationalization activities. See Note 8 to our consolidated financial statements included elsewhere in this annual report.

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama and Costa Rica, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement that was produced by our operations in Venezuela and Mexico. Our Central American and Caribbean operation's domestic cement sales volumes increased 30% in 1999 compared to the same period in 1998. Excluding our trading operations in the Caribbean region, our Central American and Caribbean operations' domestic cement sales volumes increased 25% in 1999 compared to 1998. Approximately 22% of the increase in domestic cement sales volumes was attributable to the consolidation of our Costa Rican operations in the fourth quarter of 1999, but not for any part of

1998. Approximately 57% of the increase in domestic cement sales volumes was attributable to our Dominican Republic operations and 21% to our Panamanian operations. Our Central American and Caribbean operations' ready-mix concrete sales volumes increased 43% in 1999 compared to 1998. Of this increase in ready-mix concrete sales volumes, approximately 59% was attributable to our Panamanian operations and 41% to our Dominican Republic operations. In addition, our Caribbean region trading operations' domestic cement sales volumes increased approximately 41% in 1999 compared to 1998. These increases have been result of the political and economic stability in the region, where low inflation and currency strength have fostered strong cement and ready-mix concrete demand from infrastructure projects, as well as from private housing, commercial and tourist developments. Our Central American and Caribbean operations' average domestic sales price of cement increased 3.5% in Dollar terms for 1999 compared to 1998 due to favorable market conditions.

Our Philippine operations consist of Rizal and APO, and their results of operations were consolidated into ours for the year ended December 31, 1999, but not for the year ended December 31, 1998. Our Philippine operations had net sales of Ps1.16 billion in 1999 and operating income of Ps24 million. The Philippine construction sector contracted 2.8% in 1999. Both public and private investment in infrastructure projects remained depressed, reflecting the continuing effects of the 1997 Asian economic crisis, which are still felt in the Philippines. Cement demand in the Philippines decreased 6% in 1999 compared to 1998, primarily as a result of reduced spending by the Philippine government on infrastructure projects. Despite this decrease in government spending on infrastructure, construction activity in 1999 was primarily attributable to government spending, while private sector activity continued to lag during that period. Cement demand and prices reached their lowest levels of the Asian economic crisis period during the third quarter of 1999. During the fourth quarter of 1999, cement demand and prices began to recover slightly. The low level of Philippine cement prices are partially the result of a competitive price war among Philippine cement producers that was a response to an industry-wide capacity expansion. In response to these adverse market conditions, we have implemented cost-cutting measures in our Philippine operations.

Cost of Sales

Our cost of sales, including depreciation, increased 3% from Ps24,728 million in 1998 to Ps25,581 million in 1999. The increase in cost of sales was attributable primarily to increased sales volumes. As a percentage of sales, cost of sales decreased from 57.8% in 1998 to 55.7% in 1999. The decrease in cost of sales as a percentage of sales was attributable primarily to a decline in production costs, particularly energy-related costs.

Gross Profit

For the reasons mentioned above, our gross profit increased by 13% from Ps18,039 million in 1998 to Ps20,333 million in 1999. Our gross margin increased to 44.3% in 1999 from 42.2% in 1998. Of the 2.1% increase in our gross profit margin, approximately 50.4% is attributable to stronger pricing in 1999, approximately 33.8% is attributable to greater sales volumes in 1999 as

compared to 1998, approximately 11.8% is attributable to the consolidation in 1999 of our operations in the Philippines, Egypt and Costa Rica, and the remaining 3.9% is attributable to the decline in production costs.

Operating Expenses

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

Operating Income

For the reasons described above, our operating income increased 17% from Ps11,673 million in 1998 to Ps13,661 million in 1999. Our operating margin increased to 29.8% in 1999, from 27.3% in 1998.

Comprehensive Financing Income (Cost)

	Year Ended December 31,	
	1998	1999
	(in millions of constant Pesos)	
Net comprehensive financing cost:		
Financial expense	Ps (4,810)	Ps (4,639)
Financial income	372	299
Foreign exchange gain (loss), net	(2,195)	262
Gain (loss) on valuation of marketable securities and other investments	(266)	89
Monetary position gain	5,589	3,714
Net comprehensive financing cost	Ps (1,310)	Ps (275)

Our net comprehensive financing cost improved from Ps1,310 million in 1998 to Ps275 million in 1999. The components of the improvement are set forth below. Our financial expense was Ps4,639 million for 1999, a decrease of 4% from Ps4,810 million in 1998. The decrease was partially a result of lower debt and lower average interest rates in 1999 as compared to 1998. Our financial income decreased 20% from Ps372 million in 1998 to Ps299 million in 1999. The decrease was primarily a result of lower average interest rates and lower temporary investment positions. The foreign exchange component of comprehensive financing income (cost) improved substantially, from a loss of Ps2,195 million in 1998 to a gain of Ps262 million in 1999. This improvement was primarily attributable to a 3.9% appreciation of the Peso against the Dollar in 1999 compared to a 22.7% depreciation of the Peso against the Dollar in 1998. Our gain (loss) from valuation of marketable securities increased from a loss of Ps266 million in 1998 to a gain of Ps89 million for 1999. The increase was primarily due to lower average interest rates. Our monetary position gain decreased from Ps5,589 million during 1998 to Ps3,714 million during 1999. This decrease was primarily a result of the decrease in the inflation index in 1999 as compared to 1998.

Net Other Expenses

Our net other expenses for 1999 were Ps2,823 million, an 87% increase over Ps1,508 million in 1998. This increase was primarily attributable to (1) the impairment provisions taken during 1999 on certain assets and (2) a decrease in gains from asset sales in 1999 compared to 1998. During 1999, as a result of our rationalization activities, we recorded an impairment charge of approximately Ps600 million on several of our operating plants in Mexico and Colombia. As of December 31, 1999, these impaired assets were not in use and their depreciation was suspended. See Note 8 to our consolidated financial statements included elsewhere in this annual report. In 1998, we sold the Alcalá cement plant located in Seville, Spain and its related assets resulting in a gain from asset sales of approximately Ps326 million.

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

Our tax expenses, consisting of income taxes and business assets tax, increased from Ps458 million in 1998 to Ps650 million in 1999. Our average statutory income tax rate in 1999 was approximately 35%. Our effective tax rate was 6.2% in 1999 compared to 5.2% in 1998. The low effective rate in both periods primarily resulted from the utilization of tax loss carry-forwards to offset taxable income attributable primarily to Mexico. Employees' statutory profit sharing increased from Ps200 million during 1998 to Ps364 million during 1999. See Note 15 to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

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

Our consolidated net income (before deducting the portion allocable to minority interests) for 1999 increased by 17%, to Ps9.8 billion from Ps8.3 billion in 1998, primarily as a result of the increase in our operating income and the decrease in comprehensive financing cost, which was partially offset by the increases in net other expenses and income tax. The percentage of consolidated net income allocable to minority interests increased from 4.7% in 1998 to 5.5% in 1999, primarily as a result of (1) the increased profitability of some of our subsidiaries that are not wholly owned during 1999 compared to 1998, (2) the decrease in the minority ownership interest in our loss producing Colombian operations during 1999 compared to 1998, resulting in a smaller portion of the Colombian operation's losses being allocated to minority interest, thereby increasing the percentage of consolidated net income allocable to minority interests, and (3) the relatively minor effects of (a) our contribution of Rizal and APO to CEMEX Asia Holdings (which decreased our ownership interest in those companies to 86% and 60%, respectively), and (b) the new minority

interest arising from our consolidation of our Egyptian operations (in which as of December 31, 1999, minority shareholders held a 23% interest) for one month of 1999. Majority interest net income increased by 16%, from Ps8.0 billion in 1998 to Ps9.2 billion in 1999. As a percentage of net sales, majority interest net income increased from 18.6% in 1998 to 20.2% in 1999.

1998 Compared to 1997

Net Sales

Our sales increased 11% from Ps38,506 million in 1997 to Ps42,767 million in 1998. This increase was largely attributable to stronger pricing and greater domestic demand in nearly all of our markets. Our cement sales volume increased 3% from 38.1 million tons in 1997 to 39.1 million tons in 1998, and ready-mix concrete sales volumes increased 18% from 12.4 million cubic meters in 1997 to 14.6 million cubic meters in 1998. During 1997, the approximate percentage of our sales to our total net sales from Mexico was 40%, from Spain was 17%, from Venezuela was 11%, from the United States was 10%, from Colombia was 9% and from other regions and trading was 13%. In 1998, the approximate percentage of our sales, to our total net sales from Mexico was 41%, from Spain was 19%, from Venezuela was 11%, from the United States was 11%, from Colombia was 6%, and from other regions and trading was 12%.

Our Mexican operations' domestic gray cement sales volumes increased 7% during 1998 compared to 1997. Our Mexican operations' ready-mix concrete sales volumes increased 27% during 1998 compared to 1997. This increase in our Mexican operations' domestic gray cement sales volumes and ready-mix sales volumes was primarily attributable to greater private sector demand resulting from continued strength in the housing sector of the Mexican economy, which typically accounts for approximately 60% of Mexican cement demand. Primarily as a result of the decrease in cement exports to Asia following the onset of the Asian economic crisis, our Mexican operations' cement export volumes, which represented 10% of our Mexican cement sales volumes in 1998, decreased 44.5% during 1998 compared to 1997. Of our Mexican operations' cement export volumes during 1998, 43% was shipped to the United States, 30% to the Caribbean and 27% to Central and South America. Our Mexican operations' average cement price in Mexico increased 13.7% in constant Peso terms in 1998 compared to 1997, and the average ready-mix concrete price increased 7.6% in constant Peso terms during the same period.

Our Spanish operations' domestic cement sales volumes increased 14.6% during 1998 compared to 1997, and ready-mix concrete sales volumes increased 19.3% during the same period. The increase in domestic cement and ready-mix concrete sales volumes was primarily attributable to strong demand in the housing and non-residential sectors of the Spanish economy and increased public works spending. Our Spanish operations' cement export volumes decreased 3.8% during 1998 compared to 1997, as cement production was targeted to meet domestic demand. Of our Spanish operations' total cement export volumes during 1998, 70% was shipped to the United States, 12% to Africa, 12% to Europe and 6% to the Middle East. In addition, our Spanish operations' average domestic sales price of cement increased 2.5% in nominal Peseta terms during 1998 compared to

1997, and the average sales price of ready-mix concrete increased 2.4% in nominal Peseta terms during the same period.

Our Venezuelan operations' domestic cement sales volumes increased 10.6% during 1998 compared to 1997, and ready-mix concrete sales volumes increased 24% during the same period. The increase in domestic cement sales volumes was primarily attributable to increased private sector demand, and the increase in ready-mix concrete sales volumes was primarily attributable to increased domestic demand. Our Venezuelan operations' cement export volumes decreased 14.1% during 1998 compared to 1997, as cement production was targeted to meet increased domestic demand due to several factors including:

- our participation in a railroad concession project;
- increased private sector spending;
- increased long-term investment in the petroleum sector; and
- Vencemos' award of the cement supply contract for the Carauchi dam project in Eastern Venezuela.

Of our Venezuelan operations' total cement export volumes during 1998, 61.2% was shipped to the United States, 24.8% to the Caribbean, 11.6% to South America and 2.4% to Central America. In addition, our Venezuelan operations' average domestic sales price of cement decreased 11% in constant Bolivar terms during 1998 compared to 1997, and the average sales price of ready-mix concrete decreased 2.7% in constant Bolivar terms during the same period.

Our Colombian operations' results were negatively affected by lower cement and ready-mix concrete prices in 1998 compared to 1997. During 1998, our Colombian operations' average sales price of cement declined by approximately 13.8% in constant Colombian Peso terms compared to 1997 and the average sales price of ready-mix concrete decreased by approximately 5.2% in constant Colombian Peso terms during the same period. The decline in cement and ready-mix concrete prices was primarily the result of increased competition and decreased demand for cement in 1998 compared to 1997. The declines in cement and ready-mix concrete prices were only partially offset by increased cement and ready-mix concrete sales volumes in 1998 compared to 1997.

Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 20.8% during 1998 compared to 1997, and ready-mix concrete sales volumes increased 13% during the same period. The increase in cement sales volumes and ready-mix concrete sales volumes were primarily the result of strong demand in Texas, California and Arizona. Sales volumes of aggregates increased 26% in 1998 compared to 1997. In addition, our United States operations' average sales price of cement increased 8.9% in Dollar terms during 1998 compared to 1997, the average sales price of ready-mix concrete increased 5.1% in Dollar terms

during the same period, and the average sales price of aggregates decreased 0.4% in Dollar terms during the same period.

Cost of Sales

Our cost of sales, including depreciation, increased 5% from Ps23,569 million in 1997 to Ps24,728 million in 1998. The increase in cost of sales was attributable primarily to increased sales volumes. As a percentage of sales, cost of sales decreased from 61.3% in 1997 to 57.8% in 1998. The decrease in cost of sales as a percentage of sales was attributable primarily to a decline in production costs, particularly energy-related costs, and changes in product mix, among other factors.

Gross Profit

Our gross profit increased by 20.9% from Ps14,910 million in 1997 to Ps18,039 million in 1998. Our gross margin increased to 42.2% in 1998 from 38.7% in 1997. Of the 3.5% increase in our gross profit margin, approximately 30% is attributable to greater domestic sales volumes in 1998 as compared to 1997, 52% is attributable to stronger pricing in 1998, and the remaining 18% is attributable to the decline in production costs, particularly energy related costs.

Operating Expenses

As a percentage of sales, our administrative and selling expenses declined slightly from 15.1% in 1997 to 14.9% in 1998.

Operating Income

For the reasons described above, our operating income increased 28.3% from Ps9,099 million in 1997 to Ps11,673 million in 1998. Our operating margin increased to 27.3% in 1998, from 23.6% in 1997.

Comprehensive Financing Income (Cost)

	Year ended December 31,	
	1997	1998
	(in millions of constant Pesos)	
Net comprehensive financing income (cost):		
Financial expense	Ps (5,184)	Ps (4,810)
Financial income	378	372
Foreign exchange loss, net	(120)	(2,195)
Gain (loss) on valuation of marketable securities and other investments	674	(266)
Monetary position gain	5,865	5,589
Net comprehensive financing income (cost)	Ps 1,613	Ps(1,310)

Our net comprehensive financial income (cost) decreased from an income of Ps1,613 million in 1997 to a cost of Ps1,310 million in 1998. The components of the net decrease are as set forth below. Our financial expense was Ps4,810 million in 1998, a decrease of 7.2% from Ps5,184 million in 1997. The decrease was partially a result of lower debt in 1998 as compared to 1997. Our financial income decreased 1.6% from Ps378 million in 1997 to Ps372 million in 1998. Our net foreign exchange loss increased substantially, from Ps120 million in 1997 to Ps2,195 million in 1998. This increase was primarily attributable to the greater depreciation of the Peso against the Dollar in 1998 compared to 1997. The Peso depreciated by 2.4% in 1997 and by 22.7% in 1998 against the Dollar. Our gain (loss) from valuation of marketable securities decreased from a gain of Ps674 million in 1997 to a loss of Ps266 million for 1998. The decrease was primarily due to the gain in 1997 of Ps380 million resulting from the termination of put and call spread options on our equity securities and the volatility of the Mexican stock market in 1998. Our monetary position gain decreased from Ps5,865 million during 1997 to Ps5,589 million during 1998. This decrease was primarily a result of lower debt in 1998 as compared to 1997.

Net Other Expenses

Our net other expenses for 1998 were Ps1,508 million, a 7.9% increase over the Ps1,398 million in 1997. This increase was primarily attributable to other income in 1997 resulting from the cancellation of provisions for taxes recorded in 1996.

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

Our tax expense, consisting of income taxes and business assets tax, decreased from Ps509 million in 1997 to Ps458 million in 1998. Our average statutory income tax rate in 1998 was approximately 35%. Our effective tax rate was 5.2% in 1998 compared to 5.5% in 1997. The low effective rate in both periods primarily results from the utilization of tax loss carry-forwards to offset taxable income attributable primarily to Mexico. Employees' statutory profit sharing increased from Ps166 million during 1997 to Ps200 million during 1998. See Note 15 to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

For the reasons described above, consolidated net income for 1998 decreased by 5.3%, to Ps8,352 million from Ps8,817 million in 1997. Changes in majority interest net income in any period reflect changes in consolidated net income and changes in the percentage of minority ownership during the period. That percentage is determined by the percentage of stock of our subsidiaries held by non-affiliated third parties as of the end of each month during the relevant period.

The percentage of minority ownership decreased from 1997 to 1998. Minority interest net income decreased 63.9% from Ps1,084 million in 1997 to Ps391 million in 1998, primarily as a result of the change in the accounting for some equity derivative financing transactions, which resulted in our no longer recording them as minority interest, and the acquisition of minority interests in several subsidiaries. As a result of the foregoing changes, majority interest net income increased 2.9%, from Ps7,733 million in 1997 to Ps7,961 million in 1998. As a percentage of net sales, majority interest net income decreased from 20.1% in 1997 to 18.6% in 1998.

Liquidity and Capital Resources

Operating Activities

We have met our operating liquidity needs primarily through resources provided from operations of our subsidiaries and expect to continue to do so for both the short-term and long-term. Our net resources provided by operating activities were Ps12.9 billion in 1997, Ps12.0 billion in 1998 and Ps14.7 billion in 1999.

Financing Activities

As of December 31, 1999, we had U.S.$4.4 billion (Ps41.6 billion) of total debt, of which approximately 23.6% was short-term and 76.4% was long-term. As of that date, 79.3% of our consolidated debt was Dollar-denominated, 14% was Euro or Peseta-denominated, 0.1% was Colombian Peso-denominated, 1.0% was Philippine Peso-denominated and 5.4% was Egyptian Pound-denominated. The weighted average interest rates paid by us in 1999 were 8.5% on our Dollar-denominated debt, 3.9% on our Euro or Peseta-denominated debt, 19.8% on our Colombian Peso-denominated debt, 13.5% on our Philippine Peso-denominated debt and 10.5% on our Egyptian Pound-denominated debt. The ratio of total indebtedness, including some non-balance sheet obligations used to calculate this ratio for financial covenant purposes, to total capitalization as of December 31, 1999 was approximately 44.1% and as of December 31, 1998 was approximately 46.6%.

From time to time, as part of our financing activities, we and our subsidiaries have entered into various financing agreements, including bank loans, credit facilities, sale-leaseback transactions,

forward contracts, forward lending facilities and equity swap transactions. Additionally, we and our subsidiaries have issued notes, commercial paper, bonds and putable capital securities.

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital investment programs. Two of our principal Mexican subsidiaries have provided guarantees of our indebtedness in the amount of U.S.$2.1 billion (Ps19.9 billion), as of December 31, 1999. That amount includes subsidiary guarantees of our purchase obligation with respect to the 9.66% Putable Capital Securities. See "Risk Factors—Our ability to pay dividends and repay debt depends on transfers of income and dividends from our subsidiaries," and "—We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs and ADSs."

As of December 31, 1999, we and our subsidiaries had lines of credit totaling Ps37.4 billion at annual rates of interest ranging from 5.4% to 12.8%, in accordance with the currency in which they were negotiated, which do not require compensating balances. The unused amounts of those lines of credit totaled approximately Ps27.5 billion as of December 31, 1999. In addition to these lines of credit, from time to time we borrow money from banks and other financial institutions.

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

Over the past several years, we have sought and obtained waivers and amendments from lenders to our financing agreements with lenders to our Mexican operations and our Mexican noteholders relating to the maintenance of financial ratios and other covenants in our financing agreements. Some of our subsidiaries have also obtained waivers of limitations on indebtedness and capital expenditures and other covenants under existing debt instruments. These waivers for our subsidiaries are typically requested and granted for limited periods, after which either a further waiver is requested or compliance makes a further waiver unnecessary. Compliance with these ratios is usually tested on a quarterly basis, and certificates relating to compliance are usually required after the financial statements for those quarters become available. We have also sought and obtained amendments to some of our other debt agreements. In addition, in order to implement the offering of the 9.66% Putable Capital Securities and the sale of the Colombian operations to Valenciana, Valenciana was required to obtain waivers from some of its lenders and amendments to some of its debt instruments, including an amendment to its credit facility.

If we were unable to obtain any required waivers, holders of our indebtedness would be able to accelerate the maturity of that indebtedness which, in turn, could constitute a default under our other indebtedness. Those defaults could trigger our obligations to make payments of principal, interest and other amounts under that indebtedness, which could have a material adverse effect on our financial condition. As of December 31, 1999, we were in compliance with or had obtained

waivers in connection with all the financial covenants in our own and our subsidiaries' financing agreements. We believe that we have good relations with our lenders and the lenders to our subsidiaries, and nothing has come to our attention that would lead us to believe that future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested.

The scheduled maturities of our debt as of December 31, 1999, approximately 79.3% of which was denominated in Dollars, are summarized as follows:

	Total debt (in billions of constant Pesos as of December 31, 2000)
Year ending December 31, 2000	Ps 9.8
Year ending December 31, 2001	9.5
Year ending December 31, 2002	8.3
Year ending December 31, 2003	3.5
Year ending December 31, 2004	3.1
Year ending December 31, 2005 and thereafter	7.4
	Ps41.6

Equity Derivative Financing Transactions

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

In July 1995, we sold a portion of the capital stock of Valenciana to a bank under an equity swap transaction in exchange for Ptas40 billion. In August 1997, this transaction was initially refinanced for a notional amount of U.S.$320 million. As of December 31, 1998, the transaction had a notional amount of U.S.$422.5 million. In the first quarter of 1999, a renegotiation of this transaction was finalized for a notional amount of U.S.$500 million (Ps4.8 billion). As of December 31, 1999, the shares subject to this transaction represented 24.8% of the outstanding capital stock of Valenciana. We retain economic and voting rights over these shares and have an option to acquire these shares in June 2001 for an aggregate price of U.S.$500 million. If we do not exercise our option, the voting and economic rights to these shares will pass to the swap counterparty. The terms of the transaction provide that we may, together with our banks, agree to extend this transaction for an additional two years. All shares subject to this equity swap transaction are treated as having been

owned by an unaffiliated third party, thereby creating a minority interest of 24.8% in Valenciana's consolidated stockholders' equity when consolidated into our consolidated stockholders' equity as of December 31, 1999. Since Valenciana is the owner of our interests in Vencemos, Cementos Diamante, Samper, CEMEX USA, Cementos Nacionales, Cemento Bayano, Rizal, Gresik, APO, Cementos Bio Bio and Cementos del Pacífico, this minority interest is also applicable with respect to the shareholders' equity in each of these companies, until such time (if any) as we exercise our option to reacquire the shares subject to the equity swap transaction. If we were to fail to exercise that option, the minority interest would no longer be reversible.

Based on our experience in replacing our prior equity swap transactions, we anticipate that we will either replace or extend the currently outstanding equity derivative financing transaction on Valenciana’s shares or exercise our options to acquire the shares underlying that transaction on the settlement date, depending on our overall liquidity position and available financing alternatives. Under Mexican GAAP, this transaction is not recorded as debt on our balance sheet and is recorded as minority interest.

Some of the equity derivative financing transactions have required that we subject additional shares of stock to the arrangement if the value of the stock subject to the transaction decreases below minimum thresholds. Furthermore, the equity derivative financing transactions typically provide for periodic payments to be made in respect of the notional amounts of those transactions, reflecting the cost of providing capital to us over the life of the transaction. See “Risk Factors—Our use of equity derivative financing and other financing may have adverse effects on the market for our securities and our subsidiaries' securities and may adversely affect our ability to achieve operating efficiencies as a combined group.”

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

- U.S.$3.80, if the average price of our CPOs equals or exceeds U.S.$10.00 in the period from December 13, 1999 to December 12, 2001.

- The difference between the average price of one CPO on December 13, 2001 and U.S.$6.20, if the average price of our CPOs on such date equals or exceeds U.S.$8.00, not to exceed U.S.$3.80.

- U.S.$1.80, if the average price of our CPOs equals or exceeds U.S.$8.00 in the period from December 14, 2001 though December 12, 2002.

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

- The difference between the average price of our CPOs on December 13, 2002, the appreciation warrant maturity date, and U.S.$6.20.

In order to hedge our obligations under the appreciation warrants and to provide us with financing on terms we believe are advantageous, in December 1999, we entered into forward contracts with a number of banks and other financial institutions, referred to as the banks. Under the forward contracts, the banks purchased from us 21,000,000 of our ADSs and 33,751,566 shares (or 12.2%) of the common stock of Valenciana for an aggregate purchase price of approximately U.S.$905.7 million, or the notional amount. Absent a default under the forward contracts, the banks are required to deliver to us a number of ADSs and Valenciana shares equal to that sold to them on December 13, 2002, against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the notional amount accreted at a fixed annual rate of interest. The forward contracts provide for early delivery of ADSs and Valenciana shares to us in specified circumstances. We have made to the banks an advance payment of approximately U.S.$439.9 million of the forward purchase price, and we are required to make periodic payments during the life of the forward contracts and upon the occurrence of specified events. Absent a default under the forward contracts, the banks are required to deliver ADSs to us, without payment, in an amount corresponding to the approximate appreciation value payable, if any, on the appreciation warrants. During the life of the forward contracts, we will make additional periodic prepayments if the current market value of the ADSs and Valenciana shares subject to the contracts is less than 120% of the mark-to-market of the discounted remaining forward purchase price. In the absence of a default under the forward contracts, the banks have agreed to pay to us an amount equal to any dividends paid on the ADSs purchased by the banks upon the maturity or early termination of the forward contracts.

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

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

In addition, in December 1995, we entered into a financial transaction in which one of our Mexican subsidiaries transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately U.S.$123.5 million in exchange for notes issued by the trust. We have the right to reacquire these assets on various dates until 2007. As of December 31, 1999, U.S.$104.6 million (Ps995 million) was outstanding under this transaction.

Derivatives and Other Hedging Instruments

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

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

	(Thousands of Dollars)				
	At December 31, 1998		At December 31, 1999		
	Notional Amount	Fair Value	Notional Amount	Fair Value	Maturity Date
Derivative Instruments					
Equity forward contracts	220,638	(48,011)	222,719	89,650	May 2003
Foreign exchange forward contracts	250,000	(60,848)	410,000	12,423	August 2003
Interest rate collars and swaps ...	507,795	(22,001)	545,095	(12,085)	October 2009
Equity basket derivative	5,766	(1,319)	—	—	March 1999
Call options	—	—	51,530	(15,427)	October 2000
Warrant-related forward contracts	—	—	606,005	122,690	December 2002

The equity derivatives, including the warrant-related forward contracts in the table above, are accounted for as equity instruments, and gains and losses are recognized as an adjustment to stockholders' equity. The currency forwards are accounted for at fair value as a hedge of our net investments in foreign subsidiaries and therefore are included in the related foreign currency translation adjustment and are recorded at their estimated market value and gains and losses are recognized as an adjustment to stockholders' equity. The interest rate derivatives are accounted for as an adjustment to the effective interest rate of the related debt. The effects recorded in our income statement of these interest rate derivatives amounted to a gain of Ps21.0 million in 1997, a gain of Ps14.8 million in 1998, a gain of Ps55.8 million in 1999 and a gain of Ps8.3 million in the first quarter of 2000.

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term Dollar-denominated debt as of December 31, 1999. Average floating interest rates are calculated based on forward rates in the yield curve as of December 31, 1999. Future cash flows represent contractual principal payments. The fair value of our floating rate long-term debt is determined by discounting future cash flows using borrowing rates currently available to us as of December 31, 1999 and is summarized as follows:

	Expected maturity dates as of December 31, 1999							
Long-term debt(1)	**2001**	**2002**	**2003**	**2004**	**2005**	**After 2005**	**Total**	**Fair Value**
	(Millions of Peso-equivalents of debt denominated in Dollars)							
Variable rate	Ps4,777	Ps4,277	Ps1,634	Ps1,934	763	Ps370	Ps13,755	Ps13,755
Average interest rate	8.4%	8.5%	8.5%	8.6%	8.7%	8.7%		
Fixed rate	Ps3,202	Ps2,625	Ps509	Ps55	55	Ps4,918	Ps11,364	Ps11,821
Average interest rate	10.4%	11.0%	11.3%	11.4%	11.4%	9.5%		

(1) This table does not include our obligations under the forward contracts.

As part of our strategy to manage financial cost, as of December 31, 1999, we have negotiated interest rate collars for up to U.S.$50 million (Ps476 million) and Ptas7,500 million (Ps431 million) in 1998 and Ptas2,500 million (Ps144 million) in 1999, of the debt negotiated at variable rates based upon the London Interbank Offered Rate, or LIBOR, and the Madrid Interbank Offered Rate, or MIBOR. As of December 31, 1999, the notional amount of these interest rate collar contracts outstanding was U.S.$14.4 million (Ps137 million) and their related fair value was a Ps0.5 million loss. This transaction was terminated in March 2000.

Additionally, we have entered into a range of forward swap contracts covering up to U.S.$405 million (Ps3.9 million) in 1998 and U.S.$80 million (Ps761 million) in 1999, to protect the financial cost of debt negotiated at variable rates. As of December 31, 1999, the notional amount of these contracts was U.S.$80 million (Ps761 million), and their related fair value was U.S.$0.2 million (Ps1.9 million) loss. These forward swap contracts have quarterly cash settlements and mature in 2001. The potential change in the fair value as of December 31, 1999 that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a loss of approximately Ps6.3 million.

During 1999, we entered into interest rate swap contracts covering up to U.S.$450 million (Ps4.3 billion) to convert the financial cost of debt negotiated at a fixed rate to a variable rate. As of December 31, 1999, the notional amount of these contracts was U.S.$450 million (Ps4.3 billion), and their related fair value was a loss of U.S.$11.8 million (Ps112 million). This contract has quarterly and semi-annual cash settlements and matures in 2009. The potential change in the fair value as of December 31, 1999 that would result from a hypothetical, instantaneous increase of 50 basis points in the interest rates would be a loss of approximately U.S.$12.9 (Ps123 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel, energy and maintenance, overtime and cement prices are indexed to the Dollar/Peso exchange rate. For the year ended December 31, 1999, approximately 44% of our revenues were generated in Mexico, 15% in Spain, 11% in the United States, 9% in Venezuela, 3% in Colombia, 7% in Central America and the Caribbean, 2% in the Philippines, and 9% from other regions and our cement and clinker trading activities. As of December 31, 1999, long-term debt amounted to Ps31.8 billion, of which approximately 79.1% was Dollar-denominated; therefore, there is a foreign currency exposure arising from the Dollar-denominated debt and the currencies in which our revenues are settled in most countries in which we operate. Although we also have debt in other currencies, we generate enough cash flow in those currencies to service that debt. Therefore, we believe there is no material foreign currency risk exposure with respect to that debt.

Additionally, we have outstanding foreign exchange forward contracts in order to hedge against fluctuations in foreign exchange rates. These contracts have been designed as a hedge on our net investment in foreign subsidiaries. The effects arising from these instruments are accounted for as part of the translation effect of foreign subsidiaries. As of December 31, 1999, the notional amount of these foreign exchange contracts outstanding was U.S.$410 million (Ps3.9 billion) and its related fair value was a U.S.$12.4 million (Ps118 million) gain. These transactions mature in 2003. The potential change in the fair value as of December 31, 1999 that would result from a hypothetical, instantaneous devaluation of 10% in the exchange rate of the Peso against the Spanish Peseta would be an approximately Ps391 million loss, which would be offset by a corresponding foreign translation gain as a result of our net investment in Spain.

Equity Risk

As of December 31, 1999, we have entered into equity forward contracts to buy 5,128,600 of our ADSs. These transactions have been accounted for as equity transactions; therefore, gains and losses are recognized in our stockholders' equity when realized. The transactions mature at different maturity dates, ending in January 2001. On December 31, 1999, the price of an ADS was approximately U.S.$27.88 per ADS. The potential change in the fair value as of December 31, 1999 that would result from a hypothetical, instantaneous decline of 10% in the price of the ADSs would be a loss of approximately U.S.$11.2 million (Ps107 million).

As of December 31, 1999, we have entered into forward contracts to repurchase 21,000,000 of our ADSs. These forward contracts have been accounted for as equity transactions; therefore, gains and losses are recognized in our stockholders' equity when realized. The forward contracts mature in December 2002.

We have implemented voluntary employee stock options plans to give our executives and directors the opportunity to invest in voluntary employee stock options. Under these plans, we sell call options to employees and enter into forwards with a third party on ADSs for the same amount and strike prices. As of December 31, 1999, we have voluntary stock options outstanding for 4,527,369 ADSs. The call options are priced in Dollars and have a maturity of five years, exercisable on specified dates at fixed strike prices. The option premium paid by executives and directors was 7% of the spot notional amount.

At December 31, 1999, we had call options to purchase 1,229,260 ADSs. We may exercise these options during a period ending October 15, 2000, at a weighted average strike price of U.S.$41.89 per ADS. At December 31, 1999, these call options were out of the money. See Note 14 to our consolidated financial statements included elsewhere in this annual report.

Investments, Acquisitions and Divestitures

The transactions described below represent our principal investments, acquisitions and divestitures completed during 1997, 1998, 1999 and 2000.

Investments and Acquisitions

In April 2000, we agreed to commit U.S.$20 million in financing to PuntoCom Holdings, an e-business development accelerator of several internet projects for Latin America. We hold an 80% ownership interest in PuntoCom Holdings. Additionally, we agreed to commit U.S.$30 million in PuntoCom Investments, a Delaware venture fund that will make e-business investments in Latin America. We own a 100% ownership interest in the capital of PuntoCom Investments, and PuntoCom Investments has the right to co-invest in the companies of PuntoCom Holdings portfolio.

In March 2000, we agreed to invest U.S.$26 million to begin the construction of a new grinding mill near Dhaka, Bangladesh. The mill is being constructed with a production capacity of approximately 500 thousand metric tons per year. The facility is expected to begin operations in March 2001. We plan on supplying this mill with clinker from Gresik in Indonesia and from other countries in the region.

In November 1999, we acquired a 77% interest in Assiut Cement Company, Egypt's largest cement producer, for approximately U.S.$318.8 million. In June 2000, we increased our interest in Assiut to 90%.

In July 1999, we entered into shareholder and subscription agreements with institutional investors to co-invest in CEMEX Asia Holdings Ltd., a subsidiary created to make cement investments in Asia. We and the institutional investors have initially agreed to contribute equity capital of up to U.S.$1.2 billion to CEMEX Asia Holdings. As of May 31, 2000, we have funded approximately U.S.$490 million of our U.S.$929 million commitment by contributing to CEMEX Asia Holdings our direct participations and economic benefits in Rizal and APO. Institutional

investors have funded approximately U.S.$142 million of their total U.S.$271 million commitment by contributing cash to CEMEX Asia Holdings. As a result of these transactions, our economic interest in Rizal was reduced to approximately 54% and our economic interest in APO was reduced to approximately 77%. Our economic interest in CEMEX Asia Holdings was reduced to 77.4%. Some of the institutional investors are entitled to representation on the board of directors of CEMEX Asia Holdings and also have the right to veto major corporate actions. CEMEX Asia Holdings has a right of first offer for our investments in many Asian countries, including the right to acquire our interest in Gresik. After a five year period, the institutional investors will have the right to sell their interests in CEMEX Asia Holdings to third parties, after first giving us the opportunity to acquire their interests. If we do not acquire their interests and the sales proceeds received by the institutional investors' for their interests is less than the greater of their cost or current value, then the institutional investors will have the right to purchase from us a sufficient portion of our interest in CEMEX Asia Holdings for a nominal amount and resell that interest, so that the aggregate proceeds to the institutional investors equals the greater of the cost or current value of their interests. We also have the right to acquire from the institutional investors a portion of their interests in CEMEX Asia Holdings in specified circumstances. We receive a technical assistance fee from CEMEX Asia Holdings or its subsidiaries in consideration for our providing them with support and technical assistance.

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

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

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

In December 1998, we increased our equity interest in our Colombian operations from approximately 56% to 78%. In the first quarter of 1999, we further increased our equity interest in Cementos Diamante to 84% for a capital contribution of approximately U.S.$90 million (Ps861 million). In December 1999, we further increased our equity interest in Cementos Diamante to approximately 99.3% of its ordinary shares and 92.3% of its total shares.

In 1998, we acquired a 16.3% ownership interest in Gresik. In 1999, we increased our ownership interest in Gresik to approximately 25.5%.

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

transactions described above, our economic interest in Rizal at March 31, 2000 was approximately 54%.

In December 1995, we acquired a controlling interest in Cementos Nacionales, our Dominican Republic operations, for a total purchase price of approximately U.S.$110 million. As of March 31, 2000, our 72.6% owned subsidiary Vencemos had an equity ownership interest of 100% in our Dominican Republic operations.

In addition to the above-mentioned acquisitions, our net investment in property, machinery and equipment, as reflected in our consolidated statements of changes in financial position included elsewhere in this annual report, excluding acquisitions of equity interests in subsidiaries and affiliates, was approximately Ps3,402 million (U.S.$358 million) in 1997, Ps3,231 million (U.S.$340 million) in 1998 and Ps2,528 million (U.S.$266 million) in 1999. This net investment in property, machinery and equipment has been applied to the construction and upgrade of plants and equipment, to the maintenance of plants and equipment, including environmental controls and technology updates.

We believe that it is important to diversify selectively into markets that have long-term growth potential, particularly in emerging market countries, where the shortage of roads and other infrastructure and a low per capita use of cement is most likely to result in significant increases in demand for cement. As we have publicly announced, we have had preliminary discussions with representatives of the government of Portugal to explore business opportunities in the near or medium term with CIMPOR, an international cement company based in Portugal. Although we regularly consider opportunities for acquisitions and routinely engage in preliminary discussions in connection therewith, no such discussions that may be currently ongoing have progressed beyond the preliminary stages.

Divestitures

In May 2000, we sold our 100% interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, Mexico, as well as other property in Puerto Vallarta for approximately U.S.$116 million.

In November 1998, Valenciana sold its Alcalá cement plant located in Seville, Spain and its related assets for approximately U.S.$260 million (Ps2.6 billion).

Year 2000 Issues

We estimate that the total cost of our year 2000 program through December 31, 1999 has been approximately U.S.$36 million. We have allocated U.S.$7 million as a contingency reserve that will be available throughout the year 2000.

The Euro Conversion

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

We have examined the risks of the Euro for our Spanish operations' business and markets. We do not believe that the Euro conversion will have a material short-term impact on our business or our market position, although we believe that the Euro will contribute to the ongoing convergence of prices in Europe over the longer term. In 1999, our Spanish sales amounted to 15% of our net sales. As of December 31, 1999, 14.0% of our consolidated debt was Euro or Peseta-denominated.

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

U.S. GAAP Reconciliation

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

Majority net income under U.S. GAAP for the years ended December 31, 1997, 1998 and 1999 amounted to Ps7.1 billion, Ps5.6 billion and Ps5.4 billion, respectively, compared to majority net income under Mexican GAAP for the years ended December 31, 1997, 1998 and 1999 of Ps.7.7 billion, Ps8.0 billion and Ps9.2 billion, respectively. See Note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

In June 1998, The Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also

specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is currently scheduled to be effective for fiscal years beginning after June 15, 2000. We are currently evaluating the impact that SFAS 133 will have on our consolidated financial statements and disclosures.

Item 6 - Directors, Senior Management and Employees

Directors and Senior Management

Senior Management

Set forth below are the name and position of each of our executive officers as of May 31, 2000. The terms of office of the executive officers are indefinite.

Lorenzo H. Zambrano
Chief Executive Officer

Joined CEMEX in 1968. During his career with CEMEX, Mr. Zambrano has been involved in all operational aspects of our business. He held several positions in the company prior to his appointment as chief executive officer in 1985. Mr. Zambrano is a graduate of ITESM with a degree in mechanical engineering and administration and holds an M.B.A. from Stanford University. Lorenzo H. Zambrano is a nephew of Marcelo Zambrano Hellión, honorary chairman of our board of directors. He is also a first cousin of Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, both members of our board of directors, as well as of Rodrigo Treviño, our chief financial officer.

Mr. Zambrano has been a member of our board of directors since 1979 and chairman of our board of directors since 1995. He is also a member of the board of directors of Fomento Económico Mexicano, S.A. de C.V., Empresas ICA, S.A. de C.V., Alfa, S.A. de C.V., Cydsa, S.A., Vitro, S.A., and Grupo Televisa, S.A. He is chairman of the board of directors of Consejo de Enseñanza e Investigación Superior, A.C., which manages ITESM. He is also a member of the Stanford Business School's advisory group and a member of the board of directors and of the executive committee of Grupo Financiero Banamex Accival, S.A. de C.V. In addition, he is member of the board of directors of The Museum of Modern Art, The Economic Development Institute of the World Bank, Americas Society, Inc., Museo de Arte Contemporáneo, and the Mexico-United States Commission for Educational and Cultural Exchange.

Héctor Medina,
Executive Vice President of
Planning and Finance

Joined CEMEX in 1988. He has held several positions in the company, including director of strategic planning from 1991 to 1994, president of CEMEX Mexico from 1994 to 1996, and has served as executive vice president of planning and finance since 1996. He is a graduate of ITESM with a degree in chemical engineering and administration. He also received a Masters of Science degree in management studies from the University of Bradford Management Centre in England and a Masters of Science diploma in Operations Research from the Escuela de Organización Industrial in Spain in 1975. Among the positions he previously held are those of Project Director at Grupo Protexa, S.A. de C.V., Administrative Director at Grupo Xesa, S.A. de C.V., Commercial Director at Direcplan, S.A. and Industrial Relations Sub-Director at Hylsa, S.A. de C.V.

Armando J. García Segovia,
Executive Vice President
of Development

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

Mr. Armando J. García Segovia has been a member of our board of directors since 1983. He also serves as a member of the board of directors of Materiales Industriales de Chihuahua, S.A. de C.V., Calhidra y Mortero de Chihuahua, S.A. de C.V., Cementos de Chihuahua, S.A. de C.V., Construcentro de Chihuahua, S.A. de C.V., Control Administrativo Mexicano, S.A. de C.V., Compañía Industrial de Parras, S.A. de C.V., Fábrica La Estrella, S.A. de C.V.,

Prendas Textiles, S.A. de C.V., Telas de Parras, S.A. de C.V., Canacem, Confederación Patronal de la República Mexicana, Centro Patronal de Nuevo León, and Instituto Mexicano del Cemento y del Concreto. He is also chairman of the board of directors of Centro de Estudios del Sector Privado para el Desarrollo Sostenible.

Mario de la Garza,
Vice President of
Administration

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

Francisco Garza,
President of CEMEX
North America and Trading

Joined CEMEX in 1988 and has served as vice president of trading from 1990 to 1992, president of CEMEX USA from 1992 to 1994, president of Vencemos and Cemento Bayano from 1994 to 1996, president of CEMEX Mexico and CEMEX USA from 1996 to 1998, when he was appointed president of the North American region and trading. He is a graduate in business administration of ITESM and holds an M.B.A. from the Johnson School of Management at Cornell University. Previously, he was employed from 1982 to 1984 at Alfa, S.A. de C.V. and from 1984 to 1988 at Hylsa, S.A. de C.V.

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

Joined Valenciana in 1993 as general director of administration and finance. In 1994 he was appointed president of Valenciana. Mr. Sáenz de Miera has served as president of the Europe and Asia region since 1998. He is a graduate in economic sciences from Universidad Complutense de Madrid and public accountant from Instituto de Censores Jurados de Cuentas in Spain. Previously, he was

employed from 1973 to 1993 at KPMG Peat Marwick, since 1982 as partner and since 1988 as deputy senior partner.

Victor Romo,
President of CEMEX South America and the Caribbean

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

Rodrigo Treviño,
Chief Financial Officer

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

Ramiro G. Villarreal,
General Counsel

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

Board of Directors

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

Lorenzo H. Zambrano, Chairman	See "—Senior Management."
Marcelo Zambrano Hellión, Honorary Chairman	Mr. Marcelo Zambrano Hellión has been a member of our board of directors since 1957, chairman of our board of directors from 1979 to 1995, and honorary chairman of our board of directors since 1995. He also serves as president of Cerámica Industrial de Monterrey, S.A., de C.V., and General de Cerámica, S.A. He is also a member of the board of directors of Consejo Industrial de Nuevo León, Consejo Empresarial de América Latina, Seguros La Comercial, S.A., Club Industrial, A.C. and Grupo Serfin-OBSA (Regional Board). He is the father of Rogelio Zambrano Lozano, a member of our board of directors, and an uncle of Lorenzo Milmo Zambrano, a member of our board of directors, and Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer.
Eduardo Brittingham Sumner	Mr. Eduardo Brittingham Sumner has been a member of our board of directors since 1967. He is also general director of Laredo Autos, S.A. de C.V., and of Auto Express Rapido Nuevo Laredo, S.A. de C.V. He is a member of the board of directors of Consorcio Industrial de Exportación, S.A. de C.V., and an alternate member of the board of directors Vitro, S.A. He is father of Tomás Brittingham Longoria, an alternate member of our board of directors.
Lorenzo Milmo Zambrano	Mr. Lorenzo Milmo Zambrano has been a member of our board of directors since 1977. He also serves as general director of Inmobiliaria Ermiza, S.A. de C.V. and as a member of the board of directors of Seguros la Comercial, S.A., Banco Santander Mexicano, S.A. (Regional), Nacional Financiera S.N.C. and Bancomer, S.A. (Regional). He is a nephew of Marcelo Zambrano Hellión, honorary chairman of our board of directors, and a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and a first cousin of Rogelio Zambrano Lozano, a member of our board of directors.
Armando J. García Segovia	See "—Senior Management."

Rodolfo García Muriel	Mr. Rodolfo García Muriel has been a member of our board of directors since 1985. He is also the chief executive officer and chairman of the board of directors of Compañía Industrial de Parras, S.A. de C.V. and chairman of the board of directors of Parras Cone de México, S.A. de C.V., Lavapar, S.A. de C.V., and vice-chairman of the board of directors of the Cámara Nacional de la Industria Textil. He is also a member of the board of directors of Parras Williamson, S.A. de C.V., Telas de Parras, S.A. de C.V., Prendas Textiles, S.A. de C.V., Iusacell, S.A. de C.V., Iusa-GE, S. de R.L., Cambridge Lee Industries Inc., Industrias Unidas, S.A., Apollo Operadora de Sociedades de Inversión, S.A. de C.V., and Sinkro, S.A. de C.V. Rodolfo García Muriel is a first cousin of Armando J. García Segovia, executive vice president of development of CEMEX and a member of our board of directors, and Jorge García Segovia, an alternate member of our board of directors.
Rogelio Zambrano Lozano	Mr. Rogelio Zambrano Lozano has been a member of our board of directors since 1987. He is also a member of the consultive board of Grupo Financiero Banamex Accival, S.A. de C.V. Zona Norte. Rogelio Zambrano Lozano is the son of Marcelo Zambrano Hellión, honorary chairman of our board of directors. He is also a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and of Lorenzo Milmo Zambrano, a member of our board of directors.
Roberto Zambrano Villarreal	Mr. Roberto Zambrano Villarreal has been a member of our board of directors since 1987. He is chairman of the board of directors of Desarrollo Integrado, S.A. de C.V., Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Servicios Técnicos Hidráulicos, S.A. de C.V., and Mantenimiento Integrado, S.A. de C.V. He is a member of the board of directors of S.L.I. de México, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., Radio Digital 220, S.A. de C.V., Eicon, S.A. de C.V. and Telecomunicaciones Públicas y Privadas, S.A. de C.V. He is a brother of Mauricio Zambrano Villarreal, an alternate member of our board of directors.

Bernardo Quintana Isaac	Mr. Bernardo Quintana Isaac has been a member of our board of directors since 1990. He is chief executive officer and chairman of the board of directors of Grupo ICA, S.A. de C.V., and a member of the board of directors of Teléfonos de México, S.A. de C.V., Grupo Financiero Banamex Accival, S.A. de C.V., Grupo Financiero Inbursa, S.A. de C.V., Grupo Carso, S.A. de C.V., and Grupo Maseca, S.A. de C.V. He is also a member of the Consejo Mexicano de Hombres de Negocios.
Dionisio Garza Medina	Mr. Dionisio Garza Medina has been a member of our board of directors since 1995. He is also chairman of the board and chief executive officer of Alfa, S.A. de C.V. and chairman of the board of Hylsamex, S.A. de C.V., and of Sigma Alimentos, S.A. de C.V. He is a member of the board of directors of Vitro, S.A., Cydsa, S.A., Seguros Comercial América, S.A., and Grupo Financiero Bancomer, S.A. de C.V. He is also a member of Consejo Mexicano de Hombres de Negocios, the consultive committee of the School of Business of Harvard University, and the David Rockefeller Center for Latin American Studies and the consultive committee of the New York Stock Exchange. He is also chairman of the executive board of the Universidad de Monterrey, A.C.
Alfonso Romo Garza	Mr. Alfonso Romo Garza has been a member of our board of directors since 1995. He is chairman of the board and chief executive officer of Pulsar Internacional, S.A. de C.V., Savia, S.A. de C.V., Seguros Comercial América, S.A. de C.V., and Empaques Ponderosa, S.A. de C.V. and Seminis Inc. He is also a member of the board of Nacional de Drogas, S.A. de C.V. and Grupo Maseca S.A. de C.V. He is an external advisor of the World Bank Board for Latin America and the Caribbean, and member of the board of The Donald Danford Plant Science Center.

Alternate Directors

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

Jorge García Segovia	Mr. Jorge García Segovia has been an alternate member of our board of directors since 1985. He is also a member of the board of directors of Compañía Industrial de Parras, S.A. de C.V., Vitro Vidrio Plano, S.A., ABA Seguros, S.A., and director of Vector Casa de Bolsa, S.A. de C.V. He is a brother of Armando J. García Segovia and a first cousin of Rodolfo García Muriel, both members of our board of directors.
Tomás Brittingham Longoria	Mr. Tomás Brittingham Longoria has been an alternate member of our board of directors since 1987. He is also the chief executive officer of Laredo Autos, S.A. de C.V. He is a son of Eduardo Brittingham Sumner, a member of our board of directors.
Mauricio Zambrano Villarreal	Mr. Mauricio Zambrano Villarreal has been an alternate member of our board of directors since 1995. He is also general vice-president of Desarrollo Integrado, S.A. de C.V., chairman of the board of directors of Empresas Falcón, S.A. de C.V. and Trek Associates, Inc., secretary of the board of directors of Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Praxis Accesorios, S.A. de C.V. and Servicios Técnicos Hidráulicos, S.A. de C.V., and a member of the board of directors of Sylvania Lighting International México, S.A. de C.V., Invercap, S.A. de C.V. and Precision Auto Care, Inc. He is a brother of Roberto Zambrano Villarreal, a member of our board of directors.

Examiner

Luis Santos de la Garza	Mr. Luis Santos de la Garza was an alternate director of our board from 1987 to 1988, and has been our examiner since 1989. He is also a member of the board of directors of Grupo Industrial Ramírez, S.A. de C.V. and Productora de Papel,

	S.A. de C.V., founding partner of Bufete de Abogados Santos-Elizondo-Cantú-Rivera-González-De la Garza, S.C., and a Senator of Mexico for the State of Nuevo León.

Alternate Examiner

Fernando Ruiz Arredondo	Mr. Fernando Ruiz Arredondo has been our alternate examiner since 1981.

Compensation of Our Directors and Senior Management

For the year ended December 31, 1999, the aggregate amount of compensation we paid, or our subsidiaries paid, to all members of our board of directors, alternate members of our board of directors, statutory auditors and senior managers as a group was approximately Ps132,704,824. Approximately Ps51,296,173 of this amount was paid pursuant to a bonus plan based on our performance.

Employee Stock Option Plan

In 1995, we adopted a stock option plan under which we are authorized to grant to members of our board of directors, members of our senior management and employees options to acquire up to 216,300,000 shares. As of December 31, 1999, options to acquire 47,000,318 CPOs had been granted under the plan at a weighted average nominal exercise price of Ps38.8 per CPO and options representing 5,924,788 CPOs had been exercised. Each of the outstanding options vests at a rate of 25% per year on each of the first four anniversaries of the date of its grant and expires on the tenth anniversary of that date.

Employees

See Item 4 - "Information on the Company - Employees."

Share Ownership

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

Item 7 - Major Shareholders and Related Party Transactions

Principal Shareholders

As of May 31, 2000, the following of our directors and members of our senior management beneficially owned more than one percent of our capital stock:

Name	Number of A shares	Percentage of outstanding A shares (1)	Number of B shares	Percentage of outstanding B shares (1)	Number of CPOs	Percentage of outstanding CPOs
Fernando Ruiz Arredondo	0	0.00%	0	0.00%	25,738,199	1.90%
Marcelo Zambrano Hellión	0	0.00%	0	0.00%	16,665,022	1.23%
Lorenzo Milmo Zambrano	0	0.00%	0	0.00%	14,134,825	1.04%

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

As of May 31, 2000, our senior management and directors and their immediate families owned, collectively, approximately 5.06% of our outstanding shares, including shares underlying CPOs. This percentage does not include shares held by the extended families of members of our senior management and directors, since to the best of our knowledge, no voting arrangements or other agreements exist with respect to those shares. In addition as of May 31, 2000, through our subsidiaries, we owned approximately 8.8% of our outstanding shares, including shares in the form of CPOs. We believe that this gives our management effective control.

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

As of March 31, 2000, approximately 130.1 million CPOs, representing approximately 9.6% of our outstanding CPOs and 8.8% of our outstanding voting stock, were held by some of our subsidiaries, and an additional 160 million CPOs, representing approximately 11.8% of our outstanding CPOs and 10.8% of our outstanding voting stock, were held subject to equity derivative and other transactions. These CPOs are voted at the direction of our management. From time to time, our subsidiaries are active participants in the trading market for our capital stock and, as a result, the levels of our CPO and share ownership by those subsidiaries are likely to fluctuate.

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

As of March 31, 2000, our outstanding capital stock consisted of 2,959,807,812 Series A shares and 1,479,903,906 Series B shares, in each case including shares held by our subsidiaries.

As of March 31, 2000, a total of 2,710,289,594 Series A shares and 1,355,144,797 Series B shares were held by the CPO trust. Each CPO represents two Series A shares and one Series B share. A portion of the CPOs is represented by ADSs. Under the terms of the CPO trust agreement, non-Mexican holders of CPOs and ADSs have no voting rights with respect to the A shares underlying those CPOs and ADSs. All ADSs are deemed to be held by non-Mexican nationals. At every shareholders' meeting, the A shares held in the CPO trust are voted in accordance with the vote cast by holders of the majority of A shares held by Mexican nationals and B shares voted at that meeting of shareholders.

As of May 31, 2000, the following options to acquire our securities were outstanding:

Title of security underlying option	Number of CPOs underlying options	Expiration date	Per CPO exercise price of options
CPOs	28,612,586	2005-2009	Ps20.00-42.22
CPOs	21,992,013	2002-2009	U.S.$7.90-9.62
CPOs	22,586,020	2003-2004	U.S.$2.81-6.46

As of May 31, 2000, our senior management and directors held the following options to acquire our securities:

Title of security underlying options	Number of CPOs underlying options	Expiration date	Per CPO exercise price of options
CPOs	6,359,286	2005-2009	Ps20.00-42.22
CPOs	9,022,043	2002-2009	U.S.$7.90-9.62
CPOs	11,562,774	2003-2004	U.S.$2.81-6.46

As of May 31, 2000, our employees held the following options to acquire our securities:

Title of security underlying options	Number of securities underlying options	Expiration date	Exercise price of options
CPOs	22,253,300	2005-2009	Ps20.00-42.22
CPOs	12,969,970	2002-2009	U.S.$7.90-9.62
CPOs	11,023,246	2003-2004	U.S.$2.81-6.46

In addition to the options mentioned above, as of May 31, 2000, our senior management and directors owned, collectively, approximately 30.3% of our outstanding appreciation warrants. In addition, as of March 31, 2000, through our subsidiaries, we owned approximately 3.5 % of our outstanding appreciation warrants. If the average price of our CPOs reaches specified levels on or prior to December 13, 2002, the appreciation warrants will be redeemed for CPOs or ADSs at specified appreciation values. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Equity Derivative Financing Transactions" for a description of the appreciation warrants.

Mexican securities authority regulations, Circular 11-14, provide that our majority-owned subsidiaries may not directly or indirectly invest in our CPOs and other securities representing our capital stock. The Mexican securities authority could require any disposition of the CPOs or of other securities representing our capital stock so owned and/or impose fines on us if it were to determine that the ownership of our CPOs or of other securities representing our capital stock by our subsidiaries, in most cases, negatively affects the interests of our shareholders. The Mexican securities authority has not instituted any proceedings or, to the best of our knowledge, threatened to levy any fines or to take any action that would

require disposition of the CPOs or of any other securities representing our capital stock. Notwithstanding the foregoing, the exercise of all rights pertaining to our CPOs or to other securities representing our capital stock in accordance with the instructions of our subsidiaries does not violate any provisions of our bylaws or the bylaws of our subsidiaries and the holders of these CPOs or of other securities representing our capital stock are entitled to exercise the same rights relating to their CPOs or other securities representing our capital stock, including all voting rights, as any other holder of the same series of our CPOs or of other securities representing our capital stock.

Related Party Transactions

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

Item 8 - Financial Information

Consolidated Financial Statements and Other Financial Information

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

Legal Proceedings

See Item 4 - "Information on the Company - Regulatory Matters and Legal Proceedings."

CEMEX Dividends

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

appreciation warrants" and "—Our use of equity derivative financing may have adverse effects on the market for our securities and our subsidiaries' securities and may adversely affect our ability to achieve operating efficiencies as a combined group."

Although our board of directors currently intends to continue to recommend an annual dividend on the common stock, the recommendation whether to pay and the amount of those dividends will continue to be based upon, among other things, earnings, cash flow, capital requirements and our financial condition and other relevant factors. On April 27, 2000, at our annual shareholders' meeting our board of directors recommended and our shareholders approved our most recent dividend, equal to Ps1.5 (U.S.$0.15) per CPO.

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

The following table sets forth the amounts of annual cash dividends paid in Pesos, on a per share basis, and a convenience translation of those amounts into Dollars based on the CEMEX accounting rate as of December 31, 1999. Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.

	Dividends Per Share	
	Constant Pesos	Dollars
1995	0.29	0.03
1996	—	—
1997	0.39	0.04
1998	0.44	0.05
1999	0.50	0.05

At our 1999 annual shareholders' meeting, which took place on April 27, 2000, our board of directors recommended and the shareholders approved a dividend of Ps1.5 (U.S.$0.15) per CPO; instead of receiving that dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.5 worth of additional CPOs at a price of Ps32.20 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of U.S.$34 million was paid in cash.

At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the shareholders approved a dividend of Ps0.44 (U.S.$0.05) per share; shareholders were entitled to elect to receive additional shares instead of receiving that dividend in cash, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.45 (U.S.$1.20) per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps259 million was paid in cash.

At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the shareholders approved a dividend of Ps0.39 (U.S.$0.04) per share; shareholders were entitled to elect to receive additional shares instead of receiving that dividend in cash, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps12.72 (U.S.$1.3) per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps338 million was paid in cash.

We did not declare or pay dividends in 1996; rather management recommended, and our shareholders approved, a share repurchase program. As a result of that share repurchase program, as of December 31, 1997, we had repurchased 72 million CEMEX shares for an amount of approximately Ps1.2 billion.

Significant Changes

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

Item 9 - Offer and Listing

Market Price Information

A shares, B shares, CPOs and appreciation warrants are listed on the Mexican Stock Exchange. Our CPOs trade under the symbol "CEMEX.CPO" and our appreciation warrants trade under the symbol "CMX212EDC059." As a result of the exchange offer, the trading of our A shares and B shares substantially declined and were last traded on the Mexican Stock Exchange on December 28, 1999, under the symbols "CEMEX.A" and "CEMEX.B," respectively. ADSs and ADWs are listed on the NYSE. Our ADSs trade under the symbol "CX" and our ADWs trade under the symbol "CX.WS." The following table sets forth, for the periods indicated, the reported highest and lowest market quotations in nominal Pesos for A shares, B shares, CPOs and appreciation warrants on the Mexican Stock Exchange and the high and low sales prices in Dollars for ADSs and ADWs on the NYSE.

Calendar Period	A Shares(1)		B Shares(1)		CPOs(1)		ADSs(2)		appreciation warrants(3)		ADWs(4)	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1995												
First quarter	Ps8.20	Ps3.49	Ps8.67	Ps3.73	Ps24.60	Ps10.58	—	—	—	—	—	—
Second quarter	7.47	4.80	7.77	4.97	22.20	14.10	—	—	—	—	—	—
Third quarter	9.83	7.05	10.40	7.40	29.60	21.10	—	—	—	—	—	—
Fourth quarter	8.90	6.20	9.67	6.50	26.70	18.60	—	—	—	—	—	—
1996												
First quarter	10.10	8.00	10.92	8.57	30.35	23.80	—	—	—	—	—	—
Second quarter	10.23	7.93	11.00	8.60	30.90	23.80	—	—	—	—	—	—
Third quarter	10.03	8.15	11.13	8.83	30.25	24.30	—	—	—	—	—	—
Fourth quarter	9.93	8.63	10.92	9.37	29.85	25.80	—	—	—	—	—	—
1997												
First quarter	11.15	9.72	12.23	10.07	33.60	28.20	—	—	—	—	—	—
Second quarter	11.67	8.67	13.10	9.62	35.20	25.90	—	—	—	—	—	—
Third quarter	14.47	11.40	16.53	12.82	43.40	34.20	—	—	—	—	—	—
Fourth quarter	13.73	7.90	15.60	7.97	41.25	19.00	—	—	—	—	—	—
1998												
First quarter	12.87	9.67	15.93	11.17	39.00	27.90	—	—	—	—	—	—
Second quarter	14.27	10.97	17.13	12.98	43.40	33.50	—	—	—	—	—	—
Third quarter	13.23	5.31	15.47	6.10	39.90	16.00	—	—	—	—	—	—
Fourth quarter	9.07	6.43	10.57	7.07	27.10	18.40	—	—	—	—	—	—
1999							—	—	—	—	—	—
First quarter	13.17	5.97	13.38	6.63	39.10	17.90	—	—	—	—	—	—
Second quarter	16.60	12.92	16.77	13.00	50.00	38.70	—	—	—	—	—	—
Third quarter	16.50	14.00	16.70	15.50	49.75	38.50	US$24.38	US$22.50	—	—	—	—
Fourth quarter	15.20	13.54	15.20	13.54	53.10	37.50	28.13	19.25	Ps8.26	Ps5.00	U.S.$4.13	U.S.$2.56
2000												
First quarter	—	—	—	—	53.80	39.20	28.75	20.75	8.50	5.50	4.75	2.50
Second quarter (Through June 21, 2000)	—	—	—	—	45.90	37.80	24.63	19.50	7.20	4.00	3.50	2.44
1999												
December	—	—	—	—	Ps53.10	Ps45.60	U.S.$28.13	U.S.$24.25	Ps8.26	Ps5.00	U.S.$4.13	U.S.$2.56
2000												
January	—	—	—	—	53.80	41.75	28.75	21.63	8.50	6.10	4.50	2.94
February	—	—	—	—	46.20	40.05	24.50	21.38	7.00	5.50	4.00	2.88
March	—	—	—	—	50.90	39.20	27.63	20.75	8.00	5.80	4.75	2.50
April	—	—	—	—	45.90	37.80	24.63	20.13	7.20	5.00	3.50	2.69
May	—	—	—	—	42.20	38.65	22.25	19.94	5.50	4.00	3.13	2.63

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

(1) As of December 31, 1999, approximately 88.3% of our outstanding share capital was represented by CPOs (including CPOs held in the form of ADSs). The consummation of the exchange offer resulted in a substantial decline in the trading volume of our A shares and B shares on the Mexican Stock Exchange.

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

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

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

On June 21, 2000, the reported closing price for CPOs on the Mexican Stock Exchange was Ps42.35 per CPO; and the reported closing price for ADSs on the NYSE was U.S.$21.56 per ADS.

On December 28, 1999, the reported closing prices for A shares and B shares on the Mexican Stock Exchange were Ps15.20 per A share and Ps15.20 per B share.

Item 10 - Additional Information

Memorandum and Articles of Association

General

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

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

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

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

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

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

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

On September 15, 1999, we effected a stock split. For every one of our shares of any series we issued two series A shares and one series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange ADSs and CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As a result, as of December 31, 1999, approximately 88.3% of our outstanding share capital was represented by CPOs.

As of December 31, 1999, after giving effect to the three to one share split effected on September 15, 1999, our capital stock consisted of 4,795,212,915 shares. A shares represented 66.66% of our capital stock, or 3,196,808,610 shares, of which 2,959,216,418 shares were subscribed and paid, 105,241,768 shares were treasury shares and 132,350,424 were authorized for issuance pursuant to our stock option plans, but which had not yet been paid. B shares represented 33.33% of our capital stock, or 1,598,404,305 shares, of which 1,479,608,209 were subscribed and paid, 52,620,884 shares were treasury shares, and 66,175,212 were authorized for issuance pursuant to our employee stock option plans, but which had not yet been paid. Of the total of our A shares and B shares, 3,267,000,000 shares correspond to the fixed portion of our capital stock and 1,528,212,915 shares correspond to the variable portion of our capital stock.

Changes in Capital Stock and Preemptive Rights

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

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

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

Repurchase Obligation

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

- the average quotation price for the 30 days prior to the date of the offer; or
- the book value, as reflected in the last quarterly report filed with the Mexican securities authority and the Mexican Stock Exchange.

The majority shareholders are not bound to make the repurchase if all our shareholders agree to waive that right. This provision has been included in our articles of association, and may not be amended

without the consent of holders of at least 95% of our capital stock and the prior approval of the Mexican securities authority.

Shareholders' Meetings and Voting Rights

Shareholders' meetings may be called by:

- our board of directors or the statutory auditors;
- shareholders representing at least 33% of the then outstanding shares of our capital stock by requesting our board of directors or the statutory auditors to call a meeting;
- any shareholder if no meeting has been held for two consecutive years or when the matters referred to in Article 181 of the Mexican corporation law have not been dealt with; or
- a Mexican court in the event our board of directors or the statutory auditors do not comply with the valid request of the shareholders indicated above.

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

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

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

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

- extending our corporate existence;
- our early dissolution;
- increasing or reducing our fixed capital stock;

- changing our corporate purpose;
- changing country of incorporation;
- changing our capital structure;
- a proposed merger;
- issuing preferred shares;
- redeeming our own shares and issuing preferred shares;
- any other amendment to our articles of association; and
- any other matter for which a special quorum is required by law or by our articles of association.

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

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

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

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

Under Mexican law, an action for civil liabilities against directors may be initiated by a shareholders' resolution. In the event shareholders decide to bring an action of this type, the persons against whom that

action is brought will immediately cease to be directors. Additionally, shareholders representing not less than 33% of the outstanding shares may directly exercise that action against the directors; provided that:

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

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

Registration and Transfer

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

Redemption

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

Directors' and Shareholders' Conflict of Interest

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

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

Withdrawal Rights

Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one form of corporate organization to another, the Mexican corporation law provides that any shareholder entitled to vote on that change that has voted against it may withdraw from CEMEX and receive the amount calculated as specified in the Mexican general corporation law

attributable to its shares, provided that it exercises that right within 15 days following the adjournment of the meeting at which the change was approved.

Dividends

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

Liquidation Rights

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

Repurchase Option

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

Material Contracts

On September 17, 1998, we and the Republic of Indonesia, represented by its Minister of Finance, entered into a Conditional Sale and Purchase Agreement relating to our acquisition from the Republic of Indonesia of a 14% interest in Gresik for U.S.$115 million. We completed this acquisition in October 1998. Under the terms of the agreement, the Republic of Indonesia has the contractual right until October 2001 to require us to purchase all or a portion of its remaining 51% interest in Gresik for a purchase price of up to U.S.$418 million, depending on the size of the interest sold, plus interest accrued at 8.2% per annum. The agreement also gives us the right to appoint two members to each of the board of directors and the board of commissioners of Gresik.

On February 5, 1999, we, Sunward and Mexcement Holdings N.V., two of our subsidiaries, Ruxpin Limited and Milaco, S.A., each a special purpose entity, and Société Générale, Sucursal en España, as agent for a group of banks, entered into an Amended and Restated Master Agreement relating to the renegotiation of the equity swap transaction pursuant to which Sunward transferred a portion of its holdings of the capital stock of Valenciana to the banks in exchange for Ptas40 billion. On that same date, Ruxpin, Société Générale and the other banks entered into a U.S.$500,000,000 Facility Agreement relating to the renegotiation of the equity swap transaction. As of December 31, 1999, the shares subject to this transaction represented 24.8% of the outstanding capital stock of Valenciana. We retain economic and voting rights over these shares and have an option to acquire these shares in June 2001 for an aggregate price of U.S.$500 million. If we do not exercise our option, the voting and economic rights to these shares will pass to the banks.

On June 30, 1999, our subsidiary Valenciana, as borrower, Valenciana's material subsidiaries, as guarantors, Banco Bilbao Vizcaya, S.A., Banco de Negocios Argentaria, S.A., Citibank, N.A., Société Générale, Sucursal en España, as arrangers, and Banco Bilbao Vizcaya, S.A., as Facility Agent, entered into a seven-year multi-currency term loan facility in the amount of U.S.$1,100,000,000. Amortization of this loan is in 14 equal semi-annual installments.

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

Some of these agreements contain various covenants, which, among other things, require us to maintain specific financial ratios, limit our ability to subject our assets to liens, restrict asset sales and dictate the use of proceeds from the sale of assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Exchange Controls

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

Taxation

Mexican Tax Considerations

General

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

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

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

Taxation of Dividends

Dividends, either in cash or in any other form, paid with respect to A shares or B shares represented by the CPOs (or in the case of holders who hold CPOs represented by ADSs), will be subject to a 5% Mexican withholding tax based on the amount of the distributed dividend, multiplied by a factor of 1.5385, which produces a net Mexican withholding tax of approximately 7.7% applicable to holders of CPOs who are non-residents of Mexico. Under the Convention Between the United States and Mexico for Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Income Taxes, and a Protocol thereto (the "U.S.-Mexico Income Tax Treaty"), a U.S. Shareholder who owns less than 10% of our stock and is

otherwise eligible for benefits under such treaty will, in no event, be subject to more than a 10% withholding tax.

Disposition of CPOs or ADSs

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

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

U.S.-Mexico Income Tax Treaty

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

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

Estate and Gift Taxes

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

Disposition of Appreciation Warrants or ADSs

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

Mandatory redemption, maturity and purchase of Appreciation Warrants or ADWs

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

U.S. Federal Income Tax Considerations

General

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

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

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

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;

- a corporation created or organized in the United States or under the laws of the United States or any state thereof (including the District of Columbia);

- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust.

Ownership of CPOs or ADSs in general

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

Taxation of dividends with respect to CPOs and ADSs

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

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

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

Taxation of capital gains on disposition of CPOs or ADSs

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

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

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

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

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

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

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

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

Adjustments to the Strike Price

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

United States Backup Withholding and Information Reporting

A U.S. Shareholder may, under certain circumstances, be subject to "backup withholding" at the rate of 31% with respect to some payments to that U.S. Shareholder, such as dividends or the proceeds of a sale or other disposition of the CPOs, appreciation warrants, ADSs or ADWs, unless such holder (i) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number and certifies that it is not subject to backup withholding rules. Any amount withheld under these rules will be creditable against the U.S. Shareholder's federal income tax liability.

Documents on Display

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

Item 11 - Quantitative and Qualitative Disclosures About Market Risk

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

Item 12 - Description of Securities Other than Equity Securities

Not applicable to annual reports on Form 20-F.

PART II

Item 13 - Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15 - [Reserved].

Item 16 - [Reserved].

PART III

Item 17 - **Financial Statements**

Not applicable.

Item 18 - **Financial Statements**

See pages F-1 through F-74 incorporated herein by reference.

Item 19 - **Exhibits**

Exhibits

1.1	Articles of Association for CEMEX, S.A. de C.V.*
2.1	Form of Trust Agreement between CEMEX, S.A. de C.V., as founder of the trust, and Banco Nacional de Mexico, S.A. regarding the CPOs*
2.2	Form of CPO Certificate*
2.3	Form of Second Amended and Restated Deposit Agreement (A and B share CPOs) among CEMEX, S.A. de C.V., Citibank, N.A. and holders and beneficial owners of American Depositary Shares*
2.4	Form of American Depositary Receipt (included in Exhibit 2.3)*
2.5	Form of Certificate for shares of Series A Common Stock of CEMEX, S.A. de C.V.*
2.6	Form of Certificate for shares of Series B Common Stock of CEMEX, S.A. de C.V.*
2.7	Form of appreciation warrant deed**
2.8	Form of CPO Purchasing and Disbursing Agreement**
2.9	Form of appreciation warrant certificate**
2.10	Form of Warrant Deposit Agreement among CEMEX, S.A. de C.V., Citibank, N.A. and holders and beneficial owners of American Depositary Warrants**
2.11	Form of American Depositary Warrant Receipt (included in Exhibit 2.10)**
4.1	Supplemental Agreement, dated as of February 5, 1999, among Sunward Acquisitions N.V., Mexcement Holdings N.V., Société Générale, Sucursal en España, Ruxpin Limited, Milaco, S.A. and CEMEX, S.A. de C.V. relating to the Valenciana equity swap*
4.2	U.S.$500,000,000 Facility Agreement, dated as of February 5, 1999, between Ruxpin Limited, as borrower, and Société Générale, Sucursal en España, as agent, and others relating to the Valenciana equity swap*

4.3	U.S.$1,100,000,000 Multicurrency Term Loan Facility, dated June 30, 1999, between Compañía Valenciana de Cementos Portland, S.A., as borrower, material subsidiaries, as guarantors, Banco Bilbao Vizcaya, S.A., Banco de Negocios Argentaria, S.A., Citibank, N.A., Société Générale, Sucursal en España, as arrangers, and Banco Bilbao Vizcaya, S.A., as Facility Agent*
4.4	Conditional Sale and Purchase Agreement, dated as of September 17, 1998, among CEMEX, S.A. de C.V., as buyer, and the Republic of Indonesia, as seller, relating to the acquisition of an interest in P.T. Semen Gresik (Persero) Tbk*
4.5	Citibank, N.A. Forward Contract, dated as of December 13, 1999***
4.6	ING Bank, N.V. Forward Contract, dated as of December 13, 1999***
4.7	Deutsche Bank AG, London Branch, Forward Contract, dated as of December 13, 1999***
4.8	Credit Suisse Financial Products Forward Contract, dated as of December 13, 1999***
4.9	ABN AMRO Special Corporate Services B.V. Forward Contract, dated as of December 13, 1999***
4.10	Société Générale Forward Contract, dated as of December 13, 1999***
4.11	The Chase Manhattan Bank Forward Contract, dated as of December 13, 1999***
8.1	List of subsidiaries of CEMEX****

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

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

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

**** Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign the annual report on its behalf.

CEMEX, S.A. de C.V.

By: /s/ Rodrigo Treviño
Name: Rodrigo Treviño
Title: Chief Financial Officer

June 27, 2000.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Cemex, S.A. de C.V. and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of certain consolidated subsidiaries which were audited by other auditors. The financial statements of these subsidiaries reflect total assets of 12% and 11% in 1998 and 1999, respectively, and total revenues constituting 9%, 9% and 9% in 1997, 1998 and 1999, respectively, of the related consolidated totals. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Mexico which are substantially the same as those followed in the United States. 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. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cemex, S.A. de C.V. and Subsidiaries at December 31, 1998 and 1999, and the consolidated results of their operations, the changes in their stockholders' equity and the changes in their financial position for each of the years in the three-year period ended December 31, 1999, in accordance with generally accepted accounting principles in Mexico.

Generally accepted accounting principles in Mexico vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations for each of the years in the three-year period ended December 31, 1999, and stockholders' equity as of December 31, 1998 and 1999, to the extent summarized in note 23 to the consolidated financial statements.

KPMG Cárdenas Dosal, S.C.

Monterrey N.L., Mexico
January 17, 2000, except for note 23
which is as of June 7, 2000.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Balance Sheets
(Thousands of constant Mexican pesos as of December 31, 1999)

Assets	December 31, 1998	December 31, 1999
Current Assets		
Cash and temporary investments	Ps 4,031,891	3,103,994
Trade accounts receivable, less allowance for doubtful accounts Ps606,570 in 1998 and Ps511,061 in 1999	4,998,041	5,044,599
Other receivables (note 4)	2,090,457	2,235,492
Inventories (note 5)	4,372,959	5,284,422
Other current assets (note 6)	796,424	577,821
Total current assets	16,289,772	16,246,328
Investments and Noncurrent Receivables (note 7)		
Investments in affiliated companies	3,809,904	5,846,237
Other investments	262,813	785,957
Other accounts receivable	230,085	854,783
Total investments and noncurrent receivables	4,302,802	7,486,977
Property, Machinery and Equipment (note 8)		
Land and buildings	28,802,668	31,859,743
Machinery and equipment	87,963,102	91,520,197
Accumulated depreciation	(59,390,961)	(60,449,654)
Construction in progress	3,496,750	2,894,979
Total property, machinery and equipment	60,871,559	65,825,265
Deferred Charges (note 9)	22,200,406	23,270,782
Total Assets	Ps103,664,539	112,829,352
Liabilities and Stockholders' Equity		
Current Liabilities		
Bank loans (note 10)	Ps 3,971,928	1,824,096
Notes payable (note 10)	811,252	396,415
Current maturities of long-term debt (notes 10 and 11)	6,177,195	7,575,154
Trade accounts payable	3,044,369	3,685,272
Other accounts payable and accrued expenses	3,819,161	3,886,711
Total current liabilities	17,823,905	17,367,648
Long-term Debt (note 11)		
Bank loans	19,677,705	22,044,412
Notes payable	17,582,820	17,298,940
Current maturities of long-term debt	(6,177,195)	(7,575,154)
Total long-term debt	31,083,330	31,768,198
Other Noncurrent Liabilities		
Pension and seniority premium (note 12)	958,664	528,411
Deferred income taxes (note 15)	1,075,680	1,047,004
Other noncurrent liabilities	1,798,555	924,685
Total other noncurrent liabilities	3,832,899	2,500,100
Total liabilities	52,740,134	51,635,946
Stockholders' Equity (note 13)		
Majority interest:		
Common stock-historical cost basis	47,619	49,312
Common stock-accumulated inflation adjustments	2,737,532	2,737,610
Additional paid-in capital	16,737,978	18,735,835
Deficit in equity restatement	(40,884,557)	(39,490,802)
Retained earnings	51,927,129	58,000,661
Net income	7,960,844	9,249,046
Total majority interest	38,526,545	49,281,662
Minority interest	12,397,860	11,911,744
Total stockholders' equity	50,924,405	61,193,406
Total Liabilities and Stockholders' Equity	Ps 103,664,539	112,829,352

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Income
(Thousands of constant Mexican pesos as of December 31, 1999, except for Earnings Per Share)

	Years ended on December 31,		
	1997	**1998**	**1999**
Net sales	Ps 38,506,438	42,767,440	45,913,946
Cost of sales	(23,596,432)	(24,727,878)	(25,581,085)
Gross profit	14,910,006	18,039,562	20,332,861
Operating expenses:			
Administrative	(3,936,520)	(4,603,483)	(4,973,151)
Selling	(1,874,468)	(1,763,114)	(1,698,647)
Total operating expenses	(5,810,988)	(6,366,597)	(6,671,798)
Operating income	9,099,018	11,672,965	13,661,063
Comprehensive financing income (cost):			
Financial expenses	(5,184,047)	(4,810,542)	(4,639,255)
Financial income	1,051,693	106,419	387,714
Foreign exchange result, net	(120,187)	(2,194,669)	262,463
Monetary position result	5,865,568	5,588,622	3,713,965
Net comprehensive financing income (cost)	1,613,027	(1,310,170)	(275,113)
Other expense, net	(1,397,979)	(1,507,782)	(2,823,124)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates	9,314,066	8,855,013	10,562,826
Income tax and business assets tax, net (note 15)	(508,792)	(457,940)	(650,321)
Employees' statutory profit sharing (note15)	(165,913)	(200,410)	(364,087)
Total income tax, business assets tax and employees' statutory profit sharing	(674,705)	(658,350)	(1,014,408)
Income before equity in income of affiliates	8,639,361	8,196,663	9,548,418
Equity in income of affiliates	177,720	155,328	236,592
Consolidated net income	8,817,081	8,351,991	9,785,010
Minority interest net income	1,083,902	391,147	535,964
Majority interest net income	Ps 7,733,179	7,960,844	9,249,046
Basic Earnings Per Share (note 2A and note 19)	Ps 2.01	2.10	2.45
Diluted Earnings Per Share (note 2A and note 19)	Ps 1.98	2.10	2.44

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Statements of Changes in Stockholders' Equity
(Thousands of constant Mexican pesos as of December 31, 1999)

	Common stock		Additional paid-in capital	Deficit in equity restatement	Retained earnings	Net income	Majority interest	Minority interest	Total stockholders' equity
	Series A	Series B							
Balances at December 31, 1996	1,708,200	1,076,664	15,363,226	(29,912,650)	36,712,618	10,329,978	35,278,036	10,573,768	45,851,804
Acquisition of shares under repurchase program	(449)	(649)	-	-	(1,204,224)	-	(1,205,322)	-	(1,205,322)
Appropriation of net income from prior year	-	-	-	-	10,329,978	(10,329,978)	-	-	-
Issuance of common stock (note 13B)	-	25	18,000	-	-	-	18,025	-	18,025
Result from holding nonmonetary assets	-	-	-	(3,941,665)	-	-	(3,941,665)	-	(3,941,665)
Updating of investments and other transactions relating to minority interest	-	-	-	-	-	-	-	347,436	347,436
Investment by subsidiaries (note 7)	-	-	-	(2,154,336)	-	-	(2,154,336)	-	(2,154,336)
Net income	-	-	-	-	-	7,733,179	7,733,179	1,083,902	8,817,081
Balances at December 31, 1997	1,707,751	1,076,040	15,381,226	(36,008,651)	45,838,372	7,733,179	35,727,917	12,005,106	47,733,023
Dividends declared (Ps0.39 pesos per share)	1,347	-	1,347,046	-	(1,644,422)	-	(296,029)	-	(296,029)
Appropriation of net income from prior year	-	-	-	-	7,733,179	(7,733,179)	-	-	-
Issuance of common stock (note 13B)	-	13	9,706	-	-	-	9,719	-	9,719
Result from holding nonmonetary assets	-	-	-	(962,229)	-	-	(962,229)	-	(962,229)
Updating of investments and other transactions relating to minority interest	-	-	-	-	-	-	-	1,607	1,607
Investment by subsidiaries (note 7)	-	-	-	(3,913,677)	-	-	(3,913,677)	-	(3,913,677)
Net income	-	-	-	-	-	7,960,844	7,960,844	391,147	8,351,991
Balances at December 31, 1998	1,709,098	1,076,053	16,737,978	(40,884,557)	51,927,129	7,960,844	38,526,545	12,397,860	50,924,405
Dividends (Ps0.44 pesos per share)	1,653	-	1,677,974	-	(1,887,312)	-	(207,685)	-	(207,685)
Appropriation of net income from prior year	-	-	-	-	7,960,844	(7,960,844)	-	-	-
Issuance of common stock (note 13B)	-	118	88,056	-	-	-	88,174	-	88,174
Issuance of appreciation warrants (note 2C)	-	-	231,827	-	-	-	231,827	-	231,827
Result from holding nonmonetary assets	-	-	-	(2,802,606)	-	-	(2,802,606)	-	(2,802,606)
Updating of investments and other transactions relating to minority interest	-	-	-	-	-	-	-	(1,022,080)	(1,022,080)
Investment by subsidiaries (note 7)	-	-	-	4,196,361	-	-	4,196,361	-	4,196,361
Net income	-	-	-	-	-	9,249,046	9,249,046	535,964	9,785,010
Balances at December 31, 1999	1,710,751	1,076,171	18,735,835	(39,490,802)	58,000,661	9,249,046	49,281,662	11,911,744	61,193,406

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Statements of Changes in Stockholders' Equity, continued
Consolidated Comprehensive Net Income
(Thousands of constant Mexican pesos as of December 31, 1999)

For U.S. GAAP purposes, SFAS 130 requires the display of certain items resulting from the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owners to be presented as a separate component of stockholders' equity and net income. The following table illustrates the comprehensive income and accumulated other comprehensive income under Mexican GAAP as of and for the years ended December 31, 1997, 1998 and 1999.

	Years ended on December 31,		
	1997	1998	1999
Majority interest net income	Ps 7,733,179	7,960,844	9,249,046
Other comprehensive income:			
Foreign currency translation adjustment	676,600	5,877,308	(825,736)
Foreign exchange gains (losses) accounted as a hedge of a net investment	(446,929)	(3,012,443)	596,492
Effects from holding non-monetary assets	(3,236,211)	(1,701,350)	(2,430,712)
Other hedge derivative instruments	(193,117)	(281,248)	(142,650)
Bulletin B-15 constant pesos adjustment	(742,008)	(1,844,496)	-
Other comprehensive income (loss)	(3,941,665)	(962,229)	(2,802,606)
Comprehensive income (loss) for the year	3,791,514	6,998,615	6,446,440
Accumulated other comprehensive income:			
Balance at beginning of year	(15,916,461)	(19,858,126)	(20,820,355)
Balance at end of year	Ps (19,858,126)	(20,820,355)	(23,622,961)

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

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

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Changes in Financial Position
(Thousands of constant Mexican pesos as of December 31, 1999)

	Years ended on December 31,		
	1997	1998	1999
Operating activities			
Majority interest net income	Ps 7,733,179	7,960,844	9,249,046
Charges to operations which did not require resources (note 18)	5,296,019	4,427,983	5,345,530
Resources provided by operating activities	13,029,198	12,388,827	14,594,576
Changes in working capital, excluding effect of acquisitions:			
Trade accounts receivable, net	(264,386)	(791,613)	487,913
Other receivable and other assets	278,383	(313,752)	104,316
Inventories	(279,911)	(517,378)	98,610
Trade accounts payable	724,129	376,820	316,333
Other accounts payable and accrued expenses	(620,325)	922,575	(941,105)
Net change in working capital	(162,110)	(323,348)	66,067
Net resources provided by operating activities	12,867,088	12,065,479	14,660,643
Financing activities			
Proceeds from bank loans (repayments), net	(79,157)	3,045,609	(3,091,260)
Notes payable, net, excluding foreign exchange effect (note 3E)	(4,162,293)	(6,967,817)	(4,103,008)
Investment by subsidiaries	(727,052)	(2,466,555)	4,755,010
Dividends paid	-	(1,644,422)	(1,887,312)
Issuance of common stock from reinvestment of dividends	-	1,348,393	1,679,627
Issuance of preferred stock by subsidiaries	-	2,477,723	-
Other financing activities, net	(478,242)	(424,593)	(3,251,700)
Acquisition of shares under repurchase program	(1,205,203)	-	-
Issuance of common stock	18,025	9,719	320,001
Resources used in financing activities	(6,633,922)	(4,621,943)	(5,578,642)
Investing activities			
Property, machinery and equipment, net	(3,401,973)	(3,231,460)	(2,528,317)
Acquisitions, net of cash acquired	(943,553)	(2,515,332)	(9,397,230)
Disposal of assets	-	2,388,233	-
Minority interest	(1,036,793)	(857,578)	(1,384,455)
Deferred charges	(671,685)	(40,417)	(874,901)
Other investments and monetary foreign currency effect	(634,508)	(3,020,873)	4,175,005
Resources used in investing activities	(6,688,512)	(7,277,427)	(10,009,898)
(Decrease) increase in cash and temporary investments	(455,346)	166,109	(927,897)
Cash and temporary investments at beginning of year	4,321,128	3,865,782	4,031,891
Cash and temporary investments at end of year	Ps 3,865,782	4,031,891	3,103,994

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999)

1. DESCRIPTION OF BUSINESS

Cemex, S.A. de C.V. (Cemex or the Company) is a Mexican parent company of entities engaged in the production and marketing of cement and concrete in the construction industry. The Company also has subsidiaries that participate in the tourism industry.

2. OUTSTANDING EVENTS DURING 1999

A) EXCHANGE OF SHARES FOR THE NEW ORDINARY PARTICIPATION CERTIFICATE ("CPO")

On September 14, 1999, the Company concluded an exchange offer of its old series "A" and "B" shares, and its old Ordinary Participation Certificates ("CPOs'"), for new CPO's. As a result, most of the holders of the old series "A" and "B" shares and old CPOs received for each of those securities a new CPO, which represents the participation in two new series "A" shares and one new series "B" share of the Company. As a part of the exchange offer, on September 15, 1999, the Company effected a stock split of two series "A" shares and one series "B" share, for each of the old shares of any series. The proportional equity interest participation of the shareholders in the Company's common stock did not change as a result of the exchange offer and the stock split mentioned above.

Earnings per share, prices per share, and the number of shares outstanding disclosed in these notes to the financial statements for the years ended December 31, 1997 and 1998, as well as the transactions occurred in 1999 prior to September 14, have been restated to give effect to the stock split mentioned in the preceding paragraph.

B) REGISTRATION IN THE NEW YORK STOCK EXCHANGE

On September 15, 1999, the Company successfully completed its registration before the United States Securities and Exchange Commission ("SEC") and the listing of the new *American Depositary Shares ("*ADS") on the New York Stock Exchange ("NYSE"), as well as the exchange process of the new CPO mentioned in note 2A. On that same date, the new CPOs began trading on the Mexican Stock Exchange ("BMV") and of the new ADSs in the NYSE under the stock symbol CX. Each new ADS represents 5 new CPOs. As a result of the Company's registration with the SEC and the listing of the new ADS in the NYSE, beginning in the year 2000, the Company is required to file with the SEC financial information according to the rules established by the SEC, including the annual financial statements with the reconciliation of stockholders' equity and net income to Generally Accepted Accounting Principles in the United States ("US GAAP").

C) PUBLIC OFFER OF WARRANTS

During December 1999, through a simultaneous public offer in the Mexican Stock Exchange ("BMV") and the New York Stock Exchange ("NYSE"), the Company issued 105 million warrants at a subscription price of Ps3.2808 per warrant. The warrants allow the holder to benefit from the future increment in the market price of the Company's CPO above the strike price of $ 6.20 per warrant, within certain limits. The benefit, if any, will be paid in CPOs of the Company. The warrants were issued for a term of three years and their exercise is at maturity. The warrants were subscribed as *American Depositary Warrants* ("ADWs") in the NYSE; each ADW is equivalent to 5 warrants.

As part of the same transaction, the Company carried out a hedge transaction in order to cover the future obligations for the warrants exercise. Through this transaction, 105 million CPOs of the Company and 33,751,566 shares of Compañía Valenciana de Cementos Portland, S.A. ("Valenciana"), a subsidiary of the Company in Spain, were sold to a group of foreign banks. Simultaneously, a subsidiary of the Company entered into forward contracts with the same group of banks to repurchase the basket of shares with a three-year maturity and prepaid approximately $ 439.9 million of the forward purchase price to the banks.

As a result of the overall transaction, the Company received proceeds for the subscription of the warrants and the sale of the basket of shares of approximately $ 490.9 million, after applying the prepayment to the banks under the forward, fees and other expenses related to this transaction.

3. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

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

The corresponding notes have been revised from the notes originally prepared under Mexican GAAP in order to comply with the disclosure requirements of Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) and with the regulations of the U.S. Securities and Exchange Commission (SEC).

When reference is made to pesos or "Ps", it means Mexican pesos; when reference is made to dollars or "$", it means currency of the United States of America.

When reference is made to "CPO's", it is the Ordinary Participation Certificates of the Company, which include two series "A" shares and one series "B" share per each CPO. When reference is made to "ADSs", it is the "American Depositary Shares" of the Company. Each ADS represents 5 CPOs.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

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

	December 31, 1998	December 31, 1999
Inflation restatement factor using weighted average index	1.2581	1.0011
Inflation restatement factor for inflation in Mexico	1.1861	1.1232

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

C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of Cemex and the subsidiary companies in which Cemex holds a majority interest and/or has control. All significant intercompany balances and transactions have been eliminated in consolidation.

The main subsidiaries are:

- Cemex México, S. A. de C.V.
- Beeston Investments Holdings Limited
- Compañía Valenciana de Cementos Portland, S.A.
- Corporación Venezolana de Cementos, S.A.C.A.
- Cemex USA, Inc.
- Cementos Diamante, S.A.
- Cemento Bayano, S.A.
- Cementos Nacionales, S.A.
- Rizal Cement Company, Inc.
- APO Cement Corporation
- Assiut Cement Company
- Cementos del Pacífico, S.A.
- Turismo Cemex, S.A. de C.V.

D) ADMINISTRATIVE IMPROVEMENT PROGRAM DURING 1999

During 1999, as part of an administrative improvement program, the Company integrated within the structure of one entity the cement and concrete operations in Mexico in order to eliminate redundant processes and take advantage of synergies. This administrative process included mergers, as well as sales-purchases of companies within the Cemex group, for which the following actions were taken:

1) Effective July 31, 1999, the Company changed the legal name of Cemex Control, S.A. de C.V. ("Control") to Empresas Tolteca de México, S.A. de C.V. ("ETM").

2) Effective December 31, 1999, a merger took place of most of the cement subsidiaries in Mexico, including Tolmex, S.A. de C.V. ("Tolmex"). The merging entity was Serto Construcciones, S.A. de C.V. ("Serto"), company which before the merger was a direct subsidiary of Tolmex. Likewise, on December 10, 1999, the legal name of Serto was changed to Cemex México, S.A. de C.V. ("Cemex México").

3) Effective December 31, 1999, a merger took place of most of the concrete subsidiaries in México. The merging entity was Cemex Concretos, S.A. de C.V., before named Concretos de Alta Calidad y Agregados, S.A. de C.V.

4) Additionally, on December 15, 1999, through a sale and purchase of shares within the Group, ETM became a direct subsidiary of Cemex Mexico.

Through these mergers and the intercompany sale of ETM (see note 22), from January 1, 2000, the cement and concrete operations of the Company in Mexico are integrated in Cemex Mexico and subsidiaries.

E) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

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

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

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

F) CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments include fixed-income marketable securities investments with original maturities of three months or less. Investments in marketable securities are stated at market value. Gains or losses resulting from changes in market values and the effects of inflation are included in the accompanying statements of income as part of the comprehensive financing income or cost.

G) INVENTORIES AND COST OF SALES (note 5)

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

H) INVESTMENTS AND NONCURRENT RECEIVABLES (note 7)

In the consolidated financial statements, investments in affiliated companies in which the Company holds between 10% and 50% of the issuer's capital stock are accounted for by the equity method. Under the equity method, the investments are stated at cost, adjusted for the Company's equity in the investee's earnings after acquisition and the effects of inflation on the investee's equity.

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

I) PROPERTY, MACHINERY AND EQUIPMENT (note 8)

Property, machinery and equipment are restated for inflation in accordance with the Fifth Amendment to Bulletin B-10, by using the inflation index of the country of origin of the assets and the change in the foreign exchange rate between the country of origin and the functional currency.

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

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

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

The Company continuously evaluates the physical state and performance of its machinery and equipment, as well as the impact of its sales and production forecasts, in order to determine if there are judgment elements indicating that the book value of these assets need to be adjusted for impairment. An impairment loss would be recorded in the income statement of the period if such determination is made (see note 8).

J) DEFERRED CHARGES AND AMORTIZATION (note 9)

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

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

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

At each balance sheet date, the Company evaluates the recoverability of goodwill based on an evaluation of factors such as the occurrence of a significant adverse event, change in the environment in which the business operates and expectations of operating results for each subsidiary, this to determine if there are judgement elements to believe that the goodwill balance would not be recovered. An impairment loss would be recorded in the period if such determination is made.

Deferred financing costs originated from our financing operations are amortized over the term in which the related transactions are outstanding, in proportion to their maturity dates. These costs include the expenses incurred for fees paid to lawyers, printers and consultants, as well as commissions paid to banks in the credit approval process. Deferred financing costs are adjusted to reflect current values.

K) PENSION PLANS AND SENIORITY PREMIUM (note 12)

Pension benefits and accumulated seniority premium rights to which employees are legally entitled are recognized in the results of operations on the basis of the present value of the benefit determined under actuarial estimations. The amortization of unrecognized prior service cost is based on the employees' estimated active service life. As of December 31, 1999, the estimated active service life of the personnel's' under benefit plan is approximately 22 years.

Some subsidiaries have established pension plans supplementary to the benefits provided by law. The obligations under these plans are determined based on actuarial calculations and, in some cases, certain irrevocable trust funds have been established for these plans. The actuarial assumptions utilized in these calculations are based upon "real" rates (nominal rates reduced by inflation).

Other benefits to which employees may be entitled are recognized as an expense in the year in which they are paid. These benefits consist principally of severance benefits and vacation.

L) INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING (note 15)

Income Tax and Employees' Statutory Profit Sharing expense recognize the amounts incurred, and the effects of material timing differences between tax and book income on which it may be reasonably estimated that, over a defined period, a benefit or liability will arise.

M) MONETARY POSITION GAIN OR LOSS

The monetary position gain or loss is calculated by applying the inflation rate of each country in which the Company has operations to the average net monetary assets or liabilities in that country.

N) DEFICIT IN EQUITY RESTATEMENT

The deficit in equity restatement includes the accumulated effect from holding non-monetary assets as well as the effects of translation of financial statements of foreign subsidiaries.

O) DERIVATIVE FINANCIAL INSTRUMENTS (note 14)

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

Equity derivatives on the Company's common stock are accounted for as equity instruments and gains and losses are recognized as an adjustment to stockholders' equity. At maturity, these contracts provide for physical or net cash settlement at the Company's option.

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

The results of derivative instruments contracted as a hedge of interest rates are accounted for as part of the effective interest rate of the related debt within the financial expense. At settlement, the results are deferred and recognized over the shorter term of the remaining contractual life of the derivative instrument or the remaining life of the liability as an adjustment to interest expense.

P) REVENUE RECOGNITION

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

Q) USE OF ESTIMATES

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

R) RECLASSIFICATIONS

Certain amounts reported in the notes to the consolidated financial statements as of December 31, 1997 and 1998 have been reclassified to conform to the 1999 presentation.

4. OTHER RECEIVABLES

Other current receivables consist of:

	December 31, 1998	December 31, 1999
Non-trade receivables	Ps 1,284,647	1,537,471
Refundable income tax	635,239	388,226
Other refundable taxes	170,571	309,795
	Ps 2,090,457	2,235,492

As of December 31, 1998 and 1999, non-trade receivables consisted primarily of interest receivable, notes receivable, advances to employees for travel expenses, loans made to employees and receivable from the sale of assets.

5. INVENTORIES

Inventories are summarized as follows:

	December 31, 1998	December 31, 1999
Finished goods	Ps 998,663	744,626
Work-in-process	485,695	586,471
Raw materials	509,160	514,152
Supplies and spare parts	1,988,828	2,754,377
Advances to suppliers	170,409	418,411
Inventory in transit	31,087	117,815
Real estate held for sale	189,117	148,570
	Ps 4,372,959	5,284,422

As of December 31, 1998 and 1999, real estate held for sale corresponds to undeveloped land in different tourist locations in Mexico, originally acquired by the Company for future tourism projects. Currently, this real estate is held for sale in the short term. In accordance with the Fifth Amendment to Bulletin B-10, until December 31, 1996, independent appraisers determined the amounts, which represented their estimated realizable value. Beginning in 1997, such amounts have been restated using the inflation factors arising from the NCPI.

6. OTHER CURRENT ASSETS

Other current assets include Ps473,330 and Ps128,774, as of December 31, 1998 and 1999, respectively, of non-cement related assets which are intended to be sold in the short-term, and that are stated at their estimated realizable value. These assets include securities and assets for lines of business other than the Company's, which are mainly originated from (i) non-cement related assets acquired in the acquisition of our international subsidiaries, and (ii) assets held for sale including land and buildings received from customers as payment of trade receivables.

As of December 31, 1998, within non-cement related assets acquired as part of the acquisition of subsidiaries, were included approximately Ps420.8 million for an uncompleted real estate project in Spain. During 1999, the Company sold part of this asset in Spain, recording a net loss of approximately Ps160 million in the caption Other Expenses, net. Additionally, as of December 31,1999, the Company recognized an impairment allowance related to this asset for approximately Ps37.5 million in the income statement. The fair value of the remaining non-cement assets in Spain as of December 31, 1999 is approximately Ps28.5 million and was reclassified to fixed assets.

7. INVESTMENTS AND NONCURRENT RECEIVABLES

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

	December 31,	
	1998	**1999**
Contribution or book value at acquisition date	Ps 2,464,092	4,261,284
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies	1,345,812	1,584,953
	Ps 3,809,904	5,846,237

Investments held by subsidiaries in the Parent Company amounting to $4,280,151 (171,064,911CPO's) and $6,051,455 (113,625,709 CPO's and 3,663,615 warrants) as of December 31, 1998 and 1999, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements. As part of the hedge transaction carried out by the Company during 1999 (see notes 2C and 14(d)), a total of 105 million CPOs held by subsidiaries in the Parent Company were sold.

a) On November 22, 1999, the Company acquired from the Egyptian government a 77% equity interest in Assiut Cement, Co. ("Assiut"), the largest cement-producing company in Egypt, for $318.8 million (Ps3,031.8 million). Additionally, the Company has an option until June 30, 2000 to acquire an additional 13% equity interest for an approximate amount of $53.8 million. As of December 31, 1999, the consolidated financial statements of the Company include the balance sheet of Assiut with figures as of November 30, 1999, and the results of the one-month period ended November 30, 1999.

b) During 1999, the Company entered into capitalization and subscription of shares agreements with institutional investors in Asia, represented by *AIG Asian Infrastructure Fund II, L.P. and GIC Special Investments Pte Ltd*., to co-invest in Cemex Asia Holdings Ltd. ("CAH"), a subsidiary of the Company created to make cement investments in Asia. Based on the agreements, on September 30, 1999, the investors in Asia contributed capital to CAH of approximately $87 million, and the Company, through subsidiaries, contributed to CAH its direct participation and its economic benefits in Rizal Cement and APO Cement, subsidiaries in the Philippines. As a result of this transaction, on September 30, 1999, the direct participation and economic benefits of the Company in Rizal and APO decreased to 60% and 86%, respectively. Due to this transaction, a minority interest increase in consolidated stockholders' equity was reflected.

c) On September 21, 1999, the Company successfully completed a tender offer for the acquisition of the Costa Rican cement producer, Cementos del Pacífico, S.A. ("Cempasa"). Through this transaction, a subsidiary of the Company acquired an additional 79.5% of the shares outstanding of Cempasa for approximately $72 million (Ps685 million), increasing the equity interest of the Company in Cempasa to 95.3%. As of December 31, 1999, the consolidated financial statements of the Company include the balance sheet of Cempasa with figures as of December 31, 1999, and the results for the three-month period ended December 31, 1999.

d) In June 1999, the Company acquired an 11.92% equity interest in Cementos Bio Bio, S.A., the largest cement producer of Chile. The total of this transaction amounted to approximately $34 million. As of December 31, 1999, the investment in Cementos Bio Bio was accounted for under the equity method of accounting, and is included in the investments in affiliated companies' caption for Ps294,126.

e) In February 1999, a subsidiary of the company acquired 99.9% interest in the economic benefits of APO Cement Corporation ("APO"), a Philippine cement producer, for approximately $400 million. As of December 31, 1999, the consolidated financial statements of the Company include the balance sheet and results of APO for the year ended December 31, 1999.

f) Through transactions carried out in 1998 and 1999 for approximately $114.6 and $126 million, respectively, a subsidiary of the Company acquired 25.53% of the common stock of PT Semen Gresik (Persero), Tbk. ("Gresik"), an Indonesian company with several cement plants. As of December 31, 1999, the investment in Gresik was included in the consolidated financial statements under the equity method of accounting, and is included in the investments in affiliated companies' caption for Ps2,715,781. As of December 31, 1998, the investment in Gresik was accounted under the cost method of accounting and totaled Ps1,169,446. Under the terms of the Company's agreement, entered in to with the Indonesian government in connection with the Company's investment in Gresik, the Indonesian government has an option until October 2001 to require the Company to purchase its 51% interest in Gresik for a purchase price of approximately $418 million (Ps3,975 million), plus accrued interest since October 1998 at 8.2% per annum.

g) In December 1998, through a public offering, the Company acquired an additional 21.96% of the shares representative of the capital stock of its Colombian subsidiary. Through this acquisition, the Company's investment in this subsidiary increased from a 68.7% to 90.7%. This transaction amounted to approximately $47.3 million (approximately Ps469 million).

h) In November 1998, a subsidiary of the Company increased its equity interest in Rizal Cement, Inc. ("Rizal"), a Philippine cement producer to 40%, for an approximate amount of $130 million. Likewise, as part of this transaction, a Philippine investor, through the subscription of a special series of shares, purchased an additional 30% of Rizal. The Philippine investor and Cemex formed an alliance that grants the Company control of the operations not reserved for nationals under Philippine law, and the administration of Rizal. Through these transactions, the Company has 70% of the economic benefits of Rizal. As of December 31, 1999, the consolidated financial statements include the balance sheet and results of Rizal for the year 1999. As of December 31, 1998, the investment in Rizal was accounted for by the purchase method of accounting and the accounts of Rizal are included in the Company's consolidated financial statements based upon Rizal's November 30, 1998 amounts.

Certain condensed financial information of the balance sheets and income statements of the acquired companies during 1999, for the periods mentioned above, are presented below:

	a) Assiut	c) Cempasa	e) APO
Total assets	Ps 4,071,075	636,775	3,583,730
Total liabilities	2,712,115	254,312	1,180,891
Stockholders' equity	1,358,960	382,463	2,402,839
Sales	Ps 137,686	91,195	617,044
Operating income	15,392	20,099	111,070
Net (loss) income	(7,200)	(17,728)	73,217

8. PROPERTY, MACHINERY AND EQUIPMENT

During 1999, through the analysis of the economic and market conditions prevailing in the countries where the Company operates, the Company's marketing plans, as well as future production needs, the Company decided to cease operations in 4 operating cement assets located in Mexico and Colombia, as well as to partially close 4 other operating cement assets located in the same countries, in order to avoid a production overload. Based on this analysis, the Company estimated that the expected future cash flows to be generated by such assets would not be sufficient to recover their book value.

As a result of the above and, according to the guidelines established in Bulletin C-6 "Property, Machinery and Equipment", during 1999, the Company determined an impairment provision of approximately $63.1 million (Ps600.1 million), which is reflected in the consolidated income statement under the caption Other Expenses, net. As of December 31, 1999, the assets subject to impairment described above are valued at their estimated realizable value, net of the expenses estimated for their disposal and their depreciation has been suspended. The remaining book value of these assets is approximately Ps313 million and it is the Company's intention to dispose of those that were completely closed. The impact at December 31, 1999 of having suspended depreciation of these assets on the 1999 results was approximately Ps30.2 million.

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

In 1998, the Company sold a cement plant and its related assets of its Spanish subsidiary for approximately $260 million (Ps2,577 million), resulting in a gain in the consolidated income statement of approximately Ps325.5 million. The sale included the ready-mix concrete, mortar and aggregates operations related to that plant.

9. DEFERRED CHARGES

Deferred charges are summarized as follows:

	December 31,	
	1998	1999
Excess of cost over book value of subsidiaries and affiliated companies acquired	Ps 23,032,628	24,341,809
Terminal installation costs and other intangible assets	45,890	59,125
Deferred financing costs	415,753	532,666
Others	2,936,326	3,434,052
Accumulated amortization	(4,230,191)	(5,096,870)
	Ps 22,200,406	23,270,782

As of December 31, 1999, as a result of the acquisitions made by the Company during 1999 (see note 7), goodwill increased approximately $249 million (Ps2,368 million), in relation to the prior year.

10. SHORT-TERM BANK LOANS AND NOTES PAYABLE

Short-term debt is summarized by currency as of December 31, 1998 and 1999, as follows:

	1998	Rate	1999	Rate
US Dollars	Ps 10,238,479	5.8% - 10.0%	7,823,221	5.4% - 10.8%
Euros	-	-	882,465	3.5% - 4.1%
Egyptian Pounds	-	-	674,049	10.5%
Philippine Pesos	196,334	16.8%	226,710	13.0% - 15.7%
Spanish Pesetas	381,717	3.9% - 5.8%	183,782	3.8%
Colombian Pesos	143,845	19.8%	5,438	19.8%
	Ps 10,960,375		9,795,665	

11. LONG-TERM BANK LOANS AND NOTES PAYABLE

The consolidated long-term debt is summarized as follows:

	1998	Rate	1999	Rate
A) Bank Loans				
1. Syndicated loans denominated in foreign currency, due from 2000 to 2006	Ps 9,507,040	6.1% - 8.2%	13,453,507	4.1% - 9.5%
2. Bank loans denominated in foreign currency, due from 2000 to 2007	5,314,328	3.9% - 19.8%	4,786,905	3.5% - 15.7%
3. Revolving line of credit in foreign currency, due from 2001 to 2002	4,856,337	6.6%	3,804,000	7.1%
	19,677,705		22,044,412	
B) Notes Payable				
4. Euro medium-term Notes denominated in foreign currency, due from 2000 to 2006	13,029,409	8.5% - 12.8%	14,118,718	8.5% - 12.8%
5. Commercial paper denominated in foreign currency with revolving maturities every one or two years	1,922,713	5.3% - 7.7%	1,588,170	7.3%
6. Yankee Notes, due in 2003	1,735,989	8.4%	782,673	8.4%
7. Other notes denominated in foreign currency, due from 2000 to 2009	894,709	6.7% - 9.8%	809,379	7.1% - 8.9%
	17,582,820		17,298,940	
	37,260,525		39,343,352	
Current maturities	(6,177,195)		(7,575,154)	
	Ps 31,083,330		31,768,198	

1. Syndicated loans denominated in foreign currency had a weighted average floating interest rate of 6.8% in 1998 and 6.2% in 1999. These loans had a weighted average spread based on LIBOR of 132 basis points in 1998 and 98 in 1999.

2. Bank loans denominated in foreign currency, of which 93% in 1998 and 48% in 1999 were floating rate with a weighted average interest rate of 6.5% in 1998 and 5.4% in 1999. These loans had a weighted average spread based on LIBOR of 122 basis points in 1998 and 45 basis points in 1999.

3. Revolving line of credit in foreign currency with an average floating rate of 6.6% in 1998 and 7.1% in 1999. These loans had a spread based on LIBOR of 125 basis points.

4. Euro medium-term Notes denominated in foreign currency with a weighted average fixed rate of 10.5% in 1998 and 10.3% in 1999.

5. Commercial paper denominated in foreign currency with revolving maturities every one or two years with a weighted average floating interest rate of 6.0% in 1998 and 7.3% in 1999. These loans had a spread based on LIBOR of 73 basis points in 1998 and 116 basis points in 1999.

6. Yankee Notes had a fixed rate of 8.375% in 1998 and 1999.

7. Other notes denominated in foreign currency of which Ps412,057 and Ps124,170 were floating rate with a weighted average interest rate of 6.9% and 5.9% in 1998 and 1999, respectively. These loans had a weighted average spread based on LIBOR of 162 basis points in 1998 and 16 in 1999. The remaining Ps482,652 in 1998 and Ps685,209 in 1999 were fixed rate with a weighted average interest rate of 8.9% and 6.4% in 1998 and 1999, respectively.

Long-term debt is summarized by currency as of December 31, 1998 and 1999 as follows:

Consolidated

	1998	1999
US Dollars	Ps 30,219,953	25,119,131
Euros	-	4,354,799
Egyptian Pounds	-	1,560,124
Philippine Pesos	137,837	197,409
Spanish Pesetas	668,085	498,006
Colombian Pesos	13,599	38,729
Venezuela Bolivars	43,856	-
	Ps 31,083,330	31,768,198

As of December 31, 1999, the Company has interest rate swap contracts for up to $450 million (Ps4,279.5 million), exchanging fixed for floating rates. Additionally, the Company has interest rate collars for 7,500 million pesetas (Ps430.7 million) and $50 million (Ps 475.5 millions) in 1998 and 2,500 million pesetas (Ps143.6 million) in 1999, related to the debt negotiated at variable rates in a range of LIBOR and MIBOR. Furthermore, there are forward range swap contracts covering up to $405 million (Ps3,851.6 million) and $80 million (Ps760.8 million) in 1998 and 1999, respectively, to protect the financial cost of debt negotiated at variable rates.

The Company has these interest rate hedge instruments and derivative instruments as part of its strategy to manage the overall cost of borrowing. The results of these instruments are recognized as part of the financial expense.

As of December 31, 1999, the Company's maturity dates, interest rates being hedged, current interest rates and estimated market value of interest rate collars and swaps related to the debt hedged as described above are presented as follows:

	Maturity date	Interest rate hedged or exchanged	Effective interest rate	Estimated market value
Debt denominated in Pesetas	April 2000	3.11%	3.68%	Ps (466)
Debt denominated in US dollars	March 2001	6.51%	6.33%	(2,254)
Debt denominated in US dollars	June 2002	9.25%	8.19%	(54,540)
Debt denominated in US dollars	October 2009	9.63%	8.47%	(57,669)
				Ps (114,929)

As of December 31, 1998, the estimated market value of these instruments showed a loss of approximately Ps(218,820).

The estimated market value of the interest rate collars and swaps will fluctuate over time and will be determined by the market future pricing of the rates. Fair values should not be viewed in isolation, but rather in relation to the fair values of the underlying transactions and the overall reduction in the Company's exposure to fluctuations in interest rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and, consequently, there is no direct measure of the Company's exposure for the use of these derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other items included in the derivative instruments.

The maturities of long-term debt as of December 31, 1999 are as follows:

	Total
2001	Ps 9,500,309
2002	8,253,834
2003	3,476,846
2004	3,137,349
2005 and thereafter	7,399,860
	Ps 31,768,198

As of December 31, 1998, the subsidiaries that guaranteed indebtedness of the Company for an aggregate of $2,010 million were: Tolmex, S.A. de C.V., Serto Construcciones, S.A. de C.V., Cemento Portland Nacional, S.A. de C.V., Cementos Mexicanos, S.A. de C.V. and Cemex Control, S.A. de C.V. As of December 31, 1999, Cemex México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V., guaranteed indebtedness of the Company for an aggregate amount of $2,090 million. The change of the subsidiaries, which guaranteed the Company's indebtedness resulted from the mergers mentioned in note 3D. The combined summarized financial information of these guarantors as of December 31, 1998 and 1999 is as follows:

	1998	1999
Assets	Ps 63,016,437	46,577,555
Liabilities	13,256,006	29,198,250
Stockholders' equity	49,760,431	17,379,305
Net sales	Ps 8,535,071	19,255,634
Operating income	2,564,409	8,830,772
Net income	3,732,752	6,240,053

As of December 31, 1999, the Company and its subsidiaries have the following lines of credit, both committed and subject to the bank's availability, at annual interest rates ranging from 5.4% to 12.8%, in accordance with the negotiated currency:

	Line of Credit	Available
Euro medium-term Notes ($1,250 million)	Ps 11,887,500	8,180,312
European commercial paper ($600 million)	5,706,000	4,117,830
US commercial paper ($250 million)	2,377,500	2,377,500
Current line of credit ($250 million)	2,377,500	2,377,500
Lines of credit of foreign subsidiaries	5,450,086	3,603,728
Other lines of credit from Mexican banks	5,376,839	4,503,688
Other lines of credit from foreign banks	4,203,831	2,292,348
	Ps 37,379,256	27,452,906

At December 31, 1998 and 1999 in the consolidated balance sheets there are current liabilities amounting to $168 million and $226 million, respectively, classified as long-term debt due to the ability and intention of the Company to refinance such indebtedness with the available amounts of the long-term lines of credit.

As of December 31, 1999, the Company established deposits in trusts amounting to $120 million (Ps1,141.2 million). Such deposits are committed to the repayment of $30 million in short term debt and $90 million in long term debt, to repay part of the Yankee Bond purchase offer (see note 22). These deposits have been offset for presentation purposes.

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

12. PENSION PLANS AND SENIORITY PREMIUM

The net periodic pension cost of the pension plans and seniority premium and the actuarial present value of the benefit obligation and the funded status of the plans described in note 3K, were determined based on computations prepared by independent actuaries as of December 31, 1998 and 1999, and are summarized as follows:

	1998	1999
Change in benefit obligation:		
Benefit obligation ("PBO") at beginning of year	Ps 577,854	1,320,987
Service cost	154,521	170,701
Interest cost	126,843	113,642
Amendments	573,921	1,038
Actuarial results	255	79,881
Acquisitions	12,719	3,910
Foreign exchange rate changes and inflation adjustments	(46,820)	47,401
Benefits paid	(78,306)	(81,829)
Benefit obligation ("PBO") at end of year	1,320,987	1,655,731
Change in plan asset:		
Fair value of plan assets at beginning of year	64,713	184,063
Actuarial return on plan assets	5,600	23,541
Actuarial differences	5,471	161,670
Acquisitions	10,372	800
Foreign exchange rate changes and inflation adjustments	-	25,014
Employer contribution	97,907	329,700
Benefits paid from the funds	-	-
Fair value of plan assets at end of year	184,063	724,788
Amounts recognized in the statements of financial position consist of:		
Funded status	(1,136,924)	(930,943)
Unrecognized prior service cost	559,153	613,680
Unrecognized net actuarial results	(41,010)	(80,661)
Accrued benefit liability	(618,781)	(397,924)
Additional minimum liability	(339,883)	(130,487)
Net liability recognized in the consolidated balance sheet	Ps (958,664)	(528,411)

The Actuarial Present Obligation ("APO") as of December 31, 1998 and 1999 amounted to Ps1,138,758 and Ps1,368,408, respectively. Of these APO amounts, the vested portion was Ps627,423 in 1998 and Ps683,446 in 1999. As of December 31, 1997, the net cost derived from the pension plans and seniority premium was Ps137,849.

As of December 31, 1998 and 1999, the plan assets are mainly composed of fixed return instruments and stock of companies traded in formal stock exchanges.

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

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

Commencing in January 1998, most of the subsidiaries of the Company in Mexico were incorporated to include pension plans. Therefore, the initial actuarial valuation of the labor obligation for all Mexican subsidiaries under the plan benefits was made as of January 1, 1998. As mentioned in note 3K, the Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine the pension plans and seniority premium liabilities. With the use of real rates, there is a decrease in the difference between the APO and the PBO. As a result of the use of real rates and the initial valuation in Mexico as of January 1, 1998, and according to generally accepted accounting principles, the Company recognizes a minimum liability against an intangible asset, which as of December 31, 1998 and 1999 was Ps339,883 and Ps130,487, respectively.

13. STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

The previously reported share and per share amounts corresponding to 1998 and the 1999 changes done before September 14, 1999, have been restated to give effect to the stock split made during 1999 (see note 2A).

Capital stock of the Company as of December 31, 1999 is as follows:

	Series A (1)	Series B (2)
Subscribed and paid shares	2,959,216,418	1,479,608,209
Treasury shares	105,241,768	52,620,884
Unissued shares authorized for Executive Stock Option Plans	132,350,424	66,175,212
	3,196,808,610	1,598,404,305

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

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

Of the total shares, 3,267,000,000 correspond to the fixed portion and 1,528,212,915 correspond to the variable portion.

During 1999, at the annual stockholders' meeting, a dividends program was established through which shareholders elected between receiving a dividend in cash of Ps0.44 per share or reinvesting such dividend in the subscription of new shares representative of the capital stock. As a result of the program, cash dividends were declared in the amount of Psl,887,312. Of the total of dividends declared, shareholders reinvested Ps1,679,627; therefore, a total of 94,758,232 series "A" shares and 47,379,116 series "B" shares were subscribed and paid, generating an additional paid-in capital of Ps1,677,974.

B) EXECUTIVE STOCK OPTION PLAN (see note 2A)

The Company has adopted a Stock Option Plan for shares of the variable portion of the common stock. Through this program, the Company grants to eligible executives, designated by a technical committee, stock option "rights" to subscribe up to 72,100,000 new CPO's. As of December 31, 1998 and 1999 the option balances were as follows:

	1998		1999	
	Number of options	Exercise price *	Number of options	Exercise price *
Granted	30,399,005	32.00	47,000,318	34.11
Canceled	-	-	(55,608)	42.22
Exercised	(2,481,194)	25.68	(5,924,788)	25.59
Outstanding	27,917,811		41,019,922	

* Weighted average exercise price per CPO

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

During 1998 and 1999, options were granted to purchase 9,246,120 and 16,601,313 CPO's at a weighted average purchase price per option of Ps42.26 and Ps38.07 per CPO, respectively. The options exercised were 234,671 and 3,443,594 at a weighted average purchase price per CPO of Ps23.52 and Ps24.70 for 1998 and 1999, respectively. The balance of CPOs available for the Stock Option Plan as of December 31, 1998 and 1999 were 41,700,995 CPOs and 25,099,682 CPOs, respectively. As of December 31, 1999 the outstanding options have a remaining average exercise period of approximately 7.3 years.

The CPOs issued upon the exercise of options were paid at their purchase price per CPO, generating an additional paid-in capital of Ps9,706 and Ps88,056 in 1998 and 1999, respectively.

The Company's is obligated under the Stock Option Plan, to issue CPOs representing the capital stock of the Company, on each exercise date, which represents an increase in such capital.

C) RETAINED EARNINGS

Retained earnings as of December 31, 1999 include Ps42,593,257 earnings generated by subsidiaries and affiliated companies, which may be distributed by the Company when the respective dividends are declared by these companies. Furthermore, retained earnings include a reserve to repurchase the Company's shares in the amount of Ps10,697,749.

Net income of the year is subject to a 5% allocation to constitute a legal reserve, until such reserve equals one fifth of the capital stock. As of December 31, 1999, the legal reserve amounted to Ps1,232,933.

Earnings distributed as dividends in excess of tax earnings will be subject to tax as defined by the Mexican Income Tax Law, in which case, only 65% of retained earnings may be distributed to the shareholders.

D) EFFECTS OF INFLATION

The effects of inflation on the majority interest stockholders' equity as of December 31, 1999 are summarized as follows:

	Historical cost	Inflation adjustment	Total
Common stock	Ps 49,312	2,737,610	2,786,922
Additional paid-in capital	9,255,558	9,480,277	18,735,835
Deficit in equity restatement	-	(39,490,802)	(39,490,802)
Retained earnings	29,637,268	28,363,393	58,000,661
Net income of the year	9,178,227	70,819	9,249,046

E) FOREIGN CURRENCY TRANSLATION

Net foreign currency translation results, amounting to Ps229,670, Ps2,864,866 and Ps(229,244) in 1997, 1998 and 1999, respectively, have been recorded directly to stockholders' equity, and are summarized as follows:

	December 31,		
	1997	1998	1999
Foreign currency translation adjustment	Ps 676,599	5,877,309	(825,736)
Foreign exchange gain (loss)[1]	(446,929)	(3,012,443)	596,492
	Ps 229,670	2,864,866	(229,244)

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

The foreign currency translation adjustment includes foreign exchange results from financing related to the acquisition of foreign subsidiaries by a subsidiary of the Company in Spain for Ps(852,571), Ps452,978 and Ps(1,876,891), in 1997, 1998 and 1999, respectively.

F) OTHER EQUITY TRANSACTIONS

In May 1998, a subsidiary of the Company in Spain issued $250 million of preferred shares ("Putable Capital Securities") at a dividend rate of 9.66% per year. The Company has an option to repurchase the balance on November 15, 2004, or on any other subsequent dividend payment date. Additionally, the holders of the instrument have the right to sell the instrument to the Company on May 15, 2005.

As of December 31, 1999 there are financial transactions totaling $604.6 million (Ps5,749.8 million), some of which include guarantees, which have been offset for presentation purposes in the Company's consolidated balance sheet. These financial transactions have been offset as follows: $500 million for a minority interest without voting rights or dividend rights of the subsidiary in Spain and $104.6 million for the transfer of assets to a trust. These financial transactions require certain collateral guarantees. The maturity of the described transactions varies between the year 2000 and 2007, and the Company has the option to reacquire the related assets at different dates. As of December 31, 1998, $78 million were compensated with stock of the Parent Company, amount that was refinanced in 1999 as a part of the transaction, which includes stock of the subsidiary in Spain.

As of December 31, 1999, the Company has recognized valuation effects in the stockholders' equity for Ps523,433, derived from investments available for sale (see note 3H).

14. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 1999, the Company has entered into various derivative financial instrument transactions in order to reduce its risks resulting from changes in interest rates (see note 11), foreign exchange rates and the price of its common shares. These instruments have been negotiated with major domestic and international institutions and corporations, which have a solid financial capacity. Therefore, the Company considers that the risk of non-compliance of the obligations agreed upon by such counterparties is minimum. The notional amount, as well as the estimated fair value of the derivative instruments as of December 31, 1998 and 1999, is as follows:

	December 31, 1998		December 31, 1999	
	Notional amount	Fair value	Notional amount	Fair value
	(Thousands of US dollars)			
a) Equity forward contracts	220,638	(48,011)	222,719	89,650
b) Foreign exchange forward contracts	250,000	(60,848)	410,000	12,423
c) Call options	-	-	51,530	(15,427)
d) Warrants related forward contracts	-	-	606,005	122,690

a) The Company has entered in to forward agreements and has sold (put) options related to its outstanding common stock at an established price that covers up to approximately $137 and $106 million as of December 31, 1998 and 1999, respectively. At maturity, these agreements provide for physical or net cash settlement, at the Company's option, and the gains or losses are recognized in stockholders' equity. In addition, the Company has forwards related to its ADSs, in order to fully cover its voluntary stock option plans for employees for up to $84 and US $116 million, in 1998 and 1999, respectively. Through these programs, the Company's executives elected to purchase options to buy 7,293,675 ADSs of the Company. These options are exercisable quarterly over a period of 5 years, and they have an exercise price which increases quarterly in dollars taking into account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the option price at the beginning of the program. As of December 31, 1999, the Company had voluntary stock options outstanding for 4,527,369 ADSs.

b) The Company has entered into foreign exchange forward contracts in order to protect itself from variations in foreign exchange rates. These contracts have been designated as a hedge on the Company's net investment in foreign subsidiaries for up to $250 million and $410 million as of December 31, 1998 and 1999, respectively. The fair value effects arising from these instruments are recorded for as part of the translation effect of foreign subsidiaries (see note 13 E).

c) At December 31, 1999 the Company has outstanding call options for 1,229,260 of its ADSs. The Company may exercise these call options until October 15, 2000, at a weighted average strike price of $41.89 per ADS.

d) Regarding the public offer for warrants' subscription made by the Company during December 1999, and the related sale of CPOs and shares of a subsidiary mentioned in note 2C, the Company, through a subsidiary, carried out a hedge transaction by means of which forward contracts were entered into to repurchase the total of CPOs and shares over a period of three years, and prepaid approximately $439.9 million (Ps4,183.5 million) of the forward purchase price. At maturity, the forward contracts provide for the physical exchange of the shares, and the effects are recognized as part of stockholders' equity. In the financial statements as of December 31, 1999, anticipated effect has been given to the liquidation of the forward for the portion corresponding to the shares of the subsidiary, due to the prepayment of the forward and the withholding of all economic and voting rights over such shares. Therefore, a net prepayment of approximately $51.7 million (Ps491.7 million), is reflected in Other Long-Term Accounts Receivable corresponding to the CPO's portion.

Additionally, during 1999, the Company terminated a derivative transaction from which gains or losses, depended on the performance of its common shares in relation to the Price and Quotation Index in Mexico. The effects derived from this transaction are included in the statements of income.

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

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

In accordance with present tax legislation in Mexico, corporations must pay either Income Tax ("IT") or Business Assets Tax ("BAT") depending on which amount is greater for their operations in Mexico. Both taxes recognize the effects of inflation in a manner different from generally accepted accounting principles. Employees' Statutory Profit Sharing ("ESPS") is calculated on a similar basis as Income Tax, but without recognizing the effects of inflation.

A) IT, BAT AND ESPS

The Company and its subsidiaries in Mexico consolidate for IT and BAT purposes. Beginning in 1999, the determination of the consolidated IT for the Mexican companies considered 100% of the taxable income or tax loss of the holding company, and a maximum of 60% of the taxable income or tax loss of each of the subsidiaries. For the period of 1999 and after, the taxable income of the subsidiaries that have tax loss carryforwards generated before 1999, will be taken according to its equity participation at the end of the period. Therefore, the amounts of these items included in the accompanying financial statements, in respect of the Mexican subsidiaries, represent the consolidated result of these taxes. For ESPS purposes, the amount presented is the sum of the individual results of each company.

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Income Tax benefit (expense) is summarized as follows:

	Year ended December 31,		
	1997	**1998**	**1999**
Current Income Tax	Ps(1,495,290)	(1,476,492)	(3,951,129)
Received from subsidiaries	-	-	-
Deferred taxes	-	-	(5,166)
Utilization of tax loss carryforwards	957,111	962,699	3,305,974
Effects of inflation (note 3B)	29,387	55,853	-
	Ps (508,792)	(457,940)	(650,321)

Total IT includes Ps 240,588, Ps 290,389 and Ps 340,588 from foreign subsidiaries and Ps 268,204, Ps167,551 and Ps 310,239 from Mexican subsidiaries for 1997, 1998 and 1999, respectively. The Company, as a holding company, prepares its IT and BAT returns on a consolidated basis for its operations in Mexico, which resulted in tax benefits of Ps760,284 in 1997, Ps 1,760,977 in 1998 and Ps 64,805 in 1999.

The effects of inflation are not recognized for income tax purposes in some countries in which the Company operates, or are recognized differently from the generally accepted accounting principles used by the Company. These effects, as well as other differences between the accounting and the income tax basis, arising from the several income tax rates and laws to which the Company is entitled in the countries in which it has operations, give rise to temporary differences between the statutory tax rate and the effective tax rate presented in the income statement:

	December 31,		
	1997	**1998**	**1999**
	%	%	%
Statutory tax rate	34.0	34.0	35.0
Utilization of tax loss carryforwards	(14.2)	(14.9)	(27.9)
Additional deductions and tax credits for income tax purposes	(12.9)	(20.0)	8.0
Expenses and other non-deductible items	4.8	5.9	(9.1)
Non-taxable sale of marketable securities and fixed assets	(3.6)	0.4	(2.4)
Difference between book and tax inflation	(6.7)	(6.9)	2.4
Business assets tax	3.5	2.1	3.7
Depreciation	(0.3)	2.8	3.5
Inventories	(0.1)	(1.5)	(6.6)
Others	1.0	3.3	(0.4)
Effective consolidated tax rate	5.5	5.2	6.2

The Company, for its operations in Mexico has accumulated tax loss carryforwards regarding IT, which may be offset against taxable income in the succeeding ten years according to the Income Tax Law:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
1995	Ps855,142	2005

For the year ending December 31, 1999, the Company utilized accumulated tax loss carryforwards against the period's taxable income of its operations in Mexico in the amount of Ps9,445,639, which generated a benefit of Ps3,305,974. The Company and its subsidiaries in Mexico must generate returns to keep the benefit of the tax loses carryforwards generated from 1999 and future years.

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory, property, plant and equipment after deducting certain liabilities.

The 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 levied exceeds BAT levied in such period. The recoverable BAT as of December 31, 1999 is as follows:

Year in which Business Assets Tax exceeded Income Tax	Amount of carryforwards	Year of expiration
1997	Ps 133,374	2007
1999	314,400	2009
	Ps 447,774	

B) DEFERRED INCOME TAX

As of December 31, 1999, the Company has created a deferred income tax provision for the temporary differences of results, over which it is reasonably estimated that in a defined period a benefit or liability is originated for tax effects in the amount of Ps1,047 million.

During 1999, the Mexican Institute of Public Accountants ("IMCP"), issued the new Bulletin D-4 *Accounting treatment of income tax, business assets tax and employees' profit sharing* ("Bulletin D-4"). Bulletin D-4 requires the determination of deferred IT through the application of the statutory IT rate, to the amount of temporary differences resulting from comparing the book and taxable value of the assets and liabilities, applying when available the tax loss carryforwards, as well as the BAT balances or other tax credits to be recovered. Likewise, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature.

The provisions of Bulletin D-4 are mandatory starting January 1, 2000. The beginning net accumulated effect from deferred income tax derived from the adoption of the Bulletin, must be recognized in the financial statements affecting the stockholders' equity in the account named "Accumulated Effect of Income Tax".

So far, the Company is in the process of determining the final effect that Bulletin D-4 will generate on the financial statements in 2000, for such purpose, an estimated consolidated calculation was determined, which can be representative of the position as of December 31, 1999. Through this calculation, the Company estimated that due to the adoption of the new Bulletin D-4, it would be necessary to recognize an additional deferred income tax liability for an approximate amount of Ps3,799 million. Such additional liability would be recorded against stockholders' equity.

16. FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the U.S. dollar as of December 31, 1997, 1998 and 1999 was Ps8.07, Ps9.90 and Ps9.51 per dollar, respectively. As of January 17, 2000, the exchange rate was Ps9.43 per dollar.

As of December 31, 1999 and for the year then ended, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin are presented as follows:

	December 31, 1999		
	Mexico	Foreign	Total
	(Thousands of U.S. dollars)		
Current assets	$ 123,376	939,677	1,063,053
Non-current assets	693,858(1)	5,840,472	6,534,330
Total assets	$ 817,234	6,780,149	7,597,383
Current liabilities	$ 804,253	856,126	1,660,379
Long-term liabilities	1,848,675	1,641,939	3,490,614
Total liabilities	$ 2,652,928	2,498,065	5,150,993

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(1) Non-monetary assets in Mexico of foreign origin.

Additionally, the Mexican operations in foreign currencies during 1997, 1998 and 1999, are summarized as follows:

	December 31,		
	1997	1998	1999
	(Thousands of U.S. dollars)		
Export sales	$131,773	92,170	83,190
Import purchases	43,452	36,563	29,954
Interest income	12,652	24,035	14,575
Interest expense	225,300	202,748	221,057

17. GEOGRAPHIC SEGMENT DATA

The Company is engaged principally in one industry segment, which is the construction industry through the production and marketing of cement and concrete. The following table presents information about the Company by geographic area for 1997, 1998 and 1999:

	Net Sales		
	December 31,		
	1997	1998	1999
Mexico	Ps 17,463,315	19,320,749	22,177,707
Spain	7,441,683	8,909,898	7,335,325
Venezuela	4,700,165	5,173,018	4,570,566
United States	4,483,937	5,357,583	5,677,615
Colombia	3,765,344	2,612,383	1,598,998
Caribbean and Central-America	2,361,719	2,616,834	3,509,134
Philippines	-	-	1,164,474
Egypt	-	-	137,686
Others	3,070,832	2,745,770	3,700,630
	43,286,995	46,736,235	49,872,135
Eliminations	(4,780,557)	(3,968,795)	(3,958,189)
Consolidated	Ps 38,506,438	42,767,440	45,913,946

	Operating Income		
	December 31,		
	1997	1998	1999
Mexico	Ps 5,179,121	7,805,839	9,821,679
Spain	1,602,176	2,423,426	2,387,015
Venezuela	1,627,505	1,736,383	1,247,517
United States	284,606	752,845	1,172,163
Colombia	831,747	110,679	378,761
Caribbean and Central-America	608,304	438,509	642,088
Philippines	-	-	23,879
Egypt	-	-	15,392
Others	(1,034,441)	(1,594,716)	(2,027,431)
	9,099,018	11,672,965	13,661,063
Eliminations	-	-	-
Consolidated	Ps 9,099,018	11,672,965	13,661,063

	Depreciation and Amortization		
	December 31,		
	1997	1998	1999
Mexico	Ps 1,509,640	1,442,578	1,448,229
Spain	975,962	777,177	563,109
Venezuela	524,312	518,482	553,412
United States	224,316	201,199	217,616
Colombia	537,233	520,733	303,861
Caribbean and Central-America	171,927	171,585	185,457
Philippines	-	-	230,423
Egypt	-	-	20,314
Others	308,598	262,555	600,834
Consolidated	Ps 4,251,988	3,894,309	4,123,255

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	Total Assets	
	December 31,	
	1998	1999
Mexico	Ps 54,211,292	46,721,332
Spain	22,217,378	20,165,143
Venezuela	10,412,756	10,615,906
United States	6,674,856	6,676,227
Colombia	10,677,162	8,171,788
Caribbean and Central-America	4,126,500	5,553,150
Philippine	3,185,698	7,724,397
Others Asian	1,169,446	2,248,624
Egypt	-	6,001,306
Others	7,991,057	27,853,216
	120,666,145	141,731,089
Eliminations	(17,001,606)	(28,901,737)
Consolidated	Ps 103,664,539	112,829,352

	Investment in Fixed Assets*	
	December 31,	
	1998	1999
Mexico	Ps 605,588	859,631
Spain	365,258	319,707
Venezuela	601,353	353,131
United States	154,573	154,419
Colombia	1,112,715	172,802
Caribbean and Central-America	165,160	238,524
Philippine	-	172,668
Others Asian	-	-
Egypt	-	-
Others	447,839	235,994
	3,452,486	2,506,876
Eliminations	-	-
Consolidated	Ps 3,452,486	2,506,876

* Corresponds to investments in fixed assets without considering the effects of inflation.

18. CHARGES TO OPERATIONS NOT REQUIRING RESOURCES

Items charged or credited to the results of operations, which did not generate the use of resources, are summarized as follows:

	1997	1998	1999
Depreciation of property, machinery and equipment	Ps 3,030,520	3,003,419	3,303,002
Amortization of deferred charges and credits, net	1,221,468	890,890	820,253
Impairment of assets	-	-	633,659
Seniority premium	137,849	297,855	289,244
Equity in income of subsidiaries and affiliates	(177,720)	(155,328)	(236,592)
Minority interest	1,083,902	391,147	535,964
	Ps 5,296,019	4,427,983	5,345,530

19. 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 net earnings per share reflects the effects of the stock options not exercised on the weighted average number of common shares outstanding (see note 13B).

The weighted average number of shares utilized in the calculations is as follows:

	Basic(1)	Diluted
December 31, 1997	3,851,983,824	3,908,702,910
December 31, 1998	3,786,281,775	3,797,376,945
December 31, 1999	3,767,646,462	3,787,200,759

(1) Included in 1997 and 1998, are 187,733,226 and 118,919,607 shares related to financial transactions, respectively, (see note 13F).

The difference between the basic and diluted average number of shares for 1997, 1998 and 1999 above is attributable to the additional shares issued under the Company's executive stock option plan (see note 13B).

20. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

At December 31, 1999, Cemex, S.A. de C.V. has signed as guarantor for loans made to certain subsidiaries for approximately $101 million.

B) TAX ASSESSMENTS

As of December 31, 1999, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Tax Authorities related to years prior to 1996. These tax assessments total approximately Ps2,616 million. The tax assessments result primarily from: (i) disallowed deductions resulting from employee benefit plans; and (ii) recalculation of the inflationary tax deduction, since the tax authorities purport that "Advance Payments to Suppliers" are not by their nature credits. The companies involved have legally contested the assessments by seeking legal remedies available before the courts.

During 1998, three indirect subsidiaries of the Company in Colombia, acquired as a part of the purchase of Cementos Diamante, S.A., were individually notified by the Domestic Taxes and Costumes Office of Colombia ("DIAN"), of special assessments corresponding to income taxes of the 1995 fiscal year, for approximately $143 million (Ps1,360 million). The Colombian subsidiaries filed a timely response to such special assessments within the required legal period. During 1999, the DIAN issued a formal deficiency note and the Colombian subsidiaries made a motion for reconsideration against such assessments within the required legal period. The Company estimates that the final resolution of these procedures may delay as long as 2 years, so far, it can not be established if the reconsideration resources will succeed.

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, however, it will be reviewed by the United States government no later than July 2001, taking into consideration the World Trade Organization new rules in order to determine whether the conditions for imposing the order still exist. The Company and its subsidiaries have used the available legal means in this matter and will continue to do so in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

As of December 31, 1999, the Company has accrued a liability of $37 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the DOC in its administrative reviews for all of the reviewed periods.

As of December 31, 1999, the Company finds itself in the ninth administrative review period by the DOC, and will expect a preliminary resolution in the second semester of the year 2000. With respect of the first 4 review periods, the DOC has issued a final resolution of the anti-dumping duties. With respect of the remaining review periods, the final resolutions are suspended until all the procedures before the NAFTA Panel have been concluded, for which, the final results may be different from those registered in the accompanying consolidated financial statements.

D) LEASES

The Company has entered into various non-cancellable operating leases, primarily for the lease of operating facilities, cement storage and distribution facilities and certain transportation and other equipment, which require annual rental payments plus the payment of certain operating expenses. Future minimum annual rentals due under such leases are summarized as follows:

Year ending December 31,	(Thousands of U.S. dollars)
2000	32,811
2001	38,560
2002	32,891
2003	30,472
2004	27,272
2005 and thereafter	130,333
	292,339

Rental expense for the years ended December 31, 1997, 1998 and 1999 was approximately $22 million, $25 million and $41 million, respectively.

E) PLEDGE ASSETS

At December 31, 1999 there are liabilities amounting to $91 million secured by property, plant and equipment.

F) COMMITMENTS

As of December 31, 1999, subsidiaries of the Company have future commitments for the purchase of raw material for an approximate amount of $38 million.

As of December 31, 1999, the Company has entered into agreements with an international partnership, which will build and operate an electrical energy generating plant. These agreements establish that when the plant begins operations, the Company will acquire, starting the second half of 2002, all the electrical energy generated by such plant for a term no less than 20 years. As part of these agreements, the Company has agreed to supply the electric plant with enough fuel for its operation. This commitment will be covered through an 20-year agreement that the Company has with Petróleos Mexicanos. By means of this transaction, the Company expects to have enough decreases in the electrical energy costs, and the supply will be enough to cover approximately 60% of the electrical energy use of 12 cement plants in Mexico. For effect of these agreements, the Company is not required to make capital investment in the project.

21. YEAR 2000 PROGRAM

The CEMEX 2000 program was completed according to the schedule. The Company achieved its objective of maintaining continuous operations in all its manufacturing plants, technological platforms and information systems according to the work plan. During the transition period to the year 2000, all operations have been performing normally and during the following months, the Company will continue monitoring the performance of all Y2K sensitive elements in its worldwide operations.

The Company invested approximately 400 thousand man-hours and a budget of $36 million (Ps 342.4 million) in the Y2K preparation.

The Company has undertaken the necessary efforts to ensure business as usual during the year 2000 and beyond.

22. SUBSEQUENT EVENTS

As a result of the natural disaster occurred in Venezuela, a country where the Company operates, during December 1999, an approximate amount of $2.6 million was recorded in the results under the caption other expenses, net. This provision corresponds to the book value of the portion of assets of the subsidiary in Venezuela, which as of December 31, 1999 are estimated to be unrecoverable. These assets include accounts receivable from clients, inventory, investments in shares, as well as fixed assets. As of the date of the financial statements, the Company cannot assure that it will not be necessary to record extraordinary losses in addition to those recognized during 1999, due to the effects of the natural disaster mentioned above, since some of the effects are not yet known.

Regarding the sale of shares mentioned in note 3D with effects as of December 31, 1999, Cemex México required consent of 51% or more of the holders of the 8.375% Yankee Notes in order to modify certain restrictions in the indenture that limited the Company's ability to complete the transaction. For this purpose, on January 3, 2000, the Company announced a purchase offer for the notes outstanding, through which the holders were offered a premium equivalent to 2% of the value of the notes in exchange for their consent, and simultaneously the redemption of the notes at 98% of their nominal value. In case the consent was not obtained from 51% or more of the note holders, the trading of shares would have been invalid, since it was conditioned upon receipt of such consent. The term to receive the consent expired January 14, while the term for the purchase of the notes expired in February 2, 2000.

As of the date of the financial statements, the Company obtained consent of approximately 85% of the note holders, and therefore validated the sale of shares with retroactive effects to December 31, 1999. For the Company, the consent received from the note holders represents the redemption of notes for approximately $148.8 million before the due date in 2003, however, such amount could be increased until the purchase offer expires in February 2, 2000.

23. DIFFERENCES BETWEEN MEXICAN AND UNITED STATES ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Mexico (Mexican GAAP), which differ in certain significant respects from those applicable in the United States (U.S. GAAP).

The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes (i) a reconciling item for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos as of December 31, 1997 and 1998, and (ii) a reconciling item to reflect the difference in the carrying value of machinery and equipment of foreign origin and related depreciation between the methodology set forth by the fifth amendment to Bulletin B-10 (modified) and the amounts that would be determined by using the historical cost/constant currency method. As described below, these provisions of inflation accounting under Mexican GAAP do not meet the requirement of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments, as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The other principal differences between Mexican GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

		Year ended December 31,		
		1997	**1998**	**1999**
	Net income as reported under Mexican GAAP	Ps 7,733,179	7,960,844	9,249,046
	NCPI inflation adjustment	446,643	970,951	-
	Net income as reported under Mexican GAAP after NCPI adjustment	8,179,822	8,931,795	9,249,046
	Approximate U.S. GAAP adjustments:			
1.	Amortization of goodwill (see 23 (a))	188,758	386,879	(61,898)
2.	Deferred income taxes (see 23 (b))	(2,220,468)	(2,022,179)	(3,196,867)
3.	Deferred employees' profit sharing (see 23(b))	(304,059)	(432,011)	(334,773)
4.	Other employee benefits (see 23(c))	(55,516)	6,236	(71,328)
5.	Valuation of Marketable securities (see 23(d))	(146,082)	310,796	-
6.	Capitalized interest (see 23(e))	(38,611)	(4,070)	77,524
7.	Minority interest (see 23(f)):			
	a) Financing Transactions	762,135	(201,852)	213,233
	b) Effect of U.S. GAAP adjustments	429,207	32,920	(22,574)
8.	Hedge accounting (see 23(m))	(1,179,770)	(3,118,359)	(1,671,351)
9.	Depreciation (see 23(g))	6,652	55,422	138,788
10.	Accruals for contingencies (see 23(h))	107,135	(32,975)	(2,628)
11.	Equity in net income of affiliated companies (see 23 (i))	(54,189)	(58,778)	(22,463)
12.	Inflation adjustment of machinery and equipment (see 23(j))	(225,103)	(87,768)	(382,160)
13.	Other U.S. GAAP adjustments (see 23(l))	67,876	104,651	(108,627)
14.	Monetary effect of U.S. GAAP adjustments	1,569,420	1,748,823	1,558,413
	Total approximate U.S. GAAP adjustments	(1,092,615)	(3,312,265)	(3,886,711)
	Approximate net income under U.S. GAAP	Ps 7,087,207	5,619,530	5,362,335
	Basic U.S. GAAP earnings per share	Ps 1.84	1.49	1.42
	Diluted U.S. GAAP earnings per share	Ps 1.75	1.48	1.41

	Year ended December 31,	
	1998	1999
Total stockholders' equity reported under Mexican GAAP	Ps 50,924,405	61,193,406
NCPI inflation adjustment	6,211,036	-
Total stockholders' equity after NCPI adjustment	57,135,441	61,193,406
Approximate U.S. GAAP adjustments:		
1. Goodwill net (see 23(a))	(2,148,006)	(2,902,961)
2. Deferred income taxes (see 23(b))	(6,251,697)	(8,411,362)
3. Deferred employees' profit sharing (see 23(b))	(2,787,625)	(2,814,669)
4. Other employee benefits (see 23(c))	(185,185)	(238,468)
5. Capitalized interest (see 23(e))	(42,993)	(439,337)
6. Minority interest – effect of financing transactions (see 23(f))	(5,899,431)	(5,749,979)
7. Minority interest – U.S. GAAP presentation (see 23(f))	(8,792,867)	(8,732,529)
8. Depreciation (see23(g))	11,424	150,574
9. Accruals for contingencies (see 23(h))	308,263	223,666
10. Investment in net assets of affiliated companies (see 23(i))	(520,630)	(476,359)
11. Inflation adjustment for machinery and equipment (see 23(j))	3,443,614	8,111,034
12. Temporary equity from forward contracts (see 23 (k))	-	(4,897,307)
13. Other U.S. GAAP adjustments (see 23(l))	464,776	284,979
Total approximate U.S. GAAP adjustments	(22,400,357)	(25,892,718)
Total approximate stockholders' equity under U.S. GAAP	Ps 34,735,084	35,300,688

For purposes of the following notes, the Mexican GAAP prior years amounts have been restated using the Mexican inflation rate instead of the weighted average index described in note 3B. Therefore the amounts shown for prior years in these notes do not agree with the amounts shown in footnotes 1 to 22.

The term "SFAS" as used herein refers to Statements of Financial Accounting Standards.

(a) *Goodwill*

The Company's goodwill recognized under Mexican GAAP has been adjusted for U.S. GAAP purposes for (i) the effect of the U.S. GAAP adjustments as of the dates of acquisition on the goodwill of the subsidiaries acquired, (ii) the difference between sinking fund amortization of goodwill over 20 to 40 years for Mexican GAAP purposes (see note 3J) and the straight line method over 40 years for U.S. GAAP purposes and (iii) the conversion of goodwill applicable to foreign subsidiaries in accordance with SFAS 52, utilizing inflation of each country to restate the goodwill for inflation purposes. In addition, amortization of goodwill is reflected as an operating expense for U.S. GAAP purposes versus other income and expense for Mexican GAAP purposes.

For U.S. GAAP purposes, the Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(b) *Deferred Income Taxes and Employees' Statutory Profit Sharing*

Until December 31, 1999, Mexican GAAP provided that deferred taxes should not be recorded for those temporary differences whose origin is not specifically identifiable or whose realization is not presently determinable because upon turnaround they will be replaced by other temporary differences of a similar nature and amount.

For U.S. GAAP purposes, the Company accounts for income taxes utilizing SFAS 109 "*Accounting for Income Taxes*", which requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax asset and liabilities are recognized for the future tax consequences of "temporary differences" by applying the enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities and operating loss carryforwards. The amount of deferred income taxes charged or credited to operations in each period for U.S. GAAP is based upon the difference between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in nominal pesos. A monetary position gain or loss of the deferred tax assets or liabilities was also recognized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1999 are presented below.

	December 31,	
	1998	**1999**
Deferred tax assets:		
Net operating loss and assets tax carryforwards	Ps 4,958,835	2,302,314
Trade accounts receivable	421,427	399,603
Investment in affiliated companies	327,276	459
Accounts payable and accrued expenses	650,515	491,575
Other	381,030	154,088
Total gross deferred tax assets	6,739,083	3,348,039
Less valuation allowance	234,094	187,335
Net deferred tax assets under U.S. GAAP	6,504,989	3,160,704
Deferred tax liabilities:		
Property, plant and equipment	14,502,851	14,091,782
Inventories	653,481	402,710
Other	321,574	155,325
Total gross deferred tax liability under U.S. GAAP	15,477,906	14,649,817
Net deferred tax liability under U.S. GAAP	8,972,917	11,489,113
Deferred tax liability recognized under Mexican GAAP	1,075,680	1,047,004
Excess of liability recognized under U.S. GAAP over that recognized under Mexican GAAP	7,897,237	10,442,109
Less – U.S. GAAP deferred income taxes of acquired subsidiaries at date of acquisition	1,514,344	2,030,747
Inflation adjustment (note 3B)	(131,196)	-
U.S. GAAP adjustments to stockholders' equity	Ps 6,251,697	8,411,362

Management believes that it is more likely than not that it will generate taxable income sufficient to realize the tax benefit associated with future deductible temporary differences and operating tax loss carryforwards prior to their expiration. If the Company is unable to generate sufficient taxable income in the future through operating results, or alternative tax strategies are no longer viable, a valuation allowance will be required through a charge to expense.

The Company has recorded a valuation allowance for the estimated amount of the recoverable tax on assets, which may not be realized due to their expiration during the carryforwards period. However, through the continuous evaluation of the effects of tax strategies, among other economic factors, during 1999 the Company canceled a net effect on the valuation allowance of approximately Ps21 million.

Effective December 31, 1998, the income tax rate increased from 34% to 35% for temporary differences in Mexico to give effect to the enactment of the new income tax law in Mexico. This resulted in an additional deferred tax expense of Ps246,820 for U.S. GAAP purposes in 1998.

The Company also recorded a deferred liability for U.S. GAAP purposes, related to employees' statutory profit sharing in Mexico under the asset and liability method at the statutory rate of 10%. The principal effects of temporary differences that give rise to significant portions of the deferred employees' profit sharing liabilities at December 31, 1998 and 1999 are presented below:

	December 31,	
	1998	1999
Deferred assets:		
Employee benefits	Ps 14,762	42,228
Trade accounts receivable	124,502	11,089
Other	-	-
Gross deferred assets under U.S. GAAP	139,264	53,317
Deferred liabilities:		
Property, plant and equipment	2,807,872	2,721,063
Inventories	101,786	129,039
Other	17,231	17,884
Gross deferred liabilities under U.S. GAAP	2,926,889	2,867,986
Net deferred liabilities under U.S. GAAP	Ps 2,787,625	2,814,669

For purposes of the condensed financial information presented under U.S. GAAP in note 23(p), employees' statutory profit sharing expense, both current and deferred, is deducted in the determination of operating income.

Additionally, as it is mentioned in note 15B, beginning in the year 2000, new Bulletin D-4, requires the determination of deferred income tax through the balance sheet methodology. Even when Bulletin D-4 establishes a methodology similar to US GAAP, in the application of the Bulletin, differences will prevail in the reconciliation to US GAAP, arising from i) the recognition of the initial balance as of January 1, 2000 will be recorded directly to stockholders' equity, ii) certain adjustments to Mexican GAAP recorded in the foreign subsidiaries for consolidation purposes, are to be treated as permanent differences, iii) the treatment of deferred tax consequences in business combinations under Mexican GAAP, does not consider the provisions of APB Opinion 16, and iv) for Mexican GAAP purposes, deferred tax assets and liabilities, should be considered as long-term items. For Mexican GAAP purposes, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature.

(c) *Other Employee Benefits*

Vacations

Under Mexican GAAP, vacation expense is recognized when taken rather than during the period the employees earn it. In order to comply with SFAS 43, as of December 31, 1997, 1998 and 1999 the vacation expense recorded for U.S. GAAP purposes was Ps4,518, Ps8,718 and Ps8,141, respectively with an accrual of Ps37,770 and Ps41,720 at December 31, 1998 and 1999, respectively.

Severance

Before 1997, under Mexican GAAP, postemployment benefit expenses other than pension benefits were recorded when retirement occurred and the Company did not provide for any severance benefits. Beginning in 1997, in accordance with Mexican GAAP (Circular 50), SFAS 112 is the supplementary accounting standard for postemployment benefits. As of December 31, 1998 and 1999, the Company did not accrue a provision for these benefits for Mexican GAAP due to their insignificance. However, under U.S. GAAP, postemployment benefits for former or inactive employees excluding retirement benefits, are accounted for under the provisions of SFAS 112, which requires the Company to accrue the cost of certain benefits, including severance over an employee's service life. As of December 31, 1997, 1998 and 1999 the severance provisions recorded for U.S. GAAP purposes were an expense of Ps20,766, Ps40,058 and Ps37,409, respectively with an accrual of Ps173,556 and Ps191,708 at December 31, 1998, and 1999, respectively. Severance payments relating to any specific event or restructuring are excluded from the SFAS 112 calculation.

SFAS 106, requires accrual of these benefits during the years an employee provides services. The Company does not provide to its employees any postretirement benefits subject to the provisions of SFAS 106.

Pension Benefits

The Company records liabilities for employee pension benefits determined by actuarial computations, which are similar to SFAS 82 under U.S. GAAP. The pension benefits recorded for U.S. GAAP purposes were an expense of Ps30,232 in 1997, an income of Ps55,012 in 1998 and an expense of Ps25,778 in 1999, with an additional (asset) liability of Ps(26,141) and Ps5,040 in 1998 and 1999, respectively.

(d) *Marketable Securities*

Included in other investments at December 31, 1998 are Ps262,813, of an investment in common stock of a third party company. This investment is recorded at market value based upon its quoted price. Although the Company does not have the intention to sell these shares, this investment is classified as available-for-sale for purposes of complying with SFAS 115. Unrealized holding loss of Ps146,082 and gain of Ps310,796 (loss Ps109,711 and gain of Ps218,191, after the related deferred income tax effect which has been credited directly to stockholders' equity) for the years ended December 31, 1997 and 1998, respectively, are included as a component of stockholders' equity for purposes of the Company's reconciliation to U.S. GAAP. Beginning in January 1, 1999, the Company adopted the provisions of SFAS 115 under Mexican GAAP; therefore, no additional reclassification is needed for purposes of the net income reconciliation.

(e) *Capitalized Interest*

Under Mexican GAAP, the Company is allowed, but not required, to capitalize interest on assets under construction. Mexican GAAP states that the amount of financing cost to be capitalized during the construction period of property, machinery and equipment must be comprehensively measured in order to include properly the effects of inflation. Therefore, the amount capitalized includes (i) the interest cost of the debt incurred, plus (ii) any foreign currency exchange loss that results from the related debt, and less (iii) the related monetary position result recognized on the debt incurred to finance the construction project. Under U.S. GAAP, interest must be considered an additional cost of constructed assets to be capitalized in property, machinery and equipment and depreciated over the lives of the related assets.

The U.S. GAAP reconciliation removes the monetary position gain and the foreign currency gain or loss capitalized for Mexican GAAP derived from borrowings denominated in foreign currency.

(f) *Minority Interest*

Financing Transactions

As of December 31, 1998 and 1999 the Company had $422.5 million and $500 million, respectively, of an outstanding equity financing transaction involving shares of its Spanish subsidiary. The transferred shares represented 25.4% and 24.8% of the outstanding capital stock of this subsidiary as of December 31, 1998 and 1999, respectively. The Company has considered the shares involved in this transaction as if those were owned by a third party and therefore has recorded a minority interest in the consolidated balance sheet under Mexican GAAP. For U.S. GAAP purposes, this financing transaction has been classified as debt in the amount of Ps4,698 million and Ps4,755 million at December 31, 1998 and 1999, respectively. For Mexican GAAP purposes, the costs related to this transaction are recorded as part of the net financing cost in the income statement. Differences between the amount of minority interest recognized for Mexican GAAP purposes and the amount of net debt for U.S. GAAP purposes for this financing transaction are reflected as a reconciliation of Mexican GAAP stockholders' equity. This financing transaction bears interest at 3 month-LIBOR plus 100 basis points (approximately 7.0% at December 31, 1999), and matures with $125 million of the principal due in June 2000, $125 million in December 2000, and the remaining $250 million due in June 2001.

For purposes of U.S. GAAP presentation, Putable Capital Securities described in note 13(F) are presented as a separate component of minority interest. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Dividends declared are recorded as part of the minority interest in the consolidated statements of income under both Mexican GAAP and U.S. GAAP.

In December 1995, the Company entered into a financial transaction in which a subsidiary transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately $123.5 million in exchange for notes issued by the trust. The Company has the right to reacquire these assets on various dates until 2007. As of December 31, 1998 and 1999, $108 million (Ps1,201million) and $104.6 million (Ps995 million), respectively, were outstanding under this transaction. For U.S. GAAP purposes the amount outstanding under this arrangement is treated as debt. Under Mexican GAAP this transaction has been treated as minority interest (see note 13(F)).

U.S. GAAP adjustments

Under Mexican GAAP the minority interest in consolidated subsidiaries is presented as a separate component within the stockholders' equity section in the consolidated balance sheets. According to U.S. GAAP, minority interest is excluded from consolidated stockholders' equity and classified as a separate component between total liabilities and stockholders' equity in the consolidated balance sheets. The U.S. GAAP adjustment to stockholders' equity included herein represents the minority interests in the Company's subsidiaries determined in accordance with U.S. GAAP.

(g) *Depreciation*

One of the Company's subsidiaries in Colombia records depreciation expense utilizing the sinking fund method. This methodology for depreciation was in place before Cemex acquired the subsidiary in 1997. For Mexican GAAP purposes, the Company has decided to maintain this accounting practice due to tax consequences in Colombia arising from a change in methodology, and the immateriality of the effects in the Company's consolidated results. During the year 2000, the Company will evaluate changing the depreciation methodology of this subsidiary, in order to align all subsidiary practices to the Company's policy for depreciation. For U.S. GAAP purposes, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. As a result of this accounting difference, as of December 31, 1997, 1998 and 1999, Ps6,652, Ps55,422 and Ps116,883, respectively, have been credited to income in the U.S. GAAP reconciliation.

Additionally, as a result of the application of APB 16 in the acquisition of Rizal for U.S. GAAP purposes, at December 31, 1999, the Company reduced the value of its fixed assets by Ps252,975, corresponding to the portion of the appraisal value related to the minority owners. The change in the fixed assets' amount for under U.S. GAAP arising from this concept, led to a decrease in the depreciation expense under U.S. GAAP of Ps21,905 during 1999.

(h) *Accruals for Contingencies*

For Mexican GAAP purposes the Company has recorded accruals for certain contingencies that do not meet the accrual criteria of SFAS 5 of U.S. GAAP. Our Spanish subsidiary has recorded a liability for guarantees given to third parties by former subsidiaries and other general accruals. At the balance sheet dates the likelihood of a loss occurring is considered to be possible but not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met and the recorded liabilities were reversed for U.S. GAAP purposes.

In addition, with respect to the Mexican and Colombian tax assessments described in note 20(B), the Company believes that while it is reasonably possible for a loss to occur as a result of these assessments, the likelihood of a loss is not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met (see also note 23(v)).

(i) *Affiliated Companies*

The Company has adjusted its investment in and its equity in the earnings of affiliated companies for the Company's share of the approximate U.S. GAAP adjustments applicable to these affiliates.

(j) *Inflation Adjustment of Machinery and Equipment*

On December 2, 1997, the International Practices Task Force of the American Institute of Certified Public Accountants encouraged Mexican companies to restate their fixed assets of foreign origin by applying the inflation rate of each country in which the Company operates, instead of using the methodology included in the fifth amendment to Bulletin B-10, which consists of restating the fixed assets of foreign origin on the basis of the devaluation of the functional currency against the currency of origin and applying a factor of inflation in such foreign country. For purposes of the U.S. GAAP reconciliation, fixed assets of foreign origin were restated using the inflation factor arising from the Consumer Price Index ("CPI") of each country and depreciation is based upon the revised amounts.

(k) *Temporary Equity from Forward Contracts*

As mentioned in notes 2C and 14D to the financial statements, the Company has entered in to forward contracts in connection with its warrant offering transaction. According to EITF 96-13, forward contracts involving the Company's own stock that will be physically settled by delivering cash should be initially measured at fair value and recorded in permanent equity, and an amount equivalent to the cash redemption at the date of reporting should be reclassified to temporary equity, which is to be considered as a mezzanine item for the balance sheet presentation under U.S. GAAP. As a result, for purposes of reconciliation the Company presents an adjustment to its stockholders' equity under Mexican GAAP for Ps4,897,307, which represents the cash obligation of the Company in the forward contract at the reporting date. This amount is presented as a mezzanine for purposes of note 23(p).

(l) *Other U.S. GAAP Adjustments*

Inventory costs - As permitted by Mexican GAAP, certain inventories are valued under the direct cost system, which includes material, labor and other direct costs. For purposes of complying with U.S. GAAP, inventories have been valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. At December 31, 1998 and 1999, the Company recognized an amount of Ps281,422 and Ps103,752, respectively, in the stockholders' equity reconciliation to U.S. GAAP.

Capitalization of costs of computer development Under U.S. GAAP - Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*", provides guidance on accounting for the costs of computer software developed or obtained for internal use. SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software and that costs related to the preliminary project stage and the post-implementation/operations stage (as defined in SOP 98-1) in an internal-use computer software development project be expensed as incurred. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The estimated average useful lives period to amortize these capitalized costs is between 3 and 5 years. The cumulative effect recognized in stockholders' equity reconciliation to U.S. GAAP at December 31, 1998 and 1999 is Ps330,831 and Ps492,126, respectively.

Sale of own stock - In 1997, the Company had a gain in the sale of its own stock of Ps59,557, recorded in the income statement under Mexican GAAP, which has been reclassified to stockholders' equity for purposes of the U.S. GAAP reconciliation of net income.

Deferred charges - For U.S. GAAP purposes other deferred charges net of accumulated amortization, that do not qualify for deferral under U.S. GAAP have been charged to expense in the year or period incurred for Ps97,949 in 1998 and Ps180,657 in 1999. The net effect in the stockholders' equity reconciliation to U.S. GAAP is Ps147,477 and Ps310,899 at December 31, 1998 and 1999, respectively. Mexican GAAP allowed the deferral of these expenses.

Monetary position result - Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined with a weighted average inflation factor for the period.

Reclassifications - Real estate held for sale amounting to Ps189,117 in 1998 and Ps148,570 in 1999, and non-cement related assets amounting to Ps473,330 in 1998 and Ps128,774 in 1999, have been reclassified to long-term assets for purposes of U.S. GAAP presentation in note 23(p). These assets are stated at their estimated fair value. Estimated costs to sell, are not significant.

(m) *Financial Instruments*

Fair Value of Financial Instruments

The carrying amount of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses and short-term debt, approximates fair value because of the short-term maturity of these financial assets and liabilities.

Marketable securities and long-term investments are accounted for at fair value, which is based on quoted market prices for these or similar instruments.

The carrying value of the Company's long-term debt and the related fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (or determined by discounting future cash flows using borrowing rates currently available to the Company) at December 31, 1999 is summarized as follows:

	Carrying Amount	Estimated Fair value
Bank loans	Ps 22,044,412	22,041,189
Notes payable	17,298,940	17,846,414

As discussed in note 3E, the Company has designated certain debt as hedges of its investment in foreign subsidiaries and for Mexican GAAP purpose, records foreign exchange fluctuations on such debt in equity. For purposes of the U.S. GAAP net income reconciliation, Ps1,179,770, Ps3,118,359 and Ps1,671,351 for 1997, 1998 and 1999, respectively, were recognized as foreign exchange losses since the related debt does not meet the conditions set forth in SFAS 52 for hedge accounting purposes.

Concentration of Credit Risk

The Company sells its products primarily to distributors for the construction industry with no specific geographic concentration within the countries in which the Company operates. No single customer accounted for a significant amount of the Company's sales and there were no significant account receivables from a single customer at December 31, 1998 and 1999. The Company performs evaluations of its customers' credit histories and establishes an allowance for doubtful accounts based upon the credit risk of specific customers and historical trends. In addition, there is no concentration of suppliers for the purchases of raw materials.

(n) *Stock Option Programs*

As described in note 13B, pursuant to the Company's Stock Option Plan to which eligible officers and key employees are entitled, the Company's Boards of Directors may grant stock options for up to 216,300,000 shares of authorized but unissued Series "A" and "B" common stock. Stock option activity during the periods is indicated in note 13B.

The Company applies APB Opinion No. 25 ("APB 25") in accounting for its Plan under U.S. GAAP. According to APB 25, the Company's Plan fulfills the type of a compensatory for services plan, where the price required from the employee at the measurement date, is materially equal to the quoted market price of the stock, therefore, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, using the Black-Scholes pricing model, the Company's net income would have been reduced to the pro forma amounts indicated below:

	1997	1998	1999
Net income, as reported (Mexican GAAP)	Ps 7,733,179	7,960,844	9,249,046
Net income, pro forma	7,571,313	7,708,389	9,057,649
Basic earnings per share, as reported	Ps 2.01	2.10	2.45
Basic earnings per share, pro forma	Ps 1.97	2.03	2.40

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*See note 2A.

The assumptions for the Black–Scholes model were:

	1997	1998	1999
Expected dividend yield	2%	2%	2%
Volatility	30%	30%	30%
Risk free interest rate	22%	22%	15%
Tenure	10 years	10 years	10 years

(o) *Supplemental Cash Flow Information Under U.S. GAAP*

The Company presents a consolidated statement of changes in financial position under Mexican GAAP in accordance with Bulletin B-12, which identifies the sources and uses of resources determined based upon the differences between beginning and ending financial statements balances in constant pesos. It also requires monetary position result and unrealized foreign exchange gain and loss to be treated as cash items in the determination of resources provided by operations. U.S. GAAP requires a statement of cash flow presenting only cash movements and excluding non-cash items. SFAS 95 does not provide any specific guidance with respect to inflation-adjusted financial statements.

The classifications of cash flows under Mexican GAAP and U.S. GAAP are basically the same, in respect to the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported, is mainly due to (i) the elimination of inflationary effects of monetary assets and liabilities from financing and investing activities variations, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rate fluctuations from financing and investing activities variations, against the corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

The following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 1997, 1998 and 1999, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical peso basis and it is not presented in constant purchasing power.

	Years ended December 31,		
	1997	**1998**	**1999**
Net cash provided by operating activities	Ps 7,677,497	11,779,184	10,275,197
Net cash provided by (used in) financing activities	(3,697,605)	(2,821,576)	148,447
Net cash used in investing activities	(4,691,195)	(8,027,317)	(10,351,043)

Net cash flow from operating activities reflects cash payments for interests and income taxes as follows:

	Years ended December 31,		
	1997	**1998**	**1999**
Interest paid	Ps 4,269,714	3,652,444	3,291,193
Income taxes paid	311,859	321,372	431,144

Non-cash activities are comprised of the following:

- Acquisition of property and equipment through capital leases amounted to Ps24,150 in 1998 and Ps159,480 in 1999.

- Liabilities assumed through the acquisition of businesses (see note 7) was Ps498,834 in 1998 and Ps4,147,318 in 1999.

(p) *Condensed Financial Statements under U.S. GAAP*

The following table presents consolidated condensed balance sheets at December 31, 1998 and 1999 and statements of income at December 31, 1997, 1998 and 1999 of the Company as prepared under U.S. GAAP. This summarized financial information includes all differences described in this footnote as well as certain other reclassifications required for purposes of U.S. GAAP:

	At December 31,	
	1998	**1999**
Balance sheets		
Current assets	Ps 17,609,532	16,996,229
Investments and non-current assets	4,599,079	7,247,617
Property, machinery and equipment	72,022,095	73,321,480
Deferred charges	24,903,059	22,866,441
Total assets	119,133,765	120,431,767
Current liabilities	21,852,696	22,542,464
Long-term debt	38,867,140	33,811,531
Other non-current liabilities	14,885,978	15,421,343
Total liabilities	75,605,814	71,775,338
Mezzanine items:		
Putable Capital Securities (see note 13F)	2,779,920	2,377,500
Temporary equity	-	4,897,307
Minority interest	6,012,947	6,080,934
	8,792,867	13,355,741
Stockholders' equity	34,735,084	35,300,688
Total liabilities and stockholders' equity	Ps 119,133,765	120,431,767

	As of December 31,		
	1997	**1998**	**1999**
Statements of income			
Net sales	Ps 40,235,865	47,353,443	45,303,172
Gross profit	14,734,387	19,454,569	18,548,272
Operating income	7,031,476	10,607,824	10,043,809
Comprehensive financial income (cost)	2,560,652	(2,949,952)	(288,367)
Other expenses, net	305,160	504,530	(609,962)
Income tax (including deferred)	(2,718,398)	(2,471,963)	(3,804,704)
Equity in income of affiliates	255,668	292,243	407,915
Consolidated net income	7,434,558	5,982,682	5,748,691
Minority net income	347,351	363,152	386,356
Majority net income	Ps 7,087,207	5,619,530	5,362,335

For purposes of the consolidated condensed financial statements, the 1997 and 1998 figures were updated to constant pesos at December 31, 1999, using the Mexican inflation rate, in order to comply with current requirements of Regulation S-X.

(q) *Restatement to Constant Pesos of Prior Years*

The following table presents summarized financial information under Mexican GAAP of the consolidated statements of income for the years ended December 31, 1997 and 1998 and of the consolidated balance sheet at December 31, 1998, in Mexican pesos of equivalent constant purchasing power of December 31, 1999 using the Mexican inflation rate:

	1997	**1998**
Sales	Ps 40,730,441	47,983,607
Gross profit	15,771,159	20,239,773
Operating income	9,624,547	13,096,668
Majority net income	8,179,822	8,931,796
Current assets		Ps 18,276,569
Non-current assets		98,031,503
Current liabilities		19,997,815
Non-current liabilities		39,174,815
Majority interest stockholders' equity		43,225,467
Minority interest stockholders' equity		13,909,975

(r) *Environmental Costs*

Environmental expenditures related to current operations are expensed or capitalized, as appropriate. Remediation costs related to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Prior to its acquisition in 1989, one subsidiary of the Company in the United States employed the use of underground storage tanks in their operations. Subsequently, the use of those tanks resulted in environmental remediation liabilities for several of the subsidiary's plant sites. Per a 1996 settlement agreement with the former owners, the subsidiary is responsible for 10% of remediation costs at one of the plant sites and 100% of remediation costs for the remaining sites.

As of December 31, 1998 and 1999, the subsidiary had accrued its best estimate of its obligation with respect to the sites of approximately Ps 9 million in 1998 and Ps 8 million in 1999, which are included in accrued liabilities.

In May 1999, several companies filed a civil liability suit against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice producing capacity of certain land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibagué, Colombia. The plaintiffs have asked for relief in the amount of U.S.$12.6 million. This proceeding has not yet reached the evidentiary stage, since both parties have appealed the court's evidentiary decree. Upon resolution of the appeals, the evidentiary stage will begin. We estimate that this proceeding will continue for approximately six years before final resolution. For accounting purposes under both Mexican and U.S. GAAP, the Company believes that the accrual criteria, has not been met in connection with this civil action (unaudited).

The Company is not currently facing other situation other than those described above which might result in the recognition of an environmental remediation liability.

(s) *Supplemental Debt Information*

Classification of Short-term debt Expected to be Refinanced - In accordance with U.S. GAAP, and for purposes of the condensed information of note 23(p), at December 31, 1998 and 1999, $168 million (Ps1,868 million) and $226 million (Ps2,147.5 million), respectively, were reclassified from long-term debt to short-term debt for U.S. GAAP purposes.

(t) *Impairment of Long Lived Assets*

In accordance with the provisions of SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell (see note 8).

For Mexican GAAP purposes the impairment provisions are reported in other income and expense. For purposes of note 23(p), these provisions are reported as a component of operating income.

(u) *Business combinations*

As mentioned in note 7, during September 1999, the Company acquired a majority equity interest in Cempasa, and during November 1999 acquired a majority equity interest in Assiut Cement Co. For purposes of disclosure under U.S. GAAP according to APB 16, companies must provide in pro forma basis, the effects of consolidating the acquired companies since the beginning of the reported period. In respect to APO, the Company consolidated for Mexican GAAP purposes, its results of operations for the twelve-month period ended December 31, 1999. Therefore, for purposes of compliance with APB 16 disclosure requirement, the Company is providing pro forma selected income statement amounts for the consolidation of Cempasa and Assiut, as if they were consolidated for the full year 1999.

The pro-forma amounts are as follows:

	Cemex as reported	Assiut twelve-months	Cempasa twelve-months	Elimination	Cemex pro forma
Net sales	Ps 45,913,946	1,874,558	395,012	(228,881)	47,954,635
Operating income	13,661,063	473,403	39,851	(35,491)	14,138,826
Majority Interest net income (loss)	9,249,046	269,441	(1,758)	24,928	9,541,657
Basic earnings per share	Ps 2.45				2.53
Diluted earnings per share	Ps 2.44				2.52

For purposes of the table above, the "Elimination" column represents the sum of the Assiut's one-month period results, and Cempasa's three-month period results, that were included in to the Company's consolidated income statement under Mexican GAAP as of December 31, 1999.

(v) *Newly Issued Accounting Pronouncements*

In June 1998, The Financial Accounting Standards Board issued SFAS 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS 133"), which requires entities to recognize all derivative instruments in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also specifies accounting and valuation rules for hedging activities, and prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is currently scheduled to be effective for fiscal years beginning after June 15, 2000. We are currently evaluating the impact that SFAS 133 will have on our consolidated financial statements and disclosures.

(w) *Subsequent events under U.S. GAAP (unaudited)*

In June 2000, through the exercise of a call option, the Company acquired an additional 13% of Assiut Cement Co. for approximately U.S.$56 million, increasing the Company's interest in Assiut to 90%.

On May 31, 2000, the Company sold to Marriott International its 100% interest in the Marriot Casa Magna hotels in Cancun and Puerto Vallarta, Mexico, as well as a land property in Puerto Vallarta, for a total of US$116 million. As a result of this transaction, for Mexican and U.S. GAAP purposes, the Company will record under the line item Other Income and Expense, net, a loss of approximately $9 million, before the related tax benefits.

In April 2000, we committed $20 million for an ownership interest of 80% in PuntoCom Holdings, an e-business development accelerator of several Internet projects for Latin America. Additionally, we invested $30 million for a 100% ownership interest in PuntoCom Investments, a Delaware fund that will make e-business investments in Latin America. PuntoCom Investments has the right to co-invest in PuntoCom Holdings portfolio companies. The Company expects to begin the consolidation of PuntoCom Holdings and PuntoCom Investments during the second quarter of year 2000.

In April 2000, the Company through its Philippine affiliate formalized an exclusive long-term distributorship agreement with Universe Cement of Taiwan. This agreement signals the entrance of the Company into the Taiwan cement market, and reinforces its presence in Southeast Asia. The agreement covers an estimated 900,000 metric tons per year in sales in one of Southeast Asia's most dynamic markets.

In March 2000, we agreed to invest $26 million to begin the construction of a new grinding mill near Dhaka, Bangladesh. The facility is expected to begin operations in March 2001.

In February 2000, the Company through a subsidiary, entered into shareholders and subscription agreements with institutional investors, whom subscribed for approximately 8.8% ownership interest in Cemex Asia Holdings ("CAH") for approximately $56 million. As a result of this transaction, our ownership interest in CAH was reduced to 77.4%, therefore, our economic interests in Rizal and APO were reduced to approximately 54% and 77%, respectively.

On January 26, 2000, the Company obtained a favorable resolution by the Domestic and Customs office of Colombia, dismissing the tax assessment that was served on three of our Colombian subsidiaries in 1998. (see note 20).

As of March 31, 2000, resulting from the new accounting rule on deferred taxes in Mexico (see note 15 B), the Company recorded a deferred tax liability of approximately $412 million. The initial balance of this provision, amounting to approximately $400 million was recorded directly to stockholders' equity; the remaining $12 million, which represents the deferred income tax expense for the period was recorded in the income statement.

REPORT OF INDEPENDENT AUDITORS

Monterrey N.L., January 12, 2000

To the Stockholders of
Cal Guadalajara, S.A. de C.V.
(formerly Simifa, S.A. de C.V.)

We have audited the balance sheets of Cal Guadalajara, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cal Guadalajara, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Productora de Bolsas de Papel, S.A.

We have audited the balance sheets of Productora de Bolsas de Papel, S.A. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Productora de Bolsas de Papel, S.A. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cemtec, S.A. de C.V.

We have audited the balance sheets of Cemtec, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemtec, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Agregados y Triturados Monterrey, S.A. de C.V.

1. We have audited the balance sheets of Agregados y Triturados Monterrey, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 6, 1999, the stockholders resolved to merge the company with Cemex Concretos, S.A. de C.V. (formerly Concretos de Alta Calidad y Agregados, S.A. de C.V., a related party), the former company being absorbed by the latter. Consequently, Agregados y Triturados Monterrey, S.A. de C.V. terminates operations. This merger is effective from December 31, 1999 onwards.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Agregados y Triturados Monterrey, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Petrocemex, S.A. de C.V.

1. We have audited the balance sheets of Petrocemex, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on May 18, 1999, the stockholders resolved to merge the company with Dinek and Badenoch, affiliated companies, both latter companies being absorbed by Petrocemex, S.A. de C.V. This merger is effective from July 1, 1999 onwards.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Petrocemex, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cemex Concretos, S.A. de C.V.
(formerly Concretos de Alta Calidad y Agregados, S.A. de C.V.)

1. We have audited the balance sheets of Cemex Concretos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 6, 1999, the stockholders resolved to merge the company with Agregados y Triturados Monterrey, S.A. de C.V., Arenera de Occidente, S.A. de C.V., Concreto Premezclado Nacional, S.A. de C.V., Concreto y Precolados, S.A. de C.V. and Pavimentos Mexicanos de Concreto, S.A. de C.V. (affiliated companies), all latter companies being absorbed by the company. This merger is effective from December 31, 1999 onwards.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemex Concretos, S. A. de C. V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos del Noreste, S.A. de C.V.
(formerly Polycemex, S.A. de C.V.)

1. We have audited the balance sheets of Cementos del Noreste, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiaries accounted for by the equity method, as determined on the basis of the unaudited financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 7, 1999, the stockholders resolved to merge the company with Cemex México, S.A. de C.V. (formerly Serto Construcciones, S.A. de C.V., a related party), the former company being absorbed by the latter. This merger is effective from December 31, 1999 onwards.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Noreste, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos Monterrey, S.A. de C.V.
(formerly Polimeros Cemex, S.A. de C.V.)

1. We have audited the balance sheets of Cementos Monterrey, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiaries accounted for by the equity method, as determined on the basis of the unaudited financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on March 15, 1999 the stockholders resolved to merge the company with Ceser, S.A. and Maritima del Golfo, S.A. (related parties) both latter companies being absorbed by Cementos Monterrey, S.A. de C.V. this merger is effective from March 31, 1999, onwards. At a meeting held on December 7, 1999, the stockholders resolved to merge the company with Cemex México, S.A. de C.V. (formerly Serto Construcciones, S.A. de C.V., a related party) the former company being absorbed by the latter. Consequently, Cementos Monterrey, S.A. de C.V. terminates operations. This merger is effective from December 31, 1999 onwards.

3 In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Monterrey, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos Anáhuac, S.A. de C.V.
(formerly Immobiliaria Angela Segovia, S.A.)

We have audited the balance sheets of Cementos Anáhuac, S.A. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Anáhuac, S.A. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos del Norte, S.A. de C.V.
(formerly Immobiliaria ZP Triangular, S.A. de C.V.)

We have audited the balance sheets of Cementos del Norte, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Norte, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Compañía Minera Atoyac, S.A. de C.V.

We have audited the balance sheets of Compañía Minera Atoyac, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía Minera Atoyac, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Granos y Terrenos, S.A. de C.V.

We have audited the balance sheets of Granos y Terrenos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Granos y Terrenos, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Productos Calcáreos, S.A. de C.V.

We have audited the balance sheets of Productos Calcáreos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Productos Calcáreos, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Proveedora Mexicana de Materiales, S.A. de C.V.

We have audited the balance sheets of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiary accounted for by the equity method. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Pavimentos Mexicanos de Concreto, S.A. de C.V.

We have audited the balance sheets of Pavimentos Mexicanos de Concreto, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2E to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps1,300,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Pavimentos Mexicanos de Concreto, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Explotadora de Canteras, S.A. de C.V.

We have audited the balance sheets of Explotadora de Canteras, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statement, income and operating cost and expenses, arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Mexicana, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2D to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps8,179,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Explotadora de Canteras, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Arenera del Oriente, S.A. de C.V.

We have audited the balance sheets of Arenera del Oriente, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2E to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plan and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps9,482,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Arenera del Oriente, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Compañía de Transporte del Mar de Cortes, S.A. de C.V.

We have audited the balance sheets of Compañía de Transporte del Mar de Cortes, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 2D to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps4,658,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía de Transporte del Mar de Cortes, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N. L., January 12, 2000

To the Stockholders of
Cementos Guadalajara, S.A. de C.V.
(formerly Inmobiliaria Industrial Mazatleca, S.A. de C.V.)

We have audited the balance sheets of Cementos Guadalajara, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses, arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on June 30, 1999 it was decided to change the name of the company from Inmobiliaria Industrial Mazatleca, S.A. de C.V. to Cementos Guadalajara, S.A. de C.V.

In our opinion the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Guadalajara, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos de Oriente S.A. de C.V.
(formerly Maquiladora y Distribuidora
de Materiales para la Construcción, S.A. de C.V.)

We have audited the balance sheets of Cementos de Oriente, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, this transaction may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on August 31, 1999, it was decided to change to the name of the company from Maquiladora y Distribuidora de Materiales para la Construcción, S.A. de C.V. to Cementos de Oriente, S.A. de C.V.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos de Oriente, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Autotransportes de Huichapan, S.A. de C.V.

We have audited the balance sheets of Autotransportes de Huichapan, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 2D to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps742,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Autotransportes de Huichapan, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Concretos y Precolados, S.A. de C.V.

We have audited the balance sheets of Concretos y Precolados, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligations were transferred to the merging company.

As mentioned in Note 2E to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps10,355,000.

As mentioned in Note 1 to the financial statements, at the extraordinary stockholders' meeting held on November 19, 1998, it was agreed that as from December 31, 1998, Concretos y Derivados, S.A. de C.V. would be merged into the company.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Concretos y Precolados, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Concreto Premezclado Nacional, S.A. de C.V.

We have audited the balance sheets of Concreto Premezclado Nacional, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Concreto Premezclado Nacional, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PRICEWATERHOUSECOOPERS

Héctor Puente S.

INDEPENDENT AUDITORS' REPORTS ON SCHEDULES

To Board of Directors and Stockholders
CEMEX, S.A. de C.V.:

The audits referred to in our report dated January 17, 2000 included the related consolidated financial statements schedules as of December 31, 1998 and 1999, and for each of the years in the three-year period ended December 31, 1999, included in the annual report. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statement schedules based on our audits and the report of other accountants. In our opinion, based upon our audits and the report of other accountants, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

KPMG Cárdenas Dosal, S.C.

Rafael Gómez Eng

Monterrey, N.L. Mexico
January, 17, 2000

SCHEDULE I

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Balance Sheets
(Thousands of constant Mexican pesos as of December 31, 1999)

	December 31, 1998	December 31, 1999
Current Assets		
Cash and temporary investments	Ps 208,880	54,859
Other receivables (note 3)	632,658	20,985
Intercompany receivables (note 6)	1,612,378	674,475
Total current assets	2,453,916	750,319
Investments and Noncurrent Receivables		
Investments in subsidiaries and affiliated companies (note 4)	70,992,929	44,447,874
Other investments	10,345	9,210
Long-term intercompany receivables	1,094,801	22,564,025
Total investments and noncurrent receivables	72,098,075	67,021,109
Other Assets	3,659,937	5,706,311
TOTAL ASSETS	78,211,928	73,477,739
Current Liabilities		
Bank loans	3,118,475	1,074,630
Notes payable	105,121	77,090
Current maturities of long-term debt	3,533,605	4,054,412
Other accounts payable and accrued expenses	730,797	820,334
Intercompany payables (note 6)	11,261,989	2,971,588
Total current liabilities	18,749,987	8,998,054
Other long-term liabilities	39,804	20,774
Long-Term Debt (note 5)	20,895,592	15,177,249
TOTAL LIABILITIES	39,685,383	24,196,077
STOCKHOLDERS' EQUITY	38,526,545	49,281,662
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps 78,211,928	73,477,739

See accompanying notes to financial statements

CEMEX, S.A. DE C.V.
Statements of Income
(Thousands of constant Mexican pesos as of December 31, 1999, except for earnings per share)

	Years ended on December 31,		
	1997	1998	1999
Total revenues	Ps 6,069,014	6,846,539	9,044,898
Administrative expenses	(95,408)	(116,367)	(106,924)
Operating income	5,973,606	6,730,172	8,937,974
Net comprehensive financing (cost) income	884,068	(567,927)	855,877
Other income (expenses), net	115,221	37,622	(609,610)
Income before income taxes	6,972,895	6,199,867	9,184,241
Income tax benefit and business assets tax, net (note 7)	760,284	1,760,977	64,805
Net income	Ps 7,733,179	7,960,844	9,249,046
Basic Earnings Per Share	Ps 2.01	2.10	2.45
Diluted Earnings Per Share	Ps 1.98	2.10	2.44

See accompanying notes to financial statements

CEMEX, S.A. DE C.V.
Statements of Changes in Financial Position
(Thousands of constant Mexican pesos as of December 31, 1999)

	Years ended on December 31,		
	1997	1998	1999
Operating activities			
Net resources provided by (used in) operating activities	Ps 16,568,659	317,222	(4,965,503)
Financing activities			
Proceeds from bank loans, net	1,849,381	6,206,910	(6,128,138)
Notes payable	(5,954,709)	(10,249,545)	(544,782)
Issuance of common stock	18,025	9,719	320,001
Acquisition of shares under share repurchase program	(1,205,322)	-	-
Dividends paid	-	(1,644,422)	(1,887,312)
Issuance of common stock from reinvestment of dividends	-	1,348,393	1,679,627
Others	-	(117,334)	6,740
Resources used in financing activities	(5,292,625)	(4,446,279)	(6,553,864)
Investing activities			
Long-term intercompany receivables, net	-	(1,094,801)	(21,469,224)
Net change in investment in subsidiaries	(12,514,420)	5,788,720	22,875,607
Dividends received	770,666	-	12,120,746
Deferred charges	(45,579)	(367,391)	(2,161,783)
Resources provided by (used in) investing activities	(11,789,333)	4,326,528	11,365,346
Increase (decrease) in cash and temporary investments	(513,299)	197,471	(154,021)
Cash and temporary investments at beginning of year	524,708	11,409	208,880
Cash and temporary investments at end of year	Ps 11,409	208,880	54,859

See accompanying notes to financial statements.

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999

1. DESCRIPTION OF BUSINESS

Cemex, S.A. de C.V. (CEMEX) is the parent company of entities engaged in the production and marketing of cement and concrete in the construction industry. CEMEX also has subsidiaries that participate in the tourism industry.

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

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

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

The inflation restatement factors of prior periods for the Parent Company-only financial statements were determined based on inflation in Mexico.

December 31, 1999	1.1232
December 31, 1998	1.1861
December 31, 1997	1.1572

The inflation restatement adjustments for common stock and additional paid-in capital are restated by using Mexican inflation.

C) CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments include fixed-income marketable securities investments with original maturities of three months or less. Investments in marketable securities are stated at market value. Gains or losses resulting from changes in market values and the effects of inflation are included in the accompanying statements of income as part of the comprehensive financing income or cost.

D) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES (note 4)

Investments in common stock representing between 10% and 100% of the issuer's common stock are accounted for by the equity method. Under the equity method, the investments are stated at cost, adjusted for the CEMEX's equity in the investee's earnings after acquisition and the effects of inflation on the investee's equity.

E) PROPERTY, MACHINERY AND EQUIPMENT

Property, machinery and equipment are restated for inflation in accordance with the fifth amendment to Bulletin B-10. The beginning balances for the 1997 inflation adjustment for property, machinery and equipment were the ending balances at December 31,1996, which were based on appraisals made by independent expert appraisers.

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

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999)

F) DEFERRED CHARGES AND AMORTIZATION

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

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

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

Deferred financing costs are adjusted to reflect current values, and represent expenses originated from CEMEX's financing operations. Amortization of deferred financing cost is determined under the straight-line method over the term of the related debt based on the current value of deferred financing cost.

G) MONETARY POSITION GAIN OR LOSS

The monetary position gain or loss is calculated by applying the inflation rate of each country in which the CEMEX has operations to the average net monetary assets or liabilities in that country.

H) DEFICIT IN EQUITY RESTATEMENT

The deficit in equity restatement includes the accumulated effect from holding non-monetary assets as well as the effects of translation of financial statements of foreign subsidiaries.

3. OTHER RECEIVABLES

Other current receivables consist of:

	1998	1999
Non-trade receivables	Ps 13,029	20,985
Refundable income tax	591,321	-
Other refundable taxes	28,308	-
	Ps 632,658	20,985

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999)

4. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

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

	1998	1999
Contribution or book value at acquisition date	Ps 35,015,884	27,910,116
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies	35,977,045	16,537,758
	Ps 70,992,929	44,447,874

5. LONG-TERM DEBT

The maturities of the long-term debt at December 31, 1999, are as follows:

2001	Ps 5,667,089
2002	4,755,448
2003	-
2004	-
2005 and thereafter	4,754,712
	Ps 15,177,249

6. TRANSACTIONS WITH RELATED PARTIES

The principal transactions carried out with related parties are the following:

	1997	1998	1999
Rental income	Ps 152,935	134,908	341,725
License fees	420,379	559,573	1,075,491
Financial expenses	(1,049,137)	(2,110,337)	(1,623,174)
Financial income	475,402	26,244	535,842
Dividends from subsidiaries	770,666	-	12,120,746

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999)

7. INCOME TAX AND BUSINESS ASSETS TAX

In accordance with present tax legislation in Mexico, corporations must pay either the Income Tax or Business Assets Tax depending on which amount is greater for their operations in Mexico. Both taxes recognize the effects of inflation, in a manner different from generally accepted accounting principles.

The Business Assets Tax Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory, property, plant and equipment after deducting certain liabilities.

Income tax benefit (expense) for the years ended December 31, 1997, 1998 and 1999, consists of:

	1997	1998	1999
Current income tax	Ps (1,210,192)	(1,131,179)	(3,605,974)
Benefit from tax consolidation	1,013,365	1,929,457	364,805
Utilization of tax loss carryforwards	957,111	962,699	3,305,974
	Ps 760,284	1,760,977	64,805

CEMEX, as a holding company, prepares its income Tax and Business Assets Tax returns on a consolidated basis, which resulted in tax benefits of Ps 760,284 in 1997, Ps 1,760,977 in 1998 and Ps 64,805 in 1999.

8. CHARGES TO OPERATIONS WHICH DID NOT REQUIRE RESOURCES

Items charged or credited to the results of operations, which did not generate the use of resources, are summarized as follows:

	1997	1998	1999
Depreciation of property, machinery and equipment	Ps 5,947	5,133	4,207
Amortization of deferred charges and credits, net	115,854	83,791	60,214
Equity in income of subsidiaries and affiliates	(5,495,700)	(6,152,058)	(7,627,682)
	Ps (5,373,899)	(6,063,134)	(7,563,261)

9. CONTINGENCIES AND COMMITMENTS

At December 31, 1999, CEMEX, S.A. de C.V. has signed as guarantor for loans made to certain subsidiaries in the amount of US dollars 101 million (Ps961 million).

SCHEDULE II

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of December 31, 1999)

Valuation and Qualifying Accounts as of December 31, 1997, 1998 and 1999, is as follows:

Description	Balance at Beginning Of period	Charged To costs And Expenses	Deductions	Others(1)	Balance at end of Period
Year ended December 31, 1997:					
Allowance for doubtful accounts	591,717	195,919	187,923	9,413	609,126
Year ended December 31, 1998:					
Allowance for doubtful accounts	609,126	196,044	133,493	(65,107)	606,570
Year ended December 31, 1999:					
Allowance for doubtful accounts	606,570	80,359	101,058	(74,810)	511,061

(1) Amounts included in "Others" primarily result from the effects of foreign currency translation and the inflation adjustment of the initial balance in the restatement to constant pesos as of the end of the same period.