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, 2001

OR

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

For the transition period from ____________________ to ________________

Commission file number 1-14946

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

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

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

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

United Mexican States
(Jurisdiction of incorporation or organization)

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

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

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

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

Not applicable
(Title of Class)

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

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

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

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

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

Yes ✓ No____

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

Item 17____ Item 18 ✓

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INTRODUCTION

CEMEX, S.A. de C.V. is incorporated as a stock corporation with variable capital organized under the laws of the United Mexican States. As used in this annual report and except as the context otherwise may require, "CEMEX" refers to CEMEX, S.A. de C.V., its consolidated subsidiaries and, except for accounting purposes, its non-consolidated affiliates. For accounting purposes, "CEMEX" refers solely to CEMEX, S.A. de C.V. and its consolidated subsidiaries. See Note 1 to our consolidated financial statements included elsewhere in this annual report.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Generally Accepted Accounting Principles in Mexico ("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, 2001. See Note 21 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us. Non-Peso amounts included in those statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable. Those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Item 3 — "Key Information — Mexican Peso Exchange Rates" as of the relevant period or date, as applicable.

References in this annual report to "U.S.$" and "Dollars" are to U.S. Dollars, references to "€" are to Euros and unless otherwise indicated, references to "Ps," "Mexican Pesos" and "Pesos" are to constant Mexican Pesos as of December 31, 2001. The Dollar amounts provided in the financial statements included in this annual report and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts, at an exchange rate of Ps9.17 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2001. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. See Item 3 — "Key Information — Selected Consolidated Financial Information."

The noon buying rate for Pesos on December 31, 2001 was Ps9.156 to U.S.$1.00.

EXPLANATORY NOTE

Our co-registrants are wholly-owned subsidiaries that have provided a corporate guarantee guaranteeing payment of our 9.625% Notes due 2009. These subsidiaries, which we refer to as our guarantors, are CEMEX México, S.A. de C.V., or CEMEX México, and Empresas Tolteca de México, S.A. de C.V., or Empresas Tolteca de México. The guarantors, together with their subsidiaries, account for substantially all of our revenues and operating income. See Item 4 — "Information on the Company — North America — Our Mexican Operations." Pursuant to Rule 12h-5 under the Securities Exchange Act of 1934, or the Exchange Act, no separate financial statements or other disclosures concerning the guarantors other than the narrative disclosures and financial information set forth in Note 21(v) to our consolidated financial statements have been presented in this annual report.

PART I

Item 1 - <u>Identity of Directors, Senior Management and Advisors</u>

Not applicable.

Item 2 - <u>Offer Statistics and Expected Timetable</u>

Not applicable.

Item 3 - <u>Key Information</u>

Risk Factors

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

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

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. Our ability to pay dividends and repay debt depends on the continued transfer to us of dividends and other income from these subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us may be limited by the subsidiaries' existing debt agreements, and various regulatory, contractual and legal constraints.

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

We have incurred and will continue to incur significant amounts of debt, which could have an adverse effect on the price of our Ordinary Participation Certificates, or CPOs, and American Depositary Shares, or ADSs. Since the values of our appreciation warrants and American Depositary Warrants, or ADWs, are linked to the price of our CPOs and ADSs, their prices could also be adversely affected by our debt levels. As of December 31, 2001, we had outstanding debt equal to Ps49.3 billion (U.S.$5.37 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, the debt instruments governing a substantial portion of our indebtedness contain various covenants which require us to maintain financial ratios, restrict asset sales and restrict our ability to use the proceeds from a sale of assets. These restrictions could limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

A substantial portion of our outstanding debt is denominated in Dollars, Yen and Euros. This debt, however, must be serviced by funds generated from sales by our subsidiaries, the majority of which is denominated neither in Dollars nor Yen. 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 or the Yen 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 will devote substantial efforts to the integration of new operations. We cannot assure you that these efforts will be successful with respect to future acquisitions 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 under forward contracts as a source of financing and as a means of meeting our obligations that may require us to deliver significant numbers of shares of our own stock. The notional amount and the estimated fair value of our outstanding obligations under forward contracts was approximately U.S.$1.4 billion and a gain of U.S.$81 million, respectively on December 31, 2001. In November 2000, we entered into a U.S.$1.5 billion preferred equity financing arrangement. In February 2002, we refinanced this transaction, as a result of which we redeemed U.S.$250 million of the outstanding preferred equity and extended the remainder in two tranches until February 2004 and August 2004. As of December, 2001 and March 31, 2002, U.S.$900 million and U.S.$650 million, respectively, of this amount was outstanding. Under the terms of the preferred equity financing arrangements, our subsidiary New Sunward Holding B.V. may be liquidated if we do not repurchase the preferred equity, or if we do not make payments on the preferred equity and in other adverse circumstances. Any such liquidation would include the sale of its assets (mainly the Valenciana shares it holds) at market prices in an amount sufficient to satisfy the liquidation preference of the preferred equity. We also have several other, less significant, outstanding equity derivative transactions.

If any of these financing agreements are not 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 shareholders' interests in our equity securities;
- have an adverse effect on the market for our equity securities;
- have an adverse effect on the market for the equity securities of our subsidiaries;
- reduce the amount of dividends and other distributions that we receive from our subsidiaries;
- create public minority interests in our subsidiaries that may adversely affect our ability to realize operating efficiencies as a combined group; and
- have an adverse effect on other financing agreements.

Any of these factors could adversely affect the price of our CPOs and ADSs and on other securities, such as our appreciation warrants and ADWs, whose prices are dependent on the prices of our CPOs and ADSs.

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

Our Mexican operations are subject to anti-dumping rulings by the U.S. Commerce Department which may limit our ability to export cement to the United States. Since April 1990, our exports of gray Portland cement and

clinker to the United States from Mexico, which represented 2.7% of total sales volume of our Mexican operations in 2001, have been subject to U.S. anti-dumping duties. In addition, importers of gray Portland cement and clinker from Mexico, including our U.S. operations, have been required to pay substantial cash deposits to the U.S. Customs Service to secure the eventual payment of those duties.

We are disputing some tax claims an adverse resolution of which may result in a significant additional tax expense.

We have received notices from the Mexican tax authorities of tax claims in respect of the tax years from 1992 through 1996 for an aggregate amount of approximately Ps3.1 billion, including interest and penalties through December 31, 2001. An adverse resolution of these claims could materially reduce our net income. See Item 4 — "Information on the Company — Regulatory Matters and Legal Proceedings — Tax Matters."

Our operations are subject to environmental laws and regulations.

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

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

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

As of December 31, 2001, the largest percentage of our net sales (35%) and total assets (22%) were in Mexico. If the Mexican economy experiences a continued 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. The Mexican government does not currently restrict the ability of Mexicans or others to convert Pesos to Dollars, or vice versa. The Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities, such as CEMEX, to meet their foreign currency obligations. Nevertheless, if renewed shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost.

We also have operations in the United States (26% of net sales and 17% of total assets as of December 31, 2001), Spain (10% of net sales and 7% of total assets), Venezuela (6% of net sales and 4% of total assets), Central America and the Caribbean (6% of net sales and 3% of total assets), Colombia (3% of net sales and 3% of total assets), the Philippines (2% of net sales and 3% of total assets), other Asian countries, including Thailand, (1% of total assets) and Egypt (2% of net sales and 3% of total assets). As in the case of Mexico, adverse economic conditions in any of these countries may produce a negative impact on our net income from our operations in that country.

We believe that Asia represents an important market for our future growth. However, since mid-1997, many countries in Asia in which we have recently made significant investments have experienced considerable volatility and depreciation of their currencies, high interest rates, banking sector crises, stock market volatility, political instability and declining asset values. These developments have had and may continue to have an adverse effect on the construction sector, as a result of reduced demand for cement and ready-mix concrete, which has adversely affected our sales and net income.

We believe that Egypt also represents an important market for our future growth. Although the political situation in the Middle East had stabilized by 1999 to some extent as a result of the Arab-Israeli peace process and the execution of formal peace treaties by Egypt and Jordan with Israel, violence between Israel and the Palestinians escalated in 2001 and is continuing to escalate in 2002, and there can be no assurance that the violence will abate at any time in the near future or that neighboring countries, including Egypt, will not be drawn into the conflict. Instability in the region may result from the escalation in the violence as well as from factors that, among others, may include government or military intervention in decision making, civil unrest or extremism. In Egypt, extremists have engaged in a sometimes violent campaign against the government in recent years. There can be no assurance that extremists will not escalate their opposition in Egypt or that the government will continue to be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and consequently on our Egyptian operations.

The September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon temporarily disrupted the trading markets in the United States and caused declines in major stock markets around the world. Although it is not possible at this time to determine the long-term effect of the attacks, there can be no assurance that there will not be other attacks or threats in the United States or abroad that will lead to a further economic contraction in the United States or any other of our major markets. Economic contraction in any of these areas could affect domestic demand for cement and have a material adverse effect on our operations.

On November 1, 2001, the provincial administration of the Indonesian province of West Sumatra, in which Gresik's Padang plant is located, announced that it had directed the management of Semen Padang, the wholly-owned subsidiary of Gresik that owns and operates the Padang plant, to report to the provincial authorities and that it intended to spin off the Padang plant for the benefit of the provincial administration. We believe the provincial administration lacked legal authority to direct the affairs of Semen Padang, and we intend to defend our interests in Gresik and its subsidiaries, including Semen Padang. We cannot predict, however, what effect, if any, this action will have on our investment in Gresik.

Cautionary Statement Regarding Forward Looking Statements

Some of the information in this annual report may constitute forward-looking statements, which are subject to various risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "plan" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information. When considering such forward-looking statements, holders of our securities should keep in mind the factors described in "Risk Factors" and other cautionary statements appearing in Item 5 — "Operating and Financial Review and Prospects" and elsewhere in this annual report. These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement.

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

Mexican Peso Exchange Rates

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

Following the abolition of exchange controls in November 1991, the Mexican Central Bank, through interventions in the foreign exchange market, had kept the Peso-Dollar exchange rate within a range prescribed by the Mexican government. However, on December 21, 1994, the Mexican Central Bank abandoned the official devaluation band, allowing the Peso to float freely in currency markets. The Peso lost 59% of its value against the Dollar during 1994 and 53% of its value against the Dollar during 1995. The Peso depreciated against the Dollar by 2.4% in 1997 and 22.7% in 1998, appreciated against the Dollar by 3.9% in 1999, depreciated against the Dollar by 1.16% in 2000 and appreciated against the Dollar by 4.68% in 2001. 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**
1997	8.070	7.969	8.500	7.725	8.070	7.970	8.410	7.720
1998	9.900	9.180	10.653	8.073	9.901	9.245	10.630	8.040
1999	9.510	9.547	10.607	9.263	9.480	9.562	10.600	9.240
2000	9.620	9.461	10.098	9.189	9.618	9.459	10.087	9.183
2001	9.170	9.332	9.988	8.954	9.156	9.337	9.972	8.946
October 2001 – March 2002								
October	9.280	9.356	9.579	9.219	9.270	9.3391	9.5890	9.2002
November	9.250	9.346	9.299	9.157	9.259	9.2250	9.3085	9.1475
December	9.170	9.332	9.254	9.102	9.156	9.1574	9.2450	9.0900
January	9.160	9.163	9.267	9.109	9.152	9.1636	9.2500	9.0950
February	9.140	9.107	9.172	9.066	9.130	9.1058	9.1700	9.0480
March	9.040	9.079	9.123	9.023	9.001	9.0640	9.1140	9.0005

(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 March 31, 2002 was Ps9.0005 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. The Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities, such as CEMEX, to meet their foreign currency obligations. Nevertheless, if renewed shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost.

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

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five years ended December 31, 2001 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2000 and 2001 and for each of the three years ended December 31, 2001, 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. These financial statements are subject to approval by our shareholders at the 2001 annual general meeting, scheduled to take place on April 25, 2002.

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, 2001. See Note 21 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 Item 3 – "Key Information – Mexican Peso Exchange Rates," as of the relevant period or date, as applicable.

In 1997, we adopted the provisions of Bulletin B-15 of the Mexican Institute of Public Accountants. Beginning in 1997, the Pesos previously reported were adjusted to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index is calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion our assets in each country represent our total assets. Prior to 1997, previously reported Pesos were restated using the Mexican inflation rate. The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of December 31, 2001:

	Cumulative Weighted Average Index to December 31, 2001
1997	1.2762
1998	1.0145
1999	1.0134
2000	0.9900

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts at an exchange rate of Ps9.17 to U.S.$1.00, the CEMEX accounting rate as of December 31, 2001. 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, 2001 was Ps9.156 to U.S.$1.00 and on March 31, 2002 was Ps9.0005 to U.S.$1.00. From December 31, 2001 through March 31, 2002, the Peso appreciated by approximately 1.7% against the Dollar, based on the noon buying rate for Pesos.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Selected Consolidated Financial Information

	As of and for the year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(in millions of constant Pesos as of December 31, 2001 and Dollars, except ratios and share and per share amounts)					
Income Statement Information:						
Net sales	Ps.39,021	Ps 43,339	Ps 46,528	Ps 53,532	Ps 63,487	U.S.$ 6,923
Cost of sales[1]	23,911	25,058	25,923	29,913	35,710	3,894
Gross profit	15,110	18,281	20,605	23,619	27,777	3,029
Operating expenses	5,889	6,452	6,761	7,868	12,616	1,376
Operating income	9,221	11,829	13,844	15,751	15,161	1,653
Comprehensive financing income (cost), net[2]	1,635	(1,328)	(279)	(1,655)	2,427	265
Other income (expense), net	(1,417)	(1,528)	(2,861)	(2,231)	(3,824)	(417)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	9,439	8,973	10,704	11,865	13,764	1,501
Minority interest[3]	1,098	396	543	743	1,406	153
Majority interest net income	7,836	8,067	9,373	9,517	10,801	1,178
Earnings per share[4][5][6]	2.04	2.13	2.48	2.31	2.53	0.28
Dividends per share[4][7]	0.40[8]	0.45[9]	0.51[10]	0.60[11]	—[12]	—
Number of shares outstanding[4][5]	3,804	3,774	4,098	4,169	4,379	4,379
Balance Sheet Information:						
Cash and temporary investments	3,918	4,086	3,145	2,934	3,928	428
Net working capital investment[13]	6,057	6,412	6,733	8,820	8,553	933
Property, machinery and equipment, net	61,859	61,685	66,705	86,039	81,983	8,940
Total assets	105,383	105,050	114,337	150,089	148,831	16,230
Short-term debt	6,771	11,106	9,927	28,207	9,423	1,028
Long-term debt	40,796	31,498	32,193	25,801	39,842	4,345
Minority interest[3][14]	12,165	12,564	12,071	22,835	18,115	1,975
Stockholders' equity (excluding minority interest)[15]	36,204	39,042	49,941	50,010	56,640	6,177
Book value per share[4][5]	9.52	10.34	12.19	12.00	12.93	1.41
Other Financial Information:						
Operating margin	23.6%	27.3%	29.8%	29.4%	23.9%	23.9%
EBITDA[16]	12,291	14,910	17,265	19,331	20,685	2,256
Ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends[17]	2.34	2.96	3.50	4.00	4.39	4.39
Investment in property, machinery and equipment, net	3,447	3,274	2,562	3,793	4,684	511
Depreciation and amortization	4,309	3,946	4,178	4,657	7,269	793
Net resources provided by operating activities[18]	13,039	12,226	14,857	16,574	21,643	2,360
Basic earnings per CPO[19]	6.12	6.39	7.44	6.93	7.59	0.83

	As of and for the year ended December 31,			
	1999	2000	2001	2001
	(in millions of constant Pesos as of December 31, 2001 and Dollars, except share and per share amounts)			
U.S. GAAP(20):				
Income Statement Information:				
Majority net sales	Ps. 51,646	Ps. 55,914	Ps. 62,941	U.S.$ 6,864
Operating income	11,450	13,609	10,061	1,097
Majority net income	6,113	8,684	10,070	1,098
Basic earnings per share	1.62	2.11	2.36	0.26
Diluted earnings per share	1.61	2.10	2.34	0.26
Balance Sheet Information:				
Total assets	137,295	164,996	154,676	16,868
Total long-term debt	38,545	28,679	37,278	4,065
Minority interest	6,932	6,758	7,598	829
Other mezzanine items	8,294	23,242	16,101	1,756
Total majority stockholders' equity	40,243	43,634	46,534	5,075

(footnotes on next page)

(1) Cost of sales includes depreciation.
(2) Comprehensive financing income (cost), net, includes financial expenses, financial income, gain (loss) on marketable securities, foreign exchange result, net and monetary position result. See Item 5 -"Operating and Financial Review and Prospects."
(3) In connection with an equity swap transaction involving 24.8% of Valenciana shares, the balance sheet item minority interest from 1997 to 1999 includes the value of these shares as if owned by a third party. In addition, until August 1997, the date of the first refinancing of the equity swap, this transaction was accounted for as a minority interest or our income statement. In September 2000, we terminated this transaction and repurchased the shares of Valenciana. See Item 5 -"Operating and Financial Review and Prospects -Derivatives and Other Hedging Instruments."
(4) On September 15, 1999, we effected a stock split. For every one of our shares of any series we issued two Series A shares and one Series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange ADSs and CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As a result, as of December 31, 2001, approximately 93.6% of our outstanding share capital was represented by CPOs.
(5) Based upon the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.
(6) Earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in Note 19 to the audited financial statements included elsewhere in this annual report.
(7) Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.
(8) At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the shareholders approved a dividend of Ps0.40 per share. Instead of receiving that dividend in cash, shareholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps12.89 per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps343 million was paid in cash.
(9) At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the shareholders approved a dividend of Ps0.45 per share. Instead of receiving the dividend in cash, shareholders were entitled to elect to receive additional shares, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.60 per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps262 million was paid in cash.
(10) 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 Ps1.52 per CPO (or Ps0.51 per share). Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.52 worth of additional CPOs at a price of Ps32.63 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of Ps258 million was paid in cash.
(11) At our 2000 annual shareholders' meeting, which took place on April 26, 2001, our board of directors recommended and the shareholders approved a cash dividend of Ps1.80 per CPO (or Ps0.60 per share). Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.80 worth of additional CPOs at a price of Ps37.78 per additional CPO. As a result of that dividend, approximately 70 million additional CPOs were issued and an aggregate of Ps81.9 million was paid in cash.
(12) Our 2001 annual shareholders' meeting is scheduled to take place on April 25, 2002. Our board of directors will recommend that the stockholders approve a stock dividend; instead of receiving that dividend in stock, shareholders will be entitled to elect to receive a cash dividend per CPO.
(13) Net working capital investment equals trade receivables plus inventories less trade payables.
(14) In connection with the preferred equity transaction relating to the financing of our acquisition of Southdown, now known as CEMEX, Inc., the balance sheet item minority interest in 2001 includes a notional amount of U.S.$0.9 billion (Ps8.3 billion) of issued preferred equity. In addition, minority interest net income in 2001 includes preferred dividends in the amount of approximately U.S.$76 million (Ps696.9 million). In February 2002, we refinanced this transaction, as a result of which we redeemed U.S.$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.$650 million with U.S.$195 million due in February 2004 and U.S.$455 million due in August 2004.
(15) In December 1999, we entered into forward contracts with a number of banks covering 21,000,000 ADSs. These ADSs are considered to have been sold to the banks, and, therefore, future changes in the fair value of the ADSs will not be recorded until settlement. When we repurchase the ADSs upon settlement, the purchase price of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity.
(16) EBITDA equals operating income before amortization expense and depreciation. Amortization of goodwill is not included in operating income, but instead is recorded in other income (expense). We present EBITDA because it is used by some investors to measure a company's ability to service debt and is included herein as a convenience only and may not be comparable to similarly titled measures reported by other companies. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operations as a measure of liquidity.
(17) Capital securities dividends consist of accrued dividends on U.S.$250 million aggregate liquidation amount of 9.66% Putable Capital Securities issued by one of our subsidiaries in May 1998. We are currently conducting a tender offer for the capital securities which is scheduled to close in April 2002. See "Recent Developments."
(18) 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.
(19) Basic CPO per share is determined by multiplying each year's basic earnings per share by three (the number of shares underlying each CPO). Basic CPO per share is presented solely for the convenience of the reader and does not represent a measure under Mexican GAAP.
(20) We have restated the information at and for the years ended December 31, 1999 and 2000 into U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico. See Note 21 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.

Item 4 - Information on the Company

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

Business Overview

We are a stock corporation with variable capital, or *sociedad anónima de capital variable*, organized under the laws of the United Mexican States ("Mexico") with our principal executive offices in Av. Constitución 444 Pte., Monterrey, Nuevo León, Mexico 64000. Our main phone number is (011-5281) 8328-3000. CEMEX's agent for service, exclusively for actions brought by the Securities and Exchange Commission pursuant to the requirements of the United States federal securities laws, is CEMEX Corp., located at 1200 Smith Street, Suite 2400, Houston, Texas 77002.

CEMEX was founded in 1906 and was registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, Mexico, on June 11, 1920 for a period of 99 years.

CEMEX is the third largest cement company in the world, based on installed capacity as of December 31, 2001 of approximately 79.5 million tons. We are one of the world's largest traders of cement and clinker, having traded over 13.2 million tons of cement and clinker in 2001. 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, 2001, we had worldwide assets of Ps148.8 billion (U.S.$16.2 billion). On March 31, 2002, we had an equity market capitalization of approximately Ps77.86 billion (U.S.$8.6 billion).

As of December 31, 2001, our main cement production facilities were located in Mexico, Spain, Venezuela, Colombia, the United States, Egypt, the Philippines, Thailand, Panama, the Dominican Republic and Costa Rica. As of December 31, 2001, our assets, cement plants and installed capacity, on an unconsolidated basis, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of December 31, 2001		
	Assets (in billions of constant Pesos)	Number of Cement Plants	Installed Capacity (millions of tons per annum)
North America			
Mexico	Ps 57.9	15	27.2
United States	44.1	12	13.2
Europe, Asia and Africa			
Spain	17.9	8	10.4
Asia	10.3	4	11.5
Egypt	7.7	1	4.5
South America, Central America and the Caribbean			
Venezuela	10.7	3	4.6
Colombia	7.8	5	4.8
Central America and the Caribbean	6.7	3	3.3
Cement and Clinker Trading Assets and Other Operations	96.1	—	—

In the above table, "Asia" includes our Asian subsidiaries, and, for purposes of the columns labeled "Assets" and "Installed Capacity," includes our 25.5% interest, as of December 31, 2001, in PT Semen Gresik, or 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, 2001. In the above table, "Central America and the Caribbean" includes our subsidiaries in Panama, the Dominican Republic, Costa Rica, Nicaragua 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, 2001, and intercompany accounts receivable of CEMEX (the parent company only) in the amount of Ps67.1 billion, which would be eliminated if these assets were calculated on a consolidated basis.

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

- In May 2001, we acquired a 100% economic interest in Saraburi Cement Company, a cement company based in Thailand with an installed capacity of approximately 700 thousand metric tons, for a total consideration of approximately U.S.$73 million, through our 77.4%-owned subsidiary, CEMEX Asia Holdings Ltd., or CAH, a subsidiary created to co-invest in Asian cement operations. As a result, our economic interest in Saraburi through CAH is approximately 77.4%.

- In November 2000, we acquired 100% of the outstanding shares of common stock of Southdown, Inc., or Southdown, a U.S. cement producer. The total cost of the acquisition of Southdown was approximately U.S.$2.8 billion. In March 2001, through a corporate restructuring, we integrated the Southdown operations with our other U.S. operations and the name "Southdown" was changed to CEMEX, Inc.

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

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

- In April 1999, we acquired a 15.8% interest in Cementos del Pacífico, a Costa Rican cement producer. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%. As of December 31, 2001, we had increased our interest in Cementos del Pacífico to 98.3%.

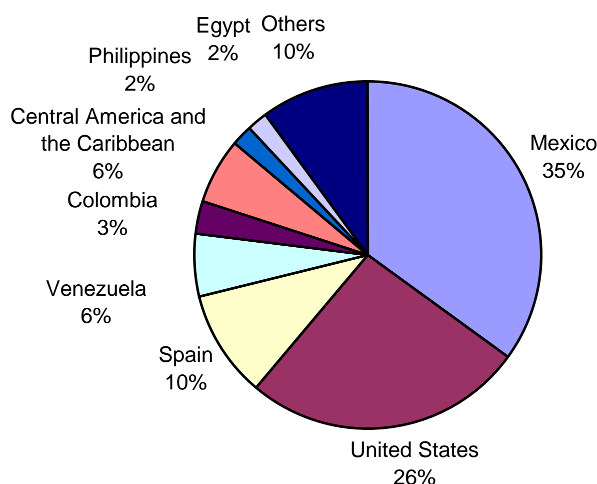
- In February 1999, we acquired a 99.9% economic interest in APO Cement Corporation, or APO, a Philippine cement producer. In September 1999, we contributed our interest in APO to CAH. As a result of the sales of minority interests in CAH to institutional investors, at December 31, 2001, our economic interest in APO was approximately 77.3%.

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

- In 1997, we acquired a 30% interest in Rizal Cement Company, or Rizal, a Philippine cement producer, and in 1998, we increased our economic interest to 70%. In September 1999, we contributed our interest in Rizal to CAH. At December 31, 2001, we had a 77.4% interest in CAH, and thus our economic interest in Rizal was reduced to approximately 54.2%.

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

For the year ended December 31, 2001, our net sales, before eliminations resulting from consolidation, were divided among the countries in which we operate as follows:



For a description of a breakdown of total revenues by geographic markets for each of the years ended December 31, 1999, 2000 and 2001, please see Item 5 — "Operating and Financial Review and Prospects."

Our Production Process

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

We manufacture cement through a closely controlled chemical process which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay is then pre-homogenized, a process which consists of combining different types of clay in different proportions in a large storage area. The clay is usually dried by the application of heat in order to remove humidity acquired in the quarry. The crushed raw materials are fed in pre-established proportions, which vary depending on the type of cement to be produced, into a

grinding process, which mixes the various materials more thoroughly and reduces them further in size in preparation for the kiln. In the kiln, the raw materials are calcined, or, processed at a very high temperature, to produce clinker. Clinker is the intermediate product used in the manufacture of cement obtained from the mixture of limestone and clay with iron oxide.

There are two primary processes used to manufacture cement, the dry process and the wet process. The dry process is more fuel efficient. As of December 31, 2001, 45 of our 51 majority-owned operating production plants used the dry process, four used the wet process and two used both processes. Three of the six production plants that use the wet process are located in Venezuela, where fuel costs are substantially lower than in the other countries in which we operate. The remaining three production plants that use the wet process are located in Colombia and the Philippines. In the wet process, the raw materials are mixed with water to form slurry which is fed into the kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker. Finally, clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

User Base

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

Our Business Strategy

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

Focus on cement and cement-related businesses.

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

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

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

We plan to continue to eliminate redundancies, streamline corporate structures and centralize administrative functions to increase our efficiency. In addition, in the last few years, we have carried out various procedures to improve the environmental impact of our activities as well as our overall product quality. With each international acquisition, we have refined the implementation of both the technological and managerial processes required to rapidly integrate acquisitions into our existing corporate structure. As a result, we have developed centralized management information systems, including administrative, accounting, purchasing, customer manage-

ment, budget preparation and control systems, which have been implemented throughout our operations. Our infrastructure and experience allow us to enhance our operations and to improve the profitability of existing and future operating subsidiaries simultaneously. We continually incorporate technological improvements at the plant level which, among other benefits, have reduced and are expected to continue to reduce costs.

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

Expand into selected new markets.

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

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

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

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

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

Continue to strengthen our financial structure.

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

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

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

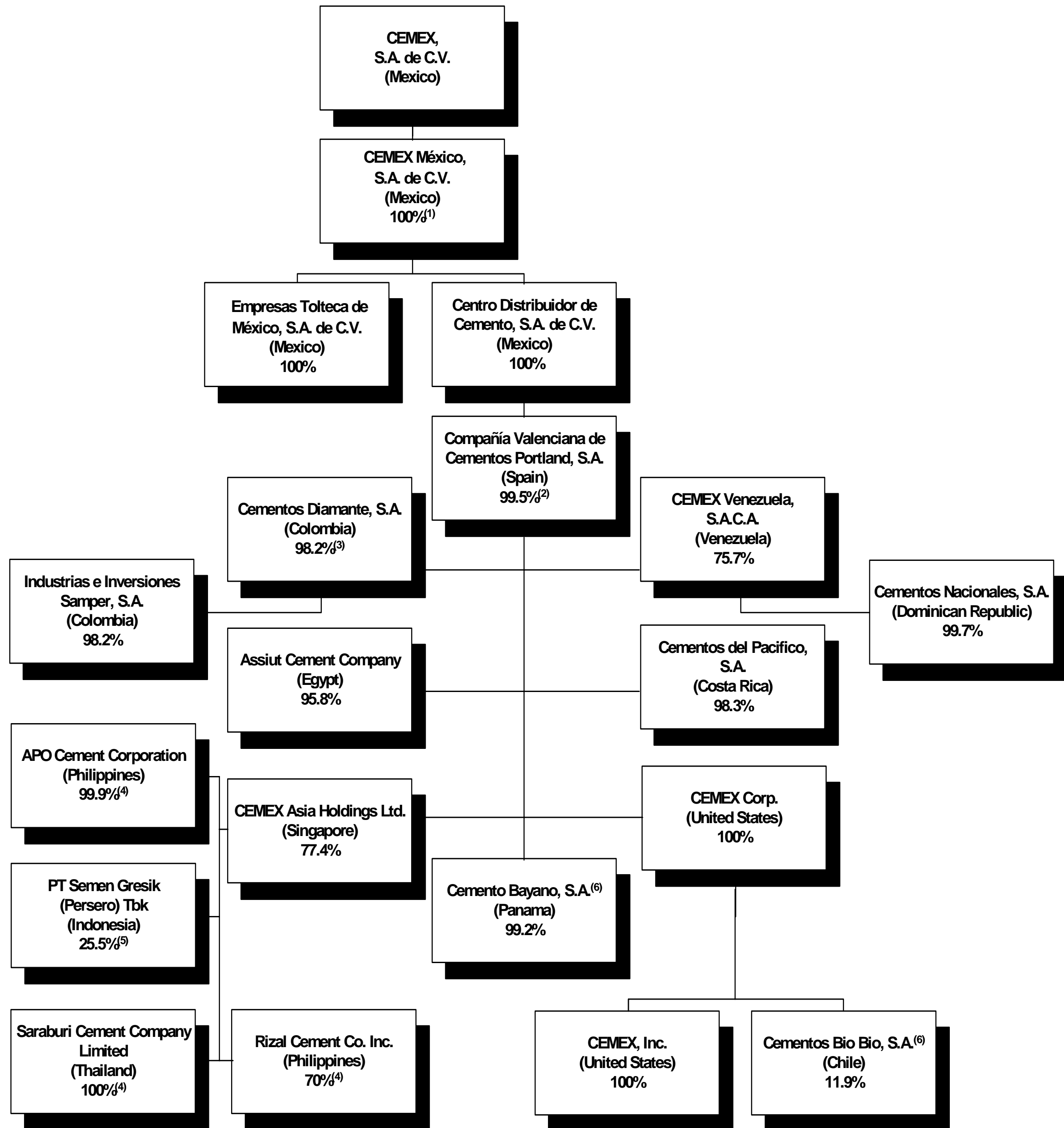
Optimize distribution through global coordination.

We seek to optimize capacity utilization and maximize profitability by directing our products from countries experiencing a low in the business cycle to target export markets where demand may be greater, through a worldwide import and export strategy. Our global trading system enables us to coordinate our export activities globally and to take advantage of demand opportunities and price movements worldwide. In Mexico, we have recently implemented the distribution of cement and other construction related materials through an internet portal named Arkio.

Arkio operates a technology-based platform that supports a multi-channel sales approach, which includes 8 work centers, 1 call center, and the Internet. Additionally, our product catalog, with approximately 40,000 items from over 100 producers of building materials, supports our sales efforts. Our distribution center occupies 100,000 sq. ft. and is structured to handle all inventory and logistical functions associated with fulfilling orders within 48 hours. Cement and other heavy materials are delivered through Cemex's more than 5,000 existing distributors in Mexico.

Our Corporate Structure

We are a holding company and 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 summarizes our corporate structure as of December 31, 2001. The chart also shows, for each company, the approximate percentage equity ownership interest of its direct parent company shown on the chart. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.



(1) Includes a 2% interest held by a Mexican trust for our benefit.
(2) Includes a 6.99% interest held by third parties under the forward contracts.
(3) 98.2% of total shares; 99.3% of ordinary shares.
(4) Represents CEMEX Asia Holdings' economic interest.
(5) Represents CEMEX Asia Holdings' actual interest.
(6) Transferred to CEMEX Venezuela in March 2002.

North America

As of and for the year ended December 31, 2001, North America, which includes our operations in Mexico and the United States, represented approximately 61% of our net sales, 51% of our total installed capacity and 39% of our total assets.

Our Mexican Operations

Overview

Our Mexican operations represented approximately 35% of our net sales in 2001.

At December 31, 2001, we owned or had economic rights to 100% of the outstanding capital stock of CEMEX México, including a 2% interest held by a Mexican trust for our benefit. CEMEX México is a direct subsidiary of CEMEX and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX México is now also the holding company for all of our international operations.

At December 31, 2001, CEMEX México owned 100% of the outstanding capital stock of Empresas Tolteca de México. Empresas Tolteca de México is a holding company for some of our operating companies in Mexico.

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

Since the early 1970s, we have pursued a growth strategy designed to strengthen our core operations and to expand our activities beyond our traditional market in northeastern Mexico. This strategy has transformed our Mexican operations from a regional participant into the leading Mexican cement manufacturer. The process was largely completed with our acquisition of Cementos Tolteca, S.A. de C.V. in 1989, which increased our installed capacity for cement production by 6.5 million tons. Since the Cementos Tolteca acquisition, we have added 5.5, million tons of installed capacity in Mexico through acquisitions, expansion, modernization and new plant construction. Our largest new construction project in Mexico in the 1990s was the Tepeaca plant, which began operations in 1995 and had an installed capacity as of December 31, 2001 of 3.2 million tons. We do not presently foresee any significant capacity expansion in our Mexican operations in 2002.

We recently launched the Construrama program, a new registered brand name for construction material stores. Through the Construrama program, we offer to an exclusive group of our Mexican distributors the opportunity to sell a variety of products under the Construrama brand name, a concept that includes the standardization of stores, image, marketing, products and services. During the last six months of 2001, 740 independent concessionaries with more than 1,900 stores were integrated into the Construrama program in more than 100 cities throughout Mexico. During 2002, we expect to make the Construrama program available to more distributors.

The Mexican Cement Industry

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

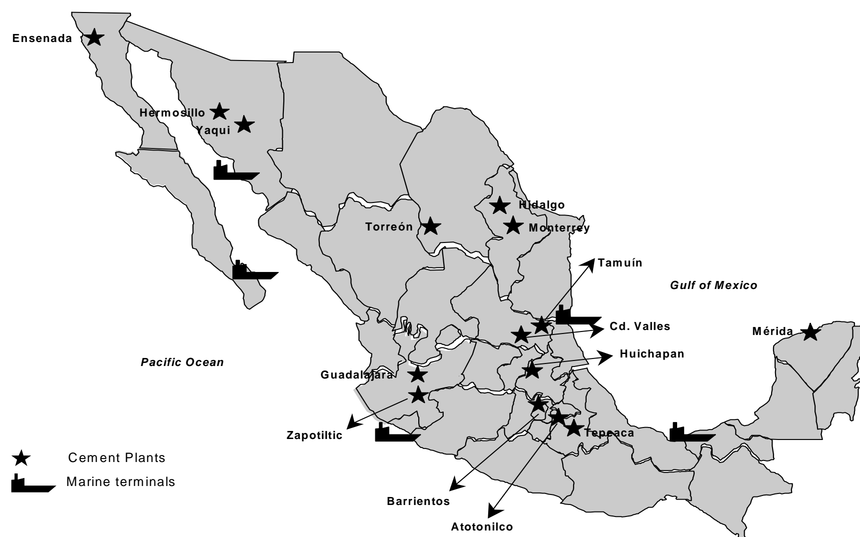
Competition. As recently as the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 30 years, the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. As of December 31, 2001, according to publicly available information, the major cement producers in Mexico are CEMEX, Apasco, an affiliate of Holcim, Sociedad Cooperativa Cruz Azul, a Mexican operator, and Cementos Moctezuma, a subsidiary of Lafarge.

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

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

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

Our Mexican Operating Network



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

We believe that geographic diversification in Mexico 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 84% in 1999, 93% in 2000 and 96% in 2001 of our total Mexican sales revenues.

Cement. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 2001, our Mexican operations sold approximately 75% of their cement sales volume through more than 5,200 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 2% of our Mexican operations' total sales by volume for 2001.

The retail nature of the Mexican cement market also enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk in the commodity market. 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. Our domestic sales grew 5% in 1999 and 5% in 2000 and declined 7% in 2001. In addition, we own the registered trademark for the "Construrama" brand name for construction material stores. See "Our Mexican Operations – Overview" above for a description of our recently launched Construrama program.

Ready-Mix Concrete. Ready-mix concrete sales volumes by our Mexican operations grew 4% in 1999 and 13% in 2000 and decreased 3% in 2001. Although traditionally ready-mix concrete has not been an important product in Mexico because of the availability of low-cost labor and the relatively small size of private sector construction projects, for the year ended December 31, 2001, ready-mix concrete sales represented 10% 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.

Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations increased 7% in 1999, decreased 2% in 2000 and decreased 10% in 2001. In 2001, 36% of our exports from Mexico were to Central America and the Caribbean, 63% to the United States, and 1% to South America.

Our Mexican operations' cement and clinker exports to the U.S. are marketed through wholly-owned subsidiaries of CEMEX Corp. All transactions between CEMEX and the subsidiaries of CEMEX Corp., which act as our U.S. importers, are conducted on an arm's-length basis. Imports of cement and clinker into the U.S. from Mexico are subject to anti-dumping duties. See Item 4 — "Information on the Company — Regulatory Matters and Legal Proceedings — U.S. Anti-Dumping Rulings — Mexico."

Production Costs

Our Mexican operations' cement plants primarily utilize residual fuel oil, but several are designed to switch to natural gas with minimum downtime. In March 1998, we entered into a 20-year contract with Pemex, or Petróleos Mexicanos, pursuant to which Pemex will supply us with 900 thousand tons of petcoke per year, commencing in 2002. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distillation 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 46% (based on a yearly average) of the total fuel consumption for our Mexican operations in 2001.

In 2000, CEMEX, through a subsidiary, reached an agreement with ABB Alstom Power and Sithe Energies, Inc., requiring that Alstom and Sithe finance, build and operate Termoeléctrica del Golfo, a 230 megawatt energy plant in Tamuin, Mexico and supply electricity to CEMEX for a period of 20 years. CEMEX is obligated to 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 to meet our petcoke delivery requirements to Alstom through our petcoke supply contract with Pemex. We expect this project to reduce the volatility of our energy costs and to provide approximately 100% of the electricity needs of 11 of our cement plants in Mexico once the plant is operational which we currently anticipate will be during the first quarter of 2003.

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

Description of Properties, Plants and Equipment

As of December 31, 2001, we operated 15 wholly-owned 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 2001 production levels. As of December 31, 2001, 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, 2001, we had a network of 67 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities and five marine terminals. In addition, we had 211 ready-mix concrete plants throughout 77 cities in Mexico and 1,146 ready-mix concrete delivery trucks.

Capital Investments

We made capital expenditures of approximately U.S.$87.2 million in 2001 in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.$109.7 million during 2002.

Our U.S. Operations

Overview

Our U.S. operations represented approximately 26% of our net sales in 2001. As of December 31, 2001, we had a cement manufacturing capacity of approximately 13.2 million metric tons per year in our United States operations, including nearly 600 thousand metric tons in proportional interests through minority holdings.

As of December 31, 2001, we operated a geographically diverse base of 12 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee and Texas. As of that date, we also had 51 rail or water served active distribution terminals in the United States and one in Canada. We also market ready-mix concrete products in four of our largest cement markets, California, Arizona, Texas, and Florida. In addition, we mine, process and sell construction aggregates in California, Arizona, Texas and Florida, and specialty mineral products throughout the eastern half of the United States. During the first quarter of 2001, in connection with CEMEX, Inc.'s post-merger integration process related to the acquisition of Southdown in the fourth quarter of 2000, production operations at the Pittsburgh cement plant were shut down. The plant is currently being used as a cement distribution center and the Pittsburgh cement production was reassigned to the Louisville cement plant. In December 2001, we sold our construction aggregates operations in Kentucky and Missouri, consisting of four quarries in Kentucky (Bowling Green North, Bowling Green South, Hartford and Bardstown, and one quarry in Missouri (Columbia). The net proceeds received in the sale were U.S.$42 million.

The Cement Industry in the United States

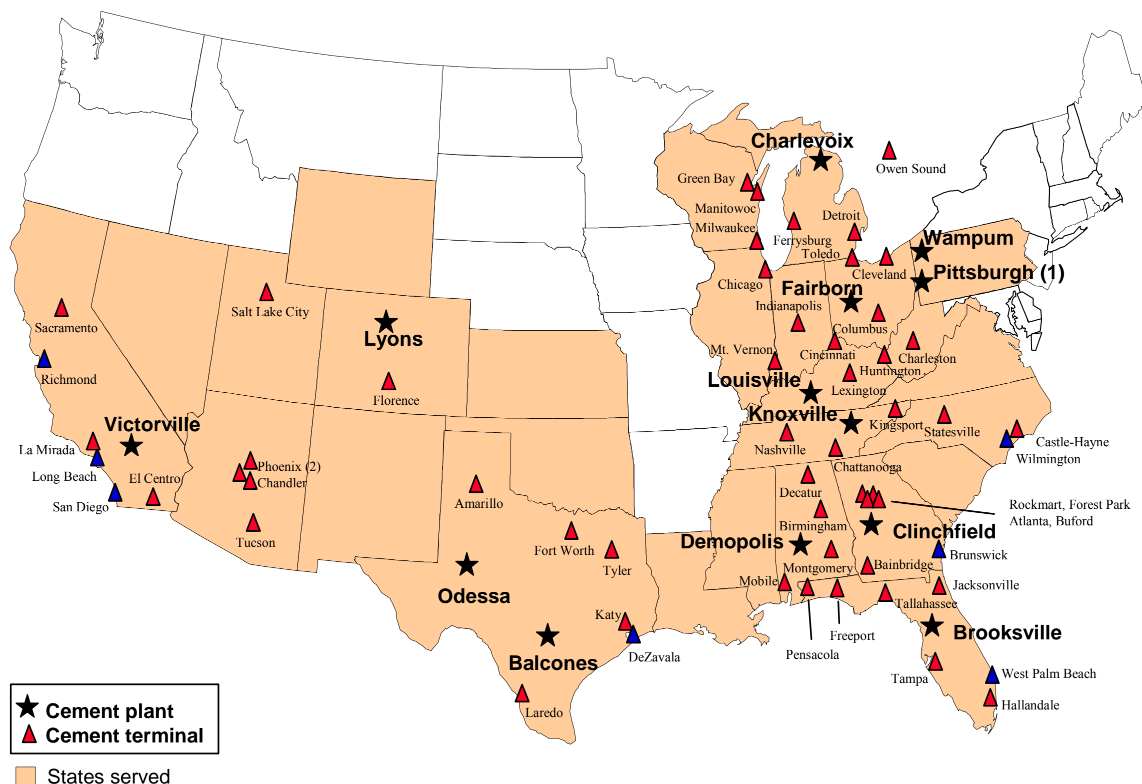
Competition. As a result of the lack of product differentiation and the commodity nature of cement, the cement industry in the U.S. is highly competitive. We compete with national and regional cement producers in the U.S. CEMEX, Inc.'s principal competitors in the United States are Holcim, Lafarge, Heidelberger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

According to the Portland Cement Association's U.S. and Canadian Plant Information Summary as of December 31, 2000 (released fourth quarter 2001), we ranked second in total active cement manufacturing capacity among the 31 cement producers (including joint ventures) that comprise the U.S. market.

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

Aggregates are widely used throughout the U.S. 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 2001, approximately 3,900 companies operated approximately 6,200 quarries and pits.

Our United States Operating Network



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

Products and Distribution Channels

CEMEX, Inc. delivers a substantial portion of cement by rail. Occasionally, these rail shipments go directly to customers. Otherwise, shipments go to distribution centers where customers pick up the product by truck or CEMEX, Inc. delivers the product by truck. The majority of our cement sales are made directly to users of gray Portland and masonry cements, generally within a radius of approximately 200 miles of each plant. Cement demand in the United States has become less dependent upon the more cyclical residential and commercial sectors. Because of the distribution of operations across the U.S., we are able to achieve stability of cash flows should market conditions deteriorate in any one region of the U.S.

Cement. Our cement operations represented approximately 64% of our 2001 U.S. operations revenues. Our U.S. operations sales volumes increased 15% in 1999, 30% in 2000 and 183% in 2001 mainly because of the Southdown acquisition. High levels of construction activity in most regions of the United States during the last several years resulted in favorable supply and demand dynamics for cement, which in turn resulted in higher prices.

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

Cement demand is much less vulnerable to a downturn than in previous cycles due to increased public infrastructure spending. Today, public infrastructure spending accounts for 53% of the total cement consumption in the U.S. Strong cement demand over the past decade has driven industry capacity utilization up to maximum levels.

According to the Portland Cement Association, domestic capacity utilization reached 94.1% in 1999, 98.7% in 2000 and 95.5% in 2001.

Ready-Mix Concrete. Concrete operations represented approximately 22% of our 2001 revenues. We have ready-mix operations in California, Arizona, Texas and Florida. Our concrete operations in those states purchase most of their cement requirements from our cement operations in the U.S.

Aggregates. Our construction aggregates operations include mining, processing and selling construction aggregates in California, Arizona, Texas and Florida. Aggregates operations represented approximately 7% of our 2001 U.S. revenues. At the 2001 production levels, it is anticipated that 95% of our construction aggregates reserves in the U.S. will last from 10 years to more than 50 years.

Production Costs

The largest cost components of our plants are electricity and fuel, which accounted for approximately 34% of CEMEX, Inc.'s total production costs in 2001. The majority of our U.S. plants use coal as primary fuel, which has maintained a relatively stable price. CEMEX, Inc. has a limited exposure to coal price increases, as most of its coal requirements have been secured through long term contracts that were executed prior to recent price increases. Therefore, increases in fuel prices have not had a material impact on CEMEX, Inc.'s production costs. Power costs represent approximately 19% of the cash manufacturing cost. We have improved the efficiency of CEMEX, Inc.'s electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plant and Equipment

As of December 31, 2001, we operated 12 cement manufacturing plants in the U.S., with a total installed capacity of 13.2 million metric tons per year, including 600 thousand metric tons in proportional interests through minority holdings. All our cement production facilities are wholly owned except for the Balcones, Louisville and Pittsburgh plants. We lease and operate the Balcones plant. The Louisville and Pittsburgh plants are owned by Kosmos Cement Company, a joint venture in which CEMEX, Inc. owns 75% and a subsidiary of Dyckerhoff AG owns 25% of the interests.

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

During the fourth quarter of 2001, we substantially completed a capacity expansion project at our Victorville manufacturing facility, which resulted in a net capacity increase of approximately one million metric tons per year.

In December 2001, we sold our construction aggregates operations in Kentucky and Missouri, consisting of four quarries in Kentucky (Bowling Green North, Bowling Green South, Hartford and Bardstown), and one quarry in Missouri (Columbia).

As of December 31, 2001, we operated a concrete distribution network of 87 ready-mix concrete plants, 52 cement terminals, eight of which are marine terminals, and 23 aggregate locations throughout the U.S.

Capital Investments

We made capital expenditures of approximately U.S.$16 million in 1999, U.S.$65 million in 2000 and U.S.$179.5 million in 2001 in our U.S. operations. We currently expect to make capital expenditures in our U.S. operations of approximately U.S.$117 million during 2002.

Europe, Asia and Africa

As of December 31, 2001, our business in Europe, Asia and Africa, which included our majority-owned operations in Spain, the Philippines, Thailand and Egypt, as well as our minority interests in Indonesia and other Asian investments, represented approximately 14% of our net sales, 33% of our total installed capacity and 14% of our total assets.

Our Spanish Operations

Overview

Our Spanish operations represented approximately 10% of our net sales in 2001. We conduct our Spanish operations through our operating subsidiary Compãnia Valenciana de Cementos Portland, S.A., or Valenciana, which is also a holding company for our international operations. Our cement activities are conducted by Valenciana and Cementos Especiales, and our ready-mix concrete activities are conducted by Hormicemex, S.A.

The Spanish Cement Industry

In 2001, the construction sector of the Spanish economy grew 5.7%, primarily as a result of the growth of construction in the residential sector of the Spanish economy. Cement consumption in Spain increased approximately 11.7% in 1999, 11.1% 2000 and 9.1% in 2001. Our domestic cement and clinker sales volumes in Spain increased 2.8% in 1999, 12.4% in 2000 and 4.7% in 2001.

During the past several years, the level of cement imports into Spain has been influenced by the strength of domestic demand, despite the weakness of the Euro against the Dollar. Cement imports increased 5.5% in 1999, 9.5% in 2000 and 11.4% in 2001. Imports primarily affected the coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets.

In the past, Spain has traditionally been one of the leading exporters of cement in the world exporting up to 6 million tons per year. Nevertheless, exports have been reduced in recent years to 1.5 million tons in 2001 due to strong domestic demand. Our Spanish operations' cement and clinker export volumes decreased by 27% in 1999, 57% in 2000 and 42% in 2001, as a result of the strong domestic demand.

Competition. The world's two other leading cement producers, the Lafarge group of France and Holcim of Switzerland, have acquired controlling interests in Spain's largest cement producers, respectively. According to the Asociación de Fabricantes de Cemento de España, or OFICEMEN, the Spanish cement trade organization, as of December 31, 2001, approximately 75% of installed capacity for production of cement in Spain was owned by five multinational groups, including CEMEX. There has also been consolidation among Spain's independent cement producers.

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

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

Our Spanish Operating Network

OFICEMEN reported that, based on 2001 sales, Valenciana had a market share of approximately 22.8% in gray and white cement, making us the leader in the Spanish cement industry. We believe that we maintain this leading market position because of our geographic diversification and extensive distribution channels. Furthermore, we believe that our Spanish operations' geographical diversification enables us to cope with downturns in demand more effectively than many of our competitors because we are able to shift output to plants serving areas with the strongest demand and prices.

Products and Distribution Channels. Valenciana offers various types of cement, targeting specific products to specific markets and users. In 2001, approximately 21% of Valenciana's domestic sales volumes were of cement in bags through distributors, and the remainder of Valenciana's domestic sales volumes were bulk sales of cement primarily to ready-mix concrete operators, which include Valenciana's own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Exports. In general, despite increases in domestic demand in recent years, Spanish cement production exceeds domestic demand. We have been able to export excess capacity through collaboration between Valenciana and our cement trading companies. Export prices, however, are usually lower than domestic market prices, and costs are usually higher for export sales. In 2001, 39% of our exports from Spain were to the United States, 28% to Europe and the Middle East and 33% to Africa.

Production Costs

We have improved the profitability of our Spanish operations by introducing technological improvements that have significantly reduced our energy costs. In 2001, we implemented a new program to use alternative fuels, in accordance with our cost reduction policy.

Description of Properties, Plants and Equipment

As of December 31, 2001, 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 79 ready-mix

concrete plants, including 15 aggregate and nine mortar plants. Valenciana also owns two cement mills, one of which is operated through a joint venture 50%-owned by Valenciana, and 23 distribution centers, including eight land and 15 marine terminals.

As of December 31, 2001, Valenciana owned seven limestone quarries located in close proximity to its plants, which have useful lives ranging from 10 to 25 years, assuming 2001 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 2001 production levels.

Capital Investments

We made capital expenditures of approximately U.S.$54.6 million in 2001 in our Spanish operations. We currently expect to make capital expenditures in our Spanish operations of approximately U.S.$69.9 million during 2002.

Our Asian Operations

As of December 31, 2001, our business in Asia, which included our majority-owned operations in the Philippines and Thailand, as well as our minority interests in Indonesia and other assets in Asia, represented approximately 2% of our net sales, 14.5% of our total installed capacity and 4% of our total assets. Substantially all our interests in our Asian businesses are held through CAH, our 77.4%-owned subsidiary created to co-invest in Asian cement operations.

Our Philippine Operations

Overview

Our Philippine operations represented approximately 2% of our net sales in 2001. We own a 70% economic interest in Rizal, which has two cement plants with a total installed capacity of 2.6 million tons. We also own a 99.9% economic interest in APO, which has one cement plant with an installed capacity of 3.2 million tons. We hold our interests in Rizal and APO through CAH.

The Philippine Cement Industry

During 2001, cement consumption in the Philippine market totaled 11.9 million tons. Since there is currently overcapacity in the Philippines, we intend to use our trading network to export a substantial amount of our Philippine cement production.

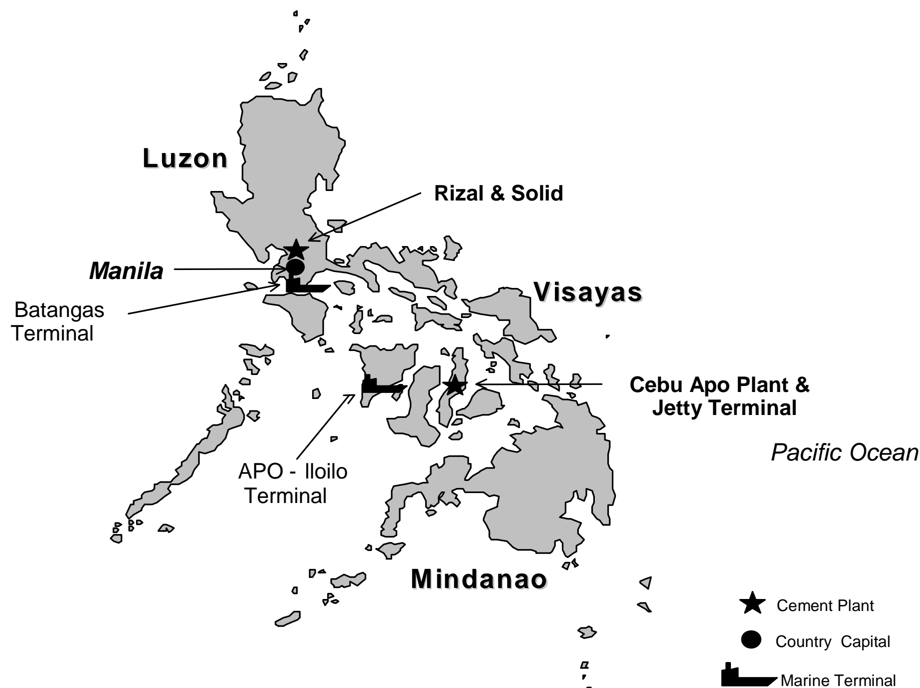
The primary nature of the Philippine cement market is retail, similar to Mexico. Approximately 80% of Philippine cement volume is typically sold in bags through distributors and retailers. The balance is sold through ready-mix concrete producers, large and small contractors and hallow block manufacturers.

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

Competition. At December 31, 2001, the Philippine cement industry had a total of 19 cement plants and two cement grinding mills with an annual installed capacity of 26.8 million tons, according to the Philippine Cement Manufacturers Corporation. According to the Philippine Cement Manufacturers Corporation, major global cement producers own nearly 86% of this capacity.

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

Our Philippine Operating Network



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

Production Costs

Costs of production include energy, labor, transportation, raw materials, maintenance and packaging. We estimate that we have at least 140 years of limestone and clay reserves available to supply our Philippine operations at 2001 levels of production. Other raw materials, such as gypsum and iron ore, which are used in smaller quantities than limestone and clay, are purchased from outside suppliers.

Our three plants have their own electricity generating capacity, which allows us to reduce our production costs since our self-generated electricity is cheaper than electricity supplied by the government-owned grid. However, our plant located in Solid needs to buy some electricity when production reaches its peak.

Description of Properties, Plants and Equipment

Our Philippine operations include three plants with a total capacity of 5.8 million tons per year and two marine distribution terminals. Our cement plants include Rizal, with three wet process production lines and an installed capacity of 0.5 million tons, serving the Manila metropolitan region; Solid, a subsidiary of Rizal, with two wet process production lines and one dry process production line and an installed capacity of 2.1 million tons, also serving the Manila metropolitan region; and APO, with two dry process production lines and an installed capacity of 3.2 million tons, serving the Visayas, Mindanao and South of Luzon regions.

Capital Investments

We made approximately U.S.$18.1 million of capital expenditures in 2001 in our Philippine operations. We currently expect to make capital expenditures of approximately U.S.$12.2 million during 2002.

Our Indonesian Equity Investment

Overview

In October 1998, we purchased from the Indonesian government a 14% interest in Gresik, Indonesia's largest cement producer, for approximately U.S.$115 million. As part of the agreement, the Indonesian government had a 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. However, this put option expired unexercised on December 14, 2001.

In 1999, we increased our interest in Gresik to approximately 25.5%. In October 2000, CAH acquired our interest in Gresik for approximately U.S.$279 million and, as a result, our indirect economic interest in Gresik was reduced to approximately 19.8%. Currently, we hold two seats on both the board of directors and the board of commissioners of Gresik, as well as the right to approve Gresik's business plan jointly with the Indonesian government.

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

On November 1, 2001, the provincial administration of the Indonesian province of West Sumatra, in which Gresik's Padang plant is located, announced that it had directed the management of Semen Padang, the wholly-owned subsidiary of Gresik that owns and operates the Padang plant, to report to the provincial authorities and that it intended to spin off the Padang plant for the benefit of the provincial administration. We believe the provincial administration lacked legal authority to direct the affairs of Semen Padang, and we intend to defend our interests in Gresik and its subsidiaries, including Semen Padang. We cannot predict, however, what effect, if any, this action will have on our investment in Gresik.

Since the attempt of the West Sumatra provincial administration in November 2001 to "take over" the management of Semen Padang, several interest groups (purportedly encouraged by some members of the management of PT Semen Gresik or its Indonesian subsidiaries) opposed to the prospective sale of the Indonesian government's stock ownership in PT Semen Gresik to us have threatened strikes and other actions which would affect our Indonesian operations. We have discussed our concerns with the Indonesian government, which has demonstrated its willingness to carry out needed changes in management as a first step to re-attain normality in the Padang plant's operations. Recently, at an extraordinary general meeting of shareholders held in February 2002, the Indonesian government replaced three government-appointed commissioners and the President Director of PT Semen Gresik. These replacements were implemented with our approval.

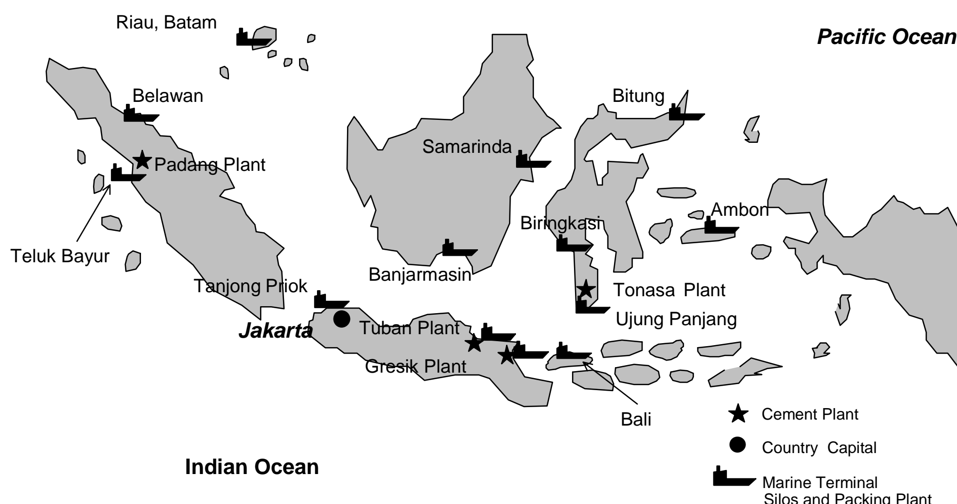
The Indonesian Cement Industry

The Indonesian cement industry is one of the two largest in South East Asia, accounting for about 30% of the approximately 90 million tons of cement consumed in South East Asia in 2001, according to our estimates. We believe the Indonesian cement market is important to our Asian expansion strategy due to its strategic location, size, potential as an anchor for our South East Asian trading network and the significant growth potential of the Indonesian economy.

In 2001, Indonesian cement domestic demand increased 19% in 2000 and 14.2% in 2001. However, as of December 31, 2001, the Indonesian cement industry had an excess capacity of approximately 50%, which has required Indonesian producers to seek export markets.

Competition. Indonesia had 13 cement plants with a combined installed capacity of approximately 50 million tons as of December 31, 2001. Foreign companies continue their efforts to increase their participation in the industry. Lafarge holds a majority position in P.T. Semen Andalas, Heidelberger holds a majority interest in Indocement and Holcim holds a majority interest in Cibinong.

Gresik's Indonesian Operating Network



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

As of December 31, 2001, Gresik was operating at approximately 70% capacity utilization. In 1998, CEMEX reached an agreement in principle with Gresik to buy at least 1.5 million tons of cement from Gresik during each of the years 1999, 2000 and 2001. Gresik undertook an upgrade of its port infrastructure, in order to increase its export capacity. However, in light of the growth in the domestic market during the last two years, Gresik's need for increased export capacity has diminished.

Exports. During 2001, Gresik exported more than 28% of its cement production, principally through CEMEX's trading network. Gresik exports mainly to Egypt, Bangladesh and Sri Lanka.

Description of Properties, Plants and Equipment

As of December 31, 2001, Gresik operated four cement plants with an installed capacity of 20.3 million tons, and 12 land distribution centers and 10 marine terminals. Gresik's cement plants include the Padang plant, with one production line that utilizes the wet process and four production lines that utilize the dry process and an installed capacity of 6.5 million tons; the Gresik plant, which has two production lines that utilize the dry process and an installed capacity of 1.5 million tons; the Tuban plant, which has three production lines that utilize the dry process and an installed capacity of 8.2 million tons; and the Tonasa plant, which has three production lines that utilize the dry process and an installed capacity of 4.1 million tons.

Our Thai Operations

Overview

In May 2001, through CAH, we acquired a 100% economic interest in Saraburi Cement Company in Thailand for a total consideration of approximately U.S.$73 million. Our economic interest in Saraburi is approximately 77.4%.

The Thai Cement Industry

According to our estimates, at December 31, 2001, the cement industry in Thailand had a total of 13 cement plants, with an aggregate annual installed capacity of approximately 52.7 million tons. We estimate that there are 5 major cement producers in Thailand, 4 of which control more than 96% of the market.

Competition. Our major competitors in the Thailand market, which, we estimate**,** have a significantly larger presence than Saraburi, are Siam Cement, Holcim, TPI Polene and Italcementi.

Our Thai Operating Network

Description of Properties, Plants and Equipment

Saraburi owns one dry process cement plant located north of Bangkok and has been operating at full capacity. As of December 31, 2001, Saraburi had an installed capacity of approximately 700,000 metric tons.

Capital Investments

We made approximately U.S.$2 million of capital expenditures in our Thai operations in 2001. We currently expect to make capital expenditures of approximately U.S.$6.8 million during 2002.

Other Asian Investments

As part of our strategy to strengthen our presence in South Asia, in May 2000, we committed to invest approximately U.S.$34 million in the construction of a new grinding mill near Dhaka, Bangladesh. The grinding mill began operating in April 2001 and produced 174,000 tons during 2001. In addition, we sold additional 175,000 tons of bagged cement in Bangladesh in 2001. We are supplying the mill with clinker from Gresik in Indonesia and from other countries in the region.

In March 2001, we acquired a cement terminal in Izumiotsu Port near Osaka, Japan for approximately U.S.$3 million. The terminal has a license to operate for a period of 30 years and has a storage capacity of 9,000 metric tons. Additional investments will be required to make the terminal operational. We have not yet made these investments pending our review of the Japanese cement industry. The terminal has potential annual production volume of approximately 300,000 tons.

To further support our trading activities in the Asia region, in May 2001, we acquired a 100% interest in Tunwoo Co. Ltd., a company based in Taiwan, for a total consideration of approximately US.$27 million. Tunwoo owns a license to operate a cement terminal in the port of Taichung located on the west coast of Taiwan. The import terminal has cement storage capacity of 60 thousand tons.

Our Egyptian Operations

Overview

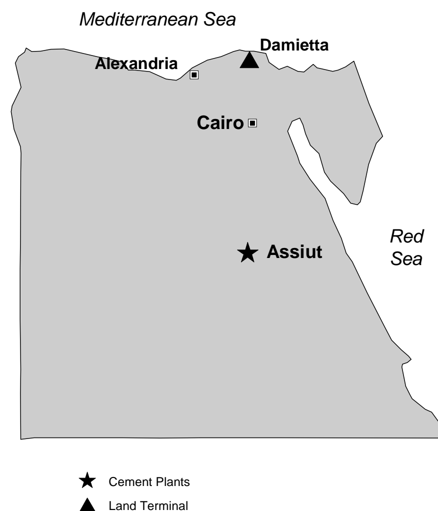
As of December 31, 2001, we had a 95.8% interest in Assiut which has an installed capacity of approximately 4.5 million tons.

The Egyptian Cement Industry

The Egyptian cement market consumed approximately 26.8 million tons of cement during 2001. Cement consumption increased by 1.3% in 2001, despite a slowdown in the Egyptian economy and the liquidity reduction which has affected most sectors of the Egyptian economy, in particular the Egyptian construction sector.

Competition. As of December 31, 2001, the Egyptian cement industry had a total of nine cement producers, with an aggregate annual installed capacity of approximately 32 million tons. We estimate that, as of December 31, 2001, Holcim (Egyptian Cement Company), Lafarge (Alexandria Portland Cement and Beni Suef Cement) and CEMEX (Assiut Cement Company), three of the largest cement producers in the world, were responsible for 41% of the total cement sales in Egypt. Other competitors in the Egyptian market are Suez and Tourah Cement Companies (Italcementi) and Helwan Portland Cement Company.

Our Egyptian Operating Network



Distribution Channels

As a result of the retail nature of the Egyptian market, approximately 95% of our cement sales volumes are typically sold as cement in bags, and through our commercial strategy we have been able to serve retail customers throughout the country directly without having to depend on wholesalers and distributors.

Description of Properties, Plants and Equipment

As of December 31, 2001, Assiut operated one wholly-owned (except for 4.2% held by union employees) cement plant with an installed capacity of approximately 4.5 million tons and three dry process production lines. Assiut's cement plant serves upper Egypt as well as Cairo and the Delta region, Egypt's main cement market.

Capital Investments

We made capital expenditures of approximately U.S.$36.8 million in our Egyptian operations in 2001. We currently expect to make capital expenditures of approximately U.S.$24 million during 2002, which will allow us to reach our objective of achieving a 5 million ton per year capacity as well as to launch new ready-mix operations.

South America, Central America and the Caribbean

As of December 31, 2001, our business in South America, Central America and the Caribbean, which includes our operations in Venezuela, Colombia, Panama, the Dominican Republic, Costa Rica and Nicaragua, as well as other assets in the Caribbean, represented approximately 15% of our net sales, 16% of our total installed capacity and 10% of our total assets.

Our Venezuelan Operations

Overview

Our Venezuelan operations represented approximately 6% of our net sales in 2001. Our Venezuelan operations are held by Vencement Investments, a holding company whose principal asset is a 75.7% interest in CEMEX Venezuela S.A.C.A., or CEMEX Venezuela, a company listed on the Caracas Stock Exchange. CEMEX Venezuela is the largest cement producer in Venezuela, based on an installed capacity of 4.6 million tons as of December 31, 2001.

The Venezuelan Cement Industry

Competition. As of December 31, 2001, the Venezuelan cement industry included five cement producers, with a total installed capacity of approximately 10.2 million tons, according to our estimates. We estimate that CEMEX Venezuela's installed capacity in 2001 represented approximately 46% of that total, almost twice that of its next largest competitor.

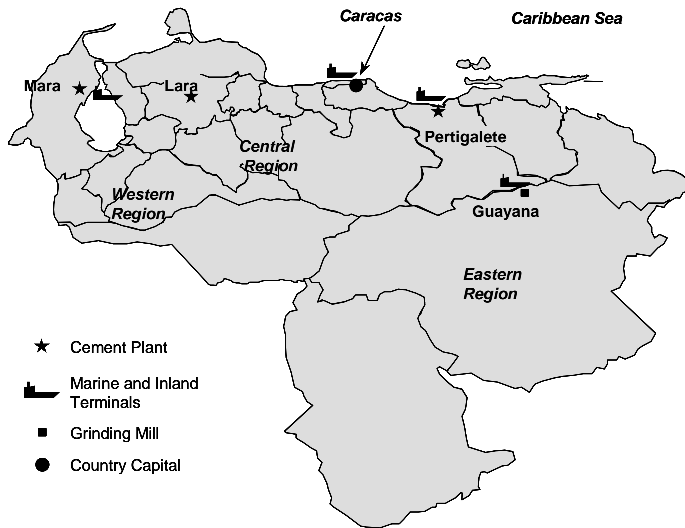
Our competitors, Holcim and Lafarge, have acquired controlling interests in Venezuela's second and third largest cement producers, respectively.

In 2001, the ready-mix concrete market accounted for only about 13% of cement consumption in Venezuela, according to our estimates. We believe that Venezuela's construction companies, which prefer to install their own ready-mix concrete plants on-site, are the most significant barrier to penetration of the ready-mix concrete sector, with the result that on-site ready-mix concrete mixing represents a high percentage of total ready-mix concrete production. Additionally, the self-construction sector has recently grown due to the current economic situation in Venezuela, thereby increasing the consumption of bagged cement.

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

Our Venezuelan Operating Network

As shown below, CEMEX Venezuela's three cement plants and one grinding facility are located near the major population centers and the coast of Venezuela.



As of December 31, 2001, CEMEX Venezuela was the leading supplier of cement in its own country, based on our estimates of sales of gray and white cement in this country. In addition, our Venezuelan subsidiary was also the leading supplier of ready-mix concrete in its own country with 40 ready-mix production plants throughout Venezuela, based on our estimates of sales of cement and ready-mix concrete in Venezuela, as of December 31, 2001. During 2001, CEMEX Venezuela operated its plants at full capacity and achieved production of 3.9 million tons of clinker.

Distribution Channels

Transport by land is handled primarily by CEMEX Venezuela. During 2001, approximately 36% of CEMEX Venezuela's total domestic sales were transported through its own fleet.

Exports

During 2001, exports from Venezuela represented approximately 16% of CEMEX Venezuela's net sales. CEMEX Venezuela's main export markets historically have been the Caribbean and the east coast of the United States. In 2001, 64% of our exports from Venezuela were to the United States, 30% to Central America and the Caribbean and 6% to South America.

Description of Properties, Plants and Equipment

As of December 31, 2001, CEMEX Venezuela operated three wholly-owned cement plants, Lara, Mara and Pertigalete, with a combined installed capacity of cement production of approximately 4.6 million tons. CEMEX Venezuela also operates Cementos Guayana, a grinding facility with a clinker capacity of 360 thousand tons. All the plants are strategically located to serve both domestic areas with the highest levels of cement consumption and export markets. CEMEX Venezuela also owns 40 ready-mix concrete production facilities and 14 distribution centers. CEMEX Venezuela owns four limestone quarries with reserves sufficient for over 100 years at 2001 production levels.

As of December 31, 2001, the Lara and Mara plants and one production line at the Pertigalete plant utilized the wet process; the other production line at the Pertigalete plant utilized the dry process. All the plants utilize natural gas as fuel, which historically has been a low cost source of energy, given its abundance in Venezuela. CEMEX Venezuela has its own electricity generating facilities, which are powered by natural gas.

As of December 31, 2001, CEMEX Venezuela owned and operated four port facilities, three marine terminals and one river terminal. One port facility is located at the Pertigalete plant, one at the Mara plant, one at

the Catia La Mar terminal on the Caribbean Sea near Caracas, and one at Cementos Guayana on the Orinoco River in the Guayana Region. CEMEX Venezuela's cement is transported either in bulk or in bags.

Capital Investments

We made capital expenditures of approximately U.S.$28.1 million in 2001 in our Venezuelan operations. We currently expect to make capital expenditures of approximately U.S.$28.4 million during 2002.

Our Colombian Operations

Overview

Our Colombian operations represented approximately 3% of our net sales in 2001.

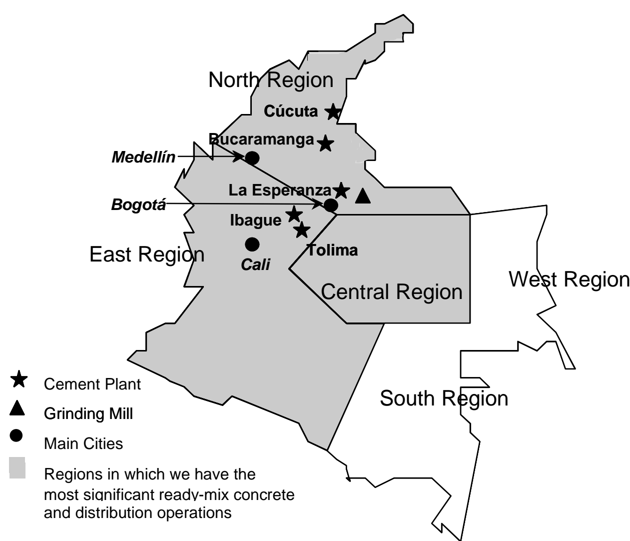
As of December 31, 2001, CEMEX Colombia was the second-largest cement producer in Colombia, based on 2001 installed capacity of 4.8 million tons, according to the ICPC.

CEMEX Colombia has a significant market share in the cement and ready-mix concrete market in the so-called "Urban Triangle" of Colombia comprising the cities of Bogotá, Medellín and Cali. During 2001, these three metropolitan areas accounted for approximately 70% of Colombia's cement consumption. CEMEX Colombia's Ibagué plant, which uses the dry process and is strategically located between Bogotá, Cali and Medellín, is Colombia's largest and had an installed capacity of 3.1 million tons as of December 31, 2001. CEMEX Colombia, through its Bucaramanga and Cúcuta plants, is also an active participant in Colombia's northeastern market. CEMEX Colombia's strong position in the Bogotá ready-mix concrete market is largely due to its access to a ready supply of aggregate deposits in the Bogotá area.

The Colombian Cement Industry

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

Our Colombian Operating Network



CEMEX Colombia owns quarries with minimum reserves sufficient for over 100 years at 2001 production levels. In addition to mining its own raw materials, CEMEX Colombia also purchases raw materials from third parties. The majority of CEMEX Colombia's cement is distributed through independent distributors.

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

CEMEX Colombia operates its ready-mix concrete business through 19 ready-mix plants. CEMEX Colombia also uses portable ready-mix plants, which allow concrete to be mixed at major building sites, reducing transportation costs and eliminating the need to acquire additional permanent ready-mix concrete sites.

Description of Properties, Plants and Equipment

As of December 31, 2001, CEMEX Colombia owned five cement plants having a total installed capacity of 4.8 million tons per year and one grinding mill. Two of these plants utilize the wet process and three utilize the dry process. The Ibagué and Tolima plants serve the Urban Triangle, while Cúcuta and Bucaramanga plants, located in the northeastern part of the country, serve local and coastal markets. The La Esperanza cement plant and the Santa Rosa clinker mill are close to Bogotá. In addition, CEMEX Colombia owns seven land distribution centers, one mortar plant, 19 ready-mix concrete plants, one concrete products plant and seven aggregate plants.

Capital Investments

We made capital expenditures of approximately U.S.$5.7 million in 2001 in our Colombian operations. We currently expect to make capital investments of approximately U.S.$9.9 million during 2002.

Other South American Investments

Our Equity Investment in Chile

We hold a 11.9% interest in Cementos Bio Bio, S.A., Chile's largest cement producer according to our estimates, with an installed capacity as of December 31, 2001 of approximately 2.25 million tons. The purchase price for our 11.9% interest in Cementos Bio Bio was approximately U.S.$34 million. Cementos Bio Bio owns and 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 1.05 million cubic meters of ready-mix concrete production capacity.

Central America and the Caribbean

As for the year ended December 31, 2001, Central America and the Caribbean, which includes our operations in Panama, Costa Rica, Nicaragua, the Dominican Republic and other assets in the Caribbean, represented approximately 6% of our net sales, 4% of our total installed capacity and 3% of our total assets.

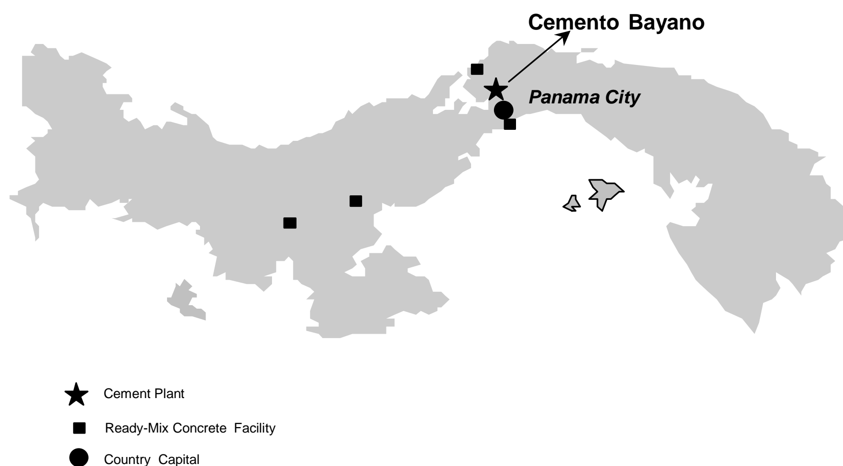
Through our investments in Panama and Costa Rica, we have established a strategic presence in the mainland markets of Central America.

Our Panamanian Operations

Overview. As of December 31, 2001, we owned a 99.2% interest in Cemento Bayano.

The Panamanian Cement Industry. The Panamanian cement industry includes two cement producers, Cemento Bayano and Cemento Panamá, S.A.

Our Panamanian Operating Network. As of December 31, 2001, Cemento Bayano had an installed capacity for cement production of approximately 402 thousand tons per year. As of December 31, 2001, we operated a distribution network of five ready-mix concrete plants. Our cement plant utilizes the dry process.



Production Costs. Historically, Cemento Bayano has had the highest energy costs of any member of the CEMEX group. We have taken significant steps to reduce energy costs. Cemento Bayano spent U.S.$4.25 million in 1996 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. As part of an environmental project we undertook in 2000 to reduce energy costs, we invested U.S.$230,000 to replace fuel oil with less expensive petcoke and alternative fuels as of December 31, 2001. Currently, fuel oil is just used in start up.

Cemento Bayano also reduced its energy cost per ton, a critical cost of our manufacturing process, by securing a consistent supply of electric energy and decreasing prices per kwh through negotiating the bulk purchase of electric energy and investing U.S.$600,000 in 2000 in an electric sub-station. Cemento Bayano's efficiency improvements have been instrumental in increasing its exports of clinker to the Caribbean as part of CEMEX's Caribbean cement strategy.

Description of Properties, Plant and Equipment. Our operations in Panama include one 99%-owned cement plant utilizing the dry production process, with an installed clinker capacity of 382 thousand tons per year.

In addition, Cemento Bayano owns and operates five ready-mix concrete facilities; two in Panama City, one in Colón, one in Aguadulce and one in Farallón.

Capital Investments. We made capital expenditures of approximately U.S.$3.6 million in 2001 in our Panamanian operations. We currently expect to make capital expenditures of approximately U.S.$2.4 million during 2002.

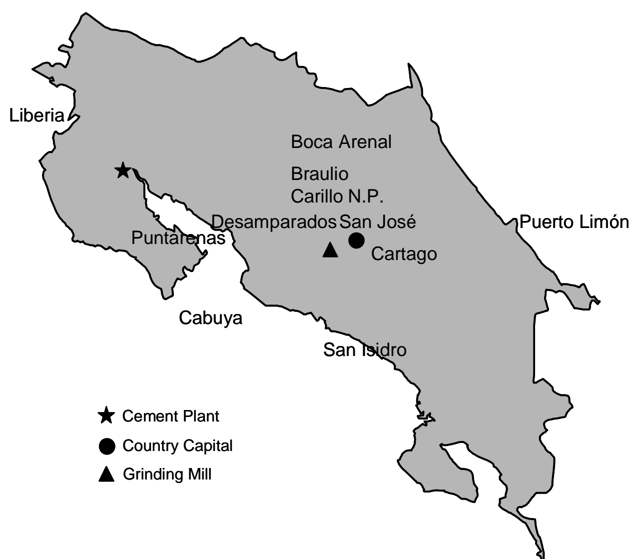
Our Costa Rican Operations

Overview. As of December 31, 2001, we held a 98.3% interest in Cementos del Pacífico.

The Costa Rican Cement Industry. Approximately 1.18 million tons of cement were sold in Costa Rica during 2001, according to Cámara de la Construcción de Costa Rica, the Costa Rican construction industry association. The Costa Rican cement market is a predominantly retail market, and we estimate that over three quarters of cement sold is bagged cement.

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

Our Costa Rican Operating Network. Cementos del Pacífico owns and operates one cement plant in northwest Costa Rica and one grinding mill located in San José.



Products and Distribution Channels. Cementos del Pacífico has five strategically located distribution centers, consisting of two on the Pacific coast and three in the metropolitan areas, where 64% of total 2001 sales were made.

Exports. During 2001, exports of cement by our Costa Rican operations represented approximately 22% of our total cement production in Costa Rica. In 2001, 21% of our exports from Costa Rica were to Nicaragua, 54% to El Salvador and 25% to Guatemala.

Production Costs. During 2001, energy costs decreased approximately 27% in Costa Rica. In response, we significantly reduced our energy consumption and our costs of raw materials in the production of cement. In January 2001, we commenced using petcoke as fuel in the production of cement to reduce our production costs by approximately 20%.

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

Capital Investments. We made capital expenditures of approximately U.S.$4 million in 2001 in our Costa Rican operations. We currently expect to make capital expenditures of approximately U.S.$3.3 million during 2002.

Our Nicaragua Operations

Overview. In January 2001, after warning a Nicaraguan government sponsored bid, our wholly-owned subsidiary CEMEX Nicaragua S.A. leased a cement plant owned by the Nicaraguan government company, Compaňia Nacional Productora de Cemento S.A. The lease has a 25-year term.

The Nicaraguan Cement Industry. Approximately 0.62 million tons of cement were sold in Nicaragua during 2001, according to our estimates.

Competition. The Nicaraguan cement industry includes two producers, CEMEX and Holcim. Our competitive position relies on high brand recognition; our CANAL brand has been used to market cement in Nicaragua since 1942. Holcim started operations in Nicaragua in 1997.

Our Nicaraguan Operating Network. CEMEX Nicaragua leases and operates one cement plant, located in San Rafael del Sur, approximately 50 kilometers southwest of the capital Managua.

Description of Properties, Plants and Equipment. Our Nicaraguan leased cement plant has five kilns utilizing the wet production process with an installed milling capacity of 446 thousand tons.

Capital Investments. We made capital expenditures of approximately U.S.$4.4 million in 2001 in our Nicaraguan operations. We currently expect to make capital expenditures of approximately U.S.$3.8 million during 2002.

Our Dominican Republic Operations

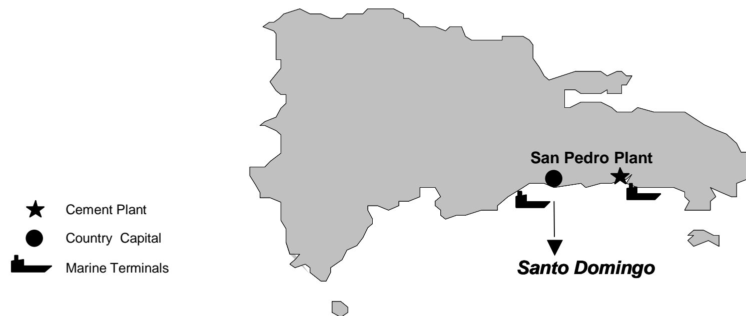
Overview. Our Dominican Republic operations represented approximately 2% of our net sales in 2001.

As of December 31, 2001, we owned 99.7% of Cementos Nacionales, a cement producer in the Dominican Republic with an installed capacity of 0.7 million tons of cement, and a related distribution company, Compañía Comercializadora, S.A., with 12 distribution centers.

The Dominican Republic Cement Industry

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

Our Dominican Republic Operating Network. As of December 31, 2001, 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, La Vega, San Pedro de Macoris and Azua.



In 2001, Dominican Republic cement consumption reached 3.04 million metric tons, and cement imports were necessary to fulfill domestic demand, according to our estimates.

Production Costs. Cementos Nacionales uses a dry production process. As of December 31, 2001, Cementos Nacionales had an electricity generating capacity of approximately 42.3 megawatts, supplying electricity to all points of production. This generating capacity affords Cementos Nacionales an inexpensive source of energy relative to its competition, which is critical to competitive production margins.

Cementos Nacionales maintains its own limestone and clay quarries, which we expect will provide sufficient reserves for up to 150 years at 2001 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 in San Pedro de Macoris with an installed capacity of 700 thousand tons per year, in addition to five ready-mix concrete production plants, three grinding mills with an installed capacity of 2.4 million tons per year, 12 distribution centers located throughout the country and two marine terminals. As of December 31, 2001, our Dominican Republic cement plant operated at full capacity.

Capital Investments. We made capital expenditures of approximately U.S.$22.9 million in 2001 in our Dominican Republic operations. We currently expect to make capital investments of approximately U.S.$9.6 million during 2002.

Our Other Caribbean Operations

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

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

Our Trading Operations

We traded more than 13.2 million tons of cement and clinker in 2001. Approximately 38% of this amount consisted of exports from our operations in Mexico, Venezuela, Costa Rica, Spain and the Philippines. Approximately 62% was purchased from third parties in countries such as Saudi Arabia, Colombia, China, Denmark, France, Greece, Indonesia, Iran, Lebanon, Peru, Korea, Turkey, Morocco, the United States, Thailand, and Venezuela. At December 31, 2001, we conducted trading activities in 60 countries.

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

Regulatory Matters and Legal Proceedings

A description of material regulatory and legal 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%. 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 that may range from 13% 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 Matters

We use processes that are designed to protect the environment throughout all the production stages in all of our operations worldwide. We believe that we are in substantial compliance with all material environmental laws applicable to us.

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

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

We were one of the first industrial groups in Mexico to sign an agreement with the Secretaría del Medio Ambiente y Recursos Naturales, or SEMARNAT, the Mexican government’s environmental ministry, to carry out voluntary environmental audits in our 15 operating Mexican cement plants under a government-run program. In 2001, the Mexican environmental agency in charge of the voluntary environmental auditing program, the Procuraduría Federal de Protección al Ambiente, or PROFEPA, which is part of SEMARNAT, completed auditing our 15 operating cement plants and awarded all our plants a Certificado de Industria Limpia, Clean Industry Certificate, certifying that our plants are in compliance with environmental laws. The Clean Industry Certificates are strictly renewed every two years. Since 1992, the technology for recycling used tires into an energy source has been employed in our Ensenada and Huichiapan plants. Collection centers in Tijuana, Mexicali and Ensenada currently enable us to recycle an estimated one million tires per year. During 2000, approximately 12% of the total fuel consumed in the Ensenada plant was provided by this alternative fuel.

Between 1996 and 2001, our Mexican operations have invested approximately U.S.$21.2 million in the acquisition of environmental protection equipment and the implementation of the ISO 14001 environmental management standards of the International Organization for Standardization, or ISO. Currently, 13 of our 15 cement plants in Mexico have been awarded the ISO 14001 certification for environmental management systems. Our two

remaining plants which have not received the ISO 14001 certification have implemented its standards and are currently waiting for the certification audit which is scheduled to take place in April 2002.

As of March 25, 2002, 7 of our 8 cement plants in Spain have received the ISO 14001 certification for environmental management systems. We expect that our remaining Spanish plant will be ISO 14001-certified by the end of the second quarter of 2002.

CEMEX, Inc. is subject to a wide range of U.S. federal, state and local laws, regulations and ordinances dealing with the protection of human health and the environment. These laws regulate water discharges, noise, and air emissions, including dust, as well as the handling, use and disposal of hazardous and non-hazardous waste materials. These laws also create a shared liability by responsible parties for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. We therefore may have to remove or mitigate the environmental effects of the disposal or release of these substances at CEMEX, Inc.'s various operating facilities or elsewhere. We believe that our current procedures and practices for handling and managing materials are generally consistent with the industry standards and legal and regulatory requirements and that we take appropriate precautions to protect employees and others from harmful exposure to hazardous materials.

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

U.S. Anti-Dumping Sunset Reviews

Under the U.S. anti-dumping and countervailing duty laws, the Commerce Department and the International Trade Commission 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 commenced in August 1999 for cases involving gray Portland cement and clinker from Mexico and Venezuela (described below), which had orders and agreements issued before 1995, and were concluded by the Commerce Department in July 2000 and by the ITC in October 2000.

U.S. Anti-Dumping Rulings—Mexico

During 2001, exports of Mexican gray cement, measured by volume, into the United States by our Mexican operations represented approximately 62.6% of total gray cement exports and approximately 4.2% 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.

In July 2000, the Commerce Department determined not to revoke the anti-dumping order. On October 5, 2000, the ITC found likelihood of injury to the U.S. industry and determined not to revoke the anti-dumping order. Thus, the order remains in place. The next possibility for review is July 2006; however, on September 19, 2001, CEMEX filed a petition for a "changed circumstances" review. The International Trade Commission decided in December 2001 not to initiate such a review.

As of December 31, 2001, CEMEX Corp., our U.S. subsidiary that imports Mexican cement into the United States, had accrued liabilities of U.S.$77.1 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the Commerce Department in its administrative reviews.

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

On March 19, 2002, the Commerce Department published in the Federal Register the final results of the tenth review period. The Commerce Department determined that during the tenth review period the antidumping margin was 50.98% *ad valorem*. Accordingly, the cash antidumping duty deposit of 50.98% *ad valorem* will remain in effect until the Commerce Department publishes its final results for the eleventh review period. On October 1, 2001, the Commerce Department initiated the eleventh administrative review, covering the period August 1, 2000 through July 31, 2001. The Commerce Department is expected to publish its preliminary results for the eleventh review period in September 2002.

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 the U.S. Court of International Trade, or the CIT. Liquidation commenced in March 1994. Customs Service has liquidated entries covered by this review period.
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. Customs Service has liquidated entries covered by this review period.
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. Customs Service has liquidated entries covered by this review period.
8/1/94-7/31/95	42.74%, 61.85% (effective 5/19/95)	73.69% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/95-7/31/96	61.85%	37.49% determined by the Commerce Department. Liquidation suspended pending NAFTA panel review.
8/1/96-7/31/97	61.85%, 73.69% (effective 5/5/97)	49.58% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/97-7/31/98	73.69%, 35.88% and 37.49% (effective 5/4/98)	45.98% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/98-7/31/99	37.49%, 49.58% (effective 3/17/99)	38.65% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/99-7/31/00	49.58%, 45.98% (effective 3/16/2000)	50.98% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/00-7/31/01	49.58%, 38.65% (effective 5/14/2001)	Currently under by the Commerce Department.
8/1/01-to date	38.65%, 50.98% (effective 3/19/2002)	Subject to review by the Commerce Department.

U.S. Anti-Dumping Rulings—Venezuela

On May 21, 1991, U.S. producers of gray cement and clinker filed petitions with the Commerce Department and the International Trade Commission, or ITC, claiming that imports of gray cement and clinker from Venezuela were subsidized by the Venezuelan government and were being dumped into the U.S. market. The producers asked the U.S. government to impose anti-dumping and countervailing duties on these imports. These claims arose prior to our acquisition of our Venezuelan operations in 1994, but for purposes of the following discussion, we refer to the actions taken by the predecessor company as actions taken by CEMEX Venezuela. CEMEX Venezuela vigorously contested the dumping claim and the countervailing duty claim, and both cases were suspended.

The Commerce Department's preliminary determination regarding the dumping claim was published on November 4, 1991. The Commerce Department initially found that CEMEX Venezuela had a dumping margin of 49.2%. Rather than proceeding with the final Commerce Department and ITC determinations, CEMEX Venezuela and the Commerce Department entered into an Anti-Dumping Suspension Agreement on February 11, 1992. Under the Anti-Dumping Suspension Agreement, CEMEX Venezuela agreed not to sell gray cement or clinker in the United States at a price less than the ''foreign market value.'' The foreign market value was determined by the Commerce Department based on information provided by CEMEX Venezuela each quarter. CEMEX Venezuela was required to report to the Commerce Department sales in the U.S. market, costs of production and related data. During its sunset review of the Anti-Dumping Suspension Agreement, the ITC determined that terminating the agreement would not likely lead to a continuation or recurrence of injury to the U.S. market, and voted to terminate the Anti-Dumping Suspension Agreement on October 5, 2000. Consequently, on November 8, 2000, the Commerce Department issued a notice terminating the Anti-Dumping Suspension Agreement in the Federal Register.

Anti-Dumping in Taiwan

Five Taiwanese cement producers—Asia Cement Corporation, Taiwan Cement Corporation, Lucky Cement Corporation, Hsing Ta Cement Corporation and China Rebar—filed before the Tariff Commission under the Ministry of Finance (MOF) of Taiwan an anti-dumping case involving imported gray Portland cement and clinker from the Philippines and Korea.

In a letter dated July 19, 2001, the MOF informed the petitioners and the respondent producers in exporting countries that a formal investigation has been initiated. Among the respondents in the petition are APO, Rizal and Solid Cement Corporation, indirect subsidiaries of CEMEX, which received their anti-dumping questionnaires from the International Trade Commission under the Ministry of Economic Affairs (ITC-MOEA) on August 2, 2001, and from the MOF on August 16, 2001.

Rizal and Solid replied to the ITC-MOEA by confirming that they were not exporting cement/clinker during the covered period. On the other hand, in its position paper filed on August 18, 2001 and in the public hearing held on August 20, 2001, APO contested the allegation of "injury" in the anti-dumping proceedings before the ITC-MOEA.

In a letter dated October 2, 2001, the ITC-MOEA notified the respondent producers about the result of the preliminary injury investigation and its determination that there is a reasonable indication that an industry in Taiwan is materially injured by reason of imports of Portland cement and clinker from South Korea and the Philippines that are alleged to be sold in Taiwan at less than normal value. In keeping with the implementing regulations on the imposition of antidumping duties in Taiwan, the ITC-MOEA has transferred the case to the MOF for further investigation.

On October 12, 2001 and November 2, 2001, APO filed its replies to the MOF questionnaire to contest the allegation of "dumping" in the anti-dumping proceedings before the MOF. In a letter dated January 22, 2002, the MOF notified the petitioner and respondents that it adopted on January 15, 2002 a resolution preliminarily finding that there was "dumping" and resolving that investigation on the issue of "dumping" shall continue, but that no provisional anti-dumping duty shall be imposed. The final determination of MOF is expected, subject to extensions which MOF may deem appropriate, during the second quarter of 2002.

Tax Matters

As of December 31, 2001, we and some of our Mexican subsidiaries have been notified of several tax assessments determined by the Mexican tax office in respect to the tax years from 1992 through 1996 in a total amount of Ps3,114.3 million. The tax assessments are based primarily on claims of: (i) disallowed deductions resulting from social security expenses, (ii) recalculation of the inflationary tax deductions and (iii) improper calculation of the tax losses of some of our controlled subsidiaries. We have filed an appeal for each of these tax claims before the Mexican federal tax court, and the appeals are pending resolution. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar claims, we believe that these claims will not have a material adverse effect on us. However, an adverse resolution of these claims could have a material adverse effect on our results of operations.

Other Legal Proceedings

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

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

As of December 31, 2001, CEMEX, Inc. had accrued liabilities specifically relating to environmental matters in the aggregate amount of U.S.$28.9 million. The environmental matters relate to: in the past, in accordance with industry practice, disposing of various materials, which might be categorized as hazardous substances or wastes; and the cleanup of sites used or operated by CEMEX, Inc., including discontinued operations, in regard to the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, CEMEX, Inc. considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, CEMEX, Inc. does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

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.

Item 5 - Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our financial statements included elsewhere in this annual report. Our financial statements have been prepared in accordance with Mexican GAAP, which differ in significant respects from U.S. GAAP. See Note 21 to our consolidated financial statements, included elsewhere in this annual report, for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

Mexico experienced annual inflation rates of 12.3% in 1999, 9.03% in 2000 and 4.56% in 2001. Mexican GAAP requires that our consolidated financial statements recognize the effects of inflation. Consequently, financial data for all periods in our consolidated financial statements and throughout this annual report, except as otherwise noted, have been restated in constant Mexican Pesos as of December 31, 2001. See Note 2B to our consolidated financial statements included elsewhere in this annual report.

The percentage changes in cement sales volumes described in this annual report for our operations in a particular country include the number of tons of cement sold to our operations in other countries. Likewise, unless otherwise indicated, the net sales financial information presented in this annual report for our operations in each country include the Mexican 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, 1999, 2000 and 2001 by principal geographic area expressed as an approximate percentage of our total consolidated group before eliminations resulting from consolidation. We operate in countries with economies in different stages of development and structural reform, some of which are subject to fluctuations in exchange rates, inflation and interest rates. These economic factors may affect our results of operations and financial condition depending upon the depreciation or appreciation of the exchange rate of each country in which we operate compared to the Mexican 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 Mexican Pesos, and (2) the rates of inflation used for the restatement of our financial information to constant Mexican Pesos, as of the latest balance sheet presented, may affect the comparability of our results of operations and consolidated financial position from period to period.

	% Mexico	% United States	% Spain	% Venezuela	% Colombia	% Egypt	% Philippines	% Central America and the Caribbean	% Others	Total	Eliminations	Consolidated
	(in millions of constant Mexican Pesos except percentages)											
Net Sales For the Period Ended:												
December 31, 1999	44%	11%	15%	9%	3%	—	2%	7%	9%	50,539	(4,011)	46,528
December 31, 2000	44%	13%	14%	8%	3%	3%	2%	8%	5%	58,805	(5,273)	53,532
December 31, 2001	35%	26%	10%	6%	3%	2%	2%	6%	10%	70,748	(7,261)	63,487
Operating Income For the Period Ended:												
December 31, 1999	72%	9%	17%	9%	3%	—	—	5%	-15%	13,844	—	13,844
December 31, 2000	70%	7%	15%	8%	5%	4%	1%	5%	-15%	15,751	—	15,751
December 31, 2001	65%	19%	12%	9%	6%	2%	1%	4%	-18%	15,161	—	15,161
Total Assets at:												
December 31, 1999	33%	5%	14%	7%	6%	4%	5%	4%	22%	143,625	(29,288)	114,337
December 31, 2000	25%	23%	10%	6%	4%	3%	4%	3%	22%	186,071	(35,982)	150,089
December 31, 2001	22%	17%	7%	4%	3%	3%	3%	3%	38%	259,140	(110,309)	148,831

Critical Accounting Policies

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican GAAP, which differ in significant respects from U.S. GAAP. See Note 21 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.

Pursuant to our application of Mexican GAAP, we have identified below accounting policies critical to understanding the overall financial reporting of CEMEX.

Income Taxes

Our operations are subject to taxation in many different jurisdictions throughout the world. Under Mexican GAAP, we recognize deferred tax assets and liabilities using a balance sheet methodology which requires a determination of the differences between the financial statements carrying amounts and the tax basis of assets and liabilities. Also, consolidation of our foreign subsidiaries and translation into Mexican GAAP for such purposes, including the recognition of inflationary effects discussed below, gives rise to permanent differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Our worldwide tax position is highly complex and subject to numerous laws which require interpretation and application and which are not consistent among the countries in which we operate. Our overall strategy is to structure our worldwide operations to take greatest advantage of opportunities provided under the tax laws of the various jurisdictions to minimize or defer the payment of income taxes on a consolidated basis.

Many of the activities we undertake in pursuing this tax reduction strategy are highly complex and involve interpretations of tax laws and regulations in multiple jurisdictions and are subject to review by the relevant taxing authorities. It is possible that the taxing authorities could challenge our application of these regulations to our operations and transactions. The taxing authorities have in the past challenged interpretations that we have made and have assessed additional taxes. Although we have from time to time paid some of these additional assessments, in general we believe that we have been successful in sustaining our positions. No assurance can be given, however, that we will continue to be as successful as we have been in the past. Significant judgment is required to appropriately assess the amounts of tax assets. We record tax assets when we believe that the recoverability of the asset is determined to be more likely than not in accordance with established accounting principles. If we determine that this determination can not be made, a valuation allowance is established to reduce the carrying value of the asset.

Recognition of the effects of inflation

Under Mexican GAAP, the financial statements of each subsidiary are restated to reflect the loss of purchasing power (inflation) of their functional currency. The inflation effects arising from holding monetary assets and liabilities are reflected in the income statements as monetary position result. Inventories, fixed assets and deferred charges, with the exception of fixed assets of foreign origin and the equity accounts, are restated to account for inflation using the consumer price index applicable in each country. The result is reflected as an increase in the carrying value of each item. Fixed assets of foreign origin are restated using the inflation index of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency. The difference between the inflation of the country and the factor utilized to restate a fixed asset of foreign origin is presented in consolidated stockholders' equity in the line item Effects from Holding Non-Monetary Assets. Income statement accounts are also restated by inflation into constant Mexican Pesos as of the reporting date.

In the event of a sudden increase in the rate of inflation in Mexico, the adjustment that the market makes on the exchange rate of the Mexican Peso against other currencies resulting from such inflation is not immediate and may take several months, if it occurs at all. In this situation, the value expressed in the consolidated financial statements for fixed assets of foreign origin will be understated in terms of Mexican inflation, given that the restatement factor arising from the inflation of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the Mexican Peso will not offset the Mexican inflation.

A sudden increase in inflation could also occur in other countries in which we operate.

Foreign currency translation

As mentioned in the preceding subheading, the financial statements of consolidated foreign subsidiaries are restated for inflation in their functional currency based on the subsidiary country's inflation rate. Subsequently, the restated financial statements are translated into Mexican Pesos using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and income statement accounts.

In the event of an abrupt and deep devaluation of the Mexican Peso against the U.S. Dollar, which would not be aligned with a corresponding inflation of the same magnitude, the carrying amounts of the Mexican assets, when presented in convenience translation into U.S. Dollars, will show a decrease in value, in terms of dollars, by the difference between the devaluation rate and the inflation rate.

Derivative financial instruments

As mentioned in note 2N to our consolidated financial statements included elsewhere in this annual report, in accordance with the controls and procedures established by our financial risk management department, we use derivative financial instruments such as interest rate and currency swaps, currency and stock forward contracts, options and futures, in order to reduce risks associated with changes in interest rates and foreign exchange rates of debt agreements and as a vehicle to reduce financing costs, as well as hedges of: (i) forecasted transactions to purchase fuels and electric power, (ii) CEMEX's net investments in foreign subsidiaries and (iii) the future exercise of options under our stock option plans and/or as an alternative source of financing. Some of these instruments have been designated as hedges of CEMEX's production costs as well as debt or equity instruments.

Effective January 1, 2001, we adopted Bulletin C-2 *Financial Instruments* ("Bulletin C-2"), which requires the recognition of all derivative financial instruments in the balance sheet as assets or liabilities, at their estimated fair value, with changes in such values being recorded in the income statement, including instruments related to forecasted transactions. When transactions are entered for hedging purposes, the related derivative financial instruments are valued using the same valuation criteria applied to the hedged assets or liabilities and the valuation effects are required to be recognized in the income statement, net of the cost, expense or income generated by the hedged assets or liabilities. Premiums paid or received on hedge derivative instruments are deferred and amortized over the life of the underlying hedged instrument or immediately when they are settled; in other cases, premiums are recorded in the income statement, at the time that they are received or paid. See Notes 10, 11 and 15 to our consolidated financial statements, included elsewhere in this annual report.

Pursuant to the accounting principles established by Bulletin C-2, our balance sheets and income statements are subject to the volatility arising from variations in interest rates, exchange rates, share prices and other conditions established in our derivative instruments. The estimated fair value represents a valuation effect at the reporting date, and the final cash inflows or outflows that we will receive or make to our counterparties will not be known until settlement of the derivative instruments occurs.

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

Impairment of long-lived assets

Our balance sheet reflects significant amounts of goodwill and fixed assets associated with our operations throughout the world. Many of these amounts have resulted from past acquisitions, which required us to reflect

these assets at their fair market values at the dates of acquisition. As discussed herein, we have made a significant number of acquisitions in recent years. We assess the recoverability of our long-lived assets whenever events or circumstances arise that we believe trigger a requirement to review such carrying values. This determination requires substantial judgment and is highly complex when considering the myriad of countries in which we operate, each of which has its own economic circumstances that have to be monitored. Additionally, we monitor the lives assigned to these long-lived assets for purposes of depreciation and amortization. This determination is subjective and is integral to the determination of whether an impairment has occurred.

Transactions in our own stock

We have entered into various transactions involving our own stock. These transactions have been designed to achieve various financial goals but were primarily executed to give us a means of satisfying future transactions that may require us to deliver significant numbers of shares of our own stock. These transactions are described in detail in the notes to our consolidated financial statements. We view these transactions as hedges against future exposure even though they do not meet the definition of hedges under accounting principles. There is significant judgment necessary to properly account for these transactions. Additionally, there is the possibility that these transactions will require us to acquire substantial numbers of our own shares without having a converse need to deliver such shares to other parties. Also, in some cases, the obligations underlying two related transactions are required to be reflected at market value, with the changes in such value reflected in our statement of operations. There is the possibility that we could be required to reflect losses on the transactions in our own shares without having a converse reflection of gains on the transactions under which we would deliver such shares to others.

Consolidation of Our Results of Operations

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

For the periods presented, our consolidated results reflect the following transactions:

- In the fourth quarter of 1997, we acquired a 30% economic interest in Rizal, and in November 1998, we increased our economic interest in Rizal to 70% and thus began consolidating the results of operations of Rizal. In February 1999, we acquired a 99.9% economic interest in APO. On September 30, 1999, we contributed our interests in Rizal and APO to CAH, in which we then held an 86.2% interest. In October 2000, additional investors subscribed for an additional 8.8% interest in CAH. As a result, our interest in CAH at December 31, 2001 was 77.4% and our economic interests in Rizal and APO were approximately 54% and 77%, respectively. See "—Investments, Acquisitions and Divestitures" and Note 7 to our consolidated financial statements included elsewhere in this annual report.

- During 1998, we acquired a 16.3% ownership interest in Gresik, 2.3% of which was accounted for as other investments in 1998, and, in January 1999, we increased our ownership interest in Gresik to approximately 25.5%. In October 2000, we sold our interest in Gresik to CAH. As a result our economic interest in Gresik was reduced to approximately 19.8%. Our minority interest in Gresik has been accounted for under the equity method and is included in the investments in affiliated companies' caption. See Note 7 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 1999, we increased our equity interest in Cementos Diamante to approximately 92.3% of total share capital including preferred and ordinary shares, and to approximately 99.3% of ordinary shares. In July 2000, we further increased our equity interest in Cementos Diamante to 98.2% of total share capital.

- In April 1999, we acquired a 15.8% interest in Cementos del Pacífico in Costa Rica. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%. Our consolidated financial statements for the year ended December 31, 1999 include the balance sheet of Cementos del Pacífico and its results of operations for the three-month period ended December 31, 1999. In May 2001, we further increased our interest in Cementos del Pacífico to 98.2%. As of December 31, 2001, our interest in Cementos de Pacífico was 98.3%.

- In June 1999, we acquired an 11.9% interest in Cementos Bio Bio in Chile, which is accounted for under the equity method. See Note 7 to our consolidated financial statements included elsewhere in this annual report.

- In November 1999, we acquired a 77% interest in Assiut. In June 2000, we increased our interest in Assiut to 90%. In November 2000, we further increased our interest in Assiut to 92.9%. Our consolidated financial statements for the year ended December 31, 1999 include Assiut's results of operations for one month only. In January 2001, we further increased our interest in Assiut to 95.8%. See Note 7 to our consolidated financial statements included elsewhere in this annual report.

- In November 2000, we acquired 100% of the outstanding shares of common stock of Southdown, now CEMEX Inc., in the United States. Our consolidated financial statements for the year ended December 31, 2000 include the results of operations of CEMEX, Inc. for the two-month period ended December 31, 2000. See Note 7 to our consolidated financial statements included elsewhere in this annual report.

- In November 2000, we increased our equity interest in CEMEX Venezuela from approximately 72.6% to 75.7%.

In May 2001, we acquired a 100% economic interest in Saraburi for total consideration of approximately U.S.$73 million through CAH. As a result, our economic interest in Saraburi is approximately 77.4%. Our consolidated financial statements for the year ended December 31, 2001 include Saraburi's results of operations for the seven-month period ended December 31, 2001.

Results of Operations

The following table sets forth selected consolidated income statement data for CEMEX for each of the three years ended December 31, 1999, 2000, and 2001 expressed as a percentage of net sales.

	Year Ended December 31,		
	1999	**2000**	**2001**
Net sales	100.0%	100.0%	100.0%
Cost of sales	(55.7)	(55.9)	(56.2)
Gross profit	44.3	44.1	43.8
Operating expenses:			
Administrative	(10.8)	(11.1)	(11.4)
Selling	(3.7)	(3.6)	(8.5)
Total operating expenses	(14.5)	(14.7)	(19.9)
Operating income	29.8	29.4	23.9
Net comprehensive financing income (cost):			
Financial expense	(10.1)	(8.3)	(5.9)
Financial income	0.8	0.4	0.6
Foreign exchange gain (loss), net	0.6	(0.5)	2.2
Gain (loss) on valuation of marketable securities and other investments	0.1	(0.1)	2.9
Monetary position gain	8.0	5.4	4.0
Net comprehensive financing income (cost)	(0.6)	(3.1)	3.8
Other expenses, net.	(6.1)	(4.2)	(6.0)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates	23.1	22.1	21.7
Income tax and business assets tax, net	(1.4)	(2.8)	(2.4)
Employees' statutory profit sharing	(0.8)	(0.6)	(0.4)
Total income taxes, business assets tax and employees' statutory profit sharing	(2.2)	(3.4)	(2.8)
Income before equity in income of affiliates	20.9	18.7	18.9
Equity in income of affiliates	0.5	0.5	0.3
Consolidated net income	21.4	19.2	19.2
Minority interest net income (loss)	1.2	1.4	2.2
Majority interest net income	20.2	17.8	17.0

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net Sales

Our net sales increased 18.6% from Ps53,532 million in 2000 to Ps63,487 million in 2001. The increase was attributable to stronger pricing, greater domestic cement demand in many of our markets and the consolidation of the results of operations of Southdown, now CEMEX, Inc., in the United States for the entire year in 2001 compared to just two months in 2000. Our cement sales volumes increased 17.9%, from 51.9 million tons in 2000 to 61.2 million tons in 2001. Ready-mix concrete sales volumes increased 15%, from 15.8 million cubic meters in 2000 to 18.2 million cubic meters in 2001.

Our Mexican operations' domestic cement sales volumes decreased 7% in 2001 compared to 2000, and ready-mix concrete sales volumes decreased 3% during the same period. These decreases in sales volumes were primarily attributable to decreased demand from both the commercial and retail construction sectors as a result of the slowdown in economic growth during 2001. Our Mexican operations' cement export volumes, which represented 10% of our Mexican cement sales volumes in 2001, decreased 10% in 2001 compared to 2000 due mainly to a stronger Mexican Peso. Of our Mexican operations' cement export volumes during 2001, 36% was shipped to Central America and the Caribbean, 63% to the United States and 1% to South America. The average

cement price in Mexico decreased 4% in constant Peso terms in 2001 compared to 2000, and the average ready-mix concrete price decreased 6% in constant Peso terms over the same period.

Our United States operations include CEMEX, Inc., formerly Southdown, which we acquired in November 2000. CEMEX, Inc.'s results of operations were consolidated into our results of operations for all of 2001, but only for the last two months of 2000. Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 183% in 2001 compared to 2000, and ready-mix concrete sales volumes increased 81% during the same period. The increase in cement sales volumes and ready-mix concrete sales volumes was primarily as a result of our acquisition of Southdown in the United States, which accounted for substantially all of the increase, as well as increased demand in the public works sector, particularly in highway construction, which continues to be the strongest source for cement demand growth. Our United States operations' average sales price of cement increased 1% in Dollar terms in 2001 compared to 2000, and the average price of ready-mix concrete increased 7% in Dollar terms over the same period as a result of market conditions.

Our Spanish operations' domestic cement sales volumes increased 4% in 2001 compared to 2000, and ready-mix concrete sales volumes increased 5% during the same period. The increase in sales volumes was primarily driven by increased public works spending and the non-residential private sector, which is also growing, while residential construction has slowed due to less private sector spending and lower real wages. Our Spanish operations' cement export volumes, which represented 4% of our Spanish cement sales volumes in 2001, decreased 42% in 2001 compared to 2000 as cement production was targeted to meet high domestic demand. Of our Spanish operations' total cement export volumes during 2001, 28% was shipped to Europe and the Middle East, 33% to Africa and 39% to the United States. In addition, the average domestic sales price of cement increased 2% in Peseta terms during 2001 compared to 2000 due to changes in product mix. Over the same period, the average sales price of ready-mix concrete increased 5% in Peseta terms, as a result of strong domestic demand.

Our Venezuelan operations' domestic cement sales volumes increased 4% in 2001 compared to 2000, and ready-mix concrete sales volumes decreased 7% during the same period. The increase in domestic cement sales volumes was mainly driven by the self-construction sector. The decrease in ready-mix concrete sales volumes was primarily attributable to reduced spending on public works and the formal sector. Our Venezuelan operations' cement export volumes, which represented 47% of our Venezuelan cement sales volumes in 2001, decreased 17% in 2001 compared to 2000, primarily as a result of a decrease in exports to the Caribbean region. Of our Venezuelan operations' total cement export volumes during 2001, 64% was shipped to the United States, 30% to Central America and the Caribbean and 6% to South America. In addition, our Venezuelan operations' average domestic sales price of cement decreased 1% in constant Bolivar terms for 2001 compared to 2000, and the average sales price of ready-mix concrete decreased 3% in constant Bolivar terms over the same period as a result of increased competition in Venezuela.

Our Colombian operations' domestic cement sales volumes in 2001 decreased 8% compared to 2000, and ready-mix concrete sales volumes decreased 3% during the same period. The decrease in domestic cement sales volumes was due to a reduction in the construction activity resulting mainly from slower economic activity, a higher unemployment rate and a lower number of home mortgage loans. The decrease in ready-mix concrete sales volume was primarily due to declining demand in the public sector as a result of the conclusion of major projects. A higher unemployment rate and lower disposable income resulted in lower demand in the private sector, despite a slight increase in private investment in residential and non-residential projects. During 2001, our Colombian operations' average sales price of cement increased by approximately 17% in Colombian Peso terms compared to 2000. This increase in prices followed several years of declining prices following the Colombian economic recession. The average sales price of ready-mix concrete increased 19% in Colombian Peso terms for the same period, partially in response to strong domestic demand in the first quarter of 2001 and partially as a result of demand for concrete with higher quality specifications related to a public works project. Even though there has been a moderate increase in cement demand in Colombia, significant excess cement production capacity still exists in the Columbian market.

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama, Costa Rica, and Nicaragua, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement that was produced by our operations in Venezuela and Mexico. Our Central American and Caribbean operations' domestic cement sales volumes increased 6% in 2001 compared to 2000. Excluding our trading operations in the Caribbean region, our Central American and

Caribbean operations' domestic cement sales volumes increased 7% in 2001 compared to 2000 as a result of the inclusion of operations in Nicaragua, which accounted for approximately 11% of cement sales volumes in the region, and an increase in sales volume in Costa Rica. Our Central American and Caribbean operations' ready-mix concrete sales volumes decreased 22% in 2001 compared to 2000, primarily as a result of a 29% decrease in our Panamanian operations, and a 15% decrease in our Dominican Republic operations during the same period, which were primarily attributable to economic recession in both countries. In addition, our Caribbean region trading operations' cement sales volumes increased approximately 2% in 2001 compared to 2000 due to continued demand from public infrastructure projects, as well as private commercial and tourist developments. Our Central American and Caribbean operations' average domestic sales price of cement decreased 8% in Dollar terms in 2001 compared to 2000, primarily as a result of decreased prices in the Dominican Republic.

Our Philippines operations' domestic cement sales volumes decreased 11% in 2001 compared to 2000 due to the continuing negative political and economic environment in the Philippines and increased competition from imports, particularly from Taiwan, Japan and the People's Republic of China. The construction sector of the economy remained weak as a result of reduced public spending and cautious investor sentiment. Our Philippine operations' average domestic sales price of cement increased 14% in Philippine Peso terms during 2001 compared to 2000.

Our Thai operations include Saraburi, which we acquired in May 2001 through CAH, our 77.4%-owned subsidiary. Saraburi's results of operations are consolidated into our results of operations for the last seven months of 2001 only. Our Thai operations had net sales of U.S.$20.5 million and operating income of U.S.$4.3 million in 2001. Cement prices in Thailand are indirectly controlled by the Thai government. According to the Thailand Fellowship of Cement Manufacturers (TCFM), cement domestic consumption increased 2.2%, from 17 million tons in 2000 to 18.3 million tons in 2001.

Our Egyptian operations' domestic cement sales volumes increased by 5% in 2001 compared to 2000. The increase in domestic cement sales volumes was primarily attributable to sales in southern Egypt during the fourth quarter of 2001, in which we had no presence in 2000, and by successful marketing programs. Public spending in Egypt remained stable during 2001 while the private sector remained depressed. Our Egyptian operations' average sales price of cement decreased by approximately 4% in Egyptian Pound terms during 2001 compared to 2000, as a result of sales in southern Egypt, which command lower prices. Egyptian cement prices are indirectly controlled by the Egyptian government as a result of the government's control of almost 50% of the industry's capacity. Cement consumption in Egypt, according to our estimates, rose 1.3% in 2001.

Cost of Sales

Our cost of sales, including depreciation, increased 19% from Ps29,913 million in 2000 to Ps35,710 million in 2001, primarily attributable to an increase in sales volumes and the consolidation of the results of operations of CEMEX, Inc. in the United States for the entire year in 2001 compared to just two months in 2000. These increases were partially offset by the reclassification, beginning in 2001, of the expenses related to our products distribution as operating expenses in the income statement. During 2000, such expenses were accounted for on the income statement as cost of sales totalling approximately Ps2,172. As a percentage of sales, cost of sales increased from 55.9% in 2000 to 56.2% in 2001.

Gross Profit

For the reasons mentioned above, our gross profit increased by 18% from Ps23,619 million in 2000 to Ps27,777 million in 2001. Our gross margin decreased from 44.1% in 2000 to 43.8% in 2001. This decrease reflects the consolidation of CEMEX, Inc.'s results into our results of operations for the entire year in 2001 compared to just two months in 2000. Historically, CEMEX, Inc.'s gross margins have been less than our company-wide average gross margins. The decrease also reflects changes in our product mix and higher energy costs.

Operating Expenses

Our operating expenses increased 60% from Ps7,869 million in 2000 to Ps12,616 million in 2001. This increase primarily results from the reclassification, beginning in 2001, of the expenses related to our products

distribution as selling expenses in the income statement. During 2000, such expenses were accounted for on the income statement as cost of sales totalling approximately Ps2,172. In addition, a portion of the increase is related to the consolidation of CEMEX, Inc.'s results into our results of operations for the entire year in 2001 compared to just two months in 2000. As a percentage of sales, our administrative and selling expenses increased from 14.7% in 2000 to 19.9% in 2001.

The reclassification mentioned in the paragraph above has no effect on operating income, net income and/or earnings per share for the year ended December 31, 2000.

Operating Income

For the reasons described above, our operating income decreased 4% from Ps15,751 million in 2000 to Ps15,161 million in 2001.

Comprehensive Financing Income (Cost)

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

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

	Year Ended December 31,	
	2000	**2001**
	(in millions of constant Pesos)	
Net comprehensive financing income (cost):		
Financial expense	Ps (4,446)	Ps (3,776)
Financial income	234	374
Foreign exchange gain (loss), net	(287)	1,410
Gain (loss) on valuation of marketable securities and other investments	(73)	1,832
Monetary position gain	2,917	2,587
Net comprehensive financing income (cost)	Ps (1,655)	Ps 2,427

Our net comprehensive financing income (cost) increased from a loss of Ps1,655 million in 2000 to a gain of Ps2,427 million in 2001. The components of the net increase are set forth below. Our financial expense was Ps3,776 million for 2001, a decrease of 15% from Ps4,446 million in 2000. The decrease was primarily attributable to lower average interest rates and debt reduction. Our financial income increased 60% from Ps234 million in 2000 to Ps374 million in 2001. Our net foreign exchange results increased to a gain of Ps1,410 million in 2001 from a loss of Ps287 million in 2000. The foreign exchange gain in 2001 is mainly attributable to an appreciation of the Peso against the Dollar in 2001 as compared to 2000 and the depreciation of the Yen during 2001. Our gain (loss) from valuation of marketable securities increased from a loss of Ps73 million in 2000 to a gain of Ps1,832 million in 2001, primarily as a result of the recognition, beginning in 2001, of the estimated fair value of our derivative instruments portfolio (see notes 10, 11 and 15 to our consolidated financial statements included elsewhere in this annual report) and a one-time gain of approximately U.S.$131 million from the sale of our shares of Grupo Financiero Banamex Accival. Our monetary position gain decreased 11% from Ps2,917 million during 2000 to Ps2,587 million during 2001, as a result of a lower average debt level and a lower weighted average inflation index in 2001 as compared to 2000.

Other Expenses, Net

Our other expenses for 2001 were Ps3,824 million, a 71% increase from Ps2,231 million in 2000. The increase was primarily attributable to higher amortization of goodwill from newly acquired operations, including a full amortization of goodwill of CEMEX, Inc., in addition to a non-recurring expense related to a voluntary exchange program of options under the company stock option plan.

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

Our tax expense, consisting of income taxes and business assets tax, increased from Ps1,504 million in 2000 to Ps1,530 million in 2001. Our average statutory income tax rate in 2001 was approximately 35%. Our effective tax rate was 11.1% in 2001 compared to 12.7% in 2000. The decrease in the effective tax rate primarily resulted from a lower amount of non-deductible expenses in 2001 compared to 2000. Employees' statutory profit sharing decreased from Ps341 million during 2000 to Ps217 million during 2001. As in 2000, in 2001 we were able to benefit from the difference between book and tax inflation. As a result of tax law changes, we will not be able to take advantage of this benefit in future periods.

In 2000, we adopted the provisions of Bulletin D-4 "Income Tax, Business Assets Tax and Employees' Profit Sharing" issued by the Mexican Institute of Public Accountants. Beginning January 1, 2000, companies reporting under Mexican GAAP are required to provide for deferred taxes using the balance sheet methodology. Under this methodology, deferred tax assets or liabilities are recognized by applying the statutory tax rate to the net amount of temporary differences between the book value of assets and liabilities as compared to the corresponding value for tax purposes, applying when available the tax loss carry-forwards, as well as the business asset tax balances or other tax credits to be recovered. See Note 16B to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

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

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2001 increased 19%, from Ps10,260 million in 2000 to Ps12,207 million in 2001. The percentage of our consolidated net income allocable to minority interests increased from 7% in 2000 to 12% in 2001, partially as a result of the preferred equity dividend from the financing of our acquisition of Southdown at the end of 2000. Majority interest net income increased by 13%, from Ps9,517 million in 2000 to Ps10,801 million in 2001. As a percentage of net sales, majority interest net income decreased from 17.8% in 2000 to 17.0% in 2001.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net Sales

Our net sales increased 15% from Ps46,528 million in 1999 to Ps53,532 million in 2000. The increase was attributable to stronger pricing, greater domestic cement demand in many of our markets and the consolidation during the last two months of 2000 of the results of operations of Southdown in the United States, which accounted for approximately 20% of the increase. Our cement sales volumes increased 20%, from 43.2 million tons in 1999 to 51.9 million tons in 2000. Ready-mix concrete sales volumes increased 14%, from 13.9 million cubic meters in 1999 to 15.8 million cubic meters in 2000.

Our Mexican operations' domestic gray cement sales volumes increased 5% in 2000 compared to 1999, and ready-mix concrete sales volumes increased 13% over the same period. These increases in sales volumes were primarily attributable to increased demand during 2000 from both the commercial and retail construction sectors as

well as government investments in low income housing programs, even though in the last quarter of 2000, Mexico experienced a slowdown in the construction sector with the government transition following the Mexican presidential elections, and several major infrastructure projects were suspended. Our Mexican operations' cement export volumes, which represented 10% of our Mexican cement sales volumes in 2000, remained at approximately the same levels in 2000 compared to 1999. Of our Mexican operations' cement export volumes during 2000, 51% was shipped to Central America and the Caribbean, 47% to the United States and 2% to South America. The average cement price in Mexico increased 1% in constant Peso terms in 2000 compared to 1999, and the average ready-mix concrete price increased 4% in constant Peso terms over the same years.

Our Spanish operations' domestic cement sales volumes increased 13% in 2000 compared to 1999, and ready-mix concrete sales volumes increased 14% during the same period. The increase in sales volumes was primarily attributable to strong demand in the housing and non-residential sectors of the Spanish economy. Our Spanish operations' cement export volumes decreased 62% in 2000 compared to 1999 as cement production was targeted to meet high domestic demand. Of our Spanish operations' total cement export volumes during 2000, 27% was shipped to Europe and the Middle East, 20% to Africa and 53% to the United States. In addition, the average domestic sales price of cement increased 1% in Peseta terms during 2000 compared to 1999 due to changes in product mix. Over the same periods, the average sales price of ready-mix concrete increased 8% in nominal Peseta terms, as a result of strong domestic demand.

Our United States operations include CEMEX, Inc., formerly Southdown, which we acquired in November 2000. CEMEX, Inc.'s results of operations are consolidated into our results of operations for the last two months of 2000. Our United States operations' cement sales volumes, which include cement purchased from our other operations, increased 30% in 2000 compared to 1999, and ready-mix concrete sales volumes increased 21% during the same period. The increase in cement sales volumes and ready-mix concrete sales volumes was primarily as a result of our acquisition of Southdown, which accounted for substantially all the increase. Our United States operations' average sales price of cement decreased 2% in Dollar terms in 2000 compared to 1999, and the average price of ready-mix concrete decreased 5% during the same period as a result of increased competition in Texas and California.

Our Venezuelan operations' domestic cement sales volumes increased by 2% in 2000 compared to 1999, and ready-mix concrete sales volumes decreased 11% during the same period. The decrease in ready-mix concrete sales volumes was primarily attributable to the continuing political uncertainty and economic decline in Venezuela, which led to reduced activity in the housing and non-residential sectors of the economy and to reduced public works spending, and, to a lesser extent, the continuing adverse effects from the December 1999 floods in Venezuela. Our Venezuelan operations' cement export volumes, which represented 52% of our Venezuelan cement sales volumes in 2000 and 53% in 1999, decreased 3% in 2000 compared to the same period in 1999, primarily as a result of a decrease in exports to the Caribbean region in 2000 compared to the same period in 1999. Of our Venezuelan operations' total cement export volumes during 2000, 61% was shipped to the United States, 33% to Central America and the Caribbean and 6% to South America. In addition, our Venezuelan operations' average domestic sales price of cement increased 1% in constant Bolivar terms for 2000 compared to 1999, and, over the same periods, the average sales price of ready-mix concrete decreased 4% in Bolivar terms for 2000 compared to 1999 as a result of increased competition.

Our Colombian operations' domestic cement sales volumes in 2000 increased 8% compared to 1999, and ready-mix concrete sales volumes increased 42% during the same period. The increases in domestic cement sales volumes and ready-mix concrete sales volumes were primarily attributable to increased public infrastructure projects in the Bogota region. During 2000, our Colombian operations' average sales price of cement increased by approximately 21% in constant Colombian Peso terms compared to 1999. This increase in prices was due to an improvement in the Colombian economic situation. The average sales price of ready-mix concrete increased 7% in constant Colombian Peso terms for the same period, as a result of strong domestic demand.

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama and Costa Rica, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement that was produced by our operations in Venezuela and Mexico. Our Central American and Caribbean operations' domestic cement sales volumes increased 29% in 2000 compared to 1999. Excluding our trading operations in the Caribbean region, our Central American and Caribbean

operations' domestic cement sales volumes increased 20% in 2000, compared to 1999, as a result of the consolidation of our Costa Rican operations in 2000, but not in 1999. Our Central American and Caribbean operations' ready-mix concrete sales volumes decreased 5% in 2000 compared to 1999, mainly attributable to our Panamanian operations, which decreased 10% during 2000, partially offset by a 2% increase in volumes in the Dominican Republic during the same period. In addition, our Caribbean region trading operations' cement sales volumes increased approximately 48% in 2000 compared to 1999. Continued demand from public infrastructure projects, as well as private commercial and tourist developments, positively affected our operations in this region. Our Central American and Caribbean operations' average domestic sales price of cement increased 2% in Dollar terms in 2000 compared to 1999.

Our Philippine operations' domestic cement sales volumes decreased 12% in 2000 compared to 1999 due to the continuing negative political and economic environment in the Philippines and increased competition from imports, particularly imports from Taiwan, Japan and China. The construction sector of the economy remained weak as a result of reduced public spending and cautious investor sentiment. Our Philippine operations' average domestic sales price of cement increased 33% in nominal Philippine peso terms during 2000 compared to 1999. This increase in prices follows a prolonged decline in prices following the 1997 Asian economic crisis.

Our Egyptian operations consist of Assiut Cement Company, which we acquired in November 1999. Assiut's results of operations are consolidated in our results of operations for all of 2000, but only for one month in 1999. Our Egyptian operations had net sales of Ps1,644 million and operating income of Ps610 million in 2000. Egyptian cement prices are indirectly controlled by the Egyptian government as a result of the government's control of almost 50% of the industry's capacity. According to the Egyptian government, the Egyptian cement industry volumes declined by 4.3% in 2000 compared to 1999.

Cost of Sales

Our cost of sales, including depreciation, increased 15% from Ps25,923 million in 1999 to Ps29,913 million in 2000, primarily attributable to an increase in sales volumes and the consolidation of our November 2000 acquisition of Southdown, which consolidation accounted for approximately 27% of the increase. As a percentage of sales, cost of sales increased from 55.7% in 1999 to 55.9% in 2000.

Gross Profit

For the reasons mentioned above, our gross profit increased by 15% from Ps20,605 million in 1999 to Ps23,619 million in 2000. Our gross margin decreased from 44.3% in 1999 to 44.1% in 2000.

Operating Expenses

Our operating expenses increased 16% from Ps6,761 million in 1999 to Ps7,868 million in 2000, primarily as a result of the consolidation of Southdown into our United States operations in our results for 2000, which accounted for 13% of the increase. As a percentage of sales, our administrative and selling expenses increased from 14.5% in 1999 to 14.7% in 2000.

Operating Income

For the reasons described above, our operating income increased 14% from Ps13,844 million in 1999 to Ps15,751 million in 2000.

Comprehensive Financing Income (Cost)

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

- financial expense on borrowed funds;

- financial income on cash and temporary investments, appreciation or depreciation of marketable securities and the realized gain or loss from the sale of investments;

- foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and

- gains and losses resulting from having monetary liabilities or assets exposed to inflation.

	Year Ended December 31,	
	1999	**2000**
	(in millions of constant Pesos)	
Net comprehensive financing income (cost):		
Financial expense	Ps (4,701)	Ps (4,446)
Financial income	303	234
Foreign exchange gain (loss), net	266	(287)
Gain (loss) on valuation of marketable securities and other Investments	89	(73)
Monetary position gain	3,764	2,917
Net comprehensive financing income (cost)	Ps (279)	Ps (1,655)

Our net comprehensive financing income (cost) increased from a loss of Ps279 million in 1999 to a loss of Ps1,655 million in 2000. The components of the net increase are set forth below. Our financial expense was Ps4,446 million for 2000, a decrease of 6% from Ps4,701 million in 1999. The decrease was primarily attributable to lower average interest rates. Our financial income decreased 22% from Ps303 million in 1999 to Ps234 million in 2000. Our net foreign exchange results decreased to a loss of Ps287 million in 2000 from a gain of Ps266 million in the same period of 1999. The foreign exchange loss in 2000 is mainly attributable to a lesser appreciation of the Peso against the Dollar in 2000 as compared to 1999, and a depreciation of the Colombian peso against the Dollar in 2000 as compared to an appreciation in 1999. Our gain (loss) from valuation of marketable securities decreased from a gain of Ps89 million in 1999 to a loss of Ps73 million in 2000, primarily as a result of changes in the market price of our investments. Our monetary position gain decreased from Ps3,764 million during 1999 to Ps2,917 million during 2000, a decrease of 23% as a result of the decrease in the inflation index in 2000 as compared to the same period in 1999.

Other Expenses, Net

Our other expenses for 2000 were Ps2,231 million, a 22% decrease from Ps2,861 million in 1999. The decrease was primarily attributable to higher amortization of goodwill from newly acquired operations offset in part by higher gains as a result of sales of assets.

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

Our tax expense, consisting of income taxes and business assets tax, increased from Ps659 million in 1999 to Ps1,504 million in 2000. Approximately 65% of this increase was attributable to the recognition of deferred taxes during 2000, in accordance with new accounting rules in Mexico, and the remaining increase was attributable to a lower application of tax loss carryforwards. Our average statutory income tax rate in 2000 was approximately 35%. Our effective tax rate was 12.7% in 2000 compared to 6.2% in 1999. The increase in the effective tax rate primarily results from the deferred income tax expense recorded in expenses in 2000 and a decrease in tax loss carry-forwards available to offset taxable income, which increase was partially offset by a decrease in the difference between book and tax inflation resulting from the utilization in 2000 of a favorable tax ruling. Employees' statutory profit sharing decreased from Ps369 million during 1999 to Ps341 million during 2000.

Majority Interest Net Income

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

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2000 increased 3%, from Ps9,916 million in 1999 to Ps10,260 million in 2000. The percentage of our consolidated net income allocable to minority interests increased from 5% in 1999 to 7% in 2000, partially as a result of the preferred equity dividend recorded in the last two months of 2000. Majority interest net income increased by 1%, from Ps9,373 million in 1999 to Ps9,517 million in 2000. As a percentage of net sales, majority interest net income decreased from 20.2% in 1999 to 17.8% in 2000.

For a description of the reconciliation of our consolidated net income and consolidated stockholders' equity during the periods presented, see note 21 to the consolidated financial statements included elsewhere in this annual report.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through operations of our subsidiaries and expect to continue to do so for both the short-term and long-term. Although cash flow from our operations has historically overall met our liquidity needs for operations, servicing debt and funding acquisitions, our subsidiaries 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 in the countries in which they operate, any one of which may materially reduce our net income and cash from operations. Consequently, we also rely on cost-cutting and continual operating improvements to optimize capacity utilization and maximize profitability as well as to offset the risks associated with having worldwide operations. Our net resources provided by operating activities were Ps14.9 billion in 1999, Ps16.6 billion in 2000 and Ps21.6 billion in 2001.

Our Indebtedness

As of December 31, 2001, we had U.S.$5.4 billion (Ps49.3 billion) of total debt, of which approximately 19% was short-term and 81% was long-term. As of December 31, 2001, 75.6% of our consolidated debt was Dollar-denominated, 14.0% was Japanese Yen-denominated, 8.1% was Euro or Peseta-denominated, 1.9% was Egyptian Pound-denominated and 0.4% was denominated in other currencies, after giving effect to our cross currency swap arrangements discussed elsewhere in this annual report. The weighted average interest rates paid by us in 2001 in our main currencies were 4.95% on our Dollar-denominated debt, 3.23% on our Euro or Peseta-denominated debt and 2.98% on our Yen-denominated debt. The ratio of total indebtedness, including certain transactions that do not qualify as debt instruments under Mexican GAAP and that are used to calculate this ratio for financial covenant purposes, to total capitalization as of December 31, 2001 was approximately 42.8% and as of December 31, 2000 was approximately 45.4%.

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, preferred equity and putable capital securities.

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital investment programs. CEMEX México and Empresas Tolteca de México, two of our principal Mexican subsidiaries, have provided guarantees of our indebtedness in the amount of U.S.$2.2 billion (Ps20.2 billion), as of December 31, 2001. That amount includes subsidiary guarantees of our purchase obligation with respect to the 9.66% Putable Capital Securities issued by one of our subsidiaries, as discussed below. See Item 3 — "Key Information — Risk Factors — Our ability to pay dividends and repay debt depends on our ability to transfer

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

As of December 31, 2001, we and our subsidiaries had lines of credit totaling Ps44 billion at annual rates of interest ranging from 3.2% to 15.6%, 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 Ps20.5 billion as of December 31, 2001. In addition to these lines of credit, from time to time we borrow money from banks and other financial institutions.

In September 1994, one of our subsidiaries leased a cement plant in New Braunfels, Texas. The lease expires on September 9, 2009, and lease payments vary from year to year. Our subsidiary has an option to purchase the plant at the termination of the lease at fair value.

The debt instruments in respect of our and our subsidiaries' indebtedness contain various covenants which, among other things, require us and them 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. From time to time, we have sought and obtained waivers and amendments to some of our and our subsidiaries' debt agreements, principally in connection with acquisitions.

If we were unable to obtain any required waivers, holders of our indebtedness would be able to accelerate the maturity of that indebtedness which, in turn, could constitute a default under our other indebtedness. Those defaults could trigger our obligations to make payments of principal, interest and other amounts under that indebtedness, which could have a material adverse effect on our financial condition. As of December 31, 2001, we were in compliance 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 any future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested. In addition, the CEMEX, Inc. Note and Guarantee Agreement, dated March 15, 2001, described under Item 10 "— Additional Information — Material Contracts," requires us to make all reasonable efforts to ensure that those notes maintain a private letter rating of at least BBB- by Standard & Poor's and Baa3 by Moody's. If these notes fail to maintain this required rating, we would have to pay a step-up in the coupon rate and, if, after a continuous period of two years, those notes have not re-attained these ratings, we would have to repay them or obtain a waiver of this requirement. As of December 31, 2001, these notes were rated BBB- by Standard & Poor's and Baa3 by Moody's.

Our Preferred Equity Arrangements

In November 2000, we formed a Dutch subsidiary which issued preferred equity for an amount of U.S.$1.5 billion (Ps14.3 million) to provide funds for our acquisition of CEMEX, Inc., formerly Southdown, on terms we believe are advantageous. This structure was designed to strengthen the capital structure of Valenciana while providing financing on favorable terms. As of December 31, 2001, the preferred equity was mandatorily redeemable in May 2002. The preferred equity grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a preferred dividend. Under the terms of the preferred equity financing arrangements described under Item 10 "— Additional Information — Material Contracts," Sunward Acquisitions N.V., or Sunward Acquisitions, our indirect Dutch subsidiary, contributed its 85.15% interest in Valenciana to New Sunward Holding B.V., or New Sunward Holding, our newly formed Dutch subsidiary, in exchange for all its ordinary shares. A special purpose entity, which is neither owned nor controlled by us, borrowed U.S.$1.5 billion from a group of banks. The special purpose entity incorporated a further special purpose entity, which it capitalized with U.S.$120 million and on-lent U.S.$1,380 million. New Sunward Holding issued preferred equity to such special purpose entity in exchange for U.S.$1.5 billion, which was used to subscribe for further shares in Valenciana. Repayments of the special purpose entity's borrowings under its loan are derived from payments made by New Sunward Holding to the special purpose entity by way of distribution of interim dividends on, and/or repayments of, the preferred equity. This special purpose entity uses the funds to repay its loan to its parent, which in turn uses the funds to repay the banks. Sunward Acquisitions has the option to purchase from the special purpose entity the remaining preferred equity in an aggregate amount not exceeding the outstanding balance of the entity's loan. Under the terms of this transaction, New Sunward Holding may be liquidated if we do not repurchase the preferred equity, if we do not

make payments on the preferred equity and in other specified circumstances. Any such liquidation would include the sale of its assets (mainly the Valenciana shares it holds) at market prices in an amount sufficient to satisfy the amount outstanding under the preferred equity. As of December 31, 2001, we had redeemed U.S.$600 million of the outstanding balance of U.S.$1.5 billion preferred equity, and, as a result, U.S.$900 million of preferred equity was outstanding on that date. In February 2002, we refinanced this preferred equity transaction, as a result of which we redeemed U.S.$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.$650 million with U.S.$195 million, due in February 2004 and U.S.$455 million due in August 2004.

For accounting purposes under Mexican GAAP, the preferred equity is recorded as a minority interest on our balance sheet. Any dividends paid on the preferred equity are recorded as a minority interest on our income statement. For the years ended December 31, 2000 and 2001, preferred equity dividends amounted to approximately U.S.$17 million and U.S.$76 million, respectively.

In May 1998, a subsidiary of Valenciana issued U.S.$250 million aggregate liquidation amount of 9.66% Putable Capital Securities. The Putable Capital Securities are guaranteed on a subordinated basis by Valenciana. We have an option to repurchase the Putable Capital Securities from the holders on November 15, 2004, or on any subsequent dividend payment date. We are required to make an offer to purchase the Putable Capital Securities from their holders on May 15, 2005 and after the occurrence of specified put events, which include, among other things, a payment default or a deferral of dividends by the issuer of the Putable Capital Securities. Our obligation to purchase the Putable Capital Securities is guaranteed by some of our Mexican subsidiaries. As of December 31, 2001, we had U.S.$250 million of the Putable Capital Securities outstanding. See "Recent Developments" for a description of our cash tender offer for the Putable Capital Securities, which is scheduled to close in April 2002.

For accounting purposes under Mexican GAAP, the Putable Capital Securities are recorded as a minority interest on our balance sheet. Any dividends paid on the Putable Capital Securities are recorded as a minority interest on our income statement. For the years ended December 31, 1999, 2000 and 2001, Putable Capital Securities dividends amounted to approximately U.S.$24 million in each of the three years.

Our Equity Arrangements

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, 2001, U.S.$96.3 million (Ps883.1 million) was outstanding under this transaction.

Since inception, the assets subject to this transaction have been considered as owned by third parties; therefore, for accounting purposes under Mexican GAAP, this transaction is included as minority interest in our balance sheet. For the years ended December 31, 1999, 2000 and 2001, the expense generated by retaining the option to re-acquire the assets amounted to approximately U.S.$14.9 million, U.S.$14.4 million and U.S.$13.8 million, respectively, and was included as financial expense in our income statements.

In December 1999, we issued to our shareholders, members of our board of directors and other executives 105 million appreciation warrants maturing on December 13, 2002, at a subscription price in pesos of Ps3.2808 per appreciation warrant. A portion of the appreciation warrants were subscribed as American Depositary Warrants, or ADWs, each ADW representing five appreciation warrants.

In November 2001, we launched a voluntary public exchange offer of new appreciation warrants and new ADWs for our existing appreciation warrants and our existing ADWs on a one-for-one basis. Of the total 105 million appreciation warrants originally issued, 103,790,945, or 98.85%, were tendered in exchange for the new appreciation warrants. Both the old appreciation warrants and the new appreciation warrants were designed to allow the holder to benefit from future increases in the market price of our CPOs, with any appreciation value received in the form of our CPOs or ADSs, as applicable. The new appreciation warrants, which mature on December 21, 2004, have a strike price of U.S.$6.00 and a triggering level of U.S.$8.00. As of December 31, 2001, after giving effect to antidilution adjustments in 2000 and 2001, the strike price for the old appreciation warrants was U.S.$5.701508 and the triggering level for the old appreciation warrant was a CPO market price of U.S.$7.356784. In all other respects, the new appreciation warrants have substantially the same terms as the old appreciation warrants. The new appreciation warrants trade on the Mexican Stock Exchange and the new ADWs trade on the New York Stock Exchange, each new ADW representing five new appreciation warrants. The outstanding old warrants remain listed

on the Mexican Stock Exchange and the outstanding old ADWs remain listed on the New York Stock Exchange. As of December 31, 2001, except for the normal fees required to carry out the previously mentioned public offer, we did not incur any gains or losses on this transaction. As discussed below, all the CPOs and ADSs required to cover the future exercise of the warrants, for the old appreciation warrants as well as the new appreciation warrants, are available to us in accordance with the provisions of the equity forward contracts entered into with several financial institutions. See Note 15A and "— Our Equity Derivative Forward Arrangements."

Our Equity Derivative Forward Arrangements

In order to cover our obligations under the old 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. Under the forward contracts, the banks purchased from us 21,000,000 of our ADSs and 33,751,566 shares of the common stock of Valenciana for an aggregate 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 on December 13, 2002 a number of ADSs and Valenciana shares equal to that subject to the forward contracts against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the notional amount accreted at a fixed annual rate of interest. The forward contracts provide for early delivery of ADSs and Valenciana shares to us in specified circumstances. Upon closing of the transaction, we made an advance payment to the banks of approximately U.S.$439.9 million of the forward purchase price, U.S.$389.9 million of which represented payment in full of the portion of the forward purchase price relating to the Valenciana shares and U.S.$50 million of which was an advance payment against the final forward purchase price, and we are required to make periodic payments during the life of the forward contracts and upon the occurrence of specified events. Absent a default under the forward contracts, the banks are required to deliver ADSs to us, without payment, in an amount corresponding to the approximate appreciation value payable, if any, on the appreciation warrants. During the life of the forward contracts, we will make additional periodic prepayments if the current market value of the ADSs and Valenciana shares subject to the contracts is less than 120% of the mark-to-market of the discounted remaining forward purchase price. In the absence of a default under the forward contracts, the banks have agreed to pay to us an amount equal to any dividends paid on the ADSs purchased by the banks upon the maturity or early termination of the forward contracts. As of December 31, 2001, the banks held 6.99% of Valenciana's capital stock under the forward contracts.

For accounting purposes under Mexican GAAP, of the total advance payment made upon closing of the transaction, approximately U.S.$389.9 million was allocated to the prepayment in full of the portion of the forward purchase price relating to the shares of the common stock of Valenciana. Given that we continue to retain the economic and voting rights associated with these shares and are obligated to repurchase them upon termination of the forward contracts and given the immediate prepayment on the forward contracts, the sale of the Valenciana shares to the banks was 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. The remaining prepayment of U.S.$50 million was allocated to the portion of the forward contracts relating to our ADSs, which are considered to be equity transactions. Future changes in the fair value of the ADSs have not been and will not be recorded until settlement. When we repurchase the ADSs upon settlement, the cost of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity. As of December 31, 2000 and 2001, the notional amount under these forward contracts was U.S.$508.5 million and U.S.$491.0 million, respectively, and we had accrued advance payments to the banks toward the forward settlement price of approximately U.S.$133.0 million in 2000 and U.S.$151.8 million in 2001, which include, for both years, the advance payment made upon closing of the transaction. We have not thus far amended the forward contracts to reflect the exchange offer of the new appreciation warrants for the old appreciation warrants, but intend to do so and, in any event, we have the right to terminate these contracts and obtain the CPOs and ADSs necessary to satisfy our obligtions under the new appreciation warrants. If, before maturity, we are unable to amend the existing forward contracts on favorable terms, we intend to hedge our obligations under the new appreciation warrants either through new forward contracts or through other derivative transactions.

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

As of December 31, 2001, we were also subject to several other forward contracts with different maturities until October 2006, for a notional amount of U.S.$408.3 million, covering a total of 15,986,689 ADSs, negotiated to hedge the future exercise of options granted under our executive stock option plan. See Note 15 to our consolidated financial statements. Starting in 2001, we record the estimated fair value of these contracts in the balance sheet as an asset or liability against the income statement, offsetting the costs originated by our option plans, which the forwards are hedging. As of December 31, 2001, a gain of approximately U.S.$3.3 million (Ps30.3 million) was recognized in the income statement, related to the estimated fair value of these contracts.

Additionally, as of December 31, 2000 and 2001, we were subject to other forward contracts with different maturities until May 2003, for a notional amount of U.S.$104.8 million and U.S.$101.8 million, respectively, covering a total of 4,841,719 ADSs in 2000 and 4,699,061 ADSs in 2001, negotiated to hedge the future exercise of options granted under our voluntary employee stock option plans. See Note 15 to our consolidated financial statements. Starting in 2001, we recognize the estimated fair value of these contracts in the balance sheet as an asset or liability against the income statement, offsetting the costs originated by the options. As of December 31, 2001, a gain of approximately U.S.$25.4 million (Ps232.9 million) was recognized in the income statement, related to the estimated fair value of these contracts. As of December 31, 2000, the estimated fair value of these contracts was a loss of approximately U.S.$7.3 million.

Finally, as of December 31, 2000 and 2001, we had forward contracts with different maturities until February 2006, for an approximate notional amount of U.S.$475.5 million and U.S.$394.8 million, respectively, covering a total of 20,440,360 ADSs in 2000 and 13,069,855 ADSs in 2001. Based on our intention to settle these contracts physically at maturity, the estimated fair value of these contracts is not periodically recognized. The effects originated by these contracts will be recognized at maturity as an adjustment to our stockholders' equity. As of December 31, 2000 and 2001, the estimated fair value of these contracts represented losses of approximately U.S.$90.5 million and U.S.$46.5 million, respectively.

Our Receivables Financing Arrangements

On September 21, 2001, CEMEX, Inc., through a qualified special purpose entity, entered into a receivables sales transaction. Under this transaction, CEMEX, Inc. is committed to sell substantially all its trade receivables to Falcon Asset Securitization Corporation, a commercial paper conduit sponsored by Bank One, N.A. The receivables are removed from our consolidated balance sheet at the time they are sold to Falcon. CEMEX, Inc. continues to act as servicer for the receivables purchased by Falcon, although it can be removed upon the occurrence of certain events of default. These agreements are scheduled to terminate in September 2004.

Summary of our Material Contractual Obligations and Commercial Commitments

As of December 31, 2001, our subsidiaries have future commitments for the purchase of raw materials for an approximate amount of U.S.$32.7 million.

In March 1998, we entered into a 20-year contract with Pemex, or Petróleos Mexicanos, providing that Pemex will supply us with 900 thousand tons of petcoke per year, commencing in 2002. We expect the Pemex petcoke contract to reduce the volatility of our fuel costs and provide us with a consistent source of petcoke.

In 2000, we, 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 us for a period of 20 years. In return, we will supply Alstom with 650 thousand tons of petcoke per year over the same period and will buy all the electricity produced by the plant. Our supply of petcoke will be derived from our contract with Pemex. We expect this project to reduce the volatility of our energy costs and to provide approximately 100% of the electricity needs of 11 of our cement plants in Mexico. We estimate the plant will begin operations by the first quarter of 2003.

For purposes of presenting the approximate cash flows that will be required to meet our other material contractual obligations, the following table presents a summary of those obligations, as of December 31, 2001:

	Payments Due by Period (In millions of U.S. Dollars)				
Contractual Financing Obligations (1)	**Total**	**Within 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Long-Term Bank Loans and Notes Payable	4,943	635	2,210	1,290	808
Capital Lease Obligations	47	10	14	5	18
Long-Term Debt (2)	4,990	645	2,224	1,295	826
Operating Leases (3)	386	60	98	75	153
Preferred Equity (4)	900	900	-	-	-
Capital Securities (5)	250	-	-	250	-
Other equity transactions (6)	96	6	42	34	14
	6,622	1,611	2,364	1,654	993
Equity forward contracts					
Unconditional Purchase Obligations (7)	1,396	964	196	236	-

(1) The data set forth in this table are expressed in nominal terms and do not include financing expenses, preferred dividends on Preferred Equity and Capital Securities or the cost of retaining the option to reacquire our subsidiaries' cement assets included under "Other equity transactions."

(2) Total long-term debt including maturities is presented in Note 11 to our consolidated financial statements included elsewhere in this annual report. In addition, As of December 31, 2001, we had lines of credit totaling approximately U.S.$4.8 billion, of which the available portion amounts to approximately U.S.$2.2 billion.

(3) Operating leases have not been calculated on the basis of net present value instead they are presented in the basis of nominal future cash flows. See Note 20D to our consolidated financial statements included elsewhere in this annual report.

(4) Refers to our preferred equity transaction issued in connection with the financing required for the Southdown (now CEMEX, Inc.) acquisition. See Note 13E to our consolidated financial statements included elsewhere in this annual report.

(5) Refers to our 9.66% capital putable securities issued by our Spanish subsidiary. See Note 13E to our consolidated financial statements included elsewhere in this annual report.

(6) Refers to our transaction pursuant to which we contributed assets of our subsidiary to a trust in exchange of U.S.$123.5 million. See Note 13F to our consolidated financial statements included elsewhere in this annual report.

(7) The scenario under which the amounts presented under this line item are determined assumes that upon settlement of our equity forward contracts, we will repurchase all the underlying CPOs. Even when this scenario is possible, we consider that it is not probable considering that in order for such a repurchase to take place, all the underlying transactions to which the equity forward contracts are related, such as the warrants and our employee stock option programs, would expire unexercised (out of the money). Also, the scenario does not take into account that we may elect to make a cash settlement at maturity of the equity forward contracts and permit our counterparties to sell the underlying CPOs into the market, in which case, the expected cash flow would be materially different. As of December 31, 2001, the aggregate estimated fair value of these contracts was a gain of approximately U.S.$81 million.

Of the total amount of U.S.$964 million due in the short-term, approximately U.S.$491 million is related to the equity forwards that hedge the warrant transaction, and approximately U.S.$473 million is related to the contracts that hedge our employee stock option programs. We expect that these contracts will be refinanced from time to time relative to the underlying hedged items.

In addition, we have provided third party standby letters of credit for the benefit of our counterparties in the equity forward contracts in the amount of U.S.$70 million at December 31, 2001, in order to reduce their overall exposure to us. For accounting purposes these letters of credit represent contingent obligations.

For a description of the refinancing of our outstanding preferred equity and the tender offer for our outstanding 12¾% Notes due 2006 and our outstanding 9.66% Putable Capital Securities, please see "— Recent Developments" below.

Stock Repurchase Program

In September 2000, our board of directors approved a stock repurchase program in an amount of up to U.S.$500 million to be implemented between October 2000 and December 2001. We intend to permanently cancel all CPOs repurchased under this program. During 2001 and 2000, under this program, a total of 4,978,000 CPOs and 3,086,000 CPOs, respectively, were acquired, resulting in a capital stock reduction of Ps0.2 million in 2001 and

Ps0.1 million in 2000, and in the repurchase reserve of Ps203.5 million in 2001 and Ps119.9 million in 2000. On April 26, 2001, at our stockholders' meeting, shares equivalent to 3,086,000 CPOs, acquired in 2000, were cancelled; the 4,978,000 remaining CPOs were acquired in 2001 after the meeting. These CPOs are expected to be cancelled at our 2001 annual stockholders' meeting, which is scheduled to take place in April 2002.

Also in connection with our 2001 annual stockholders' meeting, our board of directors will recommend that the stockholders approve a stock repurchase program in an amount of up to Ps5,000 million (approximately U.S.$550 million) to be implemented between April 2002 and December 2003. We estimate that these resources will represent less than 50% of our estimated free cash flow during the repurchase period. We intend to permanently cancel all CPOs repurchased under this program.

Recent Developments

In January 2002 we issued two additional tranches under a domestic medium term promissory notes program established in November 2001, consisting of (i) a seven-year Ps1,300 million tranche in Inflationary Indexed Peso Notes in UDIs (*Unidades de Inversión*) at a rate of 6.5% per annum and (ii) a five-year Ps640 million tranche in nominal pesos at a rate of 10.6% per annum. Both transactions were swapped into Dollars through derivatives into a Dollar rate of less than LIBOR +1%.

In February 2002, we refinanced our preferred equity transaction, as a result of which CEMEX redeemed U.S.$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.$650 million, with a further redemption of U.S.$195 million due in February 2004 and the balance of the preferred equity of U.S.$455 million due in August 2004. We also negotiated the possibility to increase the issued and outstanding preferred equity balance to up to U.S.$1.2 billion. As of March 31, 2002, the outstanding balance of our preferred equity transaction was U.S.$650 million.

In March 2002, we commenced cash tender offers for any and all of our outstanding 12¾% Notes due 2006, of which U.S.$300 million in aggregate principle amount were outstanding on March 31, 2002, and any and all of the 9.66% Putable Capital Securities issued by our indirect subsidiary, CEMEX International Capital LLC, of which U.S.$250 million in aggregate liquidation amount were outstanding on March 31, 2002. In connection with the tender offers, we also conducted consent solicitations to eliminate or amend several of the restrictive covenants contained in the indentures governing the 12¾% Notes and the Putable Capital Securities. On April 3, 2002, we received the requisite consents needed to eliminate or amend restrictive covenants contained in each of the 12¾% Notes indenture and the Putable Capital Securities indenture, and the consent solicitations expired. The tender offers are scheduled to expire on April 17, 2002. We expect to obtain the funds necessary for the tender offers primarily from one or more financing activities, including the issuance and sale in transactions exempt from registration under the Securities Act of 1933, as amended, of a new series of debt securities in one or more underwritten offerings.

In March 2002, we terminated our Taiwan distribution agreement entered into on March 31, 2000 with Universal Company. We expect to record a loss related to the termination of approximately U.S.$16 million in the first quarter of 2002.

Qualitative and Quantitative Market Disclosure

Our Derivative Financial 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.

Derivative Instruments	At December 31, 2000 (U.S.$ millions) Notional amount	Estimated fair value	At December 31, 2001 Notional amount	Estimated fair value	Maturity Date
Equity forward contracts	1,088.8	(113.8)	1,395.9	81.0	Dec 2002 – Oct 2006
Foreign exchange forward contracts	421.0	6.8	424.0	4.4	Aug 2003 – Jul 2006
Interest rates swaps	450.0	6.3	2,583.0	4.6	Oct 2002 – Mar 2008
Cross currency swaps	808.2	51.3	1,205.8	251.8	Feb 2002 – Nov 2006
Interest rates swap options	800.0	(16.3)	1,506.0	(30.1)	December 2002
Other interest rate derivatives	—	—	800.0	(68.8)	Oct 2004 – Mar 2008
Fuel and energy derivatives	215.0	15.1	401.5	(4.6)	Dec 2002 – May 2017
Third party equity forward contracts	62.4	14.9	—	—	July 2001

Our Equity Derivative Forward Contracts

Our equity derivative forward contracts, including the appreciation 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 upon settlement, with the exception of a portion of our equity forward contracts as of December 31, 2001 with a notional amount of U.S.$510.1 million, which, beginning in 2001, have been designed as hedges of a portion of our executive stock option plans. The estimated fair value of these forwards, which represented a gain of approximately U.S.$28.7 million for the year ended December 31, 2001, was recognized in the income statement, offsetting the compensation cost generated by the stock option plans. Such an offset would not occur in periods when our share price declines below the strike price of these forwards. See "— Liquidity and Capital Resources — Our Equity Derivative Forward Arrangements" and Notes 14 and 15 to our consolidated financial statements.

Our Foreign Exchange Forward Contracts

The foreign exchange forward contracts are accounted for at their estimated market value as hedge instruments for our net investments in foreign subsidiaries. Gains or losses are recognized as an adjustment to stockholders' equity within the related foreign currency translation adjustment. See Note 15 to our consolidated financial statements.

Our Interest Rate Swaps

As of December 31, 2000 and 2001, we were parties to interest rate swaps for a notional amount of U.S.$450 million and U.S.$2,583 million, respectively, entered into in order to reduce the financial cost and, in some cases, to reduce risks associated with floating rates of the related debt. These interest rate swaps are accounted for as hedge instruments for the financing cost of the underlying short-term and long-term debt transactions, and periodic payments under the contracts are recognized in the income statements as an adjustment to the effective interest rate of the related debt. The estimated fair value of these swaps is neither recorded in the balance sheet nor in the income statement, except that in 2001 a portion (36.25%) of the estimated fair value loss of approximately U.S.$0.1 million, of a swap contract covering €800 million (U.S.$722 million), of which only €290 million had been withdrawn at year-end 2001. See Note 11A to our consolidated financial statements. The effects recorded in our income statements of these interest rate swaps amounted to gains of approximately Ps55.2 million in 1999, Ps15.3 million in 2000 and a loss of approximately Ps14.8 million in 2001, including the estimated fair value recognition.

During 2001, in agreement with our financial counterparty, we settled all the interest rate swap contracts we held as of December 31, 2000. At settlement, the fair value of such instruments was received, representing income of approximately U.S.$20.5 million (Ps188.0 million), which was recorded in our 2001 comprehensive financing result.

Our Cross Currency Swaps

As of December 31, 2000 and 2001, related to our long-term financial debt portfolio, we held cross currency swap contracts for notional amounts of U.S$808.2 million and U.S.$1,105.8 million, respectively. Through these contracts, we carried out the exchange of the originally contracted currencies and interest rates, over a

determined amount of underlying debt. During the life of these contracts, the cash flows originated by the exchange of interest rates under the cross currency swap contracts match the interest payment dates and conditions of the underlying debt. Likewise, at maturity of the contracts and the underlying debt, we will exchange with the counterparty notional amounts provided by the contracts so that we will receive an amount of cash flow equal to cover our primary obligation under the underlying debt. In exchange, we will pay the notional amount in the exchanged currency. As a result, we have effectively exchanged the risks related to interest rates and foreign exchange variations of the underlying debt to the rates and currencies negotiated in the cross currency swap contracts. See Note 11B to our consolidated financial statements.

The periodic cash flows on the cross currency swap instruments arising from the exchange of interest rates are recorded in the comprehensive financing result as part of the effective interest rate of the related debt. We recognize the estimated fair value of the cross currency swap contracts as assets or liabilities in the balance sheet, with changes in the estimated fair value being recognized through the income statement. All financial assets and liabilities with the same maturity, for which our intention is to simultaneously realize or settle, have been offset for presentation purposes, in order to reflect the cash flows that we expect to receive or pay upon settlement of the financial instruments.

In respect of the estimated fair value recognition of the cross currency swap contracts, as of December 31, 2000 and 2001, for accounting purposes under Mexican GAAP, we recorded assets for U.S.$51.3 million (Ps488.6 million) and U.S.$242.9 million (Ps2,227.3 million), respectively, against our comprehensive financing result. Of the assets previously mentioned, U.S.$45.9 million (Ps437.1 million) in 2000 and U.S.$175.9 million (Ps1,613.0 million) in 2001, are directly related to the changes in the exchange rates between the beginning of the cross currency swap contracts and the balance sheet date, and were offset for presentation purposes as part of the underlying debt amount. Likewise, U.S.$1 million (Ps9.5 million) in 2000 and U.S.$14.8 million (Ps135.7 million) in 2001, originated for the interest rates periodic cash flows exchange, were recognized in the consolidated balance sheet as an offset of the related financing interest payable. The remaining assets were recognized in the consolidated balance sheet in other long-term assets. As of December 31, 2000 and 2001, the effect in our balance sheet arising from the accounting assets and liabilities offset, was that the book value of the financial liabilities directly related to the cross currency swap contracts is presented as if such financial liabilities had been effectively negotiated in the exchange currency instead of in the originally contracted currency.

Additionally, as of December 31, 2001, we held one cross currency swap contract for a notional amount of U.S.$100 million, maturing in February 2002, to exchange the interest rate and currency from the from the Dollar to the Yen, over potential future financial debt negotiated in Dollars. This contract has an estimated fair value gain of U.S.$8.9 million (Ps81.6 million), which was recorded in our balance sheet, against our comprehensive financing result. See Note 11B to our consolidated financial statements.

Our Interest Rate Swap Options

As of December 31, 2000 and 2001, we held call option contracts to exchange floating interest rates for fixed ones. Notional amounts under these contracts were U.S.$800 million (Ps7,336.0 million) and U.S.$1,506 million (Ps13,810.0 million), respectively. For the sale of these options we received premiums of approximately U.S.$11.0 million (Ps100.8 million) during 2000 and U.S.$12.2 million (Ps111.9 million) during 2001. These options have different maturities until December 2002, and grant our counterparties the option, at maturity and on market conditions, to receive from us a fixed rate and pay us a variable rate for a five-year period starting on the rate exchange date. As of December 31, 2001, premiums received, as well as the estimated fair value of these contracts, which presented a valuation loss of U.S.$30.1 million (Ps276.0 million), were recognized in our comprehensive financing result. As of December 31, 2000, the estimated fair value of these contracts was a loss of U.S.$16.3 million (Ps149.5 million). During December 2001, one of the contracts executed in 2000 covering a notional amount of U.S.$100 million was settled. Through this settlement, we paid U.S.$3.4 million. Currently, we cannot predict if market conditions prevailing at maturity of the options would cause these counterparties to exercise them or to elect for a cash settlement. See Note 10 to our consolidated financial statements.

Our Other Interest Rate Derivatives

As of December 31, 2001, we held forward rate agreement contracts for a notional amount of U.S.$800 million, entered into to fix the interest rate of debt that had not been obtained as of the balance sheet date, but was

expected to be negotiated in the near future. As of December 31, 2001, we also held floor and cap option contracts for a notional amount of U.S.$711 million linked to our interest rate swaps. The forward rate agreement contracts have different maturities ranging up to October 2004, and the floor and cap option contracts mature in March 2008. As of December 31, 2001, these contracts had an estimated fair value loss of U.S.$68.8 million (Ps630.9 million), which was recorded in the balance sheet against the Comprehensive Financing Result. See Note 11A to our consolidated financial statements.

Our Fuel and Energy Derivatives

As of December 31, 2001, we had fuel oil forward contracts for a notional amount of U.S.$9.5 million (Ps87.0 million), with an estimated fair value of U.S.$26 thousand (Ps0.2 million).

As of December 31, 2000 and 2001, we had an interest rate swap maturing in May 2017, for a notional amount of U.S.$215 million, entered into to exchange floating rates for fixed interest rates. During the life of this contract, in relation to its notional amount, we will pay LIBOR and will receive a 7.33% interest rate until February 2003 and a 7.53% interest rate from March 2003 to May 2017. In addition, during 2001 we sold a floor option for a notional amount of U.S.$177 million pursuant to which, from 2003 and until 2017, we will pay the difference between a 7.53% interest rate and LIBOR. During 2001, through the sale of this option, we received a premium of approximately U.S.$22 million (Ps201.7 million). As of December 31, 2001, the premium received, and the estimated fair value of the swap and floor together, amounted to a loss of approximately U.S.$4.6 million, which was recorded in the comprehensive financing result. See Note 20F to our consolidated financial statements. includes the electricity seller's interest costs, which are based on a fixed interest rate. We entered into this swap to convert that fixed interest rate into a floating interest rate.

Our Third Party Equity Forwards

As of December 31, 2000, we had third party equity forward contracts, which expired in 2001. Income of approximately U.S.$8.3 million (Ps76.1 million) related to these contracts was recognized in our 2001 comprehensive financing result.

Interest Rate Risk, Foreign Currency Risk and Equity Risk

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term foreign currency-denominated debt as of December 31, 2001. It includes the effects generated by the interest rate swaps and the cross currency swap contracts that we have entered into, covering a portion of our financial debt originally negotiated in Mexican Pesos and U.S. Dollars. See Note 11B to our consolidated financial statements. Average floating interest rates are calculated based on forward rates in the yield curve as of December 31, 2001. 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, 2001 and is summarized as follows:

	Expected maturity dates as of December 31, 2001							
Long-term debt	2002	2003	2004	2005	2006	After 2006	Total	Fair Value
	(Millions of U.S. Dollars equivalents of debt denominated in foreign currencies)							
Variable rate	362	303	1,437	389	460	444	3,395	3,395
Average interest rate	4.8%	6.6%	7.6%	8.2%	8.4%	7.5%	—	—
Fixed rate	283	476	6	101	347	382	1,595	1,729
Average interest rate	6.0%	5.5%	5.2%	5.4%	5.1%	6.9%	—	—

As of December 31, 2001, we were subject to the volatility of the floating interest rates, which, if such rates were to increase, may adversely affect our financing cost and our net income. As of December 31, 2001, 68% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 124 basis points, after giving effect to our interest rate swaps and cross currency swaps.

As previously mentioned, as of December 31, 2001, we had entered into interest rate swaps as part of a strategy oriented to reduce our overall financing cost. See "— Our derivatives." At that date the estimated fair value of our interest rate swaps accounted for to hedge a portion of our financial debt was a gain of approximately U.S.$4.6 million. The potential change in the fair value as of December 31, 2001 of these contracts that would result from a hypothetical, instantaneous increase of 50 basis points in the interest rates would be a loss of approximately U.S.$20.5 million (Ps188.0 million).

In addition, as mentioned above, we have entered into interest rate swap options. See "— Our derivatives." As of December 31, 2001, the estimated fair value of these instruments was a loss of approximately U.S.$30.1 million. The potential change in the fair value as of December 31, 2001 of these contracts that would result from a hypothetical, instantaneous increase of 50 basis points in the interest rates would be a loss of approximately U.S.$16.4 million (Ps150.4 million).

Finally, as mentioned above, we have entered into forward rate agreement contracts. See "— Our derivatives." As of December 31, 2001, the estimated fair value of these instruments was a loss of approximately U.S.$68.8 million. The potential change in the fair value as of December 31, 2001 of these contracts that would result from a hypothetical, instantaneous increase of 50 basis points in the interest rates would be a loss of approximately U.S.$24.5 million (Ps224.7 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel and energy, and some of our cement prices, are periodically adjusted to take into account fluctuations in the Dollar/Peso exchange rate. For the year ended December 31, 2001, approximately 35% of our sales, before eliminations resulting from consolidation, were generated in Mexico, 26% in the United States, 10% in Spain, 6% in Venezuela, 6% in Central America and the Caribbean, 3% in Colombia, 2% in the Philippines, 2% in Egypt and 10% from other regions and our cement and clinker trading activities. As of December 31, 2001, our debt, considering the effects in the original currencies generated by our cross currency swaps, amounted to Ps49.3 billion, of which approximately 75.6% was Dollar-denominated, 14.0% was Yen-denominated and 8.1% was Euro-denominated; therefore, we have a foreign currency exposure arising from the Dollar-denominated debt, the Yen-denominated debt and the Euro-denominated debt, versus the currencies in which our revenues are settled in most countries in which we operate. See "— Liquidity and Capital Resources — Our Indebtedness" and Item 10 — "Additional Information — Material Contracts." Although we also have a small portion of our debt in other currencies, we have generated 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.

As previously mentioned, we have entered into cross currency swap contracts, designed to change the original profile of interest rates and currencies over a portion of our financial debt. See "— Our derivatives." As of December 31, 2001, the estimated fair value of these instruments was a gain of approximately U.S.$251.8 million. The potential change in the fair value of these contracts as of December 31, 2001 that would result from a hypothetical, instantaneous appreciation of 10% in the exchange rate of the Yen against the Dollar, combined with a depreciation of 10% of the Mexican Peso against the Dollar, would be a loss of approximately U.S.$111.5 million (Ps1,022.5 million).

Additionally, as previously mentioned, we have entered into foreign exchange forward contracts designed to hedge our net investment in foreign subsidiaries. See "— Our derivatives." The estimated fair value of our foreign exchange forwards as of December 31, 2000 was a gain of approximately U.S.$4.4 million. The potential change in the fair value as of December 31, 2001 that would result from a hypothetical, instantaneous devaluation of 10% in the exchange rate of the Peso against the Dollar would be a loss of approximately U.S.$36.0 million (Ps330.1 million), which would be offset by a corresponding foreign translation gain as a result of our net investment in foreign subsidiaries.

Equity Risk

We have entered into equity forward contracts on our own stock. Upon liquidation and at our option, the equity forward contracts provide for physical settlement or net cash settlement of the estimated fair value, and the effects are recognized in the income statement or as part of the stockholders' equity, depending upon their designation and the underlying instrument or program being hedged. At maturity, if these forward contracts are not settled or replaced, or if we default on these agreements, our counterparties may sell the shares underlying the contracts. Such sale may have an adverse effect on our stock market price and our subsidiaries' stock market price. It may also reduce the amount of dividends and other distributions that we would receive from our subsidiaries and/or may create a public minority interest that may adversely affect our ability to realize operating efficiencies as a combined group.

As previously discussed, we have entered into equity forward contracts on our own stock, pursuing different goals such as hedging our old and new appreciation warrants program and our several stock option plans. See "— Liquidity and Capital Resources." As of December 31, 2001, the estimated fair market value of our equity forward contracts was a gain of approximately U.S.$81.0 million. The potential change in the fair value as of December 31, 2001 that would result from a hypothetical, instantaneous decrease of 10% in the market value of our stock would be a loss of approximately U.S.$140.2 million (Ps1,285.6 million).

Investments, Acquisitions and Divestitures

The transactions described below represent our principal investments, acquisitions and divestitures completed during 1999, 2000 and 2001.

Investments and Acquisitions

In May 2001, we acquired through CAH, a 100% economic interest in Saraburi for a total consideration of approximately U.S.$73 million. As a result of CAH's acquisition of Saraburi, our economic interest in Saraburi is approximately 77.4%.

In November 2000, we acquired, through a cash tender offer followed by a merger, 100% of the outstanding shares of common stock of Southdown, now CEMEX, Inc., for U.S.$73.00 per share. The total amount paid for Southdown shares was approximately U.S.$2.6 billion. We financed the acquisition of Southdown by entering into loan facilities for up to U.S.$1.4 billion and issuing U.S.$1.5 billion in preferred equity in one of our subsidiaries, as described under "— Liquidity and Capital Resources — Our Preferred Equity Arrangements."

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

In November 1999, we acquired a 77% interest in Assiut for approximately U.S.$318.8 million. In 2000, we increased our interest in Assiut to 92.9%. In March 2001, we further increased our interest in Assiut to 95.8%.

In July 1999, we entered into shareholder and subscription agreements with institutional investors to co-invest in CAH, 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 CAH. As of December 31, 2001, we have funded approximately U.S.$741 million of our U.S.$929 million commitment by contributing to CAH our direct participations and economic benefits in Rizal and APO. Institutional investors have funded approximately U.S.$216 million of their total U.S.$271 million commitment by contributing cash to CAH. 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 CAH was reduced to 77.4%. Some of the institutional investors are entitled to representation on the board of directors of CAH and also have the right to veto major corporate actions. CAH has a right of first offer for our investments in many Asian countries. After a five year period, the institutional investors will have the right to sell their interests in CAH 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 CAH 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 CAH in specified circumstances. We are entitled to receive a technical assistance fee from CAH or its subsidiaries in consideration for our providing them with support and technical assistance. In October 2000, CAH acquired our interest in Gresik for approximately U.S.$279 million. As a result, our economic interest in Gresik was reduced to 19.8%. As described above, in May 2001, we acquired, through CAH, 100% economic interest in Saraburi for a total consideration of approximately U.S.$73 million. As a result of CAH's acquisition of Saraburi, our economic interest in Saraburi is approximately 77.4%.

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

In April 1999, we acquired a 15.8% interest in Cementos del Pacífico, a Costa Rican cement producer, for approximately U.S.$8 million. In September 1999, we increased our interest in Cementos del Pacífico to 95.3%, for approximately U.S.$72 million. As of December 31, 2000, we had further increased our interest in Cementos del Pacífico to 98.3%.

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

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 Ps2,562 million (U.S.$279 million) in 1999, Ps3,793 million (U.S.$414 million) in 2000 and Ps4,684 million (U.S.$511 million) in 2001. This net investment in property, machinery and equipment has been applied to the construction and upgrade of plants and equipment, to the maintenance of plants and equipment, including environmental controls and technology updates.

Divestitures

In December 2001, we sold our construction aggregates operations in Kentucky and Missouri, consisting of four quarries in Kentucky (Bowling Green North, Bowling Green South, Hartford and Bardstown and one quarry in Missouri (Columbia). The aggregate sale price was U.S.$42 million (Ps385.1 million).

In May 2001, Citigroup launched in Mexico a public tender offer for the 100% of the outstanding shares of Banacci. This process ended in August 2001 the date on which Citigroup officially declared the offer closed and the acquisition of Banacci. As a result of this offer and according to its terms and conditions, we sold our Banacci shares that were held in our long-term investments portfolio. The total amount of the sale was approximately U.S.$162.4 million (Ps1,489.2), and generated a non-recurring gain of approximately U.S.$131 million (Ps1,221.8), recognized in the 2001 comprehensive financing result. Of this gain, approximately Ps727.5 corresponded to the reversal of unrealized valuation results that were accrued in stockholders' equity.

The Euro Conversion

We have operations in Spain, which adopted the common Euro currency on January 1, 1999. Since January 1, 2002 the Euro is 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 2001, our Spanish sales amounted to 10% of our net sales. As of December 31, 2001, 8.1% of our consolidated debt was Euro or Peseta-denominated.

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

U.S. GAAP Reconciliation

Our consolidated financial statements included elsewhere in this annual report and in the documents incorporated in this annual report by reference have been prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. Mexican companies, including CEMEX, are required, pursuant to Mexican GAAP (Bulletin B-10 and Bulletin B-15), to present their financial statements in constant Pesos representing the same purchasing power for each period presented. The reconciliation to U.S. GAAP includes reconciling items for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos as of December 31, 1999, of prior years and to reflect the effects of applying the Fifth Amendment to Bulletin B-10. These reconciling items have been included because these provisions of inflation accounting under Mexican GAAP do not meet the consistent reporting currency requirements of the 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, 1999, 2000 and 2001 amounted to Ps6,113.2 billion, Ps8,684.0 billion and Ps10,069.6 billion, respectively, compared to majority net income under Mexican GAAP for the years ended December 31, 1999, 2000 and 2001 of Ps9,327.7 billion, Ps9,517.3 billion and Ps10,800.5 billion, respectively. See Note 21 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 now effective. Effective January 1, 2001, Mexican Bulletin C-2 ''Financial Instruments,'' requires the recognition as assets or liabilities of all derivative instruments at their estimated fair value, in a manner similar to SFAS 133. As of December 31, 2001, resulting from the fair value recognition required by Bulletin C-2, we have recorded an increase in liabilities with a net effect of U.S.$37.0 million, of which approximately U.S.$13.8 million has been charged to "Comprehensive Financing Income" as part of interest expense or income and foreign currency fluctuations.

Item 6 - Directors, Senior Management and Employees

Senior Management and Directors

Senior Management

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

Lorenzo H. Zambrano, Chief Executive Officer	Joined CEMEX in 1968. During his career with CEMEX, Mr. Zambrano has been involved in all operational aspects of our business. He held several positions in the company prior to his appointment as chief executive officer in 1985. Mr. Zambrano is a graduate of Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., or ITESM, with a degree in mechanical engineering and administration and holds an M.B.A. from Stanford University. Lorenzo H. Zambrano is a 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. He is also the second cousin of Roberto Zambrano Villareal and Mauricio Zambrano Villareal, both members of our board of directors. Mr. Zambrano has been a member of our board of directors since 1979 and chairman of our board of directors since 1995. He is also a member of the board of directors of Fomento Económico Mexicano, S.A. de C.V., Empresas ICA, S.A. de C.V., Alfa, S.A. de C.V., Cydsa, S.A., Vitro, S.A., Grupo Televisa, S.A. He is chairman of the board of directors of Consejo de Enseñanza e Investigación Superior, A.C., which manages ITESM. He is also a member of the Stanford Business School's advisory group and a member of the International Advisory Board of Salomon Smith Barney, Inc. In addition, he is member of the board of directors of The Museum of Modern Art, Americas Society, Inc., Museo de Arte Contemporáneo de Monterrey A.C., and member of the Chairman's Council of Daimler Chrysler AG.
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 México 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 management Center of the University of Bradford 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. Mr. Medina is a member of the board of Cementos Chihuahua, Cia Minera Autlán and Semen Gresik and member of the ("consejo de vigilencia") of Ensenanza e Investigacíon Superior A.C. and ITESM A.C

Armando J. García Segovia, Executive Vice President of Development	Initially joined CEMEX in 1975 and rejoined CEMEX in 1985. He has served as director of operational and strategic planning from 1985 to 1988, director of operations from 1988 to 1991, director of corporate services and affiliate companies from 1991 to 1994, director of development from 1994 to 1996, and executive vice president of development since 1996. He is a graduate of ITESM with a degree in mechanical engineering and administration and holds an M.B.A. from the University of Texas. He was employed at Conek, S.A. de C.V. from 1981 to 1985 and Cydsa, S.A. from 1979 to 1981. He is a brother of Jorge García Segovia, an alternate member of our board of directors, and a first cousin of Rodolfo García Muriel, a member of our board of directors. Armando J. García Segovia has been a member of our board of directors since 1983. He also serves as a member of the board of directors of Materiales Industriales de Chihuahua, S.A. de C.V., Calhidra y Mortero de Chihuahua, S.A. de C.V., Cementos de Chihuahua, S.A. de C.V., Construcentro de Chihuahua, S.A. de C.V., Control Administrativo Mexicano, S.A. de C.V., Compañía Industrial de Parras, S.A. de C.V., Fábrica La Estrella, S.A. de C.V., Prendas Textiles, S.A. de C.V., Telas de Parras, S.A. de C.V., Canacem, Confederación Patronal de la República Mexicana, Centro Patronal de Nuevo León, and Instituto Mexicano del Cemento y del Concreto. He is chairman of the board of Centro de Estudios del Sector Privado para el Desarrollo Sostenible and member of the board of the World Environmental Center.
Mario de la Garza, Vice President of Administration	Joined CEMEX in 1965 and has held several positions in the company, including director of accounting from 1985 to 1989, director of affiliates from 1989 to 1994, and director of administration from 1994 to 1996, when he was named vice president of administration. He is a graduate in philosophy and C.P.A. from Universidad Autónoma de Nuevo León and attended the ‘‘Programa de Alta Dirección de Empresas, AD2’’ IPADE (Instituto Panamericano de Alta Dirección de Empresas)
Francisco Garza, President of CEMEX North America Region and Trading	Joined CEMEX in 1988 and has served as director of trading from 1988 to 1992, president of CEMEX Corp. from 1992 to 1994, president of Vencemos and Cemento Bayano from 1994 to 1996, president of CEMEX México and CEMEX Corp. from 1996 to 1998, when he was appointed president of the North American region and trading. He is a graduate in business administration of ITESM and holds an M.B.A. from the Johnson School of Management at Cornell University. Previously, he was employed at Hylsa, S.A. de C.V.
José Luis Sáenz de Miera, President of CEMEX Europe, Middle East, Africa and Asia	Joined Valenciana in 1993 as general director of administration and finance, and in 1996 he was appointed president of Valenciana. Mr. Sáenz de Miera has served as president of the Europe, Middle East, Africa and Asia region since 1998. He is a graduate in economic sciences from Universidad Complutense de Madrid and public accountancy from Instituto de Censores Jurados de Cuentas in Spain. Previously, he was employed from 1973 to 1993 at KPMG Peat Marwick, since 1982 as partner and between 1988 and 1993 as deputy senior partner.

Victor Romo,
President of CEMEX South America and the Caribbean

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

Rodrigo Treviño,
Chief Financial Officer

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

Ramiro G. Villarreal,
General Counsel

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

Board of Directors

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

Lorenzo H. Zambrano,
Chairman

See "— Senior Management."

Eduardo Brittingham Sumner

Has been a member of our board of directors since 1967. He is also general director of Laredo Autos, S.A. de C.V., Auto Express Rapido Nuevo Laredo, S.A. de C.V, Consorcio Industrial de Exportación, S.A. de C.V., and an alternate member of the board of directors of Vitro, S.A. He is father of Tomás Brittingham Longoria, an alternate member of our board of directors.

Lorenzo Milmo Zambrano

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 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

Has been a member of our board of directors since 1985. He is also the chief executive officer of Compañía Industrial de Parras, S.A. de C.V. and Parras Cone de México, S.A. de C.V. He is member of the board of directors of Parras Williamson, S.A. de C.V., Telas de

Parras, S.A. de C.V., Sinkro, S.A. de C.V., IUSA-GE, S. de R.L., Industrias Unidas, S.A., Apolo Operadora de Sociedades de Inversión, S.A. de C.V. and Cambridge Lee Industries, Inc. Mr. García Muriel is also vice president of Cámara Nacional de la Industria Textil. Rodolfo García Muriel is a first cousin of Armando J. García Segovia, executive vice president of development of CEMEX and a member of our board of directors, and Jorge García Segovia, an alternate member of our board of directors.

Rogelio Zambrano Lozano	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 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	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., 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., Pilatus PC-12 Center de México, S.A. de C.V., Radio Digital 220, S.A. de C.V. and Eikon Publicidad, S.A. de C.V. He is a brother of Mauricio Zambrano Villarreal, a member of our board of directors.
Bernardo Quintana Isaac	Has been a member of our board of directors since 1990. He is chief executive officer and chairman of the board of directors of Empresas ICA Sociedad Controladora, S.A. de C.V., and a member of the board of directors of Teléfonos de México, S.A. de C.V., Grupo Financiero Banamex Accival, S.A. de C.V., Grupo Financiero Inbursa, S.A. de C.V., Grupo Carso, S.A. de C.V., and Grupo Maseca, S.A. de C.V. He is also a member of Consejo Mexicano de Hombres de Negocios, Fundación UNAM, Fundación ICA and Patronato UNAM. He is a founding associate of Fundación Octavio Paz.
Dionisio Garza Medina	Has been a member of our board of directors since 1995. He is also chairman of the board and chief executive officer of Alfa, S.A. de C.V. and chairman of the board of Hylsamex, S.A. de C.V. He is a member of the board of directors of Vitro, S.A., Cydsa, S.A. and Seguros Comercial América, S.A. He is also a member of Consejo Mexicano de Hombres de Negocios, the consultive committee of the School of Business, the David Rockefeller Center for Latin American Studies of Harvard University 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	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. and Seminis, Inc. He is the chairman of the board of ING, Seguros Comercial América, S.A. de C.V., and Empaques Ponderosa, S.A. de C.V. and chairman

	of the academic council of DUXX, Graduate School of business leadership. 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 a member of the board of The Donald Danforth Plant Science Center. He is also a member of the board of Universidad Iberoamericana and of Univerisdad de Monterrey, A.C.
Mauricio Zambrano Villarreal	Has been a member of our board of directors since 2001. Mr. Zambrano Villarreal served as an alternate member of our board of directors from 1995 to 2001. He is also general vice-president of Desarrollo Integrado, S.A. de C.V., chairman of the board of directors of Empresas Falcón, S.A. de C.V. and Trek Associates, Inc., secretary of the board of directors of Administración Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., Compañía de Vidrio Industrial, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles Trevisa, S.A. de C.V., Praxis Accesorios, S.A. de C.V. and Servicios Técnicos Hidráulicos, S.A. de C.V., and a member of the board of directors of Sylvania Lighting International México, S.A. de C.V., Invercap, S.A. de C.V. and Precision Auto Care, Inc. He is a brother of Roberto Zambrano Villarreal, a member of our board of directors.

Alternate Directors

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

Jorge García Segovia	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. 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	Has been an alternate member of our board of directors since 1987. He is also the chief executive officer of Laredo Autos, S.A. de C.V. He is a son of Eduardo Brittingham Sumner, a member of our board of directors.
Tomás Milmo Santos	Has been an alternate member of our board of directors since 2001. He is Chief Executive Officer and member of the board of directors of Axtel, S.A. de C.V., a telecommunications company that operates in the local, long distance and data transfer market. He is also a member of the board of directors of Coparmex, Cemex México and the Universidad de Monterrey. Mr. Milmo Santos is nephew of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors, and a nephew of Lorenzo Milmo Zambrano, a member of our board of directors.

Examiner

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

	Santos-Elizondo-Cantú-Rivera-González-De la Garza, S.C. From 1997 to 2000 he served as Senator from the State of Nuevo Leon.

Alternate Examiner

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

Board Practices

At a general extraordinary meeting of shareholders scheduled for April 25, 2002, our shareholders will consider a proposal to amend various articles of the Company's articles of association and by-laws, or estatutos sociales, in order to improve our standards of corporate governance and transparency, among other matters. The proposed amendments will require that at least 25% of our directors qualify as independent directors; that our board of directors, at its first meeting after the proposed amendments are adopted, establish an audit committee; and that shareholders representing at least 10% of our shares have the right to designate an examiner and an alternate examiner. The audit committee shall be responsible for reviewing related party transactions, and shall submit an annual report of its activities to our board of directors. The majority of the members of the audit committee, including its president, will be independent directors.

Compensation of Our Directors and Members of Our Senior Management

For the year ended December 31, 2001, 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 U.S.$40,208,996. Approximately U.S.$5,315,219 of this amount was paid pursuant to a bonus plan based on our performance. During 2001, as part of the compensation, the members of our board of directors, alternate members of our board of directors, statutory auditors and senior managers, as a group, received options to acquire 34,383.339 CPOs at a weighted average nominal exercise price of Ps45.21 per CPO. These options expire in 2011.

In addition, approximately, U.S.$194,510 was set aside or accrued to provide pension, retirement or similar benefits.

Employee Stock Option Plan (ESOP)

In 1995, we adopted an employee stock option plan under, or ESOP, which we are authorized to grant members of our board of directors, members of our senior management and other eligible employees options to acquire our CPOs. Our obligations under the plan are covered either by shares held in a trust created for such purpose (initially 216,300,000 shares) or by derivative agreements with third parties entered into by the trust. As of December 31, 2001, options to acquire 74,915,675 CPOs had been granted under the plan at a weighted average nominal exercise price of Ps32.39 and options representing 8,478,914 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 the date of that grant.

In November 2001, we implemented a voluntary exchange program to offer participants in our ESOP new options intended to better align employee interests with those of shareholders in exchange for their existing options. The new options have an escalating strike price indexed in U.S. Dollar terms and are fully hedged, while the old options have a strike price fixed in Peso terms and are not fully hedged. The executives who participated in this program exchanged their options to purchase CPOs at a weighted average strike price of Ps34.11 per CPO, for cash equivalent to the intrinsic value on the exchange date and new options to purchase CPOs with an escalating dollar strike price set at US$4.93 per CPO as of December 31, 2001, growing by 7% per annum less dividends on the CPOs. Of the old options, 57,448,219 (approximately 90.1%) were exchanged for new options in the voluntary

exchange program and 8,695,396 were not exchanged. In the context of the exchange, 81,680,766 new options were issued, in addition to 7,307,039 new options that were purchased by participants under a voluntary purchase option that was also part of the exchange.

Certain key executives also participate in a plan that distributes a bonus pool based on actual business results. This bonus is calculated and paid annually, 50% in cash and 50% under an ESOP.

As of March 31, 2002, the following ESOP options to acquire our securities were outstanding:

Title of security underlying options	Number of CPOs underlying options	Expiration Date	Per CPO exercise priceof options
CPOs	8,566,242	2005-2011	Ps17.17 – 43.44
CPOs	88,987,805	2011	U.S.$4.9335 - 9.7049
CPOs	5,215,101	2011	U.S.$4.9458 – 9.7291

As of March 31, 2002, our senior management and directors held the following ESOP options to acquire our securities:

Title of security underlying options	Number of CPOs underlying options	Expiration Date	Per CPO exercise price of options
CPOs	0	2005-2011	Ps17.17 – 43.44
CPOs	30,242,403	2011	U.S.$4.9335 - 9.7049
CPOs	1,946,625	2011	U.S.$4.9458 – 9.7291

As of March 31, 2002, our employees, other than senior management and directors held the following ESOP options to acquire our securities:

Title of security underlying options	Number of CPOs underlying options	Expiration Date	Per CPO exercise priceof options
CPOs	8,566,242	2005-2011	Ps17.17 – 43.44
CPOs	58,745,402	2011	U.S.$4.9335 - 9.7049
CPOs	3,268,476	2011	U.S.$4.9458 – 9.7291

Voluntary Employee Stock Option Plan (VESOP)

During 1998 and 1999, we established voluntary employee stock option plans, or VESOPs, through which managers and higher executives elected to purchase options to acquire up to 36,468,375 CPOs. These VESOP options are exercisable quarterly over a period of five years and have a predefined exercise price which increases quarterly in U.S. Dollars, thereby taking into account the funding cost in the market. As of December 31, 2001, options to acquire 20,215,960 CPOs were outstanding.

As of March 31, 2002, the following VESOP options to acquire our securities were outstanding:

Title of security underlying ptions	Number of ADSs underlying options	Expiration Date	Purchase Price	Per CPO exercise price of options
CPOs	15,060,440	2003	U.S.$0.29-0.31	U.S.$ 6.09-6.46
CPOs	4,997,605	2004	U.S.$0.19	U.S.$4.31

As of March 31, 2002, our senior management and directors held the following VESOP options to acquire our securities:

Title of security underlying options	Number of ADSs underlying options	Expiration Date	Purchase Price	Per CPO exercise price of options
CPOs	6,320,640	2003	U.S.$0.29-0.31	U.S.$ 6.09-6.46
CPOs	3,671,520	2004	U.S.$0.19	U.S.$4.31

As of March 31, 2002, our employees, other than senior management and directors held the following VESOP options to acquire our securities:

Title of security underlying options	Number of ADSs underlying options	Expiration Date	Purchase Price	Per CPO exercise price of options
CPOs	8,739,800	2003	U.S.$0.29-0.31	U.S.$ 6.09-6.46
CPOs	1,326,085	2004	U.S.$0.19	U.S.$4.31

Employees

As of December 31, 2001, we had approximately 25,919 employees worldwide, which represented an increase of 0.13% from year-end 2000.

The following table sets forth the number of our full-time employees and a break down of their geographic location at the end of each of the last three fiscal years:

	Mexico	United States	Spain	Venezuela	Colombia	Egypt	Philippines	Thailand	Central America And the Caribbean	Others	Total
1999	9,000	1,300	2,700	3,200	1,000	3,800	1,000	–	1,100	1,300	**24,440**
2000	9,436	5,273	2,805	2,936	1,116	997	1,056	–	1,132	1,133	**25,884**
2001	8,740	5,056	3,114	2,576	932	749	734	221	1,512	2,285	**25,919**

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

Share Ownership

As of March 15, 2002, our senior management and directors and their immediate families owned, collectively, approximately 6.49% 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.

As of March 15, 2002, Fernando Ruiz Arredondo, our alternate examiner, beneficially owned 29,328,220 CPOs, which represented 1.83% of our outstanding CPOs, and 17,685 ADWs. Other than Mr. Ruiz Arredondo, no individual director or member of our senior management beneficially owned one percent or more of any class of our outstanding capital stock.

Item 7 - Major Shareholders and Related Party Transactions

Major Shareholders

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

As of March 31, 2002, our outstanding capital stock consisted of 3,216,936,746 Series A shares and 1,608,468,373 Series B shares, in each case including shares held by our subsidiaries.

As of March 31, 2002, a total of 3,018,385,982 Series A shares and 1,509,385,982 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 March 31, 2002, through our subsidiaries, we owned approximately 146 million CPOs, representing approximately 9.67% of our outstanding CPOs and 9.08% of our outstanding voting stock, an additional 251 million CPOs, representing approximately 16.64% of our outstanding CPOs and 15.62% 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 voting rights over those CPOs are the same as those of any other CPO holder.

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.

In addition, as of March 31, 2002, through our subsidiaries, we owned approximately 1.71% of our outstanding new appreciation warrants. If the average price of our CPOs reaches specified levels on or prior to December 21, 2004, the appreciation warrants will be redeemed for CPOs or ADSs at specified appreciation values. See Item 5 — "Operating and Financial Review and Prospects — Qualitative and Quantitative Market Disclosure — Equity Derivative Financing Transactions" for a description of the old appreciation warrants and the new appreciations warrants.

Mexican securities authority regulations, Circular 11-14, provide that our majority-owned subsidiaries may neither directly or indirectly invest in our CPOs nor 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 nor, 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. 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 their other securities representing our capital stock, including all voting rights, as any other holder of the same series.

As of March 31, 2002, we had 241 ADS holders, 11 old ADW holders and 20 new ADW holders, of record in the United States, holding approximately 58.20% of our outstanding CPOs, 25.56% of our outstanding new appreciation warrants, 63.69% of our old appreciation warrants, respectively, holders registered in the books of

Citibank, the depositary of our ADSs, old ADWs and new ADWs and considering that DTC is equivalent to one holder in the books of Citibank for all three instruments.

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 our customers.

In addition, we extend loans to our directors and executives for varying amounts at market rates. During 2001 the largest amount of outstanding loans that we had vis-à-vis our directors and members of our senior management was approximately Ps40,464,521, and as of March 31, 2002 the amount outstanding was Ps13,076,151.65 with an average interest rate of 5.008%.

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 Item 10 — "Additional Information — Taxation — Mexican Tax Considerations." Since we conduct our operations through our subsidiaries, we have no significant assets of our own except for our investments in those subsidiaries. Consequently, our ability to pay dividends to our shareholders is dependent upon our ability to receive funds from our subsidiaries in the form of dividends, management fees, or otherwise. Some of our credit agreements and debt instruments and some of those of our subsidiaries contain provisions restricting our ability, and that of our subsidiaries, as the case may be, to pay dividends if some financial covenants are not maintained. As of December 31, 2000, we and our subsidiaries were in compliance with, or had obtained waivers in connection with, those covenants. See Item 3 — "Key Information — Risk Factors — We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, ADWs, appreciation warrants and ADWs" 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.

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 ADS depositary will fix a record date for the holders of ADSs in respect of each dividend distribution. Unless otherwise stated, the ADS 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 ADS depositary, to pay those dividends to holders of ADSs in Dollars. We cannot assure holders of our ADSs that the ADS 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, 2001. Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year.

	Dividends Per Share	
	Constant Pesos	Dollars
1996	—	—
1997	0.40	0.04
1998	0.45	0.05
1999	0.51	0.06
2000	0.60	0.07

In connection with our 2001 annual shareholders' meeting, which is scheduled on April 25, 2002, our board of directors will recommend that the stockholders approve a stock dividend; instead of receiving that dividend in stock, shareholders will be entitled to elect to receive a cash dividend per CPO.

At our 2000 annual shareholders' meeting, which took place on April 26, 2001, our board of directors recommended and the stockholders approved a cash dividend of Ps1.80 (U.S.$0.20) per CPO, or Ps0.60 (U.S.$0.07) per share; instead of receiving that dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.80 worth of additional CPOs at a price of Ps37.78 per additional CPO. As a result of that dividend, approximately 70 million additional CPOs were issued and an aggregate of Ps81.9 million was paid in cash.

At our 1999 annual shareholders' meeting, which took place on April 27, 2000, our board of directors recommended and the shareholders approved a dividend of Ps1.52 (U.S.$0.17) per CPO; or Ps0.51 (U.S.$0.06) per share, instead of receiving that dividend in cash, shareholders were entitled to elect to receive a stock dividend per CPO of Ps1.52 worth of additional CPOs at a price of Ps32.63 per additional CPO. As a result of that dividend, approximately 59 million additional CPOs were issued and an aggregate of Ps258 million was paid in cash.

At our 1998 annual shareholders' meeting, which took place on April 29, 1999, our board of directors recommended and the shareholders approved a dividend of Ps0.45 (U.S.$0.05) per share; shareholders were entitled to elect to receive additional shares instead of receiving that dividend in cash, with the number of additional shares issued per share instead of the cash dividend based upon a price of Ps11.60 per additional share. As a result of that dividend, 142,137,348 additional shares were issued and an aggregate of Ps262 million was paid in cash.

At our 1997 annual shareholders' meeting, which took place on April 23, 1998, our board of directors recommended and the shareholders approved a dividend of Ps0.40 (U.S.$0.04) per share; shareholders were entitled to elect to receive a stock dividend 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 Ps12.89 per additional share. As a result of that dividend, 98,634,951 additional shares were issued and an aggregate of Ps343 million was paid in cash.

We did not declare or pay dividends in 1996. Rather, management recommended and our shareholders approved a share repurchase program. As a result of that share repurchase program, as of December 31, 1997, we had repurchased 72.3 million CEMEX shares for an amount of approximately Ps1.19 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, old appreciation warrants and new are listed on the Mexican Stock Exchange. Our CPOs trade under the symbol "CEMEX.CPO," our old appreciation warrants trade under the symbol "CMX212EDC059" and our new appreciation warrant trade under the symbol "CMX412E-DC062." As a result of the 1999 exchange offer of CPOs for A shares and B shares, the trading of our A shares and B shares substantially declined and were last traded on the Mexican Stock Exchange on December 28, 1999, under the symbols "CEMEX.A" and "CEMEX.B," respectively. On September 28, 2001, the A shares and B shares were delisted from the Mexican Stock Exchange due to the lack of trading volumes. ADSs, each of which represents five CPOs, old ADWs and new ADWs, each of which represents five new appreciation warrants and old appreciation warrants respectively, are listed on the NYSE. Our ADSs trade under the symbol "CX," our old ADWs trade under the symbol "CX.WS." and our new ADWs trade under the symbol "CX.WSB." The following table sets forth, for the periods indicated, the reported highest and lowest market quotations in nominal Pesos for CPOs, old appreciation warrants and new appreciation warrants on the Mexican Stock Exchange and the high and low sales prices in Dollars for ADSs, old ADWs and new ADWs on the NYSE. Although our A shares and B shares are listed on the Mexican Stock Exchange, because of the lack of trading volume in the A shares and B shares, market quotations are not available.

Calendar Period	A Shares(1)		B Shares(1)		CPOs(1)		ADSs(2)		appreciation warrants(3)		old ADWs(4)		New apperciation warrants		New ADWs(6)	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1997	Ps14.47	Ps7.90	Ps16.53	Ps7.97	Ps43.40	Ps19.00	—	—	—	—	—	—	—	—	—	—
1998	14.27	5.31	17.13	6.10	43.40	16.00	—	—	—	—	—	—	—	—	—	—
1999	16.60	5.97	16.77	6.63	53.10	17.90	US$28.13	U.$19.25	Ps8.26	Ps5.00	U.$4.13	US$2.56	—	—	—	—
2000																
First quarter	—	—	—	—	53.80	39.20	28.75	20.88	8.50	5.50	4.75	2.50	—	—	—	—
Second quarter	—	—	—	—	46.20	37.80	24.63	19.50	7.20	4.00	3.50	2.44	—	—	—	—
Third quarter	—	—	—	—	49.05	37.80	25.88	19.81	6.30	4.00	3.25	1.75	—	—	—	—
Fourth quarter	—	—	—	—	41.35	32.50	21.81	17.19	4.50	2.00	2.38	1.00	—	—	—	—
2001																
First quarter	—	—	—	—	45.34	34.50	23.48	17.63	4.20	2.00	2.15	1.00	—	—	—	—
Second quarter	—	—	—	—	49.90	39.25	27.75	20.67	4.80	2.80	2.60	1.50	—	—	—	—
Third quarter	—	—	—	—	51.65	37.58	28.30	19.90	4.85	2.30	2.85	1.35	—	—	—	—
Fourth quarter	—	—	—	—	49.00	38.61	26.85	20.35	4.50	2.00	2.40	1.20	4.50	4.00	—	—
October	—	—	—	—	45.10	38.61]	24.35	20.35	2.80	2.20	1.50	1.30	—	—	—	—
November	—	—	—	—	46.71	42.20	25.41	22.85	3.62	2.00	2.15	1.20	—	—	—	—
December	—	—	—	—	49.00	45.30	26.85	24.65	4.50	3.15	2.40	1.91]	4.50	4.00	—	—
2002																
January	—	—	—	—	48.95	45.45	26.70	24.07	3.80	3.80	2.20	2.00	5.50	3.80	3.00	2.35
February	—	—	—	—	48.49	43.90	26.45	24.00	3.00	3.00	1.80	1.65	5.20	4.20	2.98	2.55
March	—	—	—	—	55.01	30.37	30.37	24.50	6.00	6.00	2.50	1.00	7.60	4.50	4.40	2.75

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

(1) As of December 31, 2001, approximately 93.57% of our outstanding share capital was represented by CPOs.
(2) The ADSs began trading on the NYSE on September 15, 1999.
(3) The old appreciation warrants began trading on the Mexican Stock Exchange on December 13, 1999.
(4) The old ADWs began trading on the NYSE on December 13, 1999.
(5) The new appreciation warrants began trading on the Mexican Stock Exchange on December 24, 2001.
(6) The new ADWs began trading on the NYSE on December 24, 2001.

The last reported closing price for CPOs in March 2002 was Ps53.24 per CPO on the Mexican Stock Exchange and U.S.$29.54 per ADS on the NYSE. On the last trading day of March 2002, the reported closing prices for old appreciation warrants and new appreciation warrants on the Mexican Stock Exchange were Ps6.00 per old appreciation warrant and Ps7.10 per new appreciation warrant, respectively. In March 2002, the last reported closing prices for old ADWs and new ADWs on the NYSE were U.S.$2.50 per old ADW and U.S.$4.10 per new ADW, respectively. The last trading day in March was March 28, 2002 on the NYSE and March 27, 2002 on the Mexican Stock Exchange.

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. Our objects and purposes can be found in article 2 of our articles of association. We are a global cement manufacturer, with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. We plan to continue focusing in the production and sale of cement and ready-mix concrete, as we believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

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

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

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

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

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

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

between the fixed and variable capital stock of a particular series. For example, the fixed and variable A shares trade as a single series on the Mexican Stock Exchange.

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

As of December 31, 2001, our capital stock consisted of 4,819,281,741 issued shares. A shares represented 66.6% of our capital stock, or 3,503,432,838 shares, of which 3,212,854,494 shares were subscribed and paid, 159,250,112 shares were treasury shares, 9,956,000 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 121,372,232 were authorized for issuance pursuant to our stock option plans, but which had not yet been paid. B shares represented 33.4% of our capital stock, or 1,751,716,419 shares, of which 1,606,427,247 were subscribed and paid, 79,625,056 shares were treasury shares, 4,978,000 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 60,686,116 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 1,988,149,257 shares correspond to the variable portion of our capital stock.

As of June 1, 2001, the Mexican securities law was amended in order to increase the protection granted to minority shareholders of Mexican listed companies and to bring corporate governance procedures of Mexican listed companies in line with international standards. We intend to amend our articles of association in our next general shareholders' meeting in order to incorporate the provisions that the amendments to the Mexican law of the securities market require.

Changes in Capital Stock and Preemptive Rights

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

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

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

Repurchase Obligation

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

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

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

Shareholders' Meetings and Voting Rights

Shareholders' meetings may be called by:

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

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

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

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

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

- extending our corporate existence;
- our early dissolution;

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

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

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

A shareholders' resolution is required to take action on any matter presented at a shareholders' meeting. At an ordinary meeting of shareholders, the affirmative vote of the holders of a majority of the shares present at the meeting is required to adopt a shareholders' resolution. At an extraordinary meeting of shareholders, the affirmative vote of at least 50% of the capital stock is required to adopt a shareholders' resolution, except that when reforming article 45 of our articles of association (which requires that in the case of cancellation of the registration of the our shares in the Registro Nacional de Valores of the Comisión Nacional Bancaria y de Valores, the controlling shareholders of CEMEX are required to buy the oustansding shares through a public offering, unless they have the consent of all the shareholders), the previous consent of the Comisión Nacional Bancaria y de Valores is needed together with the affirmative vote of at least 95% of the voting stock and when reforming article 22 of our articles of association (which provides for the list of persons who are not eligible to be appointed as a d directors or an examiner) the affirmative vote of at least 75% of the voting stock is needed.

The quorum for a first ordinary meeting of shareholders is 50% of all fully paid-in stock, and for the second ordinary meeting of shareholders is any number of fully paid-in stock. The quorum for the first extraordinary shareholders meetings is 75% of all fully paid-in stock and for the second extraordinary shareholders meeting the quorum is 50% of all fully paid-in stock.

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. For further details on the calculation of the withdrawal right, see "— General."

Dividends

At the annual ordinary general meeting of shareholders, our board of directors submits our financial statements together with a report on them by our board of directors and the statutory auditors, to our shareholders for approval. The holders of our shares, once they have approved the financial statements, determine the allocation of our net income, after provision for income taxes legal reserve and statutory employee profit sharing payments, for

the preceding year. All shares of our capital stock outstanding and fully paid at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution.

Liquidation Rights

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

Repurchase Option

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

Material Contracts

On November 8, 2001, we registered with the Comisión Nacional Bancaria y de Valores a 30-month Medium Term Promissory Notes Program in order to raise funds up to 10 years. CEMEX México and Empresas Tolteca de México acted as guarantors.

On October 29, 2001, Valenciana signed a three-year revolving credit facility arranged by Banco Bilbao Vizcaya Argentaria, S.A., Salomon Brothers International Limited, and Deutsche Bank AG as mandated lead arrangers. The facility amounts to €800 million. A total number of 38 banks participated in such transaction. Most of the proceeds of such facility should be used for general corporate purposes only.

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

On March 15, 2001, CEMEX, Inc., as issuer, Valenciana, as parent guarantor and Sandworth Plaza Holding B.V., Cemex Caracas Investments B.V., Cemex Caribe Investments B.V., Cemex Manila Investments B.V., Valcem International B.V., as subsidiary guarantors, and several institutional purchasers, entered into a Note and Guarantee Agreement in connection with the private placement and issuance by CEMEX, Inc. of U.S.$315,000,000 aggregate principal amount of Series A Guaranteed Senior Notes due 2006, €50,000,000 aggregate principal amount of Series B Guaranteed Senior Notes due 2006 and U.S.$396,000,000 aggregate principal amount of Series C Guaranteed Senior Notes due 2008 to the institutional purchasers. The proceeds of the private placement were used to repay debt.

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

On November 6, 2000, we established U.S.$1.5 billion in preferred equity financing arrangements to provide funds for our acquisition of Southdown. The preferred equity financing arrangements were amended and restated on February 6, 2002. The preferred equity financing arrangements consist of:

- a framework agreement among CEMEX, Sunward Acquisitions, New Sunward Holding, Valenciana, Stichting Administratiekantoor Aandelen New Sunward Holding B.V., Rey Holdings (Jersey) Limited, a newly formed special purpose company in which CEMEX does not have any

interest, Rey Holdings (Luxembourg) S.A., a special purpose company in which CEMEX does not have any interest and a subsidiary of Rey Holdings (Jersey), and JP Morgan Limited (formerly Chase Manhattan International Limited), as investor agent;

- a 30-month U.S.$650 billion term loan facility agreement among Rey Holdings (Jersey), as borrower, Rey Holdings (Luxembourg), the banks and financial institutions referred to therein, as lenders and JP Morgan Europe Limited (formerly Chase Manhattan International Limited), as facility agent and as the security trustee; and

- an approximately U.S.$530 billion intercompany loan agreement between Rey Holdings (Jersey), as lender, and Rey Holdings (Luxembourg), as borrower.

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

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

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

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

- U.S.$600 million in July 2001;

- U.S.$250 million in February 2002; and

In February 2002, we refinanced the preferred equity transaction, as a result of which CEMEX redeemed U.S.$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.$650 million, with a further redemption of U.S.$195 million due in February 2004 and the balance of the preferred equity of U.S.$455 million due in August 2004. The Facility agreement may be increased up to US$1.2 billion. However, such an increase is subject to the ability of CEMEX to obtain commitments from additional participants to subscribe for more preferred equity. This would involve further tranches of debt being drawn from our new existing lenders under the facility agreement. These further tranches can be used to refinance existing indebtedness under the facility agreement, or to finance future acquisitions. Any further drawings will be on-lent from Rey Holdings (Jersey) to Rey Holdings (Luxembourg) and used to subscribe for additional preferred equity.

The framework agreement provides for corresponding payments to be made by New Sunward Holding to Rey Holdings (Luxembourg) on the same dates by way of distribution of interim dividends and/or repayments from New Sunward Holding's share premium reserves from free distributable reserves. In addition, corresponding payments are to be made by Rey Holdings (Luxembourg) to Rey Holdings (Jersey) on the same dates pursuant to the intercompany loan agreement, provided that, the balance of the loan outstanding under that agreement, is to be paid in August 2004, unless extended.

The interest rate payable on Rey Holdings (Jersey)'s borrowing under the existing tranche of the facility agreement and on Rey Holdings (Luxembourg)'s borrowing under the intercompany loan agreement is the aggregate of the London Interbank Offered Rate, or LIBOR, plus the applicable margin referred to below, plus applicable regulatory capital costs. The applicable margin set at 125 basis points from February 2002, and, absent a notice event, it will fluctuate quarterly between 100 basis points and 175 basis points depending on Valenciana's Total Debt to EBITDA ratio. Corresponding payments are to be made by New Sunward Holding to Rey Holdings (Luxembourg) in respect of the preferred equity. Additional future tranches of the facility agreement may have different margins applicable.

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

Exchange Controls

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

Taxation

Mexican Tax Considerations

General

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

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

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

Taxation of Dividends

Dividends, either in cash or in any other form, paid to non-residents of Mexico 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 not be subject to withholding tax in Mexico.

Disposition of CPOs or ADSs

Gains on the sale or disposition of ADSs by a holder who is a non-resident of Mexico will not be subject to Mexican taxation.

Gains on the sale or disposition of CPOs by a holder who is an "individual" non-resident of Mexico generally will be exempt from Mexican taxation; provided that such sale or disposition is executed on the Mexican Stock Exchange.

This exemption is not applicable to transactions not executed on the Mexican Stock Exchange, including protected or registered transactions, even though The Comisión Nacional Banacaria y de Valores, the Mexican National Banking and Securities Commission, views these protected or registered transactions as if they were executed on the Mexican Stock Exchange. Additionally, the exemption is not applicable to the sale or disposition of CPOs through a public offer, where the offerees are not allowed to accept more competitive offers to those received before or within the public offer, and if it is accepted, a penalty is applicable.

On the other hand, the sale or disposition of CPOs by a holder who is a "legal entity" non-resident of Mexico generally will be subject to a 5% withholding tax on the gross sale price, to the extent the sale or disposition is executed on the Mexican Stock Exchange and the CPOs are held by the investment public at large. The Secretaría de Hacienda y Crédito Público, the Mexican Ministry of Finance and Public Credit, has determined that CPOs are held by the investment public at large. Alternative to the 5% withholding tax, the legal entity non-resident of Mexico may elect for a 20% withholding tax on the gain on the sale or disposition of CPOs.

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

Deposits of CPOs in exchange for ADSs and withdrawals of CPOs in exchange for ADSs will not give rise to any Mexican tax or transfer duties.

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

Estate and Gift Taxes

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

Disposition of Appreciation Warrants or ADWs

Because the appreciation warrants have been registered on the Mexican Stock Exchange, gains on the sale or other disposition of appreciation warrants by non-residents of Mexico will generally be subject to a 25% withholding tax on the gross sale price. Alternative to the 25% withholding tax, the seller, resident of a qualifying country, including, among others, the United States, who appoints a representative in Mexico for income tax purposes related to the sale may elect to pay Mexican federal income tax at a rate of 35% of the gain on the sale.

Gains on the sale or disposition of ADWs by a holder who is a non-resident of Mexico will not be subject to Mexican tax.

Mandatory redemption, maturity and purchase of Appreciation Warrants or ADWs

The Mexican tax consequences applicable to the disposition of appreciation Warrants or ADWs explained in the previous section, will be also applicable to the mandatory redemption, maturity and purchase of appreciation warrants or ADWs.

U.S. Federal Income Tax Considerations

General

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

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

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

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation that is 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.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of CPOs, ADSs, appreciation warrants, or ADWs, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership.

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 or successor thereof, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles.

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 or successor thereof, including the amount of Mexican withholding tax thereon, whether or not they are converted into Dollars on that day. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into U.S. 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 at the rate applicable to such shareholder. For purposes of calculating the U.S. foreign tax credit, dividends paid by us generally will constitute foreign source "passive income," or in the case of some U.S. Shareholders "financial services income." U.S. Shareholders should consult their tax advisors regarding the availability of, and limitations on, any such foreign tax credit.

Taxation of capital gains on disposition of CPOs or ADSs

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

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

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

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

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. The use of the word "should" in this paragraph is intended to convey that the likelihood that the receipt of CPOs or ADWs will be tax-free to participating U.S. Shareholders is stronger than "more likely than not" but less than the degree of certainty typically associated with a "will" opinion.

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 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 long-term 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. U.S. Shareholders should consult their tax advisors with respect to the potential application of Section 305 of the Code.

United States Backup Withholding and Information Reporting

A U.S. Shareholder may, under certain circumstances, be subject to "backup withholding" 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 otherwise complies with applicable requirements of the 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.

Item 11 - Quantitative and Qualitative Disclosures About Market Risk

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

Item 12 - Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13 - **Defaults, Dividend Arrearages and Delinquencies**

None.

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

None.

Item 15 - **[Reserved]**

Item 16 - **[Reserved]**

PART III

Item 17 - Financial Statements

Not applicable.

Item 18 - Financial Statements

See pages F-1 through F- 81 incorporated herein by reference.

Item 19 - Exhibits

1.1	Articles of Association for CEMEX, S.A. de C.V.*
2.1	Form of Trust Agreement between CEMEX, S.A. de C.V., as founder of the trust, and Banco Nacional de México, 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), dated as of August 10, 1999, 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) evidencing American Depositary Shares.*
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 new CPO Purchasing and Disbursing Agreement*******
2.9	Form of new appreciation warrant certificate*******
2.10	Form of new Warrant Deposit Agreement among CEMEX, S.A. de C.V., Depositary and holders and beneficial owners of new American Depositary Warrants*******
2.11	Form of new American Depositary Warrant Receipt (included in Exhibit 2.10)*******
4.1	Citibank, N.A. Forward Contract, dated as of December 13, 1999***
4.2	ING Bank, N.V. Forward Contract, dated as of December 13, 1999***
4.3	Deutsche Bank AG, London Branch, Forward Contract, dated as of December 13, 1999***
4.4	Credit Suisse Financial Products Forward Contract, dated as of December 13, 1999***
4.5	ABN AMRO Special Corporate Services B.V. Forward Contract, dated as of December 13, 1999***
4.6	Société Générale Forward Contract, dated as of December 13, 1999***
4.7	The Chase Manhattan Bank Forward Contract, dated as of December 13, 1999***
4.8	Indenture, dated as of July 18, 2000 by and among CEMEX, S.A. de C.V. as Issuer, CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V. as guarantors, and U.S. Bank Trust National Association, as trustee, relating to the issuance of U.S.$500,000,000 principal amount of 8.625% Notes due 2003.*****
4.9	Agreement and Plan of Merger, dated as of September 28, 2000, among CEMEX, S.A. de C.V., CENA Acquisition Corp. and Southdown, Inc.****
4.10	Framework Agreement, dated as of November 6, 2000, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Milaco, S.A., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compañía Valenciana de Cementos Portland, S.A., Stichting Administratiekantoor Aandelen New Sunward Holding B.V., and Chase Manhattan International Limited, relating to a U.S.$1,500,000,000 18-month loan preference equity financing agreement.*****
4.11	Supplemental Agreement, dated as of March 9, 2001, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Milaco, S.A., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compañía Valenciana de Cementos Portland, S.A., Stichting Administratiekantoor Aandelen New Sunward Holding B.V., and Chase Manhattan International Limited, relating to the Framework Agreement.*****
4.12	Credit Facility Agreement, dated as of November 6, 2000, by and among Rey Holdings (Jersey) Limited as the Borrower, Rey Holdings (Luxembourg) S.A., Chase Manhattan PLC and Deutsche Bank Securities as the joint lead arrangers and joint book managers, The Chase Manhattan Bank and Bankers Trust Company

as lenders, Chase Manhattan International Limited as the facility agent and as the security trustee, relating to a U.S.$1,500,000,000 18-month loan preferred equity financing agreement.*****

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

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

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

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

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

4.18 Credit facility dated as of October 29, 2001, by and among Compañía Valenciana de Cementos Portland, S.A., as borrower, Banco Bilbao Vizcaya Argentaria, S.A., Salomon Brothers International Limited, and Deutsche Bank AG as mandated lead arrangers and the several banks and other financial institutions named therein, as lenders, for an aggregate amount of €800 million.********

4.19 Amended and Restated Framework Agreement, dated as of February 15, 2002, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Sunward Holdings B.V., Stichting Administratie Kantoor Aandelen New Sunward Holding B.V., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compañía Valenciana de Cementos Portland, S.A., and J.P. Morgan Europe Limited (formerly Chase Manhattan International Limited). ********

4.20 Amended and Restated Facility Agreement, dated as of February 15, 2002, by and among Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., the Banks and Financial Institutions referenced therein as Lenders, the Lead Arrangers, and J.P. Morgan Europe Limited (formerly Chase Manhattan International Limited) as Facility Agent and Security Trustee, relating to credit facilities for up to U.S.$1,200,000,000,000 provided to Rey Holdings (Jersey) Limited. ********

8.1 List of subsidiaries of CEMEX.********

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

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

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

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

***** Incorporated by reference to the annual report on Form 20-F filed with the Securities and Exchange Commission on June 29, 2001.

****** Incorporated by reference to Amendment No. 1 to the annual report on Form 20-F/A filed with the Securities and Exchange Commission on November 19, 2001.

******* Incorporated by reference to Amendment No. 2 to the Registration Statement on Form F-4 (Registration No. 33-13976) filed with the Securities and Exchange Commission on November 19, 2001.

******** Filed herewith.

SIGNATURES

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

CEMEX, S.A. de C.V.

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

April 8, 2002.

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

CEMEX México, S.A. de C.V.

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

April 8, 2002.

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

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

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

April 8, 2002.

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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, 2000 and 2001, 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, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of certain consolidated subsidiaries which statements reflect total assets 2% in 2000 and total revenues constituting 9% and 0% in 1999 and 2000, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

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

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cemex, S.A. de C.V. and subsidiaries at December 31, 2000 and 2001, 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, 2001, 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, 2001, and stockholders' equity as of December 31, 2000 and 2001, to the extent summarized in note 21 to the consolidated financial statements.

KPMG Cárdenas Dosal, S.C.

/s/ Rafael Gómez Eng

Rafael Gómez Eng

Monterrey, N.L. Mexico
January 15, 2002, except for note 21,
which is as of March 25, 2002

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Balance Sheets
(Millions of constant Mexican Pesos as of December 31, 2001)

		December 31,	
Assets		**2000**	**2001**
Cash and investments (note 3)	**Ps**	2,934.1	3,928.3
Trade accounts receivable, less allowance for doubtful accounts Ps432.3 in 2000 and Ps460.8 in 2001		6,242.1	5,613.0
Other receivables (note 4)		2,149.2	4,028.8
Inventories (note 5)		6,828.8	6,243.6
Other current assets (note 6)		939.4	1,454.4
Total current assets		19,093.6	21,268.1
Investments and Noncurrent Receivables (note 7)			
Investments in affiliated companies		5,075.2	4,738.8
Other investments		975.1	—
Other noncurrent accounts receivable		1,731.7	1,778.3
Total investments and noncurrent receivables		7,782.0	6,517.1
Property, Machinery and Equipment (note 8)			
Land and buildings		37,494.3	36,367.0
Machinery and equipment		106,285.7	106,965.0
Accumulated depreciation		(62,932.5)	(65,941.2)
Construction in progress		5,191.6	4,592.5
Total property, machinery and equipment		86,039.1	81,983.3
Deferred Charges (note 9)		37,174.3	39,062.2
Total Assets	**Ps**	150,089.0	148,830.7
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 10)	**Ps**	19,512.1	1,537.6
Notes payable (note 10)		4,531.0	1,971.1
Current maturities of long-term debt (notes 10 and 11)		4,164.1	5,913.9
Trade accounts payable		4,251.4	3,304.1
Other accounts payable and accrued expenses		4,877.0	8,791.8
Total current liabilities		37,335.6	21,518.5
Long-Term Debt (note 11)			
Bank loans		12,222.0	22,472.5
Notes payable		17,742.8	23,283.8
Current maturities of long-term debt		(4,164.1)	(5,913.9)
Total long-term debt		25,800.7	39,842.4
Other Noncurrent Liabilities			
Pension, seniority premium and other postretirement benefits (note 12)		320.3	—
Deferred income taxes (note 16)		12,649.3	10,314.9
Other noncurrent liabilities		1,138.1	2,400.7
Total other noncurrent liabilities		14,107.7	12,715.6
Total liabilities		77,244.0	74,076.5
Stockholders' Equity (note 13)			
Majority interest:			
Common stock-historical cost basis		51.2	53.5
Common stock-accumulated inflation adjustments		3,128.0	3,128.0
Additional paid-in capital		23,421.4	26,273.4
Deficit in equity restatement		(47,189.9)	(51,218.2)
Cumulative initial deferred income tax effects (notes 2K and 16)		(4,760.7)	(4,760.7)
Retained earnings		65,842.5	72,363.0
Net income		9,517.3	10,800.5
Total majority interest		50,009.8	56,639.5
Minority interest (note 13E)		22,835.2	18,114.7
Total stockholders' equity		72,845.0	74,754.2
Total Liabilities and Stockholders' Equity	**Ps**	150,089.0	148,830.7

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Income
(Millions of constant Mexican Pesos as of December 31, 2001, except for earnings per share)

		Years ended December 31,		
		1999	**2000**	**2001**
Net sales	Ps	46,527.5	53,531.6	63,486.9
Cost of sales		(25,922.9)	(29,912.8)	(35,710.3)
Gross profit		20,604.6	23,618.8	27,776.6
Operating expenses:				
Administrative		(5,039.6)	(5,919.1)	(7,242.6)
Selling		(1,721.3)	(1,949.0)	(5,372.9)
Total operating expenses.		(6,760.9)	(7,868.1)	(12,615.5)
Operating income		13,843.7	15,750.7	15,161.1
Comprehensive financing result:				
Financial expense		(4,701.3)	(4,446.3)	(3,775.7)
Financial income		303.2	234.2	373.5
Results from valuation and liquidation of financial instruments		89.7	(73.3)	1,831.4
Foreign exchange result, net		266.0	(286.6)	1,410.4
Monetary position result		3,763.6	2,916.7	2,587.4
Net comprehensive financing result		(278.8)	(1,655.3)	2,427.0
Other expense, net		(2,860.9)	(2,231.3)	(3,823.6)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates		10,704.0	11,864.1	13,764.5
Income tax and business assets tax, net (note 16)		(659.0)	(1,504.2)	(1,529.7)
Employees' statutory profit sharing (note 16)		(369.0)	(341.0)	(216.6)
Total income tax, business assets tax and employees' statutory profit sharing		(1,028.0)	(1,845.2)	(1,746.3)
Income before equity in income of affiliates		9,676.0	10,018.9	12,018.2
Equity in income of affiliates		239.8	240.9	188.2
Consolidated net income		9,915.8	10,259.8	12,206.4
Minority interest net income		543.1	742.5	1,405.9
Majority interest net income	Ps	9,372.7	9,517.3	10,800.5
Basic earnings per share (see notes 2A and 19)	Ps	2.48	2.31	2.53
Diluted earnings per share (see notes 2A and 19)	Ps	2.48	2.30	2.51

See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Statements of Changes in Stockholders' Equity

(Millions of constant Mexican Pesos as of December 31, 2001)

		Common stock	Additional paid-in capital	Deficit in equity restatement	Cumulative initial deferred income tax effects	Retained earnings	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 1998	Ps	3,175.1	19,081.6	(43,903.5)	-	60,688.3	39,041.5	12,563.5	51,605.0
Dividends (Ps0.45 pesos per share).....................		1.9	1,912.9	-	-	(1,912.6)	2.2	-	2.2
Issuance of common stock (note 13A)		0.1	100.4	-	-	-	100.5	-	100.5
Issuance of appreciation warrants (note 13F)		-	264.3	-	-	-	264.3	-	264.3
Restatement of investments and other transactions relating to minority interest		-	-	-	-	-	-	(1,035.7)	(1,035.7)
Investment by subsidiaries (note 7).....................		-	-	4,783.9	-	-	4,783.9	-	4,783.9
Comprehensive net income.................................		-	-	(3,624.8)	-	9,372.7	5,747.9	543.1	6,291.0
Balances at December 31, 1999		3,177.1	21,359.2	(42,744.4)	-	68,148.4	49,940.3	12,070.9	62,011.2
Dividends Ps0.51 pesos per share)......................		2.1	2,072.8	-	-	(2,186.0)	(111.1)	-	(111.1)
Issuance of common stock (note 13A)................		0.1	49.3	-	-	-	49.4	-	49.4
Issuance of appreciation warrants (note 13F).......		-	(59.9)	-	-	-	(59.9)	-	(59.9)
Share repurchase program (note 13A).................		(0.1)	-	-	-	(119.9)	(120.0)	-	(120.0)
Restatement of investments and other transactions relating to minority interest		-	-	-	-	-	-	10,021.8	10,021.8
Investment by subsidiaries (note 7)		-	-	(1,776.7)	-	-	(1,776.7)	-	(1,776.7)
Comprehensive net income		-	-	(2,668.8)	(4,760.7)	9,517.3	2,087.8	742.5	2,830.3
Balances at December 31, 2000		3,179.2	23,421.4	(47,189.9)	(4,760.7)	75,359.8	50,009.8	22,835.2	72,845.0
Dividends (Ps0.60 pesos per share).....................		2.4	2,746.9	-	-	(2,793.3)	(44.0)	--	(44.0)
Issuance of common stock (note 13A)		0.1	105.1	-	-	-	105.2	--	105.2
Share repurchase program (note 13A).................		(0.2)	-	-	-	(203.5)	(203.7)	--	(203.7)
Restatement of investments and other transactions relating to minority interest		-	-	-	-	-	-	(6,126.4)	(6,126.4)
Investments by subsidiaries (note 7)		-	-	60.2	-	-	60.2	-	60.2
Comprehensive net income.................................		-	-	(4,088.5)	-	10,800.5	6,712.0	1,405.9	8,117.9
Balances at December 31, 2001	Ps	3,181.5	26,273.4	(51,218.2)	(4,760.7)	83,163.5	56,639.5	18,114.7	74,754.2

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

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Changes in Financial Position

(Millions of constant Mexican Pesos as of December 31, 2001)

		Years ended December 31,	
	1999	**2000**	**2001**
Operating activities			
Majority interest net income **Ps**	9,372.7	9,517.3	10,800.5
Charges to operations which did not require resources:			
Depreciation of properties, machinery and equipment	3,347.1	3,537.9	4,934.6
Amortization of deferred charges and credits, net	831.2	1,119.1	2,334.8
Impairment of assets	642.1	-	-
Pensions, seniority premium and other postretirement benefits	293.1	286.4	289.3
Deferred income tax charged to results	-	596.1	195.4
Equity in income of affiliates	(239.8)	(240.9)	(188.2)
Minority interest	543.1	742.5	1,405.9
Resources provided by operating activities	14,789.5	15,558.4	19,772.3
Changes in working capital, excluding acquisition effects:			
Trade accounts receivable, net	494.4	616.5	701.6
Other accounts receivable and other assets	105.7	(66.6)	(2,076.8)
Inventories	99.9	163.7	530.3
Trade accounts payable	320.6	863.2	(1,007.9)
Other accounts payable and accrued expenses	(953.7)	(561.6)	3,723.8
Net change on working capital	66.9	1,015.2	1,871.0
Net resources provided by operating activities	14,856.4	16,573.6	21,643.3
Financing activities			
Proceeds from bank loans (repayments), net	(3,132.6)	7,546.7	(7,878.9)
Notes payable, net, excluding foreign exchange effect (note 2D)	(4,157.8)	2,556.4	3,539.3
Investment by subsidiaries	4,818.6	(1,619.0)	(210.0)
Dividends paid	(1,912.5)	(2,186.0)	(2,793.3)
Issuance of common stock from reinvestment of dividends	1,914.8	2,074.9	2,749.3
Issuance of common stock under stock option plan	364.8	49.4	105.2
Issuance (repurchase) of preferred stock by subsidiaries	-	14,410.9	(6,032.7)
Acquisition of shares under repurchase program	-	(120.0)	(203.7)
Other financing activities, net	(3,295.2)	(2,678.5)	(1,989.4)
Resources (used in) provided by financing activities	(5,399.9)	20,034.8	(12,714.2)
Investing activities			
Properties, machinery and equipment, net	(2,562.1)	(3,793.1)	(4,683.7)
Acquisition of subsidiaries and affiliates	(9,522.8)	(24,832.5)	(1,844.2)
Disposal of assets	-	1,326.8	670.7
Minority interest	(1,403.0)	(5,046.3)	(93.6)
Deferred charges	(886.6)	(317.8)	(3,719.6)
Other investments and monetary foreign currency effect	3,977.7	(4,156.9)	1,735.5
Resources used in investing activities	(10,396.8)	(36,819.8)	(7,934.9)
Increase (decrease) in cash and investments	(940.3)	(211.4)	994.2
Cash and investments at beginning of year	4,085.8	3,145.5	2,934.1
Cash and investments at end of year **Ps**	3,145.5	2,934.1	3,928.3

See accompanying notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

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

For purposes of disclosure, when reference is made to pesos or "Ps", it means Mexican pesos; when reference is made to dollars or U.S.$, it means currency of the United States of America ("United States"). Except when specific references are made to "U.S. dollar millions," "U.S. dollar thousands," "earnings per share" and "number of shares," all amounts included in these notes are stated in millions of constant Mexican pesos as of the balance sheet date. Until December 31, 2000, the Company presented its audited financial statements in thousands of pesos.

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

Certain amounts reported in the notes to the consolidated financial statements as of December 31, 1999 and 2000, have been reclassified to conform to the 2001 presentation.

Beginning in 2001, the expenses related to the Company's products distribution are classified as selling expenses in the income statement. During 1999 and 2000, such expenses were recognized as part of cost of sales for an approximate amount of Ps2,171.6 and Ps2,266.7, respectively. This reclassification has no effect in operating income, net income and/or earnings per share for the years ended December 31, 1999 and 2000, if expenses had been recognized consistent with the 2001 classification.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

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

	1999	2000	2001
Restatement factor using weighted average inflation..........	1.0011	1.0236	0.9900
Restatement factor using Mexican inflation.......................	1.1232	1.0903	1.0456

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

C) PRINCIPLES OF CONSOLIDATION

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

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

Subsidiary		Country	% equity interest
Cemex México, S. A. de C.V.	1	Mexico	100.0
Compañía Valenciana de Cementos Portland, S.A.	2	Spain	99.5
Cemex Venezuela, S.A.C.A.		Venezuela	75.7
Cemex, Inc.	3	United States	100.0
Cementos del Pacífico, S.A.		Costa Rica	98.3
Assiut Cement Company	4	Egypt	95.8
Cementos Diamante, S.A.	5	Colombia	98.2
Cemento Bayano, S.A.		Panama	99.2
Cementos Nacionales, S.A.		Dominican Republic	99.7
Cemex Asia Holdings Ltd.		Singapore	77.4
Rizal Cement Company, Inc.	6	Philippines	70.0
APO Cement Corporation	6	Philippines	99.9
Saraburi Cement Company		Thailand	100.0
Latin Networks Holdings, B.V.	7	Netherlands	100.0

1. Includes a 2% equity interest held by a trust in benefit of the Company (see note 13F). During 1999, Cemex México, S.A. de C.V. (“Cemex México”) was created as a result of a merger of most of the cement subsidiaries in Mexico, including Tolmex, S.A. de C.V. and Serto Construcciones, S.A. de C.V. Likewise, Cemex México holds a 100% equity interest in Empresas Tolteca de México, S.A. de C.V. (“Empresas Tolteca de México”) and Centro Distribuidor de Cemento, S.A. de C.V. (“Cedice”). In January 2001, Cemex México acquired, from the Company, a majority interest in Cedice, which indirectly holds the Company’s operations in foreign countries. As a result, as of December 31, 2001, Cemex México indirectly holds Compañía Valenciana de Cementos Portland (“Valenciana”) and subsidiaries.

2. Valenciana is a subsidiary of New Sunward Holdings, B.V., a holding company in which the Company has a 90% equity interest. In addition, the Company’s ownership includes a 6.99% equity interest of Valenciana upon which the Company holds 100% of the economic benefits, related to a financial transaction (see note 15A).

3. Cemex, Inc. was created as a result of a merger between the operations of Southdown, Inc. and Cemex USA, Inc. (see note 7A).

4. In October 2001, Valenciana made a capital contribution to Assiut Cement Company in exchange for 79.87% of the common stock of such entity, becoming its parent company.

5. Includes the Company’s ownership of 99.3% of total common stock’ ordinary shares.

6. Represents the indirect economic benefits of Cemex Asia Holdings in these companies.

7. Latin Networks Holdings, B.V. is the holding company of entities engaged in the development of the Company's Internet strategy.

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

Transactions denominated in foreign currencies are recorded at the exchange rates prevalent on the dates of their execution or liquidation. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date. The resulting foreign exchange fluctuations are reflected in the results of operations or in stockholders’ equity when the indebtedness is directly related to the acquisition of foreign subsidiaries.

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 into pesos using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and income statement accounts. The exchange rate of the peso against the U.S. dollar used by the Company is based on the weighted average of the free market rates available to settle its foreign currency transactions.

E) CASH AND INVESTMENTS (note 3)

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

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

F) 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. Cost of sales reflects the replacement cost of inventories at the time of sale, expressed in constant pesos as of the date of the latest balance sheet.

G) INVESTMENTS AND NONCURRENT RECEIVABLES (note 7)

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

Investments available for sale that the Company held in 1999 and 2000, with no intention of selling in the short-term, were carried at market value, and valuation effects were recognized in stockholders' equity. The reversal of the accumulated effect to earnings was made at the moment of sale in 2001.

H) PROPERTY, MACHINERY AND EQUIPMENT (note 8)

Property, machinery and equipment are presented at their restated values using the inflation index of the assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency.

Interest, which is part of the Comprehensive Financing Result incurred during the construction or installation period of fixed asset is capitalized as part of the carrying value of such assets.

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

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

I) DEFERRED CHARGES AND AMORTIZATION (note 9)

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

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

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

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

J) PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS (note 12)

The costs related to benefits to which employees are entitled by pension plans, seniority premium and other postretirement benefits, legally or by Company grant, are recognized in the results of operations on the basis of the present value of the benefits determined under actuarial estimations, as services are rendered. The amortization of unrecognized prior service cost, changes in assumptions and adjustments based on experience that have not been recognized, is based on the employee's estimated active service life. Other benefits to which employees may be entitled, principally severance benefits and vacations are primarily recognized as an expense in the year in which they are paid. In some circumstances, however, provisions have been made for these benefits.

As part of the established pension plans, in some cases, certain irrevocable trust funds have been created to cover future benefit payments under these plans. The actuarial assumptions utilized in the determination of the pension plan liability are based upon "real" rates (nominal rates discounted by inflation).

K) INCOME TAX ("IT"), BUSINESS ASSETS TAX ("BAT"), EMPLOYEES' STATUTORY PROFIT SHARING ("ESPS") AND DEFERRED INCOME TAXES (note 16)

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

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

The cumulative initial deferred income tax effects, arising from the adoption of the Bulletin, were recognized in stockholders' equity, on January 1, 2000, under the caption "Cumulative initial deferred income tax effects." The effect of a change in the statutory tax rate is recognized in the income statement in the period the change occurs and is officially declared.

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

L) MONETARY POSITION RESULT

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

M) DEFICIT IN EQUITY RESTATEMENT

The deficit in equity restatement includes the accumulated effect from holding non-monetary assets as well as the foreign currency translation effects from foreign subsidiaries' financial statements. Such translation effects consider the foreign exchange result arising from foreign currency debt related to the acquisition of foreign subsidiaries (see note 13D).

N) DERIVATIVE FINANCIAL INSTRUMENTS (note 15)

In accordance with the controls and procedures established by the financial risk management department, the Company uses derivative financial instruments such as interest rate and currency swaps, currency and stock forward contracts, options and futures, in order to reduce risks associated with changes in interest rates and foreign exchange rates of debt agreements and as a vehicle to reduce financing costs (see note 11A and B), as well as hedges of: (i) forecasted transactions to purchase fuels and electric power, (ii) the Company's net investments in foreign subsidiaries and (iii) the future exercise of options under the Company's stock option plans and/or as an alternative source of financing (see note 15). These instruments have been negotiated with institutions and corporations with significant financial capacity; therefore, the Company considers that the risk of non-compliance with the obligations agreed to by such counterparties to be minimal. Some of these instruments have been designated as hedges of the Company's production costs as well as debt or equity instruments.

Effective January 1, 2001, the Company adopted Bulletin C-2 *Financial Instruments* ("Bulletin C-2"), which requires the recognition of all derivative financial instruments in the balance sheet as assets or liabilities, at their estimated fair value, with changes in such values being recorded in the income statement, including instruments negotiated over forecasted transactions. The exceptions to the rule, as they refer to the Company, are presented when transactions are entered for hedging purposes. In such cases, the related derivative financial instruments should be valued using the same valuation criteria applied to the hedged assets or liabilities and the valuation effects should be recognized in the income statement, net of the cost, expense or income generated by the hedged assets or liabilities. Premiums paid or received on hedge derivative instruments are deferred and amortized over the life of the underlying hedged instrument or immediately when they are settled; in other cases, premiums are recorded in the income statement, at the moment in which they are received or paid.

In order to reflect the expected cash flows to be received or paid when the financial instruments are settled, the assets and liabilities arising from such instruments, where there is the right and the intention to settle on a net basis or simultaneously realize the asset and settle the liability, are offset for presentation purposes.

The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished, between willing parties in an arm's length transaction. When an active market for the instrument exists, the fair value corresponds to the value determined by the market. If a quoted market price is not available, the estimated fair value is determined by the net present value of the projected cash flows or by means of an appropriate valuation model.

Foreign currency forward contracts that have been designated as, and are effective as, hedges of the Company's net investments in foreign subsidiaries, are recorded at their estimated fair value as assets or liabilities in the balance sheets within stockholders' equity, as part of the foreign currency translation result.

Equity forward contracts on the Company's common stock are treated as equity instruments, and their results are recognized in stockholders' equity at settlement; except beginning in 2001, the estimated fair value of those forward contracts that hedge executive stock option programs, is recorded in the income statement net of such program's related costs (see note 14).

The economic effects of derivative instruments, negotiated to swap interest rates, currencies or both, over existing specific financing transactions are recognized in the balance sheets as a part of the book value of the specific liabilities, and in the income statements within financial expense, as part of the corresponding effective interest rate, and the foreign exchange effects as part of the foreign exchange result. In addition, beginning in 2001, an additional asset or liability is recorded in order to recognize the estimated fair value of these instruments in the income statement.

Beginning in 2001, the Company recognizes the estimated fair value of other derivative instruments, negotiated as part of a financial and/or business strategy, as assets or liabilities against the income statement at inception. Until December 31, 2000, the results of these instruments were recognized in the income statement at settlement.

O) REVENUE RECOGNITION

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

P) CONTINGENCIES AND COMMITMENTS

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

Q) COMPREHENSIVE NET INCOME (note 13G)

Beginning in 2001, the new Bulletin B-4 *Comprehensive Net Income* ("Bulletin B-4"), requires the comprehensive net income presentation as a single item in the Statement of Changes in the Stockholders' Equity. Comprehensive net income represents the change in stockholders' equity during a period for transactions and other events not representing contributions, reductions or distributions of capital.

R) USE OF ESTIMATES

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

S) CONCENTRATION OF CREDIT RISK

The Company sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which the Company operates. No single customer accounted for a significant amount of the Company's sales, and there were no significant amounts receivable from a single customer at December 31, 1999, 2000 and 2001. The Company performs evaluations of its customers' credit histories and establishes allowances for doubtful accounts based upon the credit risk of each specific customer. In addition, there is no concentration of suppliers for the purchase of raw materials.

T) OTHER INCOME AND EXPENSE

Other income and expense consists primarily of goodwill amortization, anti-dumping duties, results from the sale of fixed assets, impairment charges and, in 2001, the costs related to the restructuring of the executive stock option programs (see note 14).

U) IMPAIRMENT OF LONG LIVED ASSETS

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

The Company continually evaluates the balances of goodwill and other investments, through the analysis of factors such as, the occurrence of a significant adverse events, change in the environment in which the business operates and expectations of operating results for each subsidiary and associate, to determine if there are elements indicating that the book value of goodwill or the investments may not be recovered, in which case an impairment loss would be recorded in the period when such determination is made.

3. CASH AND INVESTMENTS

Consolidated cash and investments consists of:

		December 31,	
		2000	2001
Cash and bank accounts	Ps	1,351.5	2,572.5
Fixed-income securities		1,432.0	1,334.7
Investment in marketable securities		150.6	21.1
	Ps	2,934.1	3,928.3

4. OTHER RECEIVABLES

Other current receivables consist of:

		December 31,	
		2000	2001
Non-trade receivables	Ps	1,838.5	2,976.0
Refundable income tax		236.3	909.6
Other refundable taxes		74.4	143.2
	Ps	2,149.2	4,028.8

As of December 31, 2000 and 2001, non-trade receivables primarily consist of interest receivable, notes receivable, advances to employees for travel expenses, loans made to employees and receivables from the sale of assets. In addition, as of December 31, 2001, other receivables include advance payments toward the final price of forward contracts that will be settled at maturity, for an approximate amount of Ps1,392.0 (see note 15A).

5. INVENTORIES

Inventories are summarized as follows:

		December 31,	
		2000	2001
Finished goods	Ps	1,921.5	1,782.6
Work-in-process		859.4	729.3
Raw materials		721.0	621.5
Supplies and spare parts		2,882.5	2,648.7
Advances to suppliers		198.4	305.8
Inventory in transit		152.0	155.7
Real estate held for sale		94.0	–
	Ps	6,828.8	6,243.6

As of December 31, 2000, real estate held for sale consisted of undeveloped land in different locations in Mexico, originally acquired by the Company for tourism projects. In June 2000, the Company sold real estate in Puerto Vallarta, Mexico for Ps28.9, resulting a net loss of Ps25.3, which was included in other expenses, net. As of December 31, 2001, real estate held for sale for an amount of Ps99.5 was reclassified to other current assets, as part of the non-cement related assets (see note 6).

6. OTHER CURRENT ASSETS

Other current assets include Ps103.4 and Ps318.2, as of December 31, 2000 and 2001, 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 not oriented to the Company's main activity, mainly originated from (i) non-cement related assets acquired in the purchase of foreign subsidiaries, (ii) diverse assets received from customers as payment of trade receivables, and (iii) as of December 31, 2001, real estate held for sale.

During 1999, the Company recognized in other expenses, net, a loss of approximately Ps200.2, from the partial sale of an uncompleted real estate project in Spain and a subsequent impairment provision of this asset, which at the time of sale had a book value of approximately Ps426.4. The remaining book value for this asset was merged during 2000 into Valenciana and is presented under property, machinery and equipment.

7. INVESTMENTS AND NONCURRENT RECEIVABLES

A) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2000 and 2001, investments in subsidiaries and affiliated companies accounted for by the equity method, are summarized as follows:

		2000	2001
Contribution or book value at acquisition date	Ps	3,510.7	2,674.8
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies		1,564.5	2,064.0
	Ps	5,075.2	4,738.8

Investment held by subsidiaries in the Company's shares, amounting to Ps5,091.6 (147,777,454 CPOs and 3,361,585 appreciation warrants) and Ps6,764.0 (146,868,013 CPOs and 1,791,695 appreciation warrants) as of December 31, 2000 and 2001, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements.

The Company's principal acquisitions and divestitures during 1999, 2000 and 2001, are the following:

I. In May 2001, through CEMEX Asia Holdings Ltd. (CAH) and within the agreements formalized in 1999 between the Company and institutional investors in Asia to co-invest in CAH, an approximate 100% economic interest in Saraburi Cement Company ("Saraburi"), a Thai cement producer, was acquired for approximately U.S.$73 million. Of this amount, the Company contributed U.S.$59.3 million and the minority investors contributed U.S.$13.7 million. As of December 31, 2001, the consolidated financial statements include Saraburi's balance sheet at the same date and Saraburi's results of operations for the eight-month period ended December 31, 2001.

II. In addition, during 2001, the Company made majority acquisitions in companies, in diverse locations, for an approximate amount of U.S.$141.5 million, including real estate entities whose principal assets are land and buildings. The consolidated financial statements include the balance sheets of the acquired companies as of December 31, 2001 and the results of operations of such entities for the periods from the acquisition date to year-end.

III. In March 2001, as part of a reorganization of subsidiaries in the United States, the operations of Southdown, Inc. ("Southdown") and Cemex USA, Inc. were merged into Cemex, Inc., a new entity, which substantially concentrates the Company's operations in that country. In November 2000, the Company acquired through its subsidiary CENA Acquisition Corp. ("CENA"), 100% of Southdown's outstanding stock. Approximately 91.7% (33,023,207 shares) of the total outstanding shares were acquired through a public tender offer, at the price of U.S.$73 per share. The remaining outstanding shares were acquired, during the same month, through the merger between Southdown and CENA, in which Southdown was the surviving corporation. As a result of the merger, any outstanding shares of Southdown' common stock not tendered for payment in the offer, by operation of law, were converted into the right to receive U.S.$73 per share in cash. The total amount paid for Southdown shares was approximately U.S.$2,628.3 million (Ps25,031.4), representing the purchase of the 91.7% and the payment obligation arising from the remaining shares not tendered in the offer. As of December 31, 2000, the consolidated financial statements included the balance sheet of Southdown at the same date and the results of operations for the two-month period ended December 31, 2000.

IV. In October 2000, a capital contribution of approximately U.S.$324 million (Ps3,085.7) was made to CAH, approximately U.S.$73 million of which was contributed by the minority investors. These funds were utilized by CAH mainly to acquire from a subsidiary of the Company its 25.5% equity interest in PT Semen Gresik (persero), Tbk. ("Gresik"), an Indonesian cement company, as well as other cement assets in Asia. The equity interest in Gresik was originally acquired during 1999 and 1998 for an approximate amount of U.S.$240.6 million.

During 1999, the minority investors contributed capital to CAH for approximately U.S.$142.9 million, and the Company, through its subsidiaries, contributed to CAH its economic benefits in its Philippine subsidiaries, Rizal Cement Inc. ("Rizal"), acquired during 1998 and 1997 for approximately U.S.$223 million, representing 70.0% of Rizal's economic benefits, and APO Cement Corporation ("APO"), acquired on February 1999 for approximately U.S.$400 million, representing 99.9% of APO's economic benefits. As a result, the indirect participation of the Company in the economic benefits of Rizal and APO decreased to 54.2% and 77.3%, respectively. As of December 31, 1999, the consolidated income statement included the operating results of APO for the year ended December 31, 1999.

V. In June 2000, the Company sold to Marriott International for a total amount of U.S.$113 million, properties in the tourism industry, including its 100% equity interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, resulting a net loss of approximately Ps62.9, representing the difference between the consideration received and the book value of these assets, which was recorded in other expenses, net. As of December 31, 2000, the consolidated income statement included the hotels' operating results for the five-month period ended May 31, 2000.

VI. In June 2000, through the exercise of a call option agreement, the Company acquired a 13% equity interest in Assiut Cement Company ("Assiut"), a subsidiary of the Company in Egypt. In November 1999, the Company acquired from the Egyptian government a 77% equity interest in Assiut for approximately U.S.$318.8 million.

In November 2000, an additional 2.9% equity interest was acquired from Assiut's employees, increasing the Company's equity interest to 92.9%. The transactions carried out during 2000 amounted to approximately U.S.$66.8 million (Ps636.2). As of December 31, 1999, the consolidated income statement included the results of operations of Assiut for the one-month period ended November 30, 1999. In January 2001, the Company increased its equity interest in Assiut to 95.8% .

VII. In September 1999, through a public tender offer, a subsidiary of the Company acquired 79.5% of the outstanding shares of Cementos del Pacífico, S.A. ("Cempasa"), a Costa Rican cement producer, for approximately U.S.$72 million. As a result of this transaction, the Company's equity interest in Cempasa was increased to 95.3%. As of December 31, 1999, the consolidated income statement included the operating results of Cempasa for the three-month period ended December 31, 1999. As of December 31, 2001, the equity interest in Cempasa was 98.3%.

VIII. In June 1999, the Company acquired an 11.92% equity interest in Cementos Bio Bio, S.A., Chile's largest cement producer, for a total amount of approximately U.S.$34 million. As of December 31, 1999, the consolidated income statement includes the results of operations of Cementos Bio Bio for the seven-month period ended December 31, 1999, accounted for by the equity method.

Certain condensed financial information of the companies acquired during 2000 and 2001 and that were consolidated in the Company's financial statements in the year of acquisition is presented below:

		2000	2001	
		Southdown	**Saraburi**	**Others**
Total assets	Ps	35,637.8	323.5	2,141.0
Total liabilities		20,887.6	120.0	854.0
Stockholders' equity		14,750.2	203.5	1,287.0
Sales	Ps	1,604.9	129.4	260.2
Operating income (loss)		245.0	22.0	(7.5)
Net income (loss)		(79.9)	(9.0)	117.0

As of December 31, 2000 and 2001, the main affiliated companies, the percentage of equity interest held by their direct holding company and the investment accounted for under the equity method in the balance sheet were as follows:

	% equity interest		2000	2001
PT Semen Gresik (persero), Tbk.	25.5	Ps	2,096.6	1,891.0
Control Administrativo Mexicano, S.A. de C.V.	49.0		1,108.6	1,300.8
Cementos Bio Bio, S.A.	11.9		308.4	236.0

B) OTHER INVESTMENTS AND NONCURRENT ACCOUNTS RECEIVABLE

As of December 31, 2000, consolidated other investments consisted of Grupo Financiero Banamex-Accival ("Banacci") shares, which the Company had no intention of selling in the short-term.

In May 2001, Citigroup launched in Mexico a public tender offer for the 100% of the outstanding shares of Banacci. This process ended in August 2001 the date on which Citigroup officially declared the offer closed and the acquisition of Banacci. As a result of this offer and according to its terms and conditions, the Company sold its Banacci shares that were held in its long-term investments portfolio. The total amount of the sale was approximately U.S.$162.4 million (Ps1,489.2), and generated a non-recurring gain of approximately U.S.$131 million (Ps1,221.8), recognized in the Comprehensive Financing Result. Of this gain, approximately Ps727.5 corresponded to the reversal of unrealized valuation results that were accrued in stockholders' equity.

As of December 31, 2000, the Company had made advance payments of approximately Ps1,266.9 against the final settlement of forward contracts related to the purchase of the Company's own shares (see note 15A). As of December 31, 2001, this amount was reclassified to short-term assets.

In addition, as of December 31, 2001, a valuation gain of approximately U.S.$105.3 million (Ps965.2) was recognized in the balance sheet arising from the estimated fair value recognition of the Company's long-term derivative financial instruments (see notes 11B and 15).

8. PROPERTIES, MACHINERY AND EQUIPMENT

During 1999, based on future sales projections and to avoid excess production, the Company decided to cease operations in 4 cement assets located in Mexico and Colombia, as well as partially close 4 other cement assets located in the same countries. As a result, the Company estimated that the expected cash flows to be generated by such assets would not be sufficient to recover their book value; therefore, an impairment provision of approximately Ps642.1 was determined and was reflected in the consolidated income statement as of December 31, 1999, in other expenses, net. As of December 31, 2000 and 2001, 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 since 1999. As of December 31, 2000 and 2001, the remaining book value of these assets is approximately Ps308.9 and Ps312.0, respectively, and it is the Company's intention to dispose of those assets that were completely closed. The impact of having suspended depreciation of these assets on 1999, 2000 and 2001 results was approximately Ps30.6, Ps33.7 and Ps35.0, respectively.

9. DEFERRED CHARGES

As of December 31, 2000 and 2001, deferred charges are summarized as follows:

		2000	2001
Excess of cost over book value of subsidiaries and affiliated companies acquired	Ps	36,239.9	37,931.1
Cost of internally developed software		-	1,333.2
Prepaid pension costs (note 12)		-	662.8
Additional minimum liability (note12)		630.3	319.9
Deferred financing costs		955.9	661.6
Deferred income taxes		1,847.9	1,390.4
Others		3,770.1	4,335.0
Accumulated amortization		(6,269.8)	(7,571.8)
	Ps	37,174.3	39,062.2

As of December 31, 2000 and 2001, as a result of the acquisitions made by the Company (see note 7), goodwill increased approximately U.S.$1,132 million (Ps10,780.9) and U.S.$115.9 million (Ps1,062.8), respectively.

10. SHORT-TERM BANK LOANS AND NOTES PAYABLE

Consolidated short-term debt is summarized by currency as of December 31, 2000 and 2001, as follows:

		2000	Weighted average interest rate	2001	Weighted average interest rate
Dollars	Ps	18,429.5	7.61%	8,180.4	4.56%
Euros		9,249.0	6.20%	806.5	4.07%
Egyptian Pounds		405.9	11.40%	324.9	11.42%
Philippine Pesos		59.2	16.80%	91.4	13.67%
Other currencies		63.6	19.90%	19.4	9.80%
	Ps	28,207.2		9,422.6	

Short-term debt by currency summarized in the above table, includes the current maturities of long-term debt. As of December 31, 2000, short-term debt included a bridge loan related to the Cemex, Inc. (formerly Southdown) acquisition for Ps5,238.1 and a bridge loan negotiated to repay long-term debt for Ps8,949.3, which were refinanced in 2001, commercial paper programs for Ps4,333.3 and current maturity of Euro medium-term notes for Ps2,571.4, among others. As of December 31, 2001, short-term debt included, among others, Ps2,475.9 of Euro medium-term notes, Ps1,834.0 under revolving lines of credit, Ps1,650.6 under commercial paper programs, Ps1,217.5 of current maturity of other notes payable and Ps780.4 of syndicated loans.

As of December 31, 2001, related to its short-term debt, the Company held an interest rate swap for a notional amount of U.S.$300 million, negotiated as part of its strategy to reduce financial cost. This instrument, which matures in November 2002, covers approximately 34% of the short-term debt contracted in dollars, and its estimated fair value at December 31, 2001 was U.S.$0.2 million (Ps1.8). Cash flows generated under this instrument are recorded in the income statement within financial expenses, as an adjustment to the effective interest rate of the related debt. Resulting from its accounting characteristics as a hedge, the estimated fair value of this instrument is not recognized in the balance sheet or in the income statement.

As of December 31, 2000 and 2001, the Company had negotiated with financial institutions, call option contracts to exchange floating for fixed interest rates for a notional amount of U.S.$800 million (Ps7,336.0) and U.S.$1,506 million (Ps13,810.0), respectively. For the sale of these options the Company received premiums for approximately U.S.$11.0 million (Ps100.8) during 2000 and U.S.$12.2 million (Ps111.9) during 2001. These options have different maturities until December 2002, and grant the counterparties the option to elect, at maturity of the options and on market conditions, to receive from the Company a fixed rate and pay the Company a variable rate for a five-year period starting on the rate exchange date. As of December 31, 2001, premiums received, as well as the estimated fair value of these contracts, which presented a valuation loss of U.S.$30.1 million (Ps276.0), were recognized in the Comprehensive Financing Result. As of December 31, 2000, the estimated fair value of these contracts was a loss of U.S.$16.3 million (Ps149.5). During December 2001, one of the contracts negotiated in 2000 covering a notional amount of U.S.$100 million was settled. Through this settlement, the Company paid U.S.$3.4 million. Currently, the Company cannot predict if market conditions prevailing at maturity of the options would cause these counterparties to exercise them or to elect for a cash settlement.

11. LONG-TERM BANK LOANS AND NOTES PAYABLE

As part of a strategy oriented to reduce the overall financial cost of its financial liabilities portfolio, the Company has negotiated derivative financial instruments to exchange interest rates and, in some cases, to exchange the interest rates and the currencies in which the related liabilities were originally contracted. As of December 31, 2000 and 2001, the consolidated long-term debt, which includes the effects originated by derivative financial instruments, negotiated to exchange interest rates as well as interest rates and currencies, is summarized as follows:

	2000		Original rate	Weighted average interest rate		Determination of weighted averagerate 1
Bank Loans						
Syndicated loans, 2001 to 2006................Ps	8,865.4		Floating	7.9%		LIBOR + 134 bps
Bank loans, 2001 to 2007.........................	3,159.0		Floating	6.5%		LIBOR + 71 bps
Bank loans, 2001 to 2005.........................	197.6		Fixed	7.3%		-
	12,222.0					
Notes Payable						
Euro medium-term notes 2001 to 2006....	14,320.8	**B**	Fixed	8.0%	**A**	-
Medium-term notes, 2001 to 2007...........	2,121.7	**B**	Fixed	3.4%		-
Other notes payable, 2001 to 2004...........	77.2		Floating	7.6%		LIBOR + 131 bps
Other notes payable 2001 to 2009............	1,223.1		Fixed	6.3%		-
	17,742.8					
	29,964.8					
Current maturities....................................	(4,164.1)					
	25,800.7					

	2001		Original rate	Weighted average interest rate		Determination of weighted averagerate 1
Bank Loans						
Syndicated loans, 2002 to 2005............... Ps	13,716.9		Floating	3.75%	A	LIBOR + 103 bps
Bank loans, 2002 to 2006........................	8,482.0		Floating	3.54%		LIBOR + 87 bps
Bank loans, 2002 to 2005........................	273.6		Fixed	7.30%	A	-
	22,472.5					
Notes Payable						
Euro medium-term notes, 2002 to 2009...	10,637.1	B	Fixed	7.30%		-
Medium-term notes, 2002 to 2008	8,298.5	B	Floating	3.65%	A	LIBOR + 204 bps
Medium-term notes, 2002 to 2008	3,201.7	B	Fixed	1.81%	A	-
Other notes payable 2002 to 2011	592.8		Floating	2.04%		LIBOR + 11 bps
Other notes payable 2002 to 2011	553.7		Fixed	8.56%		-
	23,283.8					
	45,756.3					
Current maturities	(5,913.9)					
Ps	39,842.4					

1. For purposes of the table above and the following tables, LIBOR ("*L*"), represents the London Interbank Offering Rate, EURIBOR ("*E*"), refers to the Euro Interbank Offering Rate, TIIE, refers to Interbank Offering Rate in Mexico, UDI are the investment units in Mexico, which reflect the inflation variations, and Basis Points ("bps"), are decimals of interest rate.

A) Interest Rate Swap Contracts

As of December 31, 2000 and 2001, the information on interest rate swap contracts related to the long-term financial debt, which have been negotiated in order to reduce the financial cost and, in some cases, to reduce risks associated with floating rates of the related debt, are summarized as follows:

In millions of U.S. dollars

Related debt	Notional amount	Debt currency	Maturity date	CEMEX Receives	CEMEX Pays	Effective interest rate	Estimated fair value
Interest rate swaps in 2000							
Euro medium-term notes..................	450	Dollar	Jun 02 - Oct 09	9.36%	*L* + 301 bps	9.78%	6.3
Interest Rate Swaps in 2001							
Medium-term notes..........................	711	Dollar	Mar 06 – Mar 08	7.80%	*L* + 249 bps	4.18%	5.7
Bank loans..	850	Dollar	Oct 2002	*L* + 33.5 bps	2.71%	4.52%	(1.2)
Syndicated loans	722	Euro	Dec 2004	*E* + 77 bps	*L* + 24 bps	2.06%	(0.1)
	2,283						4.4

Periodic cash flows generated by these instruments are recorded in the Comprehensive Financing Result, as part of the effective interest rate of the related debt. The estimated fair value of these interest rate swaps is not recognized for accounting purposes given that they qualify as hedge instruments, except for the fair value of €510 million corresponding to the available portion in a line of credit of €800 million (U.S.$722 million).

During 2001, in agreement with the financial counterparty, the Company settled the interest rate swap contracts it held as of December 31, 2000. At settlement, the fair value of such instruments was received, representing income of approximately U.S.$20.5 million (Ps188), which was recorded in the Comprehensive Financing Result.

As of December 31, 2001, the Company held Forward Rate Agreement contracts *("FRA")* for a notional amount of U.S.$800 million, negotiated to fix the interest rate of debt that had not been obtained as of the balance sheet date, but is expected to be negotiated in the near future, as well as floor and cap option contracts for U.S.$711 million. The *FRA* contracts have different maturities until October 2004, and the floor and cap option contracts mature in March 2008, and as of December 31, 2001, had an estimated fair value loss of U.S.$68.8 million (Ps630.9), which was recorded in the balance sheet against the Comprehensive Financing Result.

B) Cross Currency Swap Contracts

As of December 31, 2000 and 2001, related to the long-term financial debt portfolio, the Company held Cross Currency Swap contracts ("*CCS*"). Through these contracts, the Company carried out the exchange of the originally contracted currencies and interest rates, over a determined amount of underlying debt. During the life of the contracts, the cash flows originated by the exchange of interest rates under the *CCS*, match in interest payment dates and conditions, those of the underlying debt. Likewise, at maturity of the contracts and the underlying debt, the Company and the counterparty will exchange notional amounts, so the Company will receive the cash flow in the currency of the underlying debt necessary to cover its primary obligation, and will pay the notional amount in the exchanged currency. As a result, the Company has effectively exchanged the risks related to interest rates and foreign exchange variations of the underlying debt to the rates and currencies negotiated in the *CCS*.

As of December 31, 2000 and 2001, *CCS* information is summarized as follows:

Amounts in millions

		Currencies		Interest rates			
Related debt	**Maturity date**	**Notional amount**	**Notional amount in new currency**	**CEMEX receives**	**CEMEX pays**	**Effective interest rate**	**Estimated fair value**
***CCS* in 2000**							
Mexican peso to Yen							
Medium-term notes	Jun 05 – Dec 05	Ps 2,004	Yen 22,734	17.31%	2.83%	2.83%	U.S.$ 1.1
Dollar to Yen							
Euro medium-term notes	Jun 03 - Jul 03	U.S.$ 600	Yen 64,468	8.57%	3.18%	3.49%	50.2
							U.S.$ 51.3
***CCS* in 2001**							
Mexican peso to dollar							
Medium-term notes	Nov 04 - Nov 06	Ps 1,800	U.S.$ 194	12.20%	*L* + 63 bps	1.73%	U.S.$ 13.7
Mexican peso to Yen							
Medium-term notes	Jan 05 – Jan 06	Ps 3,004	Yen 34,739	13.32%	2.65%	0.52%	83.7
Dollar to Yen							
Euro medium-term notes	Jun 03 – Jul 03	U.S.$ 600	Yen 64,468	7.77%	3.18%	3.98%	145.5
							U.S.$242.9

The periodic cash flows on these instruments arising from the exchange of interest rates are recorded in the Comprehensive Financing Result as part of the effective interest rate of the related debt. The Company recognizes the estimated fair value of the *CCS* as assets or liabilities in the balance sheet, with changes in the estimated fair value being recognized through the income statement. All financial assets and liabilities with the same maturity, on which there is the intention to simultaneously realize or settle, have been offset for presentation purposes, in order to reflect the cash flows that the Company expects to receive or pay upon settlement of the financial instruments.

In respect of the estimated fair value recognition of the *CCS*, as of December 31, 2000 and 2001, the Company recorded assets for U.S.$51.3 million (Ps488.6) and U.S.$242.9 million (Ps2,227.3), respectively, against the Comprehensive Financing Result. Of the assets previously mentioned, U.S.$45.9 million (Ps437.1) in 2000 and U.S.$175.9 million (Ps1,613.0) in 2001, are directly related to the changes in the exchange rates between the beginning of the *CCS* and the balance sheet date, and were offset for presentation purposes as part of the underlying debt amount. Likewise, U.S.$1 million (Ps9.5) in 2000 and U.S.$14.8 million (Ps135.7) in 2001 are originated for the interest rates periodic cash flows exchange, and were recognized in the consolidated balance sheet as an offset of the related financing interest payable. The remaining assets were recognized in the consolidated balance sheet in other long-term assets.

As of December 31, 2000 and 2001, the effect in the line item Long-Term Bank Loans and Notes Payable, arising from the accounting assets and liabilities offset, mentioned above, was that the book value of the financial liabilities directly related to the *CCS* is presented as if such financial liabilities had been effectively negotiated in the exchange currency instead of in the originally contracted currency.

Additionally, as of December 31, 2001, the Company held one *CCS* contract for a notional amount of U.S.$100 million, maturing in February 2002, to exchange the interest rate and currency from the dollar to the yen, over financial debt negotiated in dollars, which has not been obtained as of the balance sheet date, but is expected to be negotiated in the near future. This contract has an estimated fair value gain of U.S.$8.9 million (Ps81.6), which was recorded within Long-term other accounts receivable, against the Comprehensive Financing Result.

Long-term debt is summarized by currency as of December 31, 2000 and 2001, including the *CCS* effects, as follows:

December 31,		2000	2001
Dollars	Ps	17,054.9	29,041.6
Japanese Yen		7,261.6	6,914.5
Euros		438.5	3,187.8
Egyptian Pounds		1,022.2	623.6
Other currencies		23.5	74.9
	Ps	25,800.7	39,842.4

As of December 31, 2000 and 2001, the yen to dollar exchange rates were 114.32 and 131.57, respectively.

The maturities of long-term debt as of December 31, 2001 are as follows:

		Total
2003	Ps	7,148.0
2004		13,245.2
2005		4,487.2
2006		7,391.7
2007 and thereafter		7,570.3
	Ps	39,842.4

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

As of December 31, 2001, the Company and its subsidiaries have the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging from 3.2% to 15.6%, in accordance with the negotiated currency:

		Line of credit	Available
European commercial paper (U.S.$600 million)	Ps	5,502.0	3,851.4
Syndicated facilities (U.S.$600 million)		5,502.0	917.0
Medium-term notes (U.S.$545 million)		5,000.0	3,200.0
Short-term lines of credit (U.S.$200 million)		1,834.0	91.7
Short-term lines of credit (U.S.$100 million)		917.0	917.0
Lines of credit of foreign subsidiaries		18,163.1	8,077.5
Other lines of credit from Mexican banks		2,567.6	1,008.7
Other lines of credit from foreign banks		4,470.8	2,391.5
	Ps	43,956.5	20,454.8

In the consolidated balance sheet at December 31, 2001, there were short-term debt transactions amounting to U.S.$546 million (Ps5,006.8), classified as long-term debt, due to the Company's ability and the intention to refinance such indebtedness with the available amounts of the committed long-term lines of credit.

As of December 31, 2000 and 2001, Cemex México and Empresas Tolteca de México, jointly, fully and unconditionally guarantee indebtedness of the Company for an aggregated amount of U.S.$1,770 million and U.S.$2,196 million, respectively. The combined summarized financial information of these guarantors as of December 31, 2000 and 2001 are as follows:

		2000	2001
Assets	Ps	48,476.1	110,766.6
Liabilities		35,691.4	92,638.9
Stockholders' equity		12,784.7	18,127.7
Net Sales	Ps	22,274.3	20,707.5
Operating Income		10,800.9	1,480.9
Net Income		3,149.6	9,488.5

Certain debt contracts, guaranteed by the Company and/or some of its subsidiaries, contain restrictive covenants such as sale of assets, controlling interests in certain subsidiaries, establishment of liens, and the compliance with financial ratios. The Company obtains waivers prior to the occurrence of events of default.

12. PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS

The following table presents the net periodic cost of pension plans, seniority premium and other postretirement benefits, as of December 31, 1999, 2000 and 2001 (see note 2J), and are as follows:

		1999	2000	2001
Components of net periodic cost:				
Service cost	Ps	173.0	210.9	297.7
Interest cost		115.2	149.0	265.0
Actuarial return on plan assets		(23.9)	(100.0)	(318.8)
Amortization of prior service cost, changes in assumptions and experience adjustments		28.8	26.5	45.4
	Ps	293.1	286.4	289.3

The following table presents the reconciliation of the actuarial value of postretirement benefit obligations and the funded status (see note 2J), as of December 31, 2000 and 2001:

		2000	2001
Change in benefit obligation:			
Projected benefit obligation ("PBO") at beginning of year	Ps	1,677.8	4,434.5
Service cost		210.9	297.7
Interest cost		149.0	265.0
Actuarial result		358.4	14.2
Acquisitions		2,145.2	-
Initial valuation of other postretirement benefits		-	142.6
Foreign exchange fluctuations and inflation adjustments		52.9	(14.0)
Benefits paid		(159.7)	(358.2)
Projected benefit obligation ("PBO") at end of year		4,434.5	4,781.8
Change in plan assets:			
Fair value of plan assets at beginning of year		734.5	3,671.9
Actuarial return on plan assets		100.0	318.8
Actuarial differences		(300.5)	38.2
Acquisitions		2,689.7	-
Foreign exchange fluctuations and inflation adjustments		71.8	(60.1)
Employer contribution		405.7	583.1
Benefits paid from the funds		(29.3)	(181.3)
Fair value of plan assets at end of year		3,671.9	4,370.6
Amounts recognized in the balance sheets consist of:			
Funded status		762.6	411.2
Unrecognized prior service cost		(630.3)	(786.1)
Unrecognized net actuarial results		(633.2)	(607.8)
Accrued benefit liability (prepayment)		(500.9)	(982.7)
Additional minimum liability		821.2	319.9
Net liability (prepayment) recognized in the balance sheet	Ps	320.3	(662.8)

As of December 31, 2001, the actual benefit obligation ("ABO") amounted Ps4,069.8, of which the vested portion was Ps1,008.9.

The Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine the pension plan and seniority premium benefits. Through the use of real rates, there is a decrease in the difference between the ABO and the PBO. As a result of the use of real rates and the initial valuation in Mexico as of January 1, 1998, the Company recognized a minimum liability against an intangible asset, which as of December 31, 2000 and 2001 was Ps630.3 and Ps319.9, respectively, and a stockholders' equity reduction in 2000 of Ps190.9.

The information of the net periodic cost and the actuarial value of postretirement benefits presented in the tables above, includes the cost and obligations of postretirement benefits other than pensions, such as seniority premium granted by law in different countries, as well as health care and life insurance benefits that the Company has granted to retirees. For the year ended December 31, 2001, the net periodic benefits cost of Ps289.3 includes Ps45.0 of the approximate cost corresponding to postretirement benefits other than pensions, for 1999 and 2000, the cost information relating to these benefits is not readily available.

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

As of December 31, 2000 and 2001, the plan assets are mainly composed of fixed return instruments and stock of companies traded on formal stock exchanges.

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

	1999	2000	2001
Range of discount rates used to reflect the obligations' present value	4.5% - 6.0%	3.5 % - 7.8%	3.5% - 7.1%
Rate of return on plan assets	6%	8%	8%

13. STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

The authorized capital stock of the Company as of December 31, 2001 is as follows:

	Series A (1)	Series B (2)
Subscribed and paid shares	3,212,854,494	1,606,427,247
Treasury shares (3)	169,206,112	84,603,056
Unissued shares authorized for Executive Stock Option Plans	121,372,232	60,686,116
	3,503,432,838	1,751,716,419

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

Of the total number of shares, 3,267,000,000 correspond to the fixed portion and 1,988,149,257 correspond to the variable portion.

During 2001, at the annual stockholders' meeting, a dividend of Ps0.60 (nominal amount) per share was approved. Instead of receiving the dividend in cash, shareholders were entitled to elect to receive a stock dividend per share of Ps0.60 (nominal amount) of additional shares at a price of Ps38.16 (nominal amount) per additional share. As a result of the program, a total of 140,749,888 series "A" shares and 70,374,944 series "B" shares were issued, generating an additional paid-in capital of Ps2,746.9 and an aggregate of Ps84 was paid in cash.

On September 15, 2000, the Company established a stock repurchase program through the Mexican Stock Exchange ("MSE"), approved by its board of directors, for up to U.S.$500 million. This program was effective, in accordance with the procedures validated by the National Banking and Exchange Commission, from October 2000 until December 2001. During 2000 and 2001, under this program, a total of 3,086,000 CPOs and 4,978,000 CPOs, respectively, were acquired, resulting in a capital stock reduction of Ps0.1 in 2000 and Ps0.2 in 2001, and in the repurchase reserve of Ps119.9 in 2000 and Ps203.5 in 2001. On April 26, 2001, at the stockholders' meeting, shares equivalent to 3,086,000 CPOs, acquired in 2000, were cancelled; the 4,978,000 remaining CPOs were acquired in 2001 after the meeting.

B) RETAINED EARNINGS

Retained earnings as of December 31, 2001, include Ps54,492.8 of earnings generated by subsidiaries and affiliated companies, which would be distributed to the Company when these entities would declare dividends. Additionally, retained earnings include a stock repurchase reserve in the amount of Ps10,517.3.

Net income for the year is subject to a 5% allocation toward a legal reserve, until such reserve equals one fifth of the capital stock. As of December 31, 2001, the legal reserve amounted to Ps1,249.6.

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

C) EFFECTS OF INFLATION

The effects of inflation on majority interest stockholders' equity as of December 31, 2001 are summarized as follows:

		Historical cost	Inflation adjustment	Total
Common stock	Ps	53.5	3,128.0	3,181.5
Additional paid in capital		13,931.6	12,341.8	26,273.4
Deficit in equity restatement		-	(51,218.2)	(51,218.2)
Cumulative initial deferred income tax effects		(4,697.9)	(62.8)	(4,760.7)
Retained earnings		42,897.3	29,465.7	72,363.0
Net income	Ps	10,773.0	27.5	10,800.5

D) FOREIGN CURRENCY TRANSLATION

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

		1999	2000	2001
Foreign currency translation adjustment	Ps	(836.8)	(799.2)	(2,233.9)
Foreign exchange gain (loss) (1)		604.5	(166.5)	688.3
	Ps	(232.3)	(965.7)	(1,545.6)

(1) Foreign exchange results 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 generated by the subsidiary of the Company in Spain of Ps(1,902.0), Ps(604.5) and Ps(41.0), in 1999, 2000 and 2001, respectively.

E) PREFERRED STOCK

In November 2000, a Dutch subsidiary of the Company issued preferred stock for an amount of U.S.$1,500 million (Ps14,285.7) in connection with the financing required for the Cemex, Inc. (formerly Southdown (see note 7)) acquisition. The preferred stock is mandatorily redeemable at the end of the 18th month, and grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a variable guaranteed preferred dividend. The preferred stock must be redeemed for a total of U.S.$300 million, in three installments of U.S.$100 million each, at the end of months 9, 12 and 15, and the balance at the end of month 18. Holders of the preferred stock have the option, in certain circumstances, to subscribe additional preferred or common shares for up to 51% of the voting rights of the subsidiary. As of December 31, 2001, the Company had redeemed preferred stock amounting to U.S.$600 million, the balance outstanding amounts to U.S.$900 million (Ps8,253). This transaction is included as minority interest.

As of December 31, 2001, a subsidiary of the Company in Spain had U.S.$250 million of capital securities with an annual dividend rate of 9.66%, issued during 1998. The Company has an option to repurchase the shares on November 15, 2004, or on any other subsequent dividend payment date. Additionally, the holders of the shares have the right to sell them to the Company on May 15, 2005. This transaction is recorded as minority interest.

F) OTHER EQUITY TRANSACTIONS

In December 1999, by means of a public offer in the MSE and the NYSE, the Company issued 105 million appreciation warrants maturing on December 13, 2002, at a subscription price in pesos of Ps3.2808 per warrant. The warrants allowed the holder to benefit from the future increases in the market price of the Company's CPO above the strike price, which originally was U.S.$6.20 per warrant, within certain limits and subject to technical adjustments. The benefit, should any exist, will be paid in CPOs of the Company. The warrants were issued for a term of three years and their exercise is at maturity. A portion of the warrants were subscribed as *American Depositary Warrants* ("ADWs") traded on the NYSE,

each ADW is equivalent to 5 warrants. The premium received from the warrants issuance during 1999, net of related expenses, was Ps264.3.

Relating to the transaction described in the paragraph above, in November 2001, the Company simultaneously launched a voluntary public purchase and sale offer for the existing warrants and an exchange offer for the existing ADWs, for new warrants and new ADWs maturing in December 2004, under a one for one exchange scheme. In accordance with the offer, which concluded on December 20, 2001, the Company exchanged a new ADW for each old ADW and issued a new warrant for each old warrant. The new warrants trade on the MSE while the new ADWs trade on the NYSE. The remaining old warrants remain listed on the MSE, while the old ADWs may be probably delisted on the NYSE. Of the total originally issued 105 million warrants and ADWs, 103,790,945, representing 98.85% of the total warrants under this program, were exchanged for new instruments. As of December 31, 2001, except for the normal fees required to carry out the previously mentioned public offer, the Company did not incur any gains or losses on this transaction. All the CPOs and ADSs required to cover the future exercise of the warrants, for the old program as well as the new warrants, are available through equity forward contracts with a financial institution (see note 15A).

As of December 31, 2000 and 2001, there was a financial transaction totaling U.S.$100.7 million (Ps959) and U.S.$96.3 million (Ps883.1), respectively, in which in December 1995, the Company transferred financial assets to a trust, while simultaneously investors contributed U.S.$123.5 million in exchange of notes representing a beneficial interest in the trust. This agreement includes certain guarantees. This transaction matures in 2007, and the Company has the right to reacquire the related assets at different dates. Since inception, the assets subject to this transaction have been considered as owned by third parties; therefore, this transaction is included as minority interest.

As of December 31, 2000, the Company had recognized an approximate valuation effect in stockholders' equity of Ps727.5, related to investments available for sale (see note 7B). During 2001, as a result of the sale of the Banacci shares, the effect accrued in equity was reversed through the income statement.

G) COMPREHENSIVE NET INCOME

As of December 31, 1999, 2000 and 2001, the main items included in comprehensive net income are as follows:

		1999	2000	2001
Majority interest net income	Ps	9,372.7	9,517.3	10,800.5
Deficit in equity restatement:				
Effects from holding non-monetary assets		(2,894.0)	(2,710.2)	(2,408.8)
Foreign currency translation adjustment		(836.8)	(799.2)	(2,233.9)
Capitalized foreign exchange result (note 13D)		604.5	(166.5)	688.3
Additional minimum liability		-	(190.9)	190.9
Valuation of investments available for sale (note 7B)		430.8	197.1	(727.5)
Other hedge derivative instruments (note15)		(144.6)	84.6	-
Deferred income tax of the year directly recorded to stockholders' equity (note 16)		-	931.6	402.5
Inflation effect on equity (note 2B)		(784.7)	(15.3)	-
Deficit in equity restatement		(3,624.8)	(2,668.8)	(4,088.5)
Cumulative initial deferred income tax effects		-	(4,760.7)	-
Other comprehensive income (cost)		(3,624.8)	(7,429.5)	(4,088.5)
Majority comprehensive net income		5,747.9	2,087.8	6,712.0
Minority interest		543.1	742.5	1,405.9
Total comprehensive net income	Ps	6,291.0	2,830.3	8,117.9

14. EXECUTIVE STOCK OPTION PLAN

As of December 31, 2000 and until October 31, 2001, the Company had a single Executive Stock Option Plan ("fixed plan") for shares of its common stock. Through this plan, the Company was authorized to grant to eligible executives, designated by a Technical Committee, stock option rights to subscribe up to 72,100,000 CPOs. In November 2001, the Company offered to the executives participating in the plan a voluntary exchange program oriented to modify the structure of the fixed plan, in which at the grant date, the exercise price of the CPO subject to the option was established in Mexican pesos and it was fixed during the life of the option, by an structure in which the exercise price of the CPO subject to the option is established in U.S. dollars and increases annually during the option life, reflecting the funding cost in the market. This modification was effected with the purpose of better aligning the executives' interests with those of the shareholders. Under this exchange program, the participating executives elected to resign their rights to subscribe and/or acquire shares of the Company's common stock, by the issuance of CPOs, in exchange for cash, representing the intrinsic value of their options at the exchange date; and the issuance of options from the new plan, equivalent in number to the time value of their redeemed options at the exchange date, determined by the appropriate valuation model for each particular executive.

As a result of the voluntary exchange program, ended on November 9, 2001, executives holding approximately 90.1% of the outstanding old options at the exchange date, elected to participate and terminated their options, resulting in a non-recurring compensation cost in the income statement for the year ended December, 2001 which was recorded under the caption Other expense, net. In respect of the redeemed options exchange, the issuance of 88,937,805 options under the new Executive Stock Option Plan ("variable plan") took place, with a initial exercise price of U.S.$4.93 per CPO, which increases gradually at a 7% annual yield to maturity (less dividends paid) during the option's life. As of December 31, 2001, the exercise price of the CPO subject to these options was U.S.$4.98.

The Company's stock option plans balance, considering the effects of the exchange program, is summarized as follows:

	December 31, 2000			December 31, 2001		
	Number of Options		Exercise price *	Number of Options		Exercise price *
Fixed Plan						
Granted	64,364,683	Ps	35.99	77,405,675	Ps	34.11
Canceled	(55,608)		43.22	(293,146)		32.88
Repurchased Options	-		-	(57,448,219)		45.56
Exercised	(7,840,425)		27.91	(10,968,914)		28.28
Outstanding	56,468,650			8,695,396		
Variable Plan						
Granted	-		-	88,937,805	Ps	45.67

* Weighted average exercise price per CPO. The variable plan' exercise price is obtained by multiplying U.S.$4.98 by the exchange rate of Ps9.17 per dollar.

Resulting from the beginning of the variable plan, and for this issuance only, 50% of the option exercise rights were vested, with an additional 25% annual vesting over the next two anniversaries. For the outstanding options under the fixed plan, and all new options granted beginning in 2002, the executives' option rights may be exercised up to 25% annually during the first four years after having been granted.

As of December 31, 2000 and 2001, under the fixed plan, the total number of options granted was 17,364,365 and 13,040,992, at a weighted average exercise price per CPO of Ps41.04 and Ps42.38, respectively; and the number of options exercised was 1,915,637 and 3,128,489 at a weighted average exercise price per CPO of Ps35.09 in 2000 and Ps30.49 in 2001. As of December 31, 2001 the outstanding options have a remaining average exercise period of approximately 5.8 years. The CPOs issued upon the exercise of options were paid for at their assigned strike prices, generating additional paid-in capital of Ps49.3 and Ps105.1, as of December 31, 2000 and 2001, respectively.

In addition, during 1998 and 1999, the Company established voluntary stock option plans ("voluntary plans") through which executives elected to purchase options for up to 7,293,675 ADSs of the Company. These options are exercisable quarterly over a period of 5 years, and have a predefined exercise price which increases quarterly in dollars, taking into

account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the ADS price at the beginning of the program. As of December 31, 2000 and 2001, there are options outstanding for 4,415,576 ADSs and 4,043,192 ADSs, respectively. The weighted average price of the options, as of December 31, 2001, was U.S.$22.37 per ADS.

The Company's obligations under the fixed plan, consists of the issuance of CPOs on each exercise date, which will result in an increase in capital. With respect of the variable plan and the voluntary plans, the options' exercise is hedged through equity forward contracts, with different financial institutions (see note 15A). As opposed to the mechanics in the fixed plan, through the exercise of the variable options and the voluntary options, there is no issuance of CPOs into the market; therefore, these plans do not generate dilution in the number of shares outstanding and consequently in the basic earnings per share.

Beginning in 2001, the Company supplementarily applies Generally Accepted Accounting Principles in the United States for the accounting of its stock option plans. As a result, for the year ended December 31, 2001, the appreciation of the variable and voluntary plans resulting from the difference between the market price and exercise price of the CPO established in the option, was recognized as compensation cost in the income statement for an amount of U.S.$14.7 million (Ps134.8), which represented the accumulated appreciation of the executives' options at year end, and that was offset by the recognition through the income statement of the estimated fair value gain of equity forward contracts designed as hedges of these plans, for an approximate amount of U.S.$28.7 million (Ps263.2).

15. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2000 and 2001, the derivative financial instruments negotiated by the Company, other than those related to the financial debt (see notes 10 and 11), are summarized as follows:

	In millions of U.S. dollars			
	2000		2001	
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
A) Equity forward contracts	1,088.8	(113.8)	1,395.9	81.0
B) Foreign exchange forward contracts	421.0	6.8	424.0	4.4
C) Third party equity forward's	62.4	14.9	-	-
D) Derivatives on fuel oil	-	-	9.5	-
E) Derivatives related to energy projects	215.0	15.1	392.0	(4.6)

Upon liquidation and at the Company's option, the equity forward contracts provide for physical settlement or net cash settlement of the estimated fair value, and the effects are recognized in the income statement or as part of the stockholders' equity, according to their designation and the underlying instrument or program being hedged. At maturity, if these forward contracts are not settled or replaced, or if the Company defaults on the agreements established with the financial counterparties, such counterparties may sell the shares underlying the contracts. If such sale were to occur, it may have an adverse effect on the Company's and/or its subsidiaries' stock market price, may reduce the amount of dividends and other distributions that the Company would receive from its subsidiaries, and/or may create public minority interests that may adversely affect the Company's ability to realize operating efficiencies as a combined group.

A) As of December 31, 2000 and 2001, there is a forward contract maturing in December 2002, for a notional amount of U.S.$508.5 million and U.S.$491.0 million, respectively, covering 21,000,000 ADSs (105 million CPOs) and 33.8 million of Valenciana's shares, negotiated to hedge the future exercise of the 105 million appreciation warrants, issued under the 1999 warrants transaction (see note 13F). The Company sold the shares underlying this forward during 1999 for approximately U.S.$905.7 million, and simultaneously prepaid approximately U.S.$439.9 million toward the forward's final price. In the financial statements as of December 31, 2000 and 2001, the anticipated effect has been given to the liquidation of the forward for the portion corresponding to the Valenciana's shares, due to the prepayment on the forward and the withholding of all economic and voting rights over such shares. All effects arising from this contract will be recognized at maturity, as an adjustment to stockholders'

equity. As of December 31, 2000 and 2001, the estimated fair value of this contract was a loss of approximately U.S.$16 million and a gain of approximately U.S.$98.8 million, respectively. In addition, during the life of the contract, the Company makes additional payments toward the forward's final price; therefore, as of December 31, 2000 and 2001, approximately U.S.$133 million (Ps1,266.7) and U.S.$151.8 million (Ps1,392.0), of payments made that are included within Other Short-Term and Long-Term Accounts Receivable, respectively (see notes 7B and 4).

As of December 31, 2001, there are forward contracts with different maturities until October 2006, for a notional amount of U.S.$408.3 million and covering a total of 15,986,689 ADSs, negotiated to hedge the future exercise of the options granted under the variable executive stock option plan (see note 14). Starting in 2001, the estimated fair value of these contracts is recognized in the balance sheet as an asset or liability against the income statement, offsetting the costs under the option plans, which the forwards are hedging. At December 31, 2001, a gain of approximately U.S.$3.3 million (Ps30.3) was recognized in the income statement, related to the estimated fair value of these contracts.

As of December 31, 2000 and 2001, there are forward contracts with different maturities until May 2003, for a notional amount of U.S.$104.8 million and U.S.$101.8 million, respectively, covering a total of 4,841,719 ADSs in 2000 and 4,699,061 ADSs in 2001, negotiated to hedge the future exercise of the options in the voluntary programs (see note 14). Starting in 2001, the estimated fair value of these contracts is recognized in the balance sheet as an asset or liability against the income statement, offsetting the costs under the options. As of December 31, 2000, the estimated fair value of these contracts was an approximate loss of approximately U.S.$7.3 million. As of December 31, 2001, a gain of approximately U.S.$25.4 million (Ps232.9) was recognized in the income statement, related to the estimated fair value of these contracts.

In addition, as of December 31, 2000 and 2001, there are forward contracts with different maturities until February 2006, for an approximate notional amount of U.S.$475.5 million and U.S.$394.8 million, respectively, covering a total of 20,440,360 ADSs in 2000 and 13,069,855 ADSs in 2001. Based on the Company's intention at maturity, which is to physically settle these contracts, the estimated fair value of these contracts is not periodically recognized. The effects of these contracts will be recognized at maturity as an adjustment to stockholders' equity. As of December 31, 2000 and 2001, the estimated fair value of these contracts presented losses of approximately U.S.$90.5 million and U.S.$46.5 million, respectively.

B) In order to protect itself from variations in foreign exchange rates, the Company has entered into foreign exchange forward contracts with different maturities until July 2006. These contracts have been designated as a hedge on the Company's net investment in foreign subsidiaries for an approximate amount of U.S.$421 million and U.S.$424 million as of December 31, 2000 and 2001, respectively. The estimated fair value of these instruments is recorded in the stockholders' equity as part of the foreign currency translation effect (see note 13E).

C) As of December 31, 2000, the Company had third party equity forward contracts. During 2001, by agreement with the financial counterparty, the net cash liquidation of these contracts was made, receiving an approximate income of U.S.$8.3 million (Ps76.1) recognized in the Comprehensive Financing Result.

D) As of December 31, 2001, there are fuel oil forward contracts for a notional amount of U.S.$9.5 million (Ps87.0), with an estimated fair value of U.S.$26 thousand (Ps0.2).

E) As of December 31, 2000 and 2001, the Company had an interest rate swap maturing in May 2017, for a notional amount U.S.$215 million, negotiated to exchange floating for fixed interest rates. This contract was executed in relation to the agreements entered into by the Company for the acquisition of electric energy for a 20-year period starting in 2003 (see note 20F). During the life of the contract and over its notional amount, the Company will pay LIBOR rate and will receive a 7.33% fixed rate until February 2003 and 7.53% fixed rate from March 2003 to May 2017. In addition, during 2001 the Company sold a floor option for a notional amount of U.S.$177 million, related to the electric energy swap contract, pursuant to which, starting in 2003 and until 2017, the Company will pay the difference between the 7.53% fixed rate and LIBOR rate, over the notional amount. During 2001, through the sale of this option, the Company received a premium of approximately U.S.$22 million (Ps201.7). As of December 31,

2001, the premium received, and the estimated fair value of the swap and floor amounting to a loss of approximately U.S.$4.6 million, are recorded in the Comprehensive Financing Result.

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

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

In accordance with the effective 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, though in a manner different from Mexican GAAP. ESPS is calculated on similar basis as IT, but without recognizing the effects of inflation.

A) IT, BAT AND ESPS

The Company and its Mexican subsidiaries, for purposes of the Income Tax Law, generate IT or BAT on a consolidated basis; therefore, the amounts of these items included in the accompanying financial statements, with respect to the Mexican subsidiaries, represent the consolidated result of these taxes. For ESPS purposes, the amount presented is the sum of the individual results of each company. Beginning in 1999, the determination of the consolidated IT for the Mexican companies considers 100% of the holding company's taxable result, and a maximum of 60% of the taxable income or loss of each of the subsidiaries. In addition, commencing in 1999, the taxable income of those subsidiaries that have tax loss carryforwards generated before 1999 will be included according to equity ownership at the end of the period.

The IT expense, presented in the accompanying income statements, is summarized as follows:

		1999	2000	2001
Current income tax	Ps	(4,504.4)	(1,007.0)	(1,346.4)
Deferred IT		(5.6)	(550.8)	(183.3)
Tax loss carryforwards amortized		3,768.9	-	-
Effects of inflation (note 2B)		82.1	53.6	-
	Ps	(659.0)	(1,504.2)	(1,529.7)

Total consolidated IT includes Ps344.6, Ps1,134.3 and Ps1,264.7 from foreign subsidiaries, and Ps314.4, Ps369.9 and Ps265.0 from Mexican subsidiaries, for 1999, 2000 and 2001, 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, without including deferred taxes of Ps73.9 in 1999, Ps293.9 in 2000 and Ps641.8 in 2001.

For its operations in Mexico, the Company has accumulated IT loss carry forwards which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to Income Tax Law:

Year in which tax loss occurred		Amount of carryforwards	Year of expiration
1995	Ps	1,659.8	2005
2000		700.6	2010
2001		2,584.9	2011
	Ps	4,945.3	

The Company and its subsidiaries in Mexico must generate taxable income to preserve the benefit of the tax loss carryforwards generated beginning in 1999.

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period.

The recoverable BAT as of December 31, 2001 is as follows:

Year in which BAT exceeded IT		Amount of carryforwards	Year of expiration
1997	Ps	151.7	2007
1999		54.8	2009
2000		294.2	2010
	Ps	500.7	

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

The deferred income tax charged or credited to the income statement is determined by the difference between the beginning of year balance and the year-end balance of the deferred tax assets or liabilities, and is recognized in nominal pesos. The tax effects of the main temporary differences that generate the consolidated deferred tax assets and liabilities are presented below:

		2000	2001
Deferred tax assets:			
Tax loss carryforwards and other tax credits	Ps	2,011.6	1,523.1
Accounts payable and accrued expenses		253.2	191.3
Trade accounts receivable		24.9	42.8
Property, plant and equipment		133.3	(27.3)
Others		(140.4)	37.9
Total deferred tax assets		2,282.6	1,767.8
Less – Valuation allowance		(434.7)	(377.4)
Net deferred tax assets		1,847.9	1,390.4
Deferred tax liabilities:			
Tax loss carryforwards and other tax credits		1,396.6	2,845.7
Accounts payable and accrued expenses		388.3	811.7
Trade accounts receivable		34.9	12.3
Property, plant and equipment		(13,250.7)	(11,548.0)
Inventories		(1,258.8)	(1,282.1)
Others		190.0	(500.8)
Total deferred tax liabilities		(12,499.7)	(9,661.2)
Less – Valuation allowance		(149.6)	(653.7)
Net deferred tax liabilities		(12,649.3)	(10,314.9)
Net deferred tax		(10,801.4)	(8,924.5)
Less – Deferred IT of acquired subsidiaries at the acquisition date		(5,360.5)	(3,322.0)
Total effect of deferred income tax in stockholders' equity		(5,440.9)	(5,602.5)
Less – Deferred IT recognized as of December 31, 1999		(1,061.0)	(1,061.0)
Less – Accumulated initial effect of deferred IT in equity		(4,760.7)	(4,760.7)
Change in deferred IT for the period	Ps	380.8	219.2

The components of consolidated deferred income tax for the period are as follows:

		2000	2001
Deferred income tax recognized in the income statement	Ps	(550.8)	(183.3)
Deferred income tax recorded directly to stockholders' equity		931.6	402.5
	Ps	380.8	219.2

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

Management considers that there is existing evidence that in the future, the Company will generate sufficient taxable income to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the deferred tax assets' valuation allowance would be incremented against the income statement.

Additionally, for the years ended December 31, 2000 and 2001, temporary differences between the net income of the period and the taxable income for ESPS, generated a deferred ESPS expense of Ps45.3 and Ps12.1, respectively, presented in the income statement.

C) EFFECTIVE TAX RATE

The effects of inflation are not recognized for income tax purposes in some countries in which the Company operates or, are recognized differently from the methodology used for financial reporting. These effects, as well as other differences between the book and the income tax basis, arising from the several income tax rates and laws to which the Company is subject in the countries in which it has operations, give rise to temporary and permanent differences in 1999, and permanent differences starting 2000, between the approximated statutory tax rate and the effective tax rate presented in the consolidated income statement, as follows:

	December 31,		
	1999	2000	2001
	%	%	%
Approximated consolidated statutory tax rate	35.0	35.0	35.0
Utilization of tax loss carryforwards	(27.9)	-	(0.9)
Additional deductions and tax credits for income tax purposes	8.0	(1.9)	(1.8)
Expenses and other non-deductible items	(9.1)	3.4	0.8
Non-taxable sale of marketable securities and fixed assets	(2.4)	0.2	-
Difference between book and tax inflation	2.4	(15.0)	(15.8)
Minimum taxes	3.7	(0.1)	0.2
Depreciation	3.5	0.3	(0.6)
Inventories	(6.6)	0.2	-
IT effect on stockholders' equity	-	(5.0)	(1.4)
Others	(0.4)	(4.4)	(4.4)
Effective consolidated tax rate	6.2	12.7	11.1

17. FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the dollar as of December 31, 1999, 2000 and 2001 was Ps9.51, Ps9.62 and Ps9.17 pesos per dollar, respectively. As of January 15, 2002, the exchange rate was Ps9.18 pesos per dollar.

For the year ending December 31, 2001, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin are presented as follows:

	In millions of U.S. dollars		
	Mexico	Foreign	Total
Current assets	223.1	1,087.1	1,310.2
Non current assets	791.6	(1) 10,360.0	11,151.6
Total assets	1,014.7	11,447.1	12,461.8
Current liabilities	777.0	1,396.5	2,173.5
Long-term liabilities	1,772.1	2,943.1	4,715.2
Total liabilities	2,549.1	4,339.6	6,888.7

(1) Non-monetary assets in Mexico of foreign origin.

Additionally, transactions of the Company's Mexican operations denominated in foreign currencies during 1999, 2000 and 2001, are summarized as follows:

	In millions of U.S. dollars		
	1999	2000	2001
Export sales	83.2	105.1	83.2
Import purchases	30.0	18.6	41.8
Financial income	14.6	17.4	105.1
Financial expense	221.1	191.3	302.1

18. GEOGRAPHIC SEGMENT DATA

The Company is engaged principally in the construction industry segment through the production and marketing of cement and ready-mix concrete. The following table presents, in accordance with the information analyzed for decision-making by the Company's management, selected condensed financial information of the Company by geographic area for the years ended December 31, 1999, 2000 and 2001:

	Net Sales			Operating Income		
	1999	2000	2001	1999	2000	2001
Mexico Ps	22,474.1	25,735.8	24,591.1	9,952.9	11,032.3	9,828.4
Spain	7,433.4	8,184.3	7,233.5	2,418.9	2,308.4	1,761.7
United States	5,753.5	7,417.1	18,434.0	1,187.8	1,118.3	2,934.4
Venezuela	4,631.6	4,475.2	4,260.9	1,264.2	1,242.7	1,420.3
Colombia	1,620.4	2,002.8	1,982.5	383.8	809.1	840.9
Caribbean and Central America	3,556.0	4,481.7	4,062.6	650.7	717.3	615.4
Philippines	1,180.0	1,349.9	1,239.1	24.2	118.3	118.4
Egypt	139.5	1,644.6	1,282.6	15.6	609.9	316.2
Others	3,750.1	3,513.3	7,662.1	(2,054.4)	(2,205.6)	(2,674.6)
	50,538.6	58,804.7	70,748.4	13,843.7	15,750.7	15,161.1
Eliminations	(4,011.1)	(5,273.1)	(7,261.5)	-	-	-
Consolidated Ps	46,527.5	53,531.6	63,486.9	13,843.7	15,750.7	15,161.1

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

		Depreciation and Amortization		
		1999	2000	2001
Mexico	Ps	1,600.4	1,228.7	1,566.9
Spain		819.4	771.7	724.1
United States		228.9	625.2	2,020.5
Venezuela		577.2	688.4	601.2
Colombia		373.3	500.7	462.3
Caribbean and Central America		198.6	228.4	343.8
Philippines		230.1	257.4	327.1
Egypt		20.6	203.0	435.1
Others		129.8	153.5	788.4
Consolidated	Ps	4,178.3	4,657.0	7,269.4

For purposes of the above table, the goodwill amortization generated in the holding companies has been allocated to the business geographic segment that originated such goodwill amounts. Therefore, this information is not directly comparable with the information of the individual entities, which comprise each segment. In the Company's consolidated income statement, the goodwill amortization is recognized within Other expenses, net.

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

		Total Assets		Investment in Fixed Assets (2)	
		2000	2001	2000	2001
Mexico	Ps	46,861.9	57,885.6	847.7	812.0
Spain		19,496.7	17,868.2	436.0	505.1
United States		42,106.4	44,122.1	616.2	1,672.2
Venezuela		10,545.4	10,670.7	222.2	261.8
Colombia		7,521.0	7,756.2	83.4	52.7
Caribbean and Central America		6,399.1	6,748.9	478.8	339.7
Philippines		7,318.6	7,290.4	240.0	220.4
Other Asian		2,187.1	3,004.1	134.8	107.8
Egypt		6,066.9	7,662.3	438.1	342.0
Others (1)		37,567.9	96,131.3	277.7	216.4
		186,071.0	259,139.8	3,774.9	4,530.1
Eliminations		(35,982.0)	(110,309.1)	-	-
Consolidated	Ps	150,089.0	148,830.7	3,774.9	4,530.1

(1) Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of Ps24,550 and Ps67,051.2 in 2000 and 2001 respectively, which are eliminated in consolidation.

(2) Corresponds to fixed assets investments not considering the effects of inflation. As a result, this balance differs from the amount presented as investing activities in the Statement of Changes in the Financial Position in "Property, machinery and equipment, net," which considers the inflation effects in accordance with Bulletin B-10.

As of December 31, 2001, of the consolidated financial debt amounting to Ps49,265.0, approximately 55% is in the Parent Company, 26% in the United States, 11% in Spain and 8% in other countries.

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 earnings per share reflects, on the weighted average number of common shares outstanding, the effects of any transactions carried out by the Company, which have a potentially diluting effect in such number of shares.

The weighted-average number of shares utilized in the calculation is as follows:

	Basic	Diluted
December 31, 1999	3,767,646,462	3,787,200,759
December 31, 2000	4,123,703,259	4,143,760,773
December 31, 2001	4,264,724,371	4,299,689,171

The difference between the basic and diluted number of shares in 1999, 2000 and 2001 is attributable to the additional shares to be issued under the Company's executive stock option plans (see note 14).

20. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

As of December 31, 2001, Cemex has signed as guarantor of loans made to certain subsidiaries for approximately U.S.$48.7 million.

B) TAX ASSESSMENTS

As of December 31, 2001, 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 1997. These tax assessments total approximately Ps3,114.3. The tax assessments result primarily from: (i) Recalculation of the inflationary tax deduction, since the tax authorities claim that "Advance Payments to Suppliers" and "Guaranty Deposits" are not by their nature credits; (ii) disallowed restatement of the tax loss carry forwards in the same period in which they occurred and (iii) disallowed reduction of BAT by the controlling entity for considering it should be in proportion of the equity interest it has over the controlled entities. The companies involved are using all the available defense actions granted by law in order to cancel the tax claims.

C) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce ("DOC") imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, certain subsidiaries of the Company, as importers of record, have been subject to payment of anti-dumping duty deposits estimated on imports of gray Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, until the United States government determines, taking into consideration the World Trade Organization new rules, that the conditions for imposing the order no longer exist and the cancellation or suspension of the order would follow. In the last quarter of 2000, the United States government continued the order, a resolution that will prevail until it makes a new review. During December 2001, the United States government (International Trade Commission) determined not to initiate a new review as the Company requested it.

As of December 31, 2001, the Company has accrued a liability of U.S.$77.1 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports, and the latest findings by the DOC in its administrative reviews for all periods under review.

As of December 31, 2001, the Company is in the eleventh administrative review period by the DOC, and expects a preliminary resolution for the eleventh period in the second half of 2002. The United States government during September 2001 published the preliminary determination in respect of the tenth administrative review period, and

during the first quarter of 2002, the final resolution for the tenth period is expected to be issued. In respect to the first four review periods, the DOC has issued a final resolution of the anti-dumping duties. Referring to the remaining review periods, the final resolutions are suspended until all the procedures before the North America Free Trade Agreement Panel are concluded. As a result, the final amounts may be different from those recorded in the accompanying consolidated financial statements. The Company and its subsidiaries have defended their position in this matter and will continue to do so through available means in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

During 2001, five Taiwanese cement producers filed before the Tariff Commission under the Ministry of Finance ("MOF") of Taiwan, an anti-dumping case involving imported gray Portland cement and clinker from the Philippines and Korea. In July 2001, the MOF informed the petitioners and the producers that a formal investigation had been initiated. Among the producers are APO Cement Corporation, Rizal Cement Co., Inc and Solid Cement Corporation, indirect subsidiaries of the Company, which received their anti-dumping questionnaires from the International Trade Commission under the Ministry of Economic Affairs ("ITC-MOEA") in August 2001 and from the MOF also in August 2001. Rizal and Solid replied to the ITC-MOEA by confirming that they have not been exporting cement or clinker during the review period. On the other hand, APO contested the allegation of "injury" in the anti-dumping proceedings before the ITC-MOEA.

In a communication dated October 2001, the ITC-MOEA informed the petitioners and the respondent producers about the results of the preliminary investigation, and it was determined that there are reasonable indicators that the Taiwanese industry presents material damage due to imports of cement and clinker from South Korea and the Philippines that supposedly is sold in Taiwan at a price below market price. In order to comply with the regulations of anti-dumping duties in Taiwan, the ITC-MOEA transferred this affair to the MOF. In November 2001, APO received supplemental questionnaires by the MOF. The answer to these questionnaires was presented by APO during November and December 2001.

A determination from the MOF is expected, depending on an extension that the MOF estimates appropriate, in any time during January 2002. Actually, the Company cannot predict if the arguments of its subsidiary, in the anti-dumping case, will succeed or what will be the resolution of the MOF.

D) LEASES

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

Year ending December 31,	In millions of U.S. dollars
2002	59.5
2003	51.2
2004	47.2
2005	41.7
2006	33.2
2007 and thereafter	153.5
	386.3

Rental expense for the years ended December 31, 1999, 2000, and 2001 was approximately U.S.$41, U.S.$52 and U.S.$67 million, respectively.

E) PLEDGE ASSETS

As of December 31, 2001, there are liabilities amounting to U.S.$50.6 million secured by property, plant and equipment.

F) COMMITMENTS

As of December 31, 2001, subsidiaries of the Company have future commitments for the purchase of raw materials for an approximate amount of U.S.$32.7 million.

During 1999, the Company entered into agreements with an international partnership, which will build and operate an electrical energy generating plant. These agreements establish that when the plant begins operations, the Company will purchase, starting in 2003, all of the energy generated by the plant for a term of no less than 20 years. As part of these agreements, the Company has committed to supply the electrical energy plant with all fuel necessary for its operation, a commitment that has been hedged through a 20-year agreement entered into by the Company with Petróleos Mexicanos. By means of this transaction, the Company expects to have significant decreases in its electrical energy costs, and the supply will be sufficient to cover approximately 60% of the electrical energy needs of 12 cement plants in Mexico. The Company is not required to make any capital investment in the project.

Under the terms of the agreement between the Company and the Indonesian government in connection with the investment in Gresik, the Indonesian government had a sale option, which was originally scheduled to expire in October 2001, to require the Company to purchase its 51% interest in Gresik for approximately U.S.$418 million (Ps3,833), plus accrued interest from October 1998 at 8.2% per annum. This sale option was extended until December 14, 2001 and expired without being exercised.

G) OTHER CONTINGENCIES

As of December 31 2001, Cemex Inc. (formerly Southdown (see note 7)) a U.S. subsidiary of the Company acquired in 2000 has accrued liabilities specifically relating to environmental matters in the aggregate amount of U.S.$28.9 million. The environmental matters relate to a) in the past, in accordance with industry practice, disposing of various materials, which might be categorized as hazardous substances or wastes, and b) the cleanup of sites used or operated by the Company, including discontinued operations, in regard to the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, the subsidiary considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed, however, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

In May 2001, a subsidiary of the Company based in Colombia received a civil liability suit from 42 transporters, alleging that this subsidiary is responsible for the supposed damages caused with the breach of provision of raw materials contracts. The plaintiffs have asked for relief in the amount of U.S.$60 million (Ps550.2). The Company filed a prompt defense response. This proceeding is in a preliminary stage.

In May 1999, several companies filed a lawsuit against two subsidiaries of the Company based in Colombia, alleging that the Ibagué plants were causing a capacity production damage in their lands due to the pollution they generate. The plaintiffs demand a relief in the amount of U.S.$12.6 million (Ps115.5). This proceeding is in the discovery period.

21. DIFFERENCES BETWEEN MEXICAN AND UNITED STATES ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Mexico (Mexican GAAP), which differ in certain significant respects from those applicable in the United States (U.S. GAAP).

The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes (i) a reconciling item for the reversal of the effect of applying Bulletin B-15

for the restatement to constant pesos for the years ended December 31, 1999 and 2000, 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 their effect on consolidated net income and consolidated stockholders' equity, with an explanation of the adjustments, are presented below:

		Year ended December 31,		
		1999	2000	2001
Net income as reported under Mexican GAAP	Ps	9,372.7	9,517.3	10,800.5
NCPI inflation adjustment		1,171.4	534.5	-
Net income as reported under Mexican GAAP after NCPI adjustments		10,544.1	10,051.8	10,800.5
Approximate U.S. GAAP adjustments:				
1. Amortization of goodwill (see 21(a))		(70.6)	(66.0)	(500.9)
2. Deferred income taxes (see 21(b))		(3,644.5)	(94.4)	(260.6)
3. Deferred employees' statutory profit sharing (see 21(b))		(381.6)	(72.2)	(174.0)
4. Other employee benefits (see 21(c))		(81.3)	(42.8)	(8.8)
5. Capitalized interest (see 21(d))		88.4	(76.5)	13.7
6. Minority interest (see 21(e)):				
a) Financing transactions		243.1	68.7	276.8
b) Effect of U.S. GAAP adjustments		(25.7)	184.2	123.4
7. Hedge accounting (see 21(l))		(1,905.4)	(1,469.5)	577.4
8. Depreciation (see 21(f))		158.2	(53.3)	(16.5)
9. Accruals for contingencies (see 21(g))		(3.0)	(116.1)	(8.7)
10. Equity in net income of affiliated companies (see 21(h))		(25.6)	(59.0)	0.6
11. Inflation adjustment of machinery and equipment (see 21(i))		(435.7)	(424.5)	(438.9)
12. Temporary equity from forward contracts (see 21(j))		-	(462.8)	(420.9)
13. Derivative financial instruments (see 21(l))		-	-	29.5
14. Other U.S. GAAP adjustments (see 21(k))		(123.8)	182.0	(374.4)
15. Monetary effect of U.S. GAAP adjustments		1,776.6	1,134.4	451.4
Total approximate U.S. GAAP adjustments		(4,430.9)	(1,367.8)	(730.9)
Approximate net income under U.S. GAAP	Ps	6,113.2	8,684.0	10,069.6
Basic U.S. GAAP earnings per share	Ps	1.62	2.11	2.36
Diluted U.S. GAAP earnings per share	Ps	1.61	2.10	2.34

		Year ended December 31,	
		2000	**2001**
Total stockholders' equity reported under Mexican GAAP	Ps	72,845.0	74,754.2
NCPI inflation adjustment		4,091.0	-
Total stockholders' equity after NCPI adjustment		76,936.0	74,754.2
Approximate U.S. GAAP adjustments:			
1. Goodwill net (see 21(a))		(3,646.0)	(4,649.7)
2. Deferred income taxes (see 21(b))		(3,646.4)	(4,014.0)
3. Deferred employees' statutory profit sharing (see 21(b))		(2,969.1)	(3,014.0)
4. Other employee benefits (see 21(c))		(290.4)	(286.8)
5. Capitalized interest (see 21(d))		(445.2)	(387.9)
6. Minority interest—effect of financing transactions (see 21(e))		(1,013.2)	(882.8)
7. Minority interest—U.S. GAAP presentation (see 21(e))		(24,608.9)	(18,340.5)
8. Depreciation (see 21(f))		(120.5)	(17.8)
9. Accruals for contingencies (see 21(g))		102.6	80.1
10. Investment in net assets of affiliated companies (see 21(h))		(83.4)	(71.4)
11. Inflation adjustment for machinery and equipment (see 21(i))		8,607.3	8,844.8
12. Temporary equity from forward contracts (see 21(j))		(5,639.1)	(5,555.3)
13. Derivative financial instruments (see 21(i))		-	29.6
14. Other U.S. GAAP adjustments (see 21(k))		450.2	45.7
Total approximate U.S. GAAP adjustments		(33,302.1)	(28,220.0)
Total approximate stockholders' equity under U.S. GAAP	Ps	43,633.9	46,534.2

For purposes of the financial information presented in note 21, the Mexican GAAP prior years' amounts have been restated using the Mexican inflation index instead of the weighted average inflation index, as described in note 2B, with the exception of those Mexican GAAP amounts of prior years that are included also in the Company's original Mexican GAAP notes 1 to 20. Such amounts were not restated in note 21 using the Mexican inflation index, pursuing more straightforward cross-references between note 21 and the other Mexican GAAP notes.

The term "SFAS" as used herein refers to Statements of Financial Accounting Standards.

(a) ***Goodwill***

The Company's goodwill recognized under Mexican GAAP has been adjusted for U.S. GAAP purposes for (i) the effect of the U.S. GAAP adjustments as of the dates of acquisition on the goodwill of the subsidiaries acquired, (ii) the difference between sinking fund amortization of goodwill over 20 to 40 years for Mexican GAAP purposes (see note 2I) and the straight-line method over 40 years for U.S. GAAP purposes, and (iii) the conversion of goodwill applicable to foreign subsidiaries in accordance with SFAS 52 "Foreign Currency Translation", utilizing inflation of each country to restate the goodwill for inflation purposes. In addition, for purposes of the condensed financial information under U.S. GAAP presented in note 21(o), amortization of goodwill is reflected as an operating expense for U.S. GAAP versus other expense, net for Mexican GAAP.

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 assets and liabilities are recognized for the future tax consequences of "temporary differences", which result from 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 deferred income tax charged or credited to operations is determined by the difference between the beginning and the year-end balance of the deferred tax assets or liabilities, and is recognized in nominal pesos. 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 under U.S. GAAP at December 31, 2000 and 2001 are presented below:

		December 31,	
		2000	**2001**
Deferred tax assets:			
Net operating loss and assets tax carryforwards	Ps	3,599.6	4,368.8
Trade accounts receivable		106.3	55.1
Investment in affiliated companies		7.0	-
Accounts payable and accrued expenses		768.4	571.3
Other		148.1	679.3
Total gross deferred tax assets		4,629.4	5,674.5
Less valuation allowance		617.0	1,031.1
Total deferred tax assets under U.S. GAAP		4,012.4	4,643.4
Deferred tax liabilities:			
Property, plant and equipment		20,239.3	17,518.2
Inventories		1,329.5	1,281.6
Other		400.0	808.5
Total deferred tax liability under U.S. GAAP		21,968.8	19,608.3
Net deferred tax liability under U.S. GAAP		17,956.4	14,964.9
Deferred tax recognized under Mexican GAAP affecting equity (see note 16B)		5,440.9	5,602.5
Excess of liability under U.S. GAAP over that recognized under Mexican GAAP		12,515.5	9,362.4
Less—U.S. GAAP deferred income taxes of acquired subsidiaries at date of acquisition		8,563.5	5,348.4
Inflation adjustment (note 2B)		(305.6)	-
U.S. GAAP adjustments to stockholders' equity	Ps	3,646.4	4,014.0

Management considers that there is existing evidence that, in the future, the Company will generate sufficient taxable income to realize the tax benefits associated with the deferred tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the deferred tax assets' valuation allowance would be increased by a charge to the income statement.

The Company recorded a valuation allowance for the estimated amount of the recoverable tax on assets, which may not be realized due to their expiration during the carryforwards period. Through its continual evaluation of the effects of tax strategies, among other economic factors, during 2000 and 2001 the Company increased the valuation allowance by approximately Ps421 and Ps441.0, respectively.

In connection with the effective tax rate table included in note 16C, the main reason for the change of approximately 17.4 percentage points in the line item "Difference between book and tax inflation" in 2000 as compared to 1999 relates to the Company's ability to not recognize inflationary gain for the year 2000. Changes enacted to the Mexican tax law in 2001 will eliminate this exemption for 2002 and future years.

Included in the "Others" description in the Effective Tax Rate reconciliation at note 16C is the difference in tax rates between CEMEX (Mexican tax rate) and its foreign subsidiaries. This difference equaled (0.2), (1.7) and (0.9) percentage points for the years ended December 31, 1999, 2000 and 2001, respectively.

Additionally, as mentioned in notes 2K and 16B, beginning in 2000, new Bulletin D-4 requires the determination of deferred income tax through the asset and liability method, in a manner similar to U.S. GAAP. Nonetheless, there are certain specific differences in the application of Bulletin D-4 as compared to the calculation under SFAS 109 that will lead to differences in the reconciliation to US GAAP. These differences arise from i) the recognition of the accumulated initial balance as of January 1, 2000 which is recorded directly to stockholders' equity and, therefore, does not consider the provisions of APB Opinion 16 for the deferred tax consequences in business combinations made before January 1, 2000, and ii) some adjustments to Mexican GAAP recorded in the foreign subsidiaries for consolidation purposes are to be treated as permanent differences. In addition, for Mexican GAAP presentation purposes, deferred tax assets and liabilities should be considered as long-term items.

As of December 31, 2000 and 2001, net deferred tax liabilities under Bulletin D-4 affecting the Company's Mexican GAAP stockholders' equity of Ps5,440.9 and Ps5,602.5, respectively, after considering the deferred income tax effects of subsidiaries acquired during such years recognized in Goodwill, have been reversed for purposes of the U.S. GAAP reconciliation of stockholders' equity. In the reconciliation of net income for the years ended December 31, 2000 and 2001, deferred tax expenses of Ps550.8 and Ps183.3, respectively, arising from Bulletin D-4 were reversed.

The Company also recorded a deferred tax liability for U.S. GAAP purposes, related to employees' statutory profit sharing ("ESPS") in Mexico under the asset and liability method at the statutory rate of 10%. The principal effects of temporary differences that give rise to significant portions of the deferred ESPS liabilities at December 31, 2000 and 2001 are presented below:

		December 31,	
		2000	2001
Deferred assets:			
Employee benefits	Ps	68.6	37.7
Trade accounts receivable		11.8	13.2
Other		21.8	38.6
Gross deferred assets under U.S. GAAP		102.2	89.5
Deferred liabilities:			
Property, plant and equipment		2,864.0	2,803.7
Inventories		143.5	115.1
Other		63.8	184.7
Gross deferred liabilities under U.S. GAAP		3,071.3	3,103.5
Net deferred liabilities under U.S. GAAP	Ps	2,969.1	3,014.0

For purposes of the condensed financial information presented under U.S. GAAP in note 21(o), ESPS expense, both current and deferred, is included in the determination of operating income. For Mexican GAAP presentation, ESPS expense, both current and deferred, is considered as a separate line item equivalent to income tax.

Under new Bulletin D-4, for Mexican GAAP purposes, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature. In the reconciliation of net income to U.S. GAAP, a deferred ESPS expense of Ps45.3 in 2000 and Ps12.1 in 2001, determined under Mexican GAAP, was reversed.

(c) ***Other Employee Benefits***

Vacations

Under Mexican GAAP, vacation expense is recognized when taken rather than during the period the employees earn it. In order to comply with SFAS 43, for the year ended December 31, 1999, 2000 and 2001, the vacation expense recorded for U.S. GAAP purposes was Ps9.3, Ps8.5 and Ps1.6, respectively with an accrual of Ps52.0 and Ps51.3 at December 31, 2000 and 2001, respectively.

Severance

Before 1997, under Mexican GAAP, post-employment benefit expenses other than pension benefits were recorded when retirement occurred. Beginning in 1997, SFAS 112 "Employers' Accounting for Postemployment Benefits" is the

supplementary accounting standard for post-employment benefits according to Mexican GAAP (Bulletin D-3). As of December 31, 2000 and 2001, the Company had accrued provisions for these benefits for Mexican GAAP, with the exception of severance benefits due to their immateriality. Under U.S. GAAP, post-employment benefits for former or inactive employees, excluding retirement benefits, are accounted for under the provisions of SFAS 112, which requires the Company to accrue the cost of certain benefits, including severance, over an employee's service life. For the years ended December 31, 1999, 2000 and 2001, the severance provisions recorded for U.S. GAAP purposes were an expense of Ps42.6, Ps39.2 and Ps7.2, respectively with an accrual of Ps238.4 and Ps235.5 at December 31, 2000 and 2001, respectively. Severance payments relating to any specific event or restructuring are excluded from the SFAS 112 calculation.

Pension and other benefits

The Company accounts for employee pension benefits under Bulletin D-3, based on the net present value of the obligations determined by independent actuaries (see notes 2J and 12), in a manner similar to SFAS 87 "Employers' Accounting for pensions" under U.S. GAAP. Nonetheless, certain differences in assumptions led to minor differences between the amounts recognized under Mexican GAAP and their corresponding equivalents under U.S. GAAP. These discrepancies were eliminated in the actuarial computations of 2000. For purposes of the U.S. GAAP reconciliation of net income, the Company recognized expense of Ps29.4 in 1999 and income of Ps4.9 in 2000, which was required to reverse the accrued adjustment.

In addition, as a result of the Company's acquisition of Cemex, Inc. (formerly Southdown (see note 7A)) in 2000, a package of employee benefits, including postretirement benefits, were assumed and are summarized as follows:

1. *Pension* – Cemex, Inc. has a defined benefit pension plan covering substantially all employees. The benefits are based on years of service, and the employee's compensation is integrated with Social Security. External actuaries in accordance with SFAS 87 determine the funded status of the pension plan.
2. *Retirement Savings Plan* – Cemex, Inc. maintains a retirement savings plan designed to qualify under Sections 401(a) and 401(k) of the U.S. Internal Revenue Code, in which substantially all employees are eligible to participate. Cemex, Inc. contributes an amount to the savings plan equal to 75% of an employee's contributions, subject to certain limitations. Cemex, Inc.'s matching contributions do not vest until the employee's fifth anniversary with the company. All employee contributions are fully vested when made.
3. *Supplemental Executive Retirement Plan* – Cemex, Inc. has a non-qualified plan for a group of senior line and staff management personnel. Under this plan, participants will receive an additional monthly retirement benefit, equal to the difference between the Cemex, Inc.'s qualified pension plan and the amount that would be calculated assuming there were no limitations imposed by the U.S. Internal Revenue Code on compensation. The plan is unfunded.
4. *Supplemental Pension Liabilities* – A small number of former employees, directors and retirees of Cemex, Inc. are eligible for payments under non-qualified pension agreements, for which Cemex, Inc. accrued the present value of probable future cash outlays during the expected service life of the employee and charged that amount against earnings for financial reporting purposes.
5. *Health Care and Life Insurance Benefits* – Cemex, Inc. offers health care benefits to active employees and their dependents. Certain retirees under the age of sixty-five and their dependents are also offered health care benefits, which consist primarily of medical and life insurance benefits. However, Cemex, Inc. reduces benefit payments for covered retirees sixty-five years of age or older by benefits paid by Medicare.

The benefit obligation at December 31, 2000 and 2001, and the benefit (income) expense for the two-month period ended December 31, 2000 and the year ended December 31, 2001, arising from Cemex, Inc.'s employee benefits mentioned above, have been recorded under Mexican GAAP and are included in the Company's pension plans, seniority premium and other postretirement benefits consolidated information included in note 12.

Most of the Company's health care benefits, including Cemex, Inc.'s, are self-insured and administered on cost plus fee arrangements with major insurance companies or provided through health maintenance organizations. The Company also provides life insurance benefits to its active and retired employees. Generally, life insurance benefits for retired employees are reduced over a number of years from the date of retirement to a minimum level.

(d) ***Capitalized Interest***

Under Mexican GAAP, the Company capitalizes 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 fluctuations 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, only interest is to be considered an additional cost of constructed assets to be capitalized in property, machinery and equipment and depreciated over the lives of the related assets.

The U.S. GAAP reconciliation removes the foreign currency gain or loss and the monetary position result capitalized for Mexican GAAP derived from borrowings denominated in foreign currency.

(e) ***Minority Interest***

Financing Transactions

For purposes of U.S. GAAP presentation (see note 21(o)), preferred stock described in note 13E for an amount of U.S.$1,500 million (Ps15,088.0) and U.S.$900 million (Ps8,253.0) at December 31, 2000 and 2001, respectively, is presented as a separate component of mezzanine items. Under Mexican GAAP these instruments are presented as part of the minority interest stockholders' equity. Preferred dividends declared in 2000 and 2001 of U.S.$17 and U.S.$76 million, respectively, are recorded as part of the minority interest in the consolidated statements of income under both Mexican GAAP and U.S. GAAP.

For purposes of U.S. GAAP presentation (see note 21(o)), the Putable Capital Securities described in note 13E for an amount of U.S.$250 million (Ps2,292.5) at December 31, 2000 and 2001 are presented as a separate component of mezzanine items. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Putable Capital Securities dividends declared in 1999, 2000 and 2001 amounted to approximately U.S.$24 million in each of the three years and were recorded as part of the minority interest in the consolidated income statements under both Mexican GAAP and U.S. GAAP.

As described in note 13F, related to a transaction entered into in December 31, 1995, the Company had outstanding U.S.$100.7 million (Ps1,013.2) and U.S.$96.3 million (Ps882.2) at December 31, 2000 and 2001, respectively. 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. The Company's cost of retaining its option to reaquire the contributed assets in 1999, 2000 and 2001 amounted to approximately U.S.$14.9, U.S.$14.4 and U.S.$13.8 million, respectively, and was recorded as part of the financial expense in the consolidated income statements under both Mexican GAAP and U.S. GAAP.

U.S. GAAP adjustments on minority interest

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 (see note 21(o)). 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.

(f) ***Depreciation***

One of the Company's subsidiaries in Colombia records depreciation expense utilizing the sinking fund method. This methodology for depreciation was in place before Cemex acquired the subsidiary in 1997. For Mexican GAAP purposes, the Company has decided to maintain this accounting practice due to tax consequences in Colombia arising from a change in methodology, and the immateriality of the effects in the Company's consolidated results. For U.S. GAAP purposes, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. As a result of this accounting difference, for the years ended December 31, 1999, 2000 and 2001, income of Ps133.2, expense of Ps79.5 and expense of Ps40.5, respectively, have been reflected in the reconciliation of net income to U.S. GAAP.

Additionally, as a result of the application of APB 16 in the acquisition of Rizal, one of the Company's subsidiaries in the Philippines, for U.S. GAAP purposes, the Company reduced the value of its fixed assets by Ps248.5 in 2000 and Ps196.7 in 2001, net of depreciation, corresponding to the portion of the appraisal value related to the minority owners. The change in the fixed assets' amount under U.S. GAAP resulted in a decrease in the depreciation expense under U.S. GAAP of Ps25.0 in 1999, Ps26.2 in 2000 and Ps24.0 in 2001.

(g) ***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 "Accounting for Contingencies" for accrual were met, and the recorded liabilities were reversed for U.S. GAAP purposes.

In addition, with respect to the contingencies described in note 20B and G, at December 31, 2000 and 2001, 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.

(h) ***Affiliated Companies***

The Company has adjusted its investment and equity in the earnings of affiliated companies for the Company's share of the approximate U.S. GAAP adjustments applicable to these affiliates.

(i) ***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.

(j) ***Temporary Equity from Forward Contracts***

As mentioned in notes 13F and 15A to the financial statements, the Company has entered into forward contracts in connection with its warrant offering transaction. In December 1999, the Company sold to a group of banks 21 million ADSs (105 million CPOs) for approximately U.S.$515.0 million and agreed to repurchase the ADSs at an original specified forward price of approximately U.S.$651 million (Ps5,969.7) in December 2002. According to EITF 00-19, forward contracts involving the Company's own stock that will be physically settled by delivering cash should be initially measured at fair value and recorded in permanent equity, and an amount equivalent to the cash redemption at the date of reporting, should be reclassified to temporary equity, which is to be considered as a mezzanine item for the balance sheet presentation under U.S. GAAP. As a result, for purposes of reconciliation, the Company presents an adjustment to its stockholders' equity under Mexican GAAP of approximately Ps5,639.1 (U.S.$560.6) in 2000 and Ps5,555.3 (U.S.$605.8) in 2001, which represents the cash obligation of the Company under the forward contracts at the reporting date and is presented as a mezzanine item for purposes of note 21(o). Under Mexican GAAP, since inception, the shares sold to the banks have been treated as permanent equity.

In addition, for purposes of the reconciliation of net income to U.S. GAAP, the difference between the original proceeds of the sale and the forward price has been considered as a preferred dividend, in a manner similar to a mandatorily redeemable preferred stock dividend, and has been charged to the comprehensive financing result in the income statement, resulting in an expense for the years ended December 31, 2000 and 2001 of approximately Ps462.8 and Ps420.9, respectively (Ps390.5 and Ps349.2, respectively, after the related deferred income tax effect). Under Mexican GAAP, since inception, these forward contracts have been treated as equity transactions, and gains or losses will be recognized upon settlement as an adjustment to stockholders' equity. In addition, at maturity of the forward contracts, assuming the shares are repurchased, the reacquired shares will be treated as an equivalent of treasury shares.

(k) ***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, 1999, the Company recognized expense of Ps141.9 in the net income reconciliation to U.S. GAAP. Beginning January 1, 2000, the Company adopted the full absorption cost method in all its producing facilities; therefore, as of December 31, 2000, the reconciling item arising from this difference has been eliminated, recognizing an expense of Ps65.8 in the net income reconciliation to U.S. GAAP.

Capitalization of costs of computer development under U.S. GAAP—Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*", provides guidance on accounting for the costs of computer software developed or obtained for internal use. SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software and that costs related to the preliminary project stage and the post-implementation/operations stage (as defined in SOP 98-1) in an internal-use computer software development project be expensed as incurred. The estimated average useful lives period to amortize these capitalized costs is between 3 and 5 years.

As of December 31, 1999, 2000 and 2001, the effect of capitalizing these costs in the reconciliation of net income to U.S. GAAP, net of amortization, led to income of Ps224.1 and Ps119.0 and expense of Ps212.2, respectively, with a cumulative effect increase in the stockholders' equity reconciliation to U.S. GAAP at December 31, 2000 and 2001 of Ps649.5 of Ps402.6, respectively. Beginning in 2001, in connection with the Company's decision to significantly enhance and/or replace, in a worldwide basis, all of its critical software systems under an effort denominated "Cemex Way", for accounting purposes under Mexican GAAP, the Company began the capitalization of costs associated with developing and implementing new software (see note 9) resulting in a capitalization for the year ended December 31, 2001 of Ps1,333.2, net of amortization. As a result, in the reconciliation of net income to U.S. GAAP for the year ended December 31, 2001, the reconciling item refers exclusively to the amortization of the accrued capitalized amount until December 2000.

Deferred charges—For U.S. GAAP purposes other deferred charges, net of accumulated amortization, that did not qualify for deferral under U.S. GAAP had been charged to expense in the year or period incurred for Ps206.0 in 1999 and credited to income for Ps128.8 in 2000 and an expense of Ps162.2 in 2001. The net effect in the stockholders' equity reconciliation to U.S. GAAP was a decrease of Ps199.3 and Ps356.9 at December 31, 2000 and 2001, respectively. Mexican GAAP allowed the deferral of these items.

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 Ps94.0 in 2000 and Ps99.5 in 2001, and non-cement related assets amounting to Ps103.4 in 2000 and Ps218.7 in 2001 have been reclassified to long-term assets for purposes of U.S. GAAP presentation in note 21(o). These assets are stated at their estimated fair value. Estimated costs to sell these assets are not significant.

(l) ***Financial Instruments***

Derivative Financial Instruments (see notes 2N, 10, 11 and 15)

Effective January 1, 2001, companies reporting under U.S. GAAP adopted SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*", as amended, which establishes that all derivative instruments (including certain derivative instruments embedded in other contracts) should be recognized in the balance sheet as assets or liabilites at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes

in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of a hedge is reported in earnings as it occurs.

Under Mexican GAAP, effective January 1, 2001, the Company adopted Bulletin C-2 "*Financial Instruments*". Bulletin C-2 provides that all derivative instruments should be recognized in the balance sheet as assets or liabilities at their estimated fair values and changes in fair value should be recognized immediately in earnings, unless such derivative instruments were entered into as a hedge of an underlying hedged item, in which case the results of the derivative instruments should be recognized simultaneously with the accounting for the underlying hedged item.

The differences between SFAS 133 and Bulletin C-2 relate to the rules for hedge accounting. SFAS 133 provides specific rules for qualifying for hedge accounting and is also precise as to which transactions are outside the scope of the Statement, while under Bulletin C-2, hedge accounting is based on the Company's intention and designation, providing that the underlying hedged asset or liability is already recognized in the balance sheet; therefore, Mexican GAAP does not permit the hedging of forecasted transactions. Bulletin C-2 does not provide any guidance for own equity derivative instruments nor for risk management instruments entered into to protect the Company's net investment in foreign subsidiaries; therefore, such contracts are being accounted for in accordance with other U.S. GAAP accounting pronouncements as appropriate.

As of December 31, 2001, the differences in derivative instruments hedge accounting between Mexican and U.S. GAAP, as they relate to the Company, led to certain adjustments in the reconciliation of stockholders' equity and the reconciliation of net income to U.S. GAAP, which are explained as follows:

- Under Bulletin C-2, interest rate swaps negotiated with the intention of hedging an identifiable interest rate risk in the Company's indebtedness should be accounted consistently with the underlying hedged item. Mexican GAAP does not permit the recognition of debt instruments at fair value; therefore, the estimated fair value of a derivative instrument qualifying as a hedge of an underlying debt instrument is not recognized in the balance sheet. Under FAS 133, the estimated fair value of such derivative instrument should be recorded and its effect would be offset by the recognition of the estimated fair value of the underlying debt instrument. As of December 31, 2001, the estimated fair value of interest rate swaps that was not recognized under Mexican GAAP led to the recognition of income of Ps29.5 (U.S.$3.2 million) in the reconciliation of net income to U.S. GAAP (see notes 10 and 11A).

- As mentioned in note 11B, arising from the estimated fair value recognition of Cross Currency Swaps (CCS) under Mexican GAAP, that resulted in the recognition of assets of U.S.$51.3 million (Ps488.6) and U.S.$242.9 million (Ps2,227.3) as of December 31, 2000 and 2001, respectively, the Company carried out the offsetting of assets and liabilities for presentation purposes. Under U.S. GAAP, the offsetting rules were not met; therefore, the reversal of such offsetting was made for purposes of the condensed financial information presented in note 21(o).

As a result of the reversal of the offsetting, as of December 31, 2000 and 2001, long-term debt increased U.S.$45.9 million (Ps437.1) and U.S.$175.9 million (Ps1,613.0), respectively, against non-current assets, representing the portion of the estimated fair value attributable to the changes in the exchange rates between the beginning of the *CCS* and the balance sheet date. In addition, U.S.$1 million (Ps9.5) in 2000 and U.S.$14.8 million (Ps135.7) in 2001, corresponding to the portion of the estimated fair value attributable to the accrued interest, were reclassified and increased current liabilities against current assets.

All other derivative instruments, with the exception of those described above, entered into by the Company including the foreign exchange forward contracts designated as hedges of the Company's net investment in foreign subsidiaries (see note 15B) and the equity forward contracts on the Company's own stock designated as hedges of several equity transactions (see note 15A), have been accounted under Mexican GAAP consistently with the provisions of U.S. GAAP.

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, 2001 is summarized as follows:

		Carrying Amount	Estimated Fair value
Bank loans	Ps	19,142.6	19,142.6
Notes payable		20,699.8	21,854.8

As discussed in notes 2D and 13D, the Company has designated certain debt as hedges of its investment in foreign subsidiaries and, for Mexican GAAP purposes, records foreign exchange fluctuations on such debt in equity. For purposes of the U.S. GAAP net income reconciliation, expense of Ps1,905.4 in 1999 and Ps1,469.5 in 2000 and income of Ps577.4 in 2001, were recognized as foreign exchange results since the related debt does not meet the conditions set forth in SFAS 52 for hedge accounting purposes, given that the currencies involved do not move *in tandem.*

(m) *Stock Option Programs*

As described in note 14, the Company has a Stock Option Plan (“fixed plan”), by means of which eligible officers and key employees were entitled to participate and receive stock options for up to 72,100,000 CPOs representing authorized but unissued Series "A" and "B" common stock. This plan terminated in November 2001 through a voluntary exchange program, under which 57,448,219 options with a weighted average price per option of Ps34.11 were repurchased at a per option price of Ps45.56 and a total of 8,695,396 options remain outstanding. Stock options activity during the periods is indicated in note 14.

Pursuant the exchange program, a new Stock Option Program (“variable plan”) was initiated in November 2001, through which 88,937,805 options were granted and remain outstanding at December 31, 2001. In addition, during 1998 and 1999, the Company sold voluntary stock options to eligible executives. See note 14 for details of these programs.

The Company applies APB Opinion No. 25 ("APB 25") in accounting for its Stock Option Plans under U.S. GAAP. According to APB 25, the Company's fixed plan fulfills the type of a compensatory for services plan, where the strike price established in the option at the measurement date is materially equal to the quoted market price of the stock and is fixed during the option’s life; therefore, no compensation cost is recognized for this plan in the financial statements. In respect to the new variable plan, even though the strike price established in the option at the measurement date is materially equal to the quoted market price of the stock, such strike price increases annually during the option’s life, reflecting the Company’s cost of funding; therefore, under APB 25 compensation cost should be recognized for these options in the financial statements under the instrinsic cost method, which represents the difference between the strike price and the market price of the stock at the reporting date. For financial reporting under Mexican GAAP, beginning 2001, the Company applies the provisions of APB 25 and recognizes cost under the instrinsic method for its variable and voluntary plans, resulting in expense for the year ended December 31, 2001 for an approximate amount of U.S.$14.7 million (Ps134.8), which represented the accumulated appreciation of the executives’ options at year end.

The Company covers the future exercise of these plans through equity forward contracts in the Company’s own stock that have been designed as hedges of the plans. For the year ended December 31, 2001, the Company recognized in the income statement a gain of approximately U.S.$28.7 million (Ps263.2), representing the estimated fair value of the forward contracts, which compensated for the cost of the stock option plans (see notes 14 and 15A).

SFAS 123 "Accounting for Stock-Based Compensation" requires that compensation cost for stock option plans, as those of the Company, should be based on the fair value of the options at the grant date, using a qualified option pricing model. Compensation cost determined under the fair value method at the grant date, should be recorded in operations during the options vesting period after which, no further recognition is required. 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:

				2001	
	1999	**2000**	**Fixed plan**	**Variable plan**	**Total**
Net income, as reported (Mexican GAAP) .... Ps	9,372.7	9,517.3			10,800.5
Cost of options granted under the fixed plan according to SFAS 123	(194.0)	(193.3)	(248.7)	-	(248.7)
Cost of options granted under the variable plan according to SFAS 123	-	-	-	(187.8)	(187.8)
Result from voluntary exchange program, net (note 14)	-	-	203.3	-	203.3
Reversal of cost recognized under APB 25	-	-	-	134.8	134.8
Approximate net income, proforma	9,178.7	9,324.0			10,702.1
Basic earnings per share, as reported	2.48	2.31			2.53
Basic earnings per share, proforma .... Ps	2.44	2.26			2.51

The net amount of income in the proforma calculations of approximately Ps203.3, presented under the line item Result from voluntary exchange program, net, represents the difference between the amount paid to the executives for the repurchase of their options of approximately Ps604.5, which was recorded as an expense under Mexican GAAP in 2001 as the fair value of the options at the exchange date, and the expense determined under SFAS 123 of approximately Ps401.2, which represents the unvested fair value of the options at date of issuance, which was accelerated as a result of the exchange program. The reason for the reversal in the proforma calculations, of the expense recognized under Mexican GAAP, is because such amount had been previously expensed in the proforma calculations as part of the cost under SFAS 123 in prior years and as part of the accelerated amortization of the unrecognized cost discussed above.

The assumptions for the Black-Scholes model for both plans were:

	1999	**2000**	**2001**
Expected dividend yield	2%	2%	2%
Volatility	30%	30%	25%
Risk free interest rate	15%	12.5%	4.9% - 9.8%
Tenure	10 years	10 years	10 years

(n) ***Supplemental Cash Flow Information Under U.S. GAAP***

The Company presents statements of changes in financial position under Mexican GAAP, in which are identified the sources and uses of resources based upon the differences between beginning and ending financial statements in constant pesos. It also requires monetary position result and unrealized foreign exchange result to be treated as cash items in the determination of resources provided by operations. U.S. GAAP, under SFAS 95, requires a statement of cash flow presenting only cash movements and excluding non-cash items. SFAS 95 does not provide any 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 foreign exchange results from financing and investing activities variations against the corresponding unrealized foreign exchange result 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, 1999, 2000 and 2001, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical peso basis and is not presented in pesos of constant purchasing power.

		Years ended December 31,		
		1999	2000	2001
Net cash provided by operating activities	Ps	10,275.2	9,651.4	18,786.5
Net cash provided by (used in) financing activities		148.5	19,136.6	(9,250.1)
Net cash used in investing activities		(10,351.0)	(29,930.8)	(8,433.3)

Net cash flow from operating activities reflects cash payments for interest and income taxes as follows:

		Years ended December 31,		
		1999	2000	2001
Interest paid	Ps	3,291.2	4,491.3	3,775.7
Income taxes paid		431.1	1,106.3	560.9

Non-cash activities are comprised of the following:

1. Acquisition of fixed assets through capital leases amounting to Ps159.5 in 1999, Ps749.8 in 2000 and Ps23.2 in 2001.
2. Liabilities assumed through the acquisition of businesses (see note 7A) was Ps4,147.3 in 1999, Ps5,984.6 in 2000 and Ps275.6 in 2001.

(o) ***Condensed Financial Information under U.S. GAAP***

The following table presents consolidated condensed income statements for the years ended December 31, 1999, 2000 and 2001, prepared under U.S. GAAP and includes all differences described in this note as well as certain other reclassifications required for purposes of U.S. GAAP:

		As of December 31,		
Statements of income		1999	2000	2001
Net sales	Ps	51,646.4	55,914.2	62,941.0
Gross profit		21,145.4	23,751.6	26,564.9
Operating income		11,450.1	13,609.4	10,060.9
Comprehensive financial income (cost)		(328.7)	(2,654.4)	3,108.6
Other expenses, net		(695.4)	(415.6)	(591.3)
Income tax (including deferred)		(4,337.4)	(1,695.6)	(1,764.5)
Equity in income of affiliates		465.0	359.6	304.9
Consolidated net income		6,553.6	9,203.4	11,118.6
Minority interest net income		440.4	519.4	1,049.0
Majority interest net income	Ps	6,113.2	8,684.0	10,069.6

The following table presents consolidated condensed balance sheets at December 31, 2000 and 2001, prepared under U.S. GAAP and includes all differences described in this note as well as certain other reclassifications required for purposes of U.S. GAAP:

		At December 31,	
Balance sheets		**2000**	**2001**
Current assets	Ps	19,734.7	20,891.6
Investments and non-current assets		9,040.0	8,483.8
Property, machinery and equipment		98,242.9	89,959.6
Deferred charges		37,978.8	35,341.0
Total assets		164,996.4	154,676.0
Current liabilities		39,895.8	26,966.0
Long-term debt		28,678.6	37,277.5
Other non-current liabilities		22,788.6	20,199.1
Total liabilities		91,363.0	84,442.6
Mezzanine items:			
Putable capital securities (see note 13F)		2,514.7	2,292.5
Temporary equity		5,639.1	5,555.3
Preferred equity (see note 13F)		15,088.0	8,253.0
Minority interest		6,757.7	7,598.4
Total mezzanine items		29,999.5	23,699.2
Stockholders' equity		43,633.9	46,534.2
Total liabilities and stockholders' equity	Ps	164,996.4	154,676.0

For purposes of the consolidated condensed financial statements presented in the tables above, the 1999 and 2000 figures were restated to constant pesos at December 31, 2001 using the Mexican inflation rate, in order to comply with current requirements of Regulation S-X.

The condensed balance sheet information as of December 31, 2000 presented in the table above has been restated, as compared to the original information presented in the Company's U.S. GAAP reconciliation note 20 to its 2000 annual report, in order to give effect to the offsetting reversal disclosed in note 21(l), which does not have any effect on operating income, net income and /or earnings per share.

(p) ***Restatement to Constant Pesos of Prior Years***

The following table presents summarized financial information under Mexican GAAP of the consolidated income statements for the years ended December 31, 1999 and 2000 and balance sheet information at December 31, 2000, in Mexican pesos of equivalent constant purchasing power of December 31, 2001 using the Mexican inflation rate:

		1999		**2000**
Sales	Ps	52,342.7		56,538.0
Gross profit		23,179.8		24,945.3
Operating income		15,573.9		16,635.3
Majority interest net income		10,544.1		10,051.8
Current assets			Ps	20,165.9
Non-current assets				138,352.3
Current liabilities				39,432.4
Non-current liabilities				42,149.7
Majority interest stockholders' equity				52,818.4
Minority interest stockholders' equity				24,117.7

(q) ***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. See note 20 G for information regarding the Company's material contingencies on environmental matters.

Other than to the contingencies disclosed in note 20G, the Company is not currently facing other material situations, which might result in the recognition of an environmental remediation liability.

(r) ***Supplemental Debt Information***

At December 31, 2001, due to the Company's ability and its intention to refinance short-term debt with the available amounts of the committed long-term lines of credit, Ps5,006.8 (U.S.$546 million) were reclassified from short-term debt to long-term debt (see note 11). For purposes of the condensed information under U.S. GAAP of note 21(o), this reclassification was reversed given that under U.S. GAAP, the reclassification is precluded when the long-term agreements contain "Material Adverse Events" clauses, which in the case of the Company are customary covenants.

(s) ***Impairment of Long Lived Assets***

Under Mexican GAAP, in accounting for impairment of long-lived assets, the Company follows a methodology similar to that set forth in SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (see notes 2U and 8). In addition, for Mexican GAAP purposes the impairment provisions are reported in other income and expense. For purposes of note 21(o), these provisions are reported as a component of operating income.

(t) ***Business Combinations***

As mentioned in note 7A, during November 2000, the Company acquired a majority equity interest in Cemex, Inc. (formerly Southdown). For purposes of disclosure under U.S. GAAP according to APB 16, companies must provide on a pro forma basis, the effects of certain information as if the acquired companies were consolidated since the beginning of the reported period. Therefore, for purposes of compliance with APB 16 disclosure requirements, the Company is providing proforma selected income statement amounts for the consolidation of Cemex, Inc., as if it had been consolidated for the full years 1999 and 2000.

In order to make the information comparable with the reported amounts of the Company in its financial statements under Mexican GAAP, the proforma amounts presented in the tables below corresponding to 1999 and 2000, have been restated to constant pesos as of December 31, 2001, using the weighted average inflation index (see note 2B). The approximated amounts are as follows:

		As of December 31, 1999			
		Cemex as reported (1)	Cemex, Inc. year-end 1999 as reported (2)	Cemex, Inc. year-end 1999 proforma adjustments (3)	Cemex proforma
Net sales	Ps	46,527.5	13,055.1	-	59,582.6
Operating income		13,843.7	3,359.8	(570.7)	16,632.8
Majority interest net income (loss)		9,372.7	2,190.6	(2,727.3)	8,836.0
Basic earnings per share	Ps	2.48			2.35
Diluted earnings per share	Ps	2.48			2.33

		As of December 31, 2000			
		Cemex as reported (1)	Cemex, Inc. ten-months as reported (2)	Cemex, Inc. ten-months proforma adjustments (3)	Cemex proforma
Net sales	Ps	53,531.6	10,621.9	-	64,153.5
Operating income		15,750.7	2,692.4	(441.3)	18,001.8
Majority interest net income (loss)		9,517.3	1,195.2	(2,331.8)	8,380.7
Basic earnings per share	Ps	2.31			2.03
Diluted earnings per share	Ps	2.30			2.02

1) Includes results of operations of Southdown (now Cemex, Inc.) for the two-month period ended December 31, 2000 (see note 7A).

2) Southdown's year ended December 31, 1999 and ten-month period ended October 31, 2000, respectively, as reported in Southdown's annual audited financial statements.

3) For purposes of the proforma information presented in the tables above, "Cemex, Inc. year ended 1999 proforma adjustments" and "Cemex, Inc. ten-months proforma adjustments" columns, reflect the acquisition of Cemex, Inc. for the year ended December 31, 1999 and the ten months ended October 31, 2000, as if it had occurred at the beginning of such periods. The summary of the pro forma adjustments is as follows:

   3.1) The anticipated interest expense of U.S.$106.2 million in 1999 and U.S.$88.5 million in 2000, resulting from the U.S.$1,328 million debt financing assumed in connection with Cemex, Inc. acquisition, which was determined with a weighted average interest rate of 8%, representative of the borrowing conditions.

   3.2) The estimated amortization expense of U.S.$64.7 million in 1999 and U.S.$53.8 million in 2000, arising from the U.S.$1,161.9 million goodwill recorded in the acquisition, resulting from the allocation of the net purchase price of U.S.$2,720.3 million, including adjusting assets and liabilities to fair value at the date of the acquisition. The purchase price includes approximately U.S.$2,628.3 million to acquire 100% of the outstanding shares of common stock and approximately U.S.$48 million to liquidate stock options of Southdown, while the remainder relates primarily to change of control payments, investment banking fees and other transaction costs.

   3.3) The additional estimated depreciation expense of U.S.$55.6 million in 1999 and U.S.$46.3 million in 2000, resulting from the revaluation of property, plant and equipment.

   3.4) The income tax benefit at the statutory rate of U.S.$56.6 million in 1999 and U.S.$47.2 million in 2000, resulting from the additional depreciation and interest expense.

   3.5) The anticipated preferred dividends of U.S.$116.0 million in 1999 and U.S.$103.3 million in 2000, resulting from U.S.$1.5 billion preferred equity financing transaction used by CEMEX for the acquisition (see note 13F).

As mentioned in note 7A, during 2001, the Company acquired Saraburi and other acquisitions for an aggregate amount of U.S$214.5 million. For purposes of disclosure under APB 16 as of December 31, 2001, the Company determined that the impact of such acquisitions on the Company's consolidated amounts was not material.

(u) ***Sale of Accounts Receivable***

The Company accounts for transfers of receivables that meet the criteria for surrender of control under SFAS 140, "Accounting for Transfers and Surveying of Financial Assets and Extinguishments of Liabilities," as sales of receivables and removes them from the consolidated balance sheet at the time they are sold.

Subsidiaries of the Company in Spain and the United States, on a revolving basis, sell their eligible accounts receivable to financial entities. Through these agreements (the securitization programs), they can sell an approximate combined amount of up to U.S.$376 million undivided ownership interest in their receivables. At December 31, 2001, trade receivables of approximately U.S.$299.0 million had been sold, pursuant to these agreements with unrelated parties. The agreements contain customary financial covenants. The Company addresses this risk of loss in its allowance for doubtful accounts. Receivables sold may not include amounts over certain days past due or concentrations over certain limits to any one customer.

Expenses incurred under this program during 2001, which included U.S.$1.6 million in losses on the sale of accounts receivable, totaled U.S.$8.3 million and are recorded in the Company's income statement under Mexican and U.S. GAAP.

(v) ***Guaranteed debt***

In June 2000, the Company concluded the issuance of up to U.S.$200 million aggregate principal amount of 9.625% Exchange Notes due 2009 in a registered public offering in the United States of America in exchange for U.S.$200 million aggregate principal amount of its outstanding 9.625% Notes due 2009. The Exchange Notes are fully and unconditionally guaranteed, on a joint and several basis, as to payment of principal and interest by two of the Company's Mexican subsidiaries: CEMEX México and Empresas Tolteca de México. These two companies, together with their subsidiaries, account for substantially all of the revenues and operating income of the Company's Mexican operations. CEMEX México is also the holding company for the Company's non-Mexican operation.

During 1999, through a series of mergers, the cement and ready-mix concrete operations of the Company in Mexico were integrated into CEMEX México. Prior to these mergers, Tolmex, S.A. de C.V., Serto Construcciones, S.A. de C.V., Cemento Portland Nacional, S.A. de C.V., Cementos Mexicanos, S.A. de C.V. and CEMEX Control, S.A. de C.V. were the guarantors of part of the indebtedness of the Company (the "Guarantors"). Concurrent with this merging process, the legal name of CEMEX Control, S.A. de C.V. was changed to Empresas Tolteca de México, S.A. de C.V. (this subsidiary was not part of the merging process described above).

As mentioned in note 11, as of December 31, 2000 and 2001, indebtedness of the Company in an aggregate amount of U.S.$1,770 million and U.S.$2,196 million, respectively, is fully and unconditionally guaranteed, on a joint and several basis, by CEMEX México and Empresas Tolteca de México. The Company's indebtedness guaranteed by these two subsidiaries did not increase as a result of the exchange offer described above.

As of December 31, 2001 and 2000, the Company owned a 100% and 99.9% equity interest in CEMEX México, respectively, including a 2% equity interest held by a Mexican trust in connection with an equity financing transaction due in 2007 (see note 13F), and CEMEX México owned a 100% equity interest in 2001 and 99.9% equity interest in 2000 in Empresas Tolteca de México. During October and November 2001, CEMEX México and Empresas Tolteca de México carried out individually, a reverse stock split. Through this operation, stockholders of CEMEX México and Empresas Tolteca de México were entitled to receive one new share for each 130 million old shares and one new share for each 20 million old shares, respectively. Pursuant to these transactions, the shares of any shareholder not meeting the minimum number required for the reverse stock split, were liquidated and converted into the right to receive a cash liquidation. As a result, as of December 31, 2001, in the consolidated balance sheet of the Company, an account payable of Ps390.1 million was created in favor of the old shareholders against CEMEX México and Empresas Tolteca de México stockholders' equity. In addition, resulting from the reverse stock split, the equity interest of the Company in both subsidiaries increased to 100%.

For purposes of the accompanying condensed consolidated balance sheets, income statements and statements of changes in financial position under Mexican GAAP, the first column, "CEMEX," corresponds to the parent company issuer, which has no material operations other than its investments in subsidiaries and affiliated companies. The second column, "Combined Guarantors", represents the combined amounts of CEMEX México and Empresas Tolteca de México on a Parent Company-only basis, after adjustments and eliminations relating to their combination. As mentioned above, the Guarantors represent substantially all of the Company's Mexican operations, and CEMEX México is also the holding company for all the Company's non-Mexican operations. The third column, "Combined non-guarantors", represents the amounts of the international subsidiaries of the Company, CEMEX México and Empresas Tolteca de México non-Guarantor subsidiaries, and other immaterial Mexican non-guarantor subsidiaries of the Company. The fourth column, "Adjustments and eliminations", includes all the amounts resulting from consolidation of the Company, the Guarantors and the non-guarantor subsidiaries, as well as the corresponding constant pesos adjustment as of December 31, 2001, for the periods ended December 31, 1999 and 2000 described below. The fifth column, "CEMEX Consolidated", represents the Company's consolidated amounts as reported in the audited consolidated financial statements. Additionally, all the amounts presented under the line item "Investments in affiliates" for both the balance sheet and the income statement are accounted for by the equity method.

As mentioned in note 2B, according to Mexican GAAP Bulletin B-15, the financial statements of those entities with foreign consolidated subsidiaries should be presented in constant pesos as of the latest balance sheet presented, considering the inflation of each country in which the entity operates, as well as the changes in the exchange rate between the functional currency of each country vis-à-vis the reporting currency (in this case, the Mexican Peso). As a result of the aforementioned, for comparability purposes the condensed financial information of CEMEX, the "Combined Guarantors" and the "Combined non-guarantors" amounts have been adjusted to reflect constant pesos as of December 31, 2001, using the Mexican inflation index arising from the NCPI. Therefore, the corresponding inflation adjustment derived from the application of Bulletin B-15 in the consolidated amounts is presented within the "Adjustments and eliminations" column.

The condensed consolidated financial information is as follows:

Condensed consolidated balance sheets:

2000		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Current assets	Ps	6,643.3	5,559.1	23,370.8	(16,479.6)	19,093.6
Investment in affiliates		48,331.1	7,424.3	6,074.6	(56,754.8)	5,075.2
Other non-current assets		19,969.6	4,018.6	8,389.1	(29,670.5)	2,706.8
Property, machinery and equipment		1,615.5	25,948.9	62,461.5	(3,986.8)	86,039.1
Deferred charges		5,368.3	5,520.9	31,455.2	(5,170.1)	37,174.3
Total assets		81,927.8	48,471.8	131,751.2	(112,061.8)	150,089.0
Current liabilities		12,499.8	6,557.4	29,758.3	(11,479.9)	37,335.6
Long-term debt		19,364.0	254.1	11,302.8	(5,120.2)	25,800.7
Other non-current liabilities		54.2	28,876.7	11,726.0	(26,549.2)	14,107.7
Total liabilities		31,918.0	35,688.2	52,787.1	(43,149.3)	77,244.0
Majority interest stockholders' equity		50,009.8	12,783.6	55,114.3	(67,897.9)	50,009.8
Minority interest		-	-	23,849.8	(1,014.6)	22,835.2
Stockholders' equity under Mexican GAAP		50,009.8	12,783.6	78,964.1	(68,912.5)	72,845.0
Total liabilities and stockholders' equity	Ps	81,927.8	48,471.8	131,751.2	(112,061.8)	150,089.0

2001		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Current assets	Ps	14,765.3	15,010.2	45,761.5	(54,268.9)	21,268.1
Investment in affiliates		15,127.6	63,732.1	9,412.6	(83,533.5)	4,738.8
Other non-current assets		54,474.0	1,073.0	5,591.0	(59,359.7)	1,778.3
Property, machinery and equipment		1,606.0	24,628.2	55,951.7	(202.6)	81,983.3
Deferred charges		4,331.9	5,667.0	68,512.0	(39,448.7)	39,062.2
Total assets		90,304.8	110,110.5	185,228.8	(236,813.4)	148,830.7
Current liabilities		8,479.8	22,563.2	25,209.4	(34,733.9)	21,518.5
Long-term debt		24,558.6	228.1	8,289.2	6,766.5	39,842.4
Other non-current liabilities		626.9	70,734.1	21,942.6	(80,588.0)	12,715.6
Total liabilities		33,665.3	93,525.4	55,441.2	(108,555.4)	74,076.5
Majority interest stockholders' equity		56,639.5	16,585.1	111,519.2	(128,104.3)	56,639.5
Minority interest				18,268.4	(153.7)	18,114.7
Stockholders' equity under Mexican GAAP		56,639.5	16,585.1	129,787.6	(128,258.0)	74,754.2
Total liabilities and stockholders' equity	Ps	90,304.8	110,110.5	185,228.8	(236,813.4)	148,830.7

Condensed consolidated income statements:

1999		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	-	21,951.8	34,635.5	(10,059.8)	46,527.5
Operating income		(121.9)	10,064.2	5,781.5	(1,880.1)	13,843.7
Comprehensive financing result		975.7	5,471.8	2,862.3	(9,588.6)	(278.8)
Other income (expense), net		920.7	(4,164.2)	(1,359.8)	1,742.4	(2,860.9)
Income tax		73.9	(532.7)	(730.1)	160.9	(1,028.0)
Equity in income of affiliates		7,524.3	554.6	(289.4)	(7,549.7)	239.8
Consolidated net income		9,372.7	11,393.7	6,264.5	(17,115.1)	9,915.8
Minority interest		-	-	378.7	164.4	543.1
Majority net income	Ps	9,372.7	11,393.7	5,885.8	(17,279.5)	9,372.7

2000		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	-	22,274.3	40,368.0	(9,110.7)	53,531.6
Operating income		(95.8)	5,988.9	5,971.4	3,886.2	15,750.7
Comprehensive financing result		104.1	(1,655.6)	(2,953.5)	2,849.7	(1,655.3)
Other income (expense), net		3,042.7	(826.1)	(836.7)	(3,611.2)	(2,231.3)
Income tax		890.9	(126.6)	(2,485.1)	(124.4)	(1,845.2)
Equity in income of affiliates		5,575.4	(232.0)	98.0	(5,200.5)	240.9
Consolidated net income		9,517.3	3,148.6	(205.9)	(2,200.2)	10,259.8
Minority interest		-	-	(719.6)	1,462.1	742.5
Majority net income	Ps	9,517.3	3,148.6	513.7	(3,662.3)	9,517.3

2001		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales	Ps	-	20,707.5	49,699.1	(6,919.7)	63,486.9
Operating income		(82.1)	1,481.0	5,570.3	8,191.9	15,161.1
Comprehensive financing result		31.0	1,329.2	2,424.0	(1,357.2)	2,427.0
Other income (expense), net		99.8	1,900.3	3,083.6	(8,907.3)	(3,823.6)
Income tax		1,266.5	552.8	(1,575.5)	(1,990.1)	(1,746.3)
Equity in income of affiliates		9,485.3	2,479.5	337.6	(12,114.2)	188.2
Consolidated net income		10,800.5	7,742.8	9,840.0	(16,176.9)	12,206.4
Minority interest		-	-	1,083.8	322.1	1,405.9
Majority net income	Ps	10,800.5	7,742.8	8,756.2	(16,499.0)	10,800.5

Condensed consolidated statements of changes in financial position:

1999		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	9,372.7	11,393.7	5,885.8	(17,279.5)	9,372.7
Non-cash items		(7,450.9)	2,028.3	(5,044.4)	15,883.8	5,416.8
Resources provided by operations		1,921.8	13,422.0	841.4	(1,395.7)	14,789.5
Net change in working capital		(7,582.6)	12,639.4	1,877.8	(6,867.7)	66.9
Resources provided by operations, net		(5,660.8)	26,061.4	2,719.2	(8,263.4)	14,856.4
Financing activities:						
Bank loans and notes payable, net		(7,607.3)	(2,298.8)	1,704.4	911.3	(7,290.4)
Dividends paid		(1,912.5)	(13,276.3)	-	13,276.3	(1,912.5)
Issuance (repurchase) of common stock		2,279.6	-	-	-	2,279.6
Others		7.7	(7,205.0)	1,265.0	7,455.7	1,523.4
Resources used in financing activities		(7,232.5)	(22,780.1)	2,969.4	21,643.3	(5,399.9)
Investing activities:						
Property, machinery and equipment, net		-	(435.6)	(2,446.7)	320.2	(2,562.1)
Acquisitions, net of cash acquired		25,839.6	-	(6,851.8)	(28,510.6)	(9,522.8)
Dividends received		13,817.9	-	(541.6)	(13,276.3)	-
Minority interest		-	-	(1,578.3)	175.3	(1,403.0)
Deferred charges and others		(26,939.8)	(1,769.0)	4,871.6	26,928.3	3,091.1
Resources used in investing activities		12,717.7	(2,204.6)	(6,546.8)	(14,363.1)	(10,396.8)
Change in cash and investments		(175.6)	1,076.7	(858.2)	(983.2)	(940.3)
Cash and investments initial balance		238.1	1,318.0	3,605.3	(1,075.6)	4,085.8
Cash and investments ending balance	Ps	62.5	2,394.7	2,747.1	(2,058.8)	3,145.5

Condensed consolidated statements of changes in financial position:

2000		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	9,517.3	3,148.6	513.7	(3,662.3)	9,517.3
Non-cash items		(6,004.8)	738.7	7,422.0	3,885.2	6,041.1
Resources provided by operations		3,512.5	3,887.3	7,935.7	222.9	15,558.4
Net change in working capital		(8,449.3)	4,241.2	5,703.3	(480.0)	1,015.2
Resources provided by operations, net		(4,936.8)	8,128.5	13,639.0	(257.1)	16,573.6
Financing activities:						
Bank loans and notes payable, net		1,995.1	(737.4)	10,191.6	(1,346.2)	10,103.1
Dividends paid		(2,186.0)	-	(484.5)	484.5	(2,186.0)
Issuance (repurchase) of common stock		2,004.3	-	-	-	2,004.3
Issuance of preferred stock by subsidiaries		-	-	15,220.3	(809.4)	14,410.9
Others		(36.3)	(778.9)	(453.3)	(3,029.0)	(4,297.5)
Resources used in financing activities		1,777.1	(1,516.3)	24,474.1	(4,700.1)	20,034.8
Investing activities:						
Property, machinery and equipment, net		-	(495.6)	(2,109.2)	138.5	(2,466.3)
Acquisitions, net of cash acquired		(8,982.9)	(3,804.1)	(17,367.2)	5,321.7	(24,832.5)
Minority interest		-	-	(5,329.8)	283.5	(5,046.3)
Deferred charges and others		12,137.4	(2,975.6)	(13,487.8)	(148.7)	(4,474.7)
Resources used in investing activities		3,154.5	(7,275.3)	(38,294.0)	5,595.0	(36,819.8)
Change in cash and investments		(5.2)	(663.1)	(180.9)	637.8	(211.4)
Cash and investments initial balance		62.5	2,394.7	2,747.1	(2,058.8)	3,145.5
Cash and investments ending balance	Ps	57.3	1,731.6	2,566.2	(1,421.0)	2,934.1

2001		CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Operating activities:						
Majority net income	Ps	10,800.5	7,742.8	8,756.2	(16,499.0)	10,800.5
Non-cash items		(9,498.7)	(1,645.4)	2,913.0	17,202.9	8,971.8
Resources provided by operations		1,301.8	6,097.4	11,669.2	703.9	19,772.3
Net change in working capital		(7,198.3)	5,640.2	2,096.0	1,333.1	1,871.0
Resources provided by operations, net		(5,896.5)	11,737.6	13,765.2	2,037.0	21,643.3
Financing activities:						
Bank loans and notes payable, net		1,706.4	(52.9)	(14,272.3)	8,279.2	(4,339.6)
Dividends paid		(2,793.3)	-	8,279.2	(8,279.2)	(2,793.3)
Issuance (repurchase) of common stock		2,650.8		-	-	2,650.8
Issuance of preferred stock by subsidiaries		-		(6,032.7)	-	(6,032.7)
Others		(6.1)	44,753.6	(8,951.1)	(37,995.8)	(2,199.4)
Resources used in financing activities		1,557.8	44,700.7	(20,976.9)	(37,995.8)	(12,714.2)
Investing activities:						
Property, machinery and equipment, net		-	(734.4)	(3,949.3)	670.7	(4,013.0)
Acquisitions, net of cash acquired		38,577.5	(57,098.4)	(20,789.4)	37,466.1	(1,844.2)
Minority interest		-		(93.6)	-	(93.6)
Deferred charges and others		(34,141.3)	659.7	31,638.4	(140.9)	(1,984.1)
Resources used in investing activities		4,436.2	(57,173.1)	6,806.1	37,995.9	(7,934.9)
Change in cash and investments		97.5	(734.8)	(405.6)	2,037.1	994.2
Cash and investments initial balance		57.3	1,731.6	2,566.2	(1,421.0)	2,934.1
Cash and investments ending balance	Ps	154.8	996.8	2,160.6	616.1	3,928.3

The tables below present consolidated balance sheets as of December 31, 2000 and 2001, and income statements and statements of changes in financial position for each of the three-year periods ended December 31, 2001 for the Guarantors. Such information presents in separate columns each individual Guarantor on a Parent Company-only basis, consolidation adjustments and eliminations, and the combined Guarantors. All significant related parties balances and transactions, between the Guarantors have been eliminated in the "Combined Guarantors" column.

The amounts presented in the column "Combined Guarantors" are readily comparable with the information of the Guarantors included in the condensed consolidated financial information. As previously described, amounts presented under the line item "Investments in affiliates" for both the balance sheets and income statements, include the net investment in affiliates accounted for by the equity method. In addition, the Guarantors' reconciliation of net income and stockholders' equity to U.S. GAAP are presented below:

Guarantors' Combined Balance Sheets:

December 31, 2000		Guarantors (Parent Company-only)			
Assets		CEMEX México	Empresas Tolteca de México	Adjustments and eliminations	Combined Guarantors
Current Assets					
Cash and investments	Ps	476.3	1,255.3	-	1,731.6
Trade accounts receivable, net		1,383.5	-	-	1,383.5
Other receivables and other current assets		344.8	47.2	(54.2)	337.8
Related parties receivables		399.2	7,869.7	(7,869.3)	399.6
Inventories		1,706.6	-	-	1,706.6
Total current assets		4,310.4	9,172.2	(7,923.5)	5,559.1
Other Investments					
Investments in subsidiaries and affiliates		30,199.3	14,947.5	(37,722.5)	7,424.3
Long-term related parties receivables		-	7,645.1	(4,964.5)	2,680.6
Other investments		-	1,338.0	-	1,338.0
Total other investments		30,199.3	23,930.6	(42,687.0)	11,442.9
Property, plant and equipment		25,948.9	-	-	25,948.9
Deferred Charges		1,705.6	4,727.4	(912.1)	5,520.9
Total Assets	Ps	62,164.2	37,830.2	(51,522.6)	48,471.8
Liabilities and Stockholders' Equity					
Current Liabilities					
Bank loans and notes payable	Ps	26.7	-	-	26.7
Current maturities of long-term debt		4.9	-	-	4.9
Trade accounts payable		563.5	-	-	563.5
Other accounts payable and accrued expenses		495.2	107.5	(54.2)	548.5
Related parties payables		13,283.0	0.1	(7,869.3)	5,413.8
Total current liabilities		14,373.3	107.6	(7,923.5)	6,557.4
Total long-term debt		254.1	-	-	254.1
Other Noncurrent Liabilities					
Pension and seniority premium		277.5	-	-	277.5
Deferred income taxes		7,067.8	-	(912.0)	6,155.8
Long-term related parties payables		27,407.9	-	(4,964.5)	22,443.4
Total other noncurrent liabilities		34,753.2	-	(5,876.5)	28,876.7
Total Liabilities		49,380.6	107.6	(13,800.0)	35,688.2
Stockholders' equity		9,635.0	37,847.8	(37,847.8)	9,635.0
Net income		3,148.6	(125.2)	125.2	3,148.6
Total stockholders' equity		12,783.6	37,722.6	(37,722.6)	12,783.6
Total Liabilities and Stockholders' Equity	Ps	62,164.2	37,830.2	(51,522.6)	48,471.8

Guarantors' Combined Balance Sheets:

December 31, 2001		Guarantors (Parent Company-only)			
Assets		**CEMEX México**	**Empresas Tolteca de México**	**Adjustments and eliminations**	**Combined Guarantors**
Current Assets					
Cash and investments	Ps	380.6	616.2	-	996.8
Trade accounts receivable, net		1,731.4	-	-	1,731.4
Other receivables and other current assets		1,517.9	1,454.6	-	2,972.5
Related parties receivables		8,186.4	16,750.9	(16,900.9)	8,036.4
Inventories		1,273.1	-	-	1,273.1
Total current assets		13,089.4	18,821.7	(16,900.9)	15,010.2
Other Investments					
Investments in subsidiaries and affiliates		86,904.7	14,860.5	(38,033.1)	63,732.1
Long-term related parties receivables		797.0	-	-	797.0
Other investments		147.2	128.8	-	276.0
Total other investments		87,848.9	14,989.3	(38,033.1)	64,805.1
Property, plant and equipment		24,628.2	-	-	24,628.2
Deferred Charges		1,869.0	4,559.1	(761.1)	5,667.0
Total Assets	Ps	127,435.5	38,370.1	(55,695.1)	110,110.5
Liabilities and Stockholders' Equity					
Current Liabilities					
Current maturities of long-term debt		4.8	-	-	4.8
Trade accounts payable		361.8	-	-	361.8
Other accounts payable and accrued expenses		2,033.2	158.4	-	2,191.6
Related parties payables		36,749.2	156.5	(16,900.7)	20,005.0
Total current liabilities		39,149.0	314.9	(16,900.7)	22,563.2
Total long-term debt		228.1	-	-	228.1
Other Noncurrent Liabilities					
Deferred income taxes		6,024.5	-	(761.2)	5,263.3
Others		-	22.0	-	22.0
Long-term related parties payables		65,448.8	-	-	65,448.8
Total other noncurrent liabilities		71,473.3	22.0	(761.2)	70,734.1
Total Liabilities		110,850.4	336.9	(17,661.9)	93,525.4
Stockholders' equity		8,842.3	36,541.0	(36,541.0)	8,842.3
Net income		7,742.8	1,492.2	(1,492.2)	7,742.8
Total stockholders' equity		16,585.1	38,033.2	(38,033.2)	16,585.1
Total Liabilities and Stockholders' Equity	Ps	127,435.5	38,370.1	(55,695.1)	110,110.5

Guarantors' Combined Income Statements:

December 31, 1999		Guarantors (Parent Company-only)			
		CEMEX México	Empresas Tolteca de México	Adjustments	Combined Guarantors
Net sales	Ps	21,951.8	-	-	21,951.8
Cost of sales		(9,518.7)	-	-	(9,518.7)
Gross profit		12,433.1	-	-	12,433.1
Total operating expenses		(2,365.1)	(0.7)	(3.1)	(2,368.9)
Operating income		10,068.0	(0.7)	(3.1)	10,064.2
Net comprehensive financing result		4,663.7	808.1	-	5,471.8
Other income (expense), net		(4,013.6)	425.0	(575.6)	(4,164.2)
Income before IT, BAT, ESPS and equity in affiliates		10,718.1	1,232.4	(578.7)	11,371.8
Total IT, BAT and ESPS		(481.3)	(51.5)	0.1	(532.7)
Income before equity in income of affiliates		10,236.8	1,180.9	(578.6)	10,839.1
Equity in income of affiliates		304.1	3,383.6	(3,133.1)	554.6
Net income	Ps	10,540.9	4,564.5	(3,711.7)	11,393.7

December 31, 2000		Guarantors (Parent Company-only)			
		CEMEX México	Empresas Tolteca de México	Adjustments and eliminations	Combined Guarantors
Net sales	Ps	22,274.3	-	-	22,274.3
Cost of sales		(9,735.2)	-	-	(9,735.2)
Gross profit		12,539.1	-	-	12,539.1
Total operating expenses		(6,549.6)	(0.6)	-	(6,550.2)
Operating income		5,989.5	(0.6)	-	5,988.9
Net comprehensive financing result		(1,511.8)	(143.8)	-	(1,655.6)
Other income (expense), net		(915.7)	89.6	-	(826.1)
Income before IT, BAT, ESPS and equity in affiliates		3,562.0	(54.8)	-	3,507.2
Total IT, BAT and ESPS		(82.2)	(44.4)	-	(126.6)
Income before equity in income of affiliates		3,479.8	(99.2)	-	3,380.6
Equity in income of affiliates		(331.2)	(26.0)	125.2	(232.0)
Net income	Ps	3,148.6	(125.2)	125.2	3,148.6

December 31, 2001		Guarantors (Parent Company-only)			
		CEMEX México	Empresas Tolteca de México	Adjustments and eliminations	Combined Guarantors
Net sales	Ps	20,707.5	-	-	20,707.5
Cost of sales		(6,930.4)	-	-	(6,930.4)
Gross profit		13,777.1	-	-	13,777.1
Total operating expenses		(12,294.1)	(2.0)	-	(12,296.1)
Operating income		1,483.0	(2.0)	-	1,481.0
Net comprehensive financing result		686.4	642.8	-	1,329.2
Other income (expense), net		1,955.8	(55.5)	-	1,900.3
Income before IT, BAT, ESPS and equity in affiliates		4,125.2	585.3	-	4,710.5
Total IT, BAT and ESPS		703.8	(151.0)	-	552.8
Income before equity in income of affiliates		4,829.0	434.3	-	5,263.3
Equity in income of affiliates		2,913.8	1,057.9	(1,492.2)	2,479.5
Net income	Ps	7,742.8	1,492.2	(1,492.2)	7,742.8

Guarantors' Combined Statements of Changes in Financial Position:

		Guarantors (Parent Company-only)			
December 31, 1999		**CEMEX México**	**Empresas Tolteca de México**	**Adjustments and eliminations**	**Combined Guarantors**
Operating activities					
Net income	Ps	10,540.9	4,564.5	(3,711.7)	11,393.7
Charges to operations which did not require resources		1,222.5	2,036.0	(1,230.2)	2,028.3
Resources provided by operating activities		11,763.4	6,600.5	(4,941.9)	13,422.0
Net change in working capital		11,593.0	37.4	1,009.0	12,639.4
Net resources provided by operating activities		23,356.4	6,637.9	(3,932.9)	26,061.4
Financing activities					
Bank loans and notes payable, net		(1,737.7)	-	(561.1)	(2,298.8)
Dividends		(13,522.8)	(5,558.4)	5,804.9	(13,276.3)
Long-term related parties receivables and payables, net		(7,019.1)	162.1	(2.3)	(6,859.3)
Other noncurrent assets and liabilities, net		(345.7)	(561.1)	561.1	(345.7)
Resources used in financing activities		(22,625.3)	(5,957.4)	5,802.6	(22,780.1)
Investing activities					
Property, plant and equipment, net		(435.6)	-	-	(435.6)
Investments in subsidiaries and affiliates		(360.6)	624.0	(2,489.6)	(2,226.2)
Deferred charges and others		(106.0)	(56.7)	619.9	457.2
Resources used in investing activities		(902.2)	567.3	(1,869.7)	(2,204.6)
Change in cash and investments		(171.1)	1,247.8	-	1,076.7
Cash and investments initial balance		884.2	433.8	-	1,318.0
Cash and investments ending balance	Ps	713.1	1,681.6	-	2,394.7

		Guarantors (Parent Company-only)			
December 31, 2000		**CEMEX México**	**Empresas Tolteca de México**	**Adjustments and eliminations**	**Combined Guarantors**
Operating activities					
Net income	Ps	3,148.6	(125.2)	125.2	3,148.6
Charges to operations which did not require resources		1,742.8	(14.9)	(989.2)	738.7
Resources provided by operating activities		4,891.4	(140.1)	(864.0)	3,887.3
Net change in working capital		4,882.6	(641.4)	-	4,241.2
Net resources provided by operating activities		9,774.0	(781.5)	(864.0)	8,128.5
Financing activities					
Bank loans and notes payable, net		(737.4)	-	-	(737.4)
Dividends		-	8,253.1	(8,253.1)	-
Long-term related parties receivables and payables, net		4,586.8	-	(4,586.8)	-
Other noncurrent assets and liabilities, net		-	(778.9)	-	(778.9)
Resources used in financing activities		3,849.4	7,474.2	(12,839.9)	(1,516.3)
Investing activities					
Property, plant and equipment, net		(495.6)	-	-	(495.6)
Investments in subsidiaries and affiliates		(12,967.6)	46.4	9,117.1	(3,804.1)
Deferred charges		(155.8)	-	-	(155.8)
Other investments		(241.2)	(7,165.4)	4,586.8	(2,819.8)
Resources used in investing activities		(13,860.2)	(7,119.0)	13,703.9	(7,275.3)
Change in cash and investments		(236.8)	(426.3)	-	(663.1)
Cash and investments initial balance		713.1	1,681.6	-	2,394.7
Cash and investments ending balance	Ps	476.3	1,255.3	-	1,731.6

Guarantors' Combined Statements of Changes in Financial Position:

		Guarantors (Parent Company-only)			
December 31, 2001		**CEMEX México**	**Empresas Tolteca de México**	**Adjustments and eliminations**	**Combined Guarantors**
Operating activities					
Net income	Ps	7,742.8	1,492.2	(1,492.2)	7,742.8
Charges to operations which did not require resources		(2,260.7)	(889.6)	1,504.9	(1,645.4)
Resources provided by operating activities		5,482.1	602.6	12.7	6,097.4
Net change in working capital		15,721.6	(10,119.2)	37.8	5,640.2
Net resources provided by operating activities		21,203.7	(9,516.6)	50.5	11,737.6
Financing activities					
Bank loans and notes payable, net		(52.9)	37.8	(37.8)	(52.9)
Dividends		-	-	-	-
Long-term related parties receivables and payables, net		37,243.9	7,645.0	-	44,888.9
Other noncurrent assets and liabilities, net		(135.3)	(104.5)	104.5	(135.3)
Resources used in financing activities		37,055.7	7,578.3	66.7	44,700.7
Investing activities					
Property, plant and equipment, net		(734.4)	-	-	(734.4)
Investments in subsidiaries and affiliates		(57,061.8)	67.9	(104.5)	(57,098.4)
Deferred charges		(411.7)	22.0	(12.7)	(402.4)
Other investments		(147.2)	1,209.3	-	1,062.1
Resources used in investing activities		(58,355.1)	1,299.2	(117.2)	(57,173.1)
Change in cash and investments		(95.7)	(639.1)	-	(734.8)
Cash and investments initial balance		476.3	1,255.3	-	1,731.6
Cash and investments ending balance	Ps	380.6	616.2	-	996.8

Guarantors—Cash and investments

At December 31, 2000 and 2001, Empresas Tolteca de México's temporary investments are mainly comprised of CEMEX CPOs.

Guarantors—Investment in affiliates

At December 31, 2000 and 2001, of the Guarantors' total investment in affiliates, which are accounted for under the equity method, Ps7,412.5 and Ps63,563.8, respectively, correspond to investments in non-guarantors, and Ps11.8 in 2000 and Ps168.3 in 2001, are related to minority investments in third parties.

At December 31, 2001, the main Guarantors' investments in non-guarantors are in CEMEX Concretos, S.A. de C.V, and CEMEX Internacional, S.A. de C.V., which together integrate the ready-mix concrete operations and export trading activities of the Company in Mexico, respectively; and Centro Distribuidor de Cemento, S.A. de C.V. ("CEDICE"), which is the parent company of the international operations of the Company. As of January 31, 2001, the Guarantors' acquired from Cemex the majority interest in CEDICE for approximately U.S.$3.9 billion.

Indebtedness of the guarantors

At December 31, 2000 and 2001, the Guarantors had total indebtedness of U.S.$28.4 million (Ps285.7) and U.S.$25.4 million (Ps232.9), respectively. At December 31 2001, the average interest rate of this indebtedness was approximately 8.4%. Of the total indebtedness of the Guarantors at December 31, 2001, approximately U.S.$0.5 million (Ps4.8) matures in 2002 and U.S.$24.9 million (Ps228.1) matures in different dates from 2002 until 2004.

Guarantors—Balances and transactions with related parties

At December 31, 2000 and 2001, included in current assets, the Guarantors had related party receivables amounting to approximately Ps399.6 and Ps8,036.4, respectively. At December 31, 2000 and 2001, the Guarantors had long term related party receivables amounting to approximately Ps.2,680.6 and Ps797.0. Within Guarantors' current liabilities, the Guarantors had related party payables amounting to approximately Ps5,413.8 in 2000 and Ps20,005.0 in 2001. At December 31, 2000 and 2001, included in Guarantors' other non-current liabilities, there are related party payables of Ps22,443.4 and Ps65,448.8, respectively.

Balances with related parties result primarily from (i) the sale and purchase of cement and clinker to and from affiliates, (ii) the sale and/or acquisition of subsidiaries' shares within the CEMEX group, (iii) the invoicing of administrative and other services received or provided from and to affiliated companies, and (iv) the transfer of funds between the Guarantors, its parent and certain affiliates. The Related parties balance detail is as follows:

		2000			
		Assets		Liabilities	
Guarantors		Short-Term	Long-Term	Short-Term	Long-Term
Petrocemex, S.A. de C.V.	Ps	90.4	-	-	2,875.4
Proveedora Mexicana de Materiales, S.A. de C.V.		68.7	-	-	-
Cal de Guadalajara, S.A. de C.V.		64.5	-	-	-
Servicios Cemex México, S.A. de C.V.		61.2	-	-	-
Cemex, S.A. de C.V.		-	-	3,680.6	14,981.3
Centro Distribuidor de Cemento, S.A. de C.V.		-	104.6	631.1	-
Cemex Internacional, S.A. de C.V.		-	-	427.8	-
Turismo Cemex, S.A. de C.V.		-	-	175.2	-
Neoris, S.A. de C.V.		-	-	113.8	-
Productora de Bolsas de Papel, S.A. de C.V.		-	-	88.1	-
Aviacion Comercial de America, S.A. de C.V.		-	153.7	79.3	-
Cemex Concretos, S.A. de C.V.		-	1,827.5	-	-
Cemex Central, S.A. de C.V.		-	594.8	-	-
Cemex International Finance Company		-	-	-	4,586.7
Others		114.8	-	217.9	-
	Ps	399.6	2,680.6	5,413.8	22,443.4

		2001			
		Assets		Liabilities	
Guarantors		Short-Term	Long-Term	Short-Term	Long-Term
Centro Distribuidor de Cemento, S.A. de C.V.	Ps	2,710.2	-	-	-
Cemex Concretos, S.A. de C.V.		2,378.5	-	-	-
Cemex Central, S.A. de C.V.		2,172.0	-	-	-
Proveedora Mexicana de Materiales, S.A. de C.V.		202.9	-	-	-
Aviacion Comercial de America, S.A. de C.V.		128.7	-	-	-
Inversora en Cales, S.A. de C.V.		120.7	-	-	-
Impra Café, S.A. de C.V.		107.2	-	-	-
Cemex, S.A. de C.V.		-	-	8,585.5	53,980.1
Cemex International Finance Company		-	-	6,640.6	4,386.7
Petrocemex, S.A. de C.V.		-	-	1,695.4	2,750.0
Maquinas Industrias y Equipos, S.A. de C.V.		-	-	647.3	-
Ultracril, S.A. de C.V.		-	-	547.9	-
Cemex Internacional, S.A. de C.V.		-	-	540.1	-
Inmobiliaria Río la Silla, S.A. de C.V.		-	-	457.2	-
Maquindustrias, S.A. de C.V.		-	-	299.0	-
Turismo Cemex, S.A. de C.V.		-	-	230.1	-
Landmark la Silla, S.A. de C.V.		-	797.0	-	-
Cemex Trademarks Worldwide Ltd..		-	-	-	3,003.3
Sunward Acquisitions N.V.		-	-	-	1,328.7
Others		216.2	-	361.9	-
	Ps	8,036.4	797.0	20,005.0	65,448.8

The principal transactions carried out with affiliated companies are:

		December 31,		
Guarantors		1999	2000	2001
Net sales	Ps	2,485.8	3,421.6	3,366.9
Purchases		(914.7)	(1,037.2)	(510.5)
Selling and administrative expenses		(44.9)	-	(8,676.3)
Financial expense		(641.2)	(3,216.9)	(5,642.3)
Financial income		2,571.2	137.8	1,015.5
Other expense, net	Ps	(2,905.4)	(2,109.5)	(66.2)

Net sales—The Guarantors sell cement and clinker to affiliated companies in arms-length transactions.

Purchases—The Guarantors purchase raw materials from affiliates in arms-length transactions.

Selling and administrative expenses—The Company allocates part of its corporate expense to the Guarantors.

Financial income and expense is recorded on receivables from and payables to affiliated companies as described above. Additionally, the Guarantors receive financial income on their temporary investment position, invested in the non-guarantor treasury company.

Other expense, net—The Guarantors incur rental and trade mark rights expenses payable to the Company.

Guarantors—U.S. GAAP reconciliation of net income and stockholders' equity:

As discussed at the beginning of this note 21, the following reconciliation to U.S. GAAP does not include the reversal of Mexican GAAP inflation accounting adjustments, as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy, which is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes. The other principal differences between Mexican GAAP and U.S. GAAP and the effect on net income and stockholders' equity are presented below, with an explanation of the adjustments.

		Year ended December 31,		
		1999	2000	2001
Net income reported under Mexican GAAP	Ps	11,393.7	3,148.6	7,742.8
Approximate U.S. GAAP adjustments:				
1. Amortization of pushdown goodwill (see note A)		(182.3)	(186.2)	(180.9)
2. Deferred income taxes and ESPS (see note B)		(1,812.9)	(306.1)	(1,153.3)
3. Other employees' benefits (see note C)		(27.4)	(24.0)	(4.6)
4. Inflation adjustment of machinery and equipment (see note D)		(137.6)	(154.5)	(227.4)
5. Other U.S. GAAP adjustments (see note E)		(1,222.8)	(1,619.0)	(1,173.9)
6. Monetary position result (see note F)		1,193.6	582.2	211.1
Total approximate U.S. GAAP adjustments		(2,189.4)	(1,707.6)	(2,529.0)
Total approximate net income under U.S. GAAP	Ps	9,204.3	1,441.0	5,213.8

		Year ended December 31,	
		2000	2001
Total stockholders' equity under Mexican GAAP	Ps	12,783.6	16,585.1
Approximate U.S. GAAP adjustments:			
1. Effect of pushdown of goodwill, net (see note A)		2,199.8	2,014.3
2. Deferred income taxes and ESPS (see note B)		(3,955.0)	(5,017.0)
3. Other employees' benefits (see note C)		(153.4)	(151.3)
4. Inflation adjustment for machinery and equipment (see note D)		4,642.5	5,291.1
5. Other U.S. GAAP adjustments (see note E)		(5,100.0)	(7,024.8)
Total approximate U.S. GAAP adjustments		(2,366.1)	(4,887.7)
Total approximate stockholders' equity under U.S. GAAP	Ps	10,417.5	11,697.4

Notes to the U.S. GAAP reconciliation:

A. Business Combinations

In 1989 and 1990, through an exchange of its shares with the Company, CEMEX México acquired substantially all its subsidiaries from CEMEX. The original excess of the purchase price paid by CEMEX over the fair value of the net assets of these subsidiaries was Ps6,794.3, of which Ps3,514.4, were recorded in Empresas Tolteca de México under Mexican GAAP at the time of the acquisition. The net adjustment in the stockholders' equity reconciliation to U.S. GAAP of the Guarantors, arising from this pushed-down Goodwill, after eliminating the amounts recorded under Mexican GAAP, was Ps1,403.7 in 2000 and Ps1,261.1 in 2001.

In addition, during 1995 CEMEX acquired through a public exchange offer, where the Company exchanged its own shares for TOLMEX's shares, an additional 24.2% equity interest in TOLMEX. The excess of the purchase price paid by CEMEX over the fair value of the net assets of TOLMEX was Ps841,498. The net adjustment in the stockholders' equity reconciliation to U.S. GAAP of the Guarantors, arising from this pushed-down Goodwill was Ps796.1 in 2000 and Ps753.2 in 2001. Amortization expense related to these pushed-down Goodwill amounts is recognized for purposes of the net income reconciliation to U.S. GAAP in each period.

B. Deferred income taxes and Employees' Statutory Profit Sharing

Deferred income taxes adjustment in the stockholders' equity reconciliation to U.S. GAAP, at December 31, 2000 and 2001 for the Guarantors amounts to expense of Ps1,372.9 and expense of Ps2,426.2, respectively. In addition, deferred Employees' Statutory Profit Sharing ("ESPS") adjustment to U.S. GAAP amounts to expense of Ps2,582.1 in 2000 and expense of Ps2,590.8 in 2001.

C. Other employees' benefits

The Guarantors do not accrue for vacation expense and severance payments; these items are recognized when vacation is taken or when retirements occur, respectively. For purposes of the U.S. GAAP reconciliation, a vacation liability has been determined in an amount of Ps27.4 and Ps27.0, at December 31, 2000 and 2001, respectively. In addition, the Guarantors recognized, for purposes of the U.S. GAAP reconciliation, a liability for severance benefits for Ps126.0 in 2000 and Ps124.3 in 2001.

D. Inflation Adjustment of Machinery and Equipment

As previously mentioned in note 21(i), 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.

E. Other U.S. GAAP adjustments

Deferred charges—For U.S. GAAP purposes, other deferred charges net of the accumulated amortization that did not qualify for deferral under U.S. GAAP have been charged to expense, with a net effect in the net income reconciliation to U.S. GAAP an expense of Ps200.6, an income of Ps125.8 and an expense of Ps24.9 in 1999, 2000 and 2001, respectively. The net effect in the stockholders' equity reconciliation to U.S. GAAP was an expense of Ps210.0 and Ps225.6 in 2000 and 2001, respectively, from the partial reversal of the adjustment. Mexican GAAP allowed the deferral of these expenses.

Inventory costs—As permitted by Mexican GAAP, before 1999 certain inventories were valued under the direct cost system, which includes material, labor and other direct costs. For purposes of the reconciliation to U.S. GAAP, inventories have been valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. For purposes of the net income reconciliation to U.S. GAAP, the Guarantors recognized expense of Ps134.7 in 1999 resulting from the reversal of the adjustment.

Subsidiary companies—The Guarantors have adjusted their investment and their equity in the earnings of subsidiary companies for the share of the approximate U.S. GAAP adjustments applicable to these affiliates. The net effect in the stockholders' equity reconciliation to U.S. GAAP was an expense of Ps(4,890) and Ps(6,799.2) in 2000 and 2001, respectively. The net effect in the net income reconciliation to U.S. GAAP was expense of Ps(887.5), expense of Ps1,744.8 and Ps1,149.0 in 1999, 2000 and 2001, respectively. From the U.S. GAAP adjustments to subsidiary companies in the Guarantors' reconciliation of stockholders' equity, expense of Ps4,248.4 in 2000, and expense of Ps4,932.8 in 2001, are related to deferred income taxes and deferred ESPS.

In January 2001, Centro Distribuidor de Cemento, S.A. de C.V., the indirect parent of Valenciana, was sold by the Company to Cemex México. Since the transaction was executed between entities under common control, for U.S. GAAP purposes, the transaction was accounted for as a reorganization of entities under common control (similar to a pooling of interest). As such, the reconciliation to U.S. GAAP of the Guarantors' financial information is presented as if the transaction had occurred on January 1, 1999. The net effect in the stockholders' equity reconciliation to U.S. GAAP was Ps(2,720.7) in 2000 and the net effect in the net income reconciliation to U.S. GAAP was Ps(1,036.5) and Ps(2,057.6) in 1999 and 2000.

F. Monetary position result

Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined with the CPI inflation factor for the period.

G. Pooling of interest

In January 2001, the Company sold CEDICE, the indirect parent company of Valenciana, to CEMEX México. Therefore, from that date, Valenciana and all of its subsidiaries became non-guarantor subsidiaries of CEMEX México. Under Mexican GAAP, this transaction was accounted for as a purchase business combination effective from the date of the transaction. Also, under Mexican GAAP, the sale resulted in a difference between the net book value of the acquired companies and the purchase price on the separate accounts of CEMEX México. The transaction had no effect on the consolidated accounts of the Company.

Since the transaction was executed between entities under common control, for US GAAP purposes, the transaction was accounted for as a reorganization of entities under common control (similar to a pooling of interests). As such, the reconciliation to US GAAP of the Guarantors' financial information is presented as if the reorganization had occurred on January 1, 1999. There is no effect on stockholders' equity of the guarantors as the offset to the acquisition of the equity interest was an intercompany payable to the parent company. The effect on income in those prior periods reflects the equity in the net income (loss) of the acquired companies under US GAAP.

Supplemental Guarantors' Cash Flow Information under U.S. GAAP

The classifications of cash flows under Mexican GAAP and U.S. GAAP are basically the same in respect to the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported is mainly due to (i) the elimination of inflationary effects in the variations of monetary assets and liabilities arising from financing and investing activities, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rate fluctuations resulting from financing and investing activities, against the corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

For the Guarantors, the following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 1999, 2000 and 2001, 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,		
		1999	2000	2001
Net cash provided by operating activities	Ps	2,464.3	1,063.8	(2,336.9)
Net cash provided by (used in) financing activities		277.7	(1,645.9)	(25.4)
Net cash used in investing activities		(2,847.9)	418.7	2,287.5

Net cash flow from operating activities reflects cash payments for interests and income taxes as follows:

		Years Ended December 31,		
		1999	2000	2001
Interest paid	Ps	799.6	265.9	20.5
Income taxes paid		145.5	3.4	-

Guarantors' non-cash activities are comprised of the following:

During 1999, 2000 and 2001, the Guarantors acquired, from CEMEX, equity interests in Centro Distribuidor de Cemento, S.A. de C.V. for an amount of Ps2,132.0, Ps4,780.1 and Ps37,466.4, which were credited against accounts payable owed by CEMEX to the Guarantors at the end of each year, respectively.

Dividends declared to CEMEX amounting to Ps12,159.8 in 1999, are recognized by the Guarantors as accounts payable to the Company at the end of the corresponding year.

Contingent liabilities of the guarantors

At December 31, 2001, Cemex México and Empresas Tolteca de México had guaranteed debt of CEMEX in the amount of US$2,196.0 million (see note 11).

(w) ***Newly Issued Accounting Pronouncements***

In June 2001, the FASB issued SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations, it also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of the Statement. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 121 and subsequently, SFAS 144 after its adoption.

The Company adopted the provisions of SFAS 141 as of July 1, 2001, and SFAS 142 is effective January 1, 2002. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before SFAS 142 is adopted in full, are not amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized and tested for impairment prior to the full adoption of SFAS 142.

Upon adoption of SFAS 142, the Company is required to evaluate its existing intangible assets and goodwill that were acquired in purchase business combinations, and to make any necessary reclassifications in order to conform with the new classification criteria in SFAS 141 for recognition separate from goodwill. The Company will be required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first interim period after adoption. If an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS 142 within the first interim period. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with SFAS 142's transitional goodwill impairment evaluation, the Statement requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of January 1, 2002. The Company will then have up to six months from January 1, 2002 to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an indication exists that the reporting unit goodwill may be impaired and the Company must perform the second step of the transitional impairment test. The second step is required to be completed as soon as possible, but no later than the end of the year of adoption. In the second step, the Company must compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the date of adoption. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS 141. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of income.

As of the date of adoption of SFAS 142, the Company's net book value of goodwill under U.S. GAAP is approximately U.S.$3,393.0 million (Ps31,114.0), which represents the difference between the purchase price and the approximate fair value of the subsidiaries' net assets of subsidiaries acquired as of the date of acquisition, less accrued amortization, determined under the rules of APB 16. The Company is currently evaluating which portion of this amount would be

allocated to unamortized identifiable intangible assets others than goodwill, according to the transition provisions of SFAS 142, and expects to finalize its assessment during the first half of 2002. The Company's approximate goodwill and other intangible assets amortization under U.S. GAAP was U.S.$95.1 million (Ps925.0), U.S.$121.2 million (Ps1,136.3) and U.S.$319.9 million (Ps2,984.9) for the years ended December 31, 1999, 2000 and 2001, respectively, of which approximately 64% in 1999, 76% in 2000 and 72% in 2001, correspond to amortization of goodwill. Because of the extensive effort needed to comply with adopting SFAS No. 141 and No. 142, it is not practicable to reasonably estimate the impact of adopting the Statements on the Company's financial statements at the date of this report, including whether it will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle.

In June 2001, the FASB issued SFAS 143 "Accounting for Asset Retirement Obligations". SFAS 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset, which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS No. 143 on January 1, 2003.

In August 2001, the FASB issued SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement requires that long-lived assets be 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 a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company adopted SFAS No. 144 on January 1, 2002.

(x) ***Recent Developments***

In February 2002, we refinanced our preferred equity transaction, related to the financing required for the Cemex, Inc. acquisition (see note 13E), as a result of which CEMEX redeemed U.S.$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.$650 million, with a further redemption of U.S.$195 million due in February 2004 and the balance of the preferred equity of U.S.$455 million due in August 2004. We also negotiated the possibility to extend the preferred equity balance for up to U.S.$1.2 billion. As of March 31, 2002, the outstanding balance of our preferred equity transaction was U.S.$650 million.

Regarding the anti-dumping case in Taiwan (see note 20C), in a letter dated January 22, 2002, the MOF notified the petitioner and respondents that it adopted last January 15, 2002 a resolution preliminarily finding that there was "dumping" and resolved that final investigation on the issue of "dumping" shall continue, but that no provisional anti-dumping duty shall be imposed. The final determination of MOF is expected, depending on any extension, which MOF may deem appropriate, any time during the second quarter of 2002.

In March 2002, we terminated our Taiwan distribution agreement entered into on March 31, 2000 with Universal Company. We expect to record a loss related to the termination of approximately U.S.$16 million in the first quarter of 2002.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Compañía Minera Atoyac, S.A. de C.V.

We have audited the balance sheets of Compañía Minera Atoyac, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía Minera Atoyac, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos Anáhuac, S.A.

We have audited the balance sheets of Cementos Anáhuac, S.A. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Anáhuac, S.A. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos del Norte, S.A. de C.V.

We have audited the balance sheets of Cementos del Norte, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Norte, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Proveedora Mexicana de Materiales, S.A. de C.V.

We have audited the balance sheets of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiary for by the equity method. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Compañía de Transportes del Mar de Cortés, S.A. de C.V.

We have audited the balance sheets of Compañía de Transportes del Mar de Cortés, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions carried out with third parties.

As indicated in Note 2E, to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the originally estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps5,075,357.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compañía de Transportes del Mar de Cortés, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos Guadalajara, S.A. de C.V.

We have audited the balance sheets of Cementos Guadalajara, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.D to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Guadalajara, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos de Oriente, S.A. de C.V.

We have audited the balance sheets of Cementos de Oriente, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income (basically financial income) arises from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos de Oriente, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Autotransportes de Huichapan, S.A. de C.V.

We have audited the balance sheets of Autotransportes de Huichapan, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

As indicated in Note 2.D to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the original estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps808,483.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Autotransportes de Huichapan, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cemex Concretos, S.A. de C.V.

We have audited the balance sheets of Cemex Concretos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.H to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As described in Note 1 to the financial statements, on November 13, 2000 the stockholders resolved to spin-off certain operations for which purpose a new company was incorporated effective from such date onwards. Certain assets, liabilities and capital stock were allocated to the new company as described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemex Concretos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Granos y Terrenos, S.A. de C.V.

We have audited the balance sheets of Granos y Terrenos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Granos y Terrenos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Héctor Puente S.

INDEPENDENT AUDITORS' REPORT ON SCHEDULES

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

Under the date of January 15, 2002, we reported on the consolidated balance sheets of Cemex, S.A. de C.V. and subsidiaries as of December 31, 2000 and 2001, 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, 2001, which are included in the annual report on Form 20-F. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules in the annual report. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG Cárdenas Dosal, S.C.

/s/ Rafael Gómez Eng

Rafael Gómez Eng

Monterrey, N.L. Mexico
January 15, 2002

SCHEDULE I

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Balance Sheets

(Millions of constant Mexican pesos as of December 31, 2001)

		December 31,	
Assets		**2000**	**2001**
Current Assets			
Cash and investments	Ps	57.3	154.8
Other receivables (note 3)		686.7	1,404.4
Related parties receivables (note 7)		5,899.3	13,206.1
Total current assets		6,643.3	14,765.3
Investments and Noncurrent Receivables			
Investments in subsidiaries and affiliated companies (note 4)		48,331.1	15,127.6
Other investments		23.8	50.1
Other accounts receivable		-	578.8
Long-term related parties receivables (note 7)		19,945.8	53,845.1
Total investments and noncurrent receivables		68,300.7	69,601.6
Land and Buildings		1,615.5	1,606.0
Deferred Charges (note 5)		5,368.3	4,331.9
Total Assets	Ps	81,927.8	90,304.8
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 6)	Ps	3,450.1	271.0
Notes payable (note 6)		4,576.7	1,650.6
Current maturities of long-term debt (note 6)		2,806.3	4,126.8
Other accounts payable and accrued expenses		779.6	927.8
Related parties payable (note 7)		887.1	1,503.6
Total current liabilities		12,499.8	8,479.8
Long-Term Debt (notes 6 and 7)			
Long-Term Debt		14,399.5	20,890.6
Long-term related parties payables		4,964.5	3,668.0
Total long-term debt		19,364.0	24,558.6
Other long-term liabilities		54.2	626.9
Total Liabilities		31,918.0	33,665.3
Stockholders' Equity		50,009.8	56,639.5
Total Liabilities and Stockholders' Equity	Ps	81,927.8	90,304.8

See accompanying notes to financial statements.

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Statements of Income

(Millions of constant Mexican pesos as of December 31, 2001, except for earnings per share)

		Years ended December 31,		
		1999	**2000**	**2001**
Total revenues	Ps	9,140.0	8,318.7	11,531.1
Administrative expenses		(121.9)	(95.8)	(82.1)
Operating income		9,018.1	8,222.9	11,449.0
Net comprehensive financing result		975.7	104.1	31.0
Other (expense) income, net		(695.0)	299.4	(1,946.0)
Income before income taxes		9,298.8	8,626.4	9,534.0
Income tax benefit and business assets tax, net (note 8)		73.9	890.9	1,266.5
Net income	Ps	9,372.7	9,517.3	10,800.5
Basic earnings per share	Ps	2.48	2.31	2.53
Diluted earnings per share	Ps	2.48	2.30	2.51

See accompanying notes to financial statements.

SCHEDULE I (continued)

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Statements of Changes in Financial Position

(Millions of constant Mexican pesos as of December 31, 2001)

		Years ended December 31,		
		1999	**2000**	**2001**
Operating activities				
Net income	Ps	9,372.7	9,517.3	10,800.5
Charges to operations which did not require resources (note 9)		(7,450.9)	(6,004.8)	(9,498.7)
Resources provided by operating activities		1,921.8	3,512.5	1,301.8
Net change in working capital		(7,582.6)	(8,449.3)	(7,198.3)
Net resources used in operating activities		(5,660.8)	(4,936.8)	(5,896.5)
Financing activities				
Proceeds from bank loans (repayments), net		(6,986.2)	(2,182.9)	6,446.3
Notes payable		(621.1)	4,178.0	(4,739.9)
Dividends paid		(1,912.5)	(2,186.0)	(2,793.3)
Issuance of common stock from reinvestment of dividends		1,914.8	2,074.9	2,749.3
Issuance of common stock under stock option plan		364.8	49.4	105.2
Acquisition of shares under repurchase program		-	(120.0)	(203.7)
Other financing activities, net		7.7	(36.3)	(6.1)
Resources provided by (used in) financing activities		(7,232.5)	1,777.1	1,557.8
Investing activities				
Long-term related parties receivables, net		(24,475.3)	10,742.1	(35,195.8)
Net change in investment in subsidiaries		25,839.6	(8,982.9)	38,577.5
Dividends received		13,817.9	484.5	-
Deferred charges		(2,464.5)	910.8	1,054.5
Resources provided by investing activities		12,717.7	3,154.5	4,436.2
Increase (decrease) in cash and investments		(175.6)	(5.2)	97.5
Cash and investments at beginning of year		238.1	62.5	57.3
Cash and investments at end of year	Ps	62.5	57.3	154.8

See accompanying notes to financial statements.

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
December 31, 1999, 2000 and 2001
(Millions of constant Mexican pesos as of December 31, 2001)

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The accompanying financial statements have been prepared in accordance with Mexican GAAP, which include the recognition of the inflation effects on the financial information.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors for the Parent Company-only financial statements of prior periods were calculated based upon the Mexican inflation.

	1999	2000	2001
Restatement factor using Mexican inflation........................	1.1232	1.0903	1.0456

C) CASH AND INVESTMENTS

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

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

D) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

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, after acquisition, the investments original cost are adjusted for the proportional interest of the holding company in the affiliates equity and earnings, considering the inflation effects.

E) LAND AND BUILDINGS

Land and buildings are presented at their restated values using the Mexican inflation index.

Depreciation of buildings is provided on the straight-line method over the estimated useful lives of the assets. The useful lives of administrative buildings are approximately 50 years.

F) DEFERRED CHARGES AND AMORTIZATION (note 5)

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

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS—(Continued)
December 31, 1999, 2000 and 2001
(Millions of constant Mexican pesos as of December 31, 2001)

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

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

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

G) MONETARY POSITION RESULT

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is calculated by applying the Mexican inflation rate on the Company's net monetary position.

H) DEFICIT IN EQUITY RESTATEMENT

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

3. OTHER RECEIVABLES

As of December 31, 2000 and 2001, other current receivables consist of:

		2000	2001
Non-trade receivables	Ps	93.9	125.2
Refundable income tax		592.8	1,193.3
Other refundable taxes		-	85.9
	Ps	686.7	1,404.4

4. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2000 and 2001, investments in subsidiaries and affiliated companies accounted for by the equity method, are summarized as follows:

		2000	2001
Contribution or book value at acquisition date	Ps	39,807.5	7,908.4
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies		8,523.6	7,219.2
	Ps	48,331.1	15,127.6

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS—(Continued)
December 31, 1999, 2000 and 2001
(Millions of constant Mexican pesos as of December 31, 2001)

5. DEFERRED CHARGES

As of December 31, 2000 and 2001, deferred charges are summarized as follows:

		2000	2001
Excess of cost over book value of subsidiaries and affiliated companies acquired	Ps	3,489.0	1,839.4
Deferred financing costs		381.6	617.7
Deferred income taxes		1,611.9	2,159.2
Others		1,113.3	1,086.1
Accumulated amortization		(1,227.5)	(1,370.5)
	Ps	5,368.3	4,331.9

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

A total of 100% and 99% of the Parent Company-only short-term debt is denominated in dollars in 2001 and 2000, respectively.

Of the Parent Company-only long-term debt, approximately 61% and 46% is denominated in dollars in 2001 and 2000, respectively; the remaining debt is primarily denominated in yens.

The maturities of long-term debt as of December 31, 2001 are as follows:

		Parent
2003	Ps	4,225.4
2004		8,505.8
2005		866.4
2006		3,738.1
2007 and thereafter		3,554.9
	Ps	20,890.6

In the Parent Company-only balance sheet at December 31, 2001, there were short-term debt transactions amounting to U.S.$546 million ($5,006.8), classified as long-term debt, due to the Company's ability and the intention to refinance such indebtedness with the available amounts of the committed long-term lines of credit.

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The main balances receivable and payable with related parties as of December 31, 2000 and 2001 are:

Parent Company		2000			
		Assets		Liabilities	
		Short-Term	Long-Term	Short-Term	Long-Term
Cemex México, S.A. de C.V.	Ps	4,332.0	19,945.8	-	-
Assiut Cement Company		1,036.7	-	-	-
Centro Distribuidor de Cemento, S.A. de C.V.		450.9	-	-	-
Sunbelt Trading, S.A.		42.6	-	-	-
Cemex Concretos, S.A. de C.V.		35.5	-	-	-
Empresas Tolteca de México, S.A. de C.V.		-	-	646.4	4,964.5
Cemex Central, S.A. de C.V.		-	-	237.2	-
Others		1.6	-	3.5	-
	Ps	5,899.3	19,945.8	887.1	4,964.5

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS—(Continued)
December 31, 1999, 2000 and 2001
(Millions of constant Mexican pesos as of December 31, 2001)

Parent Company		2001			
		Assets		Liabilities	
		Short-Term	Long-Term	Short-Term	Long-Term
Cemex México, S.A. de C.V.	Ps	12,296.9	53,845.1	-	-
Assiut Cement Company		306.0	-	-	-
Centro Distribuidor de Cemento, S.A. de C.V.		563.4	-	-	-
Sunbelt Trading, S.A.		38.8	-	-	-
Cemex Concretos, S.A. de C.V.		-	-	723.8	-
Empresas Tolteca de México, S.A. de C.V.		-	-	1.5	3,668.0
Cemex Central, S.A. de C.V.		-	-	775.6	-
Others		1.0	-	2.7	-
	Ps	13,206.1	53,845.1	1,503.6	3,668.0

The main transactions carried out with related parties are:

		1999	2000	2001
Rental income	Ps	389.6	293.6	275.3
License fees		1,226.1	2,449.7	1,770.5
Financial expense		(1,850.4)	(733.3)	(585.8)
Financial income		610.9	2,314.0	4,520.5
Dividends received		13,817.9	484.5	-

8. INCOME TAX (IT), BUSINESS ASSETS TAX (BAT)

In accordance with the effective 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, though in a manner different from Mexican GAAP.

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory and fixed assets, and deducting certain liabilities.

The IT benefit, presented in the accompanying income statements, is summarized as follows:

		1999	2000	2001
Current income tax	Ps	(4,110.9)	(418.2)	-
Received from subsidiaries		415.9	712.1	641.8
Deferred IT		-	597.0	624.7
Tax loss carryforwards amortized		3,768.9	-	-
	Ps	73.9	890.9	1,266.5

Arising from its Mexican subsidiaries, the Company has accumulated IT loss carry forwards which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to Income Tax Law:

Year in which tax loss occurred		Amount of carryforwards	Year of expiration
1995	Ps	1,659.8	2005
2000		700.6	2010
2001		2,584.9	2011
	Ps	4,945.3	

The Company and its subsidiaries in Mexico must generate taxable income to preserve the benefit of the tax loss carryforwards generated beginning in 1999.

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period.

The recoverable BAT as of December 31, 2001 is as follows:

Year in which BAT exceeded IT		Amount of carryforwards	Year of expiration
1997	Ps	151.7	2007
1999		54.8	2009
2000		294.2	2010
	Ps	500.7	

9. ITEMS NOT AFFECTING CASH FLOWS

Items charged or credited to the results of operations, which did not generated the use of resources, are summarized as follows:

	1999	2000	2001
Depreciation of properties	4.8	4.6	4.7
Amortization of deferred charges and credits, net	68.6	163.0	606.6
Deferred income tax credited to results	-	(597.0)	(624.7)
Equity in income of subsidiaries and affiliates	(7,524.3)	(5,575.4)	(9,485.3)
	(7,450.9)	(6,004.8)	(9,498.7)

10. CONTINGENCIES AND COMMITMENTS

As of December 31, 2001, CEMEX has signed as guarantor of loans made to certain subsidiaries for approximately U.S.$48.7 million.

SCHEDULE II

CEMEX, S.A. DE C.V.
Notes to the Parent Company Only Financial Statements
December 31, 1999, 2000 and 2001
(Millions of constant Mexican pesos as of December 31, 2001)

Valuation and Qualifying Accounts as of December 31, 1999, 2000 and 2001, is a follows:

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other(s)	Balance at End of Period
Year ended December 31, 1999:					
Allowance for doubtful accounts	614.7	81.4	102.4	(75.8)	517.9
Year ended December 31, 2000:					
Allowance for doubtful accounts	517.9	101.8	133.2	(54.2)	432.3
Year ended December 31, 2001:					
Allowance for doubtful accounts	432.3	69.6	36.4	(4.7)	460.8

(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.