

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
(RULE 14D-100)
TENDER OFFER STATEMENT UNDER SECTION 14(D)(1)
OR SECTION 13(5)(1) OF THE SECURITIES EXCHANGE ACT OF 1934.

SOUTHDOWN, INC.
(Name of Subject Company (issuer))

CENA ACQUISITION CORP.
CEMEX, S.A. de C.V.
(Names of Filing Persons (offerors))

COMMON STOCK, PAR VALUE \$1.25 PER SHARE;
RIGHTS TO PURCHASE PREFERRED STOCK
(Title of Class of Securities)

841297104
(CUSIP Number of Class of Securities)

Ramiro Villarreal
CEMEX, S.A. de C.V.
Ave. Constitucion 444 Pte.
Monterrey, Nuevo Leon, Mexico 64000
Telephone: (011-528) 328-3000
(Name, address and telephone number of person authorized to receive notices
and communications on behalf of filing persons)

Copies to:

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CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee
\$2,771,635,530	\$554,328

* For purposes of calculating amount of filing fee only. This amount assumes the purchase of (i) all outstanding shares of common stock of Southdown, Inc., including the related rights to purchase preferred stock, and (ii) shares of common stock of Southdown, Inc., subject to options that will be vested and exercisable as of the closing of this offer. The amount of the filing fee calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, equals 1/50 of 1% of the transaction value.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A Form or Registration No.: N/A
Filing party: N/A Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

THIS TENDER OFFER STATEMENT ON SCHEDULE TO RELATES TO THE OFFER BY CENA ACQUISITION CORP. ("PURCHASER"), A DELAWARE CORPORATION AND AN INDIRECT SUBSIDIARY OF CEMEX, S.A. DE C.V., A COMPANY ORGANIZED UNDER THE LAWS OF THE UNITED MEXICAN STATES ("CEMEX"), TO PURCHASE ALL OUTSTANDING SHARES OF THE COMPANY'S COMMON STOCK, PAR VALUE \$1.25 PER SHARE AND THE RELATED RIGHTS TO PURCHASE PREFERRED STOCK PURCHASE RIGHTS (THE "SHARES"), AT \$73.00 PER SHARE, NET TO THE SELLER IN CASH, WITHOUT INTEREST THEREON, UPON THE TERMS AND SUBJECT TO THE CONDITIONS SET FORTH IN THE OFFER TO PURCHASE AND IN THE RELATED LETTER OF TRANSMITTAL, COPIES OF WHICH ARE ATTACHED HERETO AS EXHIBITS (a)(1)(A) AND (a)(1)(B) (WHICH ARE HEREIN COLLECTIVELY REFERRED TO AS THE "OFFER").

ALL OF THE INFORMATION IN THE OFFER TO PURCHASE, THE RELATED LETTER OF TRANSMITTAL, AND ANY SUPPLEMENTS THERETO RELATED TO THE OFFER HEREAFTER FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BY THE PURCHASER AND CEMEX, IS HEREBY INCORPORATED BY REFERENCE (WHERE APPROPRIATE) IN ANSWER TO ITEMS 2 THROUGH 11 OF THIS SCHEDULE TO (WHETHER OR NOT IDENTIFIED WITH SPECIFICITY).

Item 1. Summary Term Sheet.

The information set forth in the section of the Offer to Purchase entitled "Summary Term Sheet" is incorporated herein by reference.

Item 2. Subject Company Information.

(a) The name of the subject company is Southdown, Inc., a Louisiana corporation (the "Company"), and the address of its principal executive offices is 1200 Smith Street, Suite 2400, Houston, Texas 77002. Its telephone number is (713) 650-6200.

(b) The titles of the subject classes of securities being sought are (i)

Common Stock, par value \$1.25 per share, and (ii) the related Rights to Purchase Preferred Stock ((i) and (ii) together, the "Shares"). The information concerning the securities outstanding set forth under "Introduction" in the Offer to Purchase is incorporated herein by reference.

(c) The information concerning the principal market in which the Shares are traded and certain high and low sales prices for the Shares in such principal market is set forth in "Price Range of Shares; Dividends" and "Dividends and Distributions" in the Offer to Purchase and is incorporated herein by reference.

Item 3. Identity and Background of the Filing Person.

(a)-(c) The information set forth in "Certain Information Concerning CEMEX and Purchaser" and Schedule I in the Offer to Purchase is incorporated herein by reference.

Item 4. Terms of the Transaction.

(a) (1) (i)-(viii) The information set forth under "Introduction", "Terms of the Offer", "Procedures for Accepting the Offer and Tendering Shares", "Withdrawal Rights", "Acceptance for Payment and Payment for Shares", "Purpose of the Offer; Plans for the Company" and "Source and Amount of Funds" in the Offer to Purchase is incorporated herein by reference.

(a) (1) (ix)-(xi) Not applicable.

(xii) The information set forth under "Certain United States Federal Income Tax Consequences" in the Offer to Purchase is incorporated herein by reference.

(a) (2) Not applicable.

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Item 5. Past Contacts, Transactions, Negotiations and Agreements.

The information set forth in "Background of the Offer; Past Contacts or Negotiations with the Company", "The Merger Agreement and the Confidentiality Agreement", "Certain Information Concerning CEMEX and the Purchaser" and "Purpose of the Offer; Plans for the Company" in the Offer to Purchase is incorporated herein by reference.

Item 6. Purpose of the Transaction and Plans or Proposals.

(a)-(c) The information set forth in "Introduction", "The Merger Agreement and the Confidentiality Agreement", "Purpose of the Offer; Plans for the Company", "Certain Effects of the Offer" and "Dividends and Distributions" in the Offer to Purchase is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a)-(b), (d) The information set forth in "Source and Amount of Funds" in the Offer to Purchase is incorporated herein by reference.

Item 8. Interest in Securities of the Subject Company.

(a)-(b) None. The information set forth in "Introduction", "Certain Information Concerning the Company", "Certain Information Concerning CEMEX and Purchaser" and Schedule I in the Offer to Purchase is incorporated herein by reference.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

The information set forth in "Introduction" and "Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

Item 10. Financial Statements.

The information set forth in "Certain Information Concerning CEMEX and Purchaser" and "Annex A-- Financial Statements of CEMEX, S.A. de C.V." of the Offer to Purchase is incorporated herein by reference.

Item 11. Additional Information.

The information set forth in "Introduction", "Certain Information Concerning CEMEX and Purchaser", "The Merger Agreement and the Confidentiality Agreement", "Certain Conditions of the Offer" and "Certain Legal Matters; Regulatory Approvals" of the Offer to Purchase is incorporated herein by reference.

Item 12. Exhibits.

- (a) (1) (A) Offer to Purchase dated October 5, 2000.
- (a) (1) (B) Letter of Transmittal.
- (a) (1) (C) Notice of Guaranteed Delivery.
- (a) (1) (D) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a) (1) (E) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a) (1) (F) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a) (5) (A) Joint Press Release issued by CEMEX and the Company on September 29, 2000.

- (a) (5) (B) Summary Advertisement as published in The Wall Street Journal on October 5, 2000.
- (a) (5) (C) Consent of Independent Auditors, dated October 3, 2000.
- (a) (5) (D) Consent of Independent Auditors, dated October 4, 2000.
- (b) (1) Commitment Letter, dated September 28, 2000, among The Chase Manhattan Bank, Deutsche Bank AG London, Chase Manhattan PLC, Deutsche Bank AG Securities Inc. and CEMEX.
- (b) (2) Commitment Letter, dated September 28, 2000, among Salomon Smith Barney Inc., Citibank, N.A. and CEMEX.
- (d) (1) Agreement and Plan of Merger, dated as of September 28, 2000, among CEMEX, Purchaser and the Company (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8K filed on September 29, 2000).
- (d) (2) Confidentiality Agreement, dated August 11, 2000, between CEMEX and the Company (incorporated herein by reference to Exhibit (e) (3) to the Company's Solicitation/Recommendation Statement on Schedule 14D-9 filed on October 5, 2000).
- (g) Not applicable.

(h) Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

CENA Acquisition Corp.

By: /s/ Jeffrey H. Smith

Name: Jeffrey H. Smith
Title: Director and Treasurer

CEMEX, S.A. de C.V.

By: /s/ Francisco Garza

Name: Francisco Garza
Title: President of CEMEX North
America and Trading

Dated: October 5, 2000

EXHIBIT INDEX

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- (g) Not applicable.....
- (h) Not applicable.....

Offer To Purchase For Cash
All Outstanding Shares of Common Stock
(Including the Related Rights to Purchase Preferred Stock)
of
Southdown, Inc.
at
U.S.\$73.00 Net Per Share
by
CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY TIME,
ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS BEING MADE PURSUANT TO THE AGREEMENT AND PLAN OF MERGER, DATED AS OF SEPTEMBER 28, 2000 (THE "MERGER AGREEMENT"), AMONG CEMEX, S.A. DE C.V., A CORPORATION ORGANIZED UNDER THE LAWS OF UNITED MEXICAN STATES ("CEMEX"), CENA ACQUISITION CORP., A DELAWARE CORPORATION AND AN INDIRECT SUBSIDIARY OF CEMEX ("PURCHASER"), AND SOUTHDOWN, INC., A LOUISIANA CORPORATION ("SOUTHDOWN" OR THE "COMPANY").

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED (OTHER THAN BY GUARANTEED DELIVERY WHERE ACTUAL DELIVERY HAS NOT TAKEN PLACE) AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES OF COMMON STOCK, PAR VALUE \$1.25 PER SHARE, OF THE COMPANY, INCLUDING THE RELATED RIGHTS TO PURCHASE PREFERRED STOCK (COLLECTIVELY, THE "SHARES"), WHICH REPRESENTS AT LEAST TWO-THIRDS OF THE THEN OUTSTANDING SHARES ON A FULLY DILUTED BASIS AND (2) ANY WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, AND THE REGULATIONS THEREUNDER HAVING EXPIRED OR BEEN TERMINATED. THE OFFER IS ALSO SUBJECT TO CERTAIN OTHER CONDITIONS CONTAINED IN THIS OFFER TO PURCHASE. PLEASE READ SECTIONS 1 AND 15 WHICH SET FORTH IN FULL THE CONDITIONS TO THE OFFER.

THE COMPANY'S BOARD OF DIRECTORS, AT A SPECIAL MEETING HELD ON SEPTEMBER 28, 2000, UNANIMOUSLY (1) DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, ARE FAIR TO THE SHAREHOLDERS AND IN THE BEST INTERESTS OF THE COMPANY AND THE COMPANY'S SHAREHOLDERS; (2) APPROVED AND ADOPTED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER; AND (3) RECOMMENDED THAT THE COMPANY'S SHAREHOLDERS ACCEPT THE OFFER AND, IF SHAREHOLDER APPROVAL IS NECESSARY, APPROVE THE MERGER AGREEMENT AND THE MERGER. ACCORDINGLY, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU ACCEPT THE OFFER AND TENDER ALL OF YOUR SHARES OF THE COMPANY'S COMMON STOCK PURSUANT TO THE OFFER.

IMPORTANT

Any shareholder of the Company wishing to tender Shares in the Offer must (1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver the Letter of Transmittal or such facsimile and all other required documents to the Depositary (as defined herein) together with certificates representing the Shares tendered or follow the procedure for book-entry transfer set forth in Section 3 or (2) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the shareholder. A shareholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if such shareholder wishes to tender such Shares.

Any shareholder of the Company who wishes to tender Shares and cannot deliver certificates representing such Shares and all other required documents to the Depositary on or prior to the Expiration Date (as defined herein) or who cannot comply with the procedures for book-entry transfer on a timely basis may

tender such Shares pursuant to the guaranteed delivery procedure set forth in Section 3.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from the Information Agent or from brokers, dealers, commercial banks, trust companies or other nominees.

The Dealer Manager for the Offer is:
Salomon Smith Barney

October 5, 2000

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SUMMARY TERM SHEET

CENA Acquisition Corp. is offering to purchase all of the outstanding common stock of Southdown, Inc. for \$73.00 per share in cash. The following are some of the questions you, as a shareholder of Southdown, may have and answers to those questions. We urge you to read carefully the remainder of this Offer to Purchase and the Letter of Transmittal because the information in this summary term sheet is not complete. Additional important information is contained in the remainder of this Offer to Purchase and the Letter of Transmittal.

WHO IS OFFERING TO BUY MY SECURITIES?

We are CENA Acquisition Corp, a newly formed Delaware corporation and an indirect subsidiary of CEMEX. We have been formed for the purpose of making a tender offer for all of the common stock of Southdown and have carried on no activities other than in connection with the merger agreement among CEMEX, Southdown and ourselves. CEMEX is a corporation organized under the laws of the

United Mexican States. CEMEX is the third largest cement company in the world. See the "Introduction" and Section 1.

WHAT ARE THE CLASSES AND AMOUNTS OF SECURITIES SOUGHT IN THE OFFER?

We are seeking to purchase all of the issued and outstanding shares of common stock of Southdown, including the related rights to purchase preferred stock. See the "Introduction" and Section 1.

HOW MUCH ARE YOU OFFERING TO PAY? WHAT IS THE FORM OF PAYMENT? WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

We are offering to pay \$73.00 per share, net to you, in cash, without interest. If you are the record owner of your shares and you tender your shares to us in the offer, you will not have to pay brokerage fees or similar expenses. If you own your shares through a broker or other nominee, and your broker tenders your shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. See "Introduction."

DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?

CEMEX, our parent company, will provide us with sufficient funds to purchase all shares validly tendered and not withdrawn in the tender offer and to provide funding for the merger that is expected to follow the successful completion of the tender offer. CEMEX has arranged for \$1.5 billion of our funding to come from a bridge equity facility and the remainder through a \$1.4 billion Senior Credit Facility. However, our obligation to purchase the shares of common stock, including the related rights to purchase preferred stock, is not conditioned on any financing or subject to any financing condition. See Section 9 for a description of our financing arrangements.

IS YOUR FINANCIAL CONDITION RELEVANT TO MY DECISION TO TENDER IN THE OFFER?

We do not think our financial condition is relevant to your decision whether to tender in the offer because the form of consideration consists solely of cash and our offer is not contingent upon our receipt of financing. See Section 9 for a description of our financing arrangements.

HOW LONG DO I HAVE TO DECIDE WHETHER TO TENDER IN THE OFFER?

You will have until 12:01 a.m., New York City time, on Friday, November 3, 2000, to tender your shares in the offer, unless the offer is extended. If you cannot deliver everything that is required in order to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this Offer to Purchase. See Sections 1 and 3.

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CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?

We expressly reserve the right, subject to the terms of the merger agreement and applicable law, to extend the period of time during which the offer remains open. We have agreed in the merger agreement that we may extend the offer if

- (a) certain conditions to the offer have not been satisfied,
- (b) any rule, regulation, interpretation or position of the Securities and Exchange Commission or its staff applicable to the offer requires an extension,
- (c) immediately before the scheduled or extended expiration date of the offer, the shares tendered and not withdrawn constitute more than 80% and less than 90% of the issued and outstanding shares of Southdown common stock, or
- (d) in some circumstances, we receive written notice from Southdown with

respect to a third party proposal to purchase all of the shares of Southdown's common stock that Southdown's board of directors decides is superior to Southdown and you from a financial point of view.

If any condition to the tender offer is not satisfied or waived on any scheduled or extended expiration date of the tender offer, subject to the terms of the merger agreement, CENA Acquisition Corp. must extend the tender offer, if such condition or conditions could reasonably be expected to be satisfied, until such conditions are satisfied or waived.

If all conditions to the offer have been satisfied or waived but the Southdown common stock tendered and not withdrawn pursuant to the offer constitutes less than 90% of the outstanding common stock, we have the right to accept for payment and pay for all shares validly tendered and not withdrawn at such time (which shares may not thereafter be withdrawn) and extend the offer to provide a "subsequent offering period" during which time shareholders whose shares have not been accepted for payment may tender their shares and receive the offer consideration. There will be no withdrawal rights during the subsequent offering period. In addition, if we elect to provide a subsequent offering period, the federal securities laws require a subsequent offering period of three business days to 20 business days during which the tenders can be accepted.

See Section 1 and "Termination" of Section 11 of this Offer to Purchase for more details on our ability to extend the offer.

HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?

If we extend the offer, we will inform Citibank, N.A. (the depository for the offer) of that fact and will make a public announcement of the extension not later than 9:00 a.m., New York City time, on the next business day after the day on which the offer was scheduled to expire. See Section 1.

WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?

- . We are not obligated to purchase any shares that are validly tendered unless the number of shares validly tendered (other than by guaranteed delivery where actual delivery has not occurred) and not withdrawn before the expiration date of the offer represents at least two-thirds of the then outstanding shares on a fully diluted basis (after giving effect to the conversion or exercise of all outstanding options, warrants and other rights and securities exercisable or convertible into shares of Southdown common stock, whether or not exercised or converted at the time of determination). See "Introduction" and Section 11.
- . We are not obligated to purchase shares that are validly tendered if there is a change in the business, assets, liabilities, financial condition, capitalization, operations or results of operations of Southdown that has had or would reasonably be expected to have a material adverse effect on Southdown and its subsidiaries, taken as a whole, or its ability to complete the transactions under the merger agreement.

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- . We are not obligated to purchase shares that are validly tendered if the applicable waiting period under the Hart-Scott-Rodino Act has not expired or been terminated. See Section 16.
- . We are not obligated to purchase shares that are validly tendered if all filings and consents required in connection with all federal, state, local and foreign permits and licenses from governmental authorities are not made or obtained, and the failure of which to make or obtain prior to the closing of the offer would reasonably be expected to have (a) an adverse effect on the continued operation following the offer and the merger of Southdown's operations in all material respects as it is presently conducted or (b) a material adverse effect on (i) the ability of Southdown to perform in all material respects its obligations under

the merger agreement or to consummate the transactions contemplated by the merger agreement or (ii) the business, assets, liabilities, results of operations or financial condition of Southdown and its subsidiaries, taken as a whole.

- . We are not obligated to purchase shares that are validly tendered if (a) necessary consents or approvals from the United States Maritime Administration are not received with respect to the transfer or termination of the capital construction fund and any transfer of vessels or continued use of vessels owned and operated by Southdown or any of its subsidiaries that are operated in the coastwise trade or (b) consents from (or amendments to agreements with) the lenders under Southdown's debt agreements (other than the Company's Series B 10% Senior Subordinated Notes due 2006) to waive until the earlier of (i) the effective time of the closing of the merger and (ii) March 31, 2000 any "change of control" defaults that may occur thereunder by reason of the closing of the offer and to defer any right to repayment thereunder by reason of a "change of control" until the effective time of the closing of the merger.
- . We are not obligated to purchase shares that are validly tendered if there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities in the New York Stock Exchange (excluding any coordinated trading halt triggered solely as a result of a specified decrease in a market index and excluding any suspension or limitation resulting from physical damage or interference with any exchange not related to market conditions), (2) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or the Republic of Mexico (whether or not mandatory), (3) a commencement or escalation of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or the Republic of Mexico which materially adversely affects or delays the offer, (4) any limitation (whether or not mandatory) by any governmental authority on the extension of credit by banks or other financial institutions in a manner which prohibits the extension of funds to CEMEX or us, (5) a change in general financial bank or capital market conditions which materially or adversely affects the ability of financial institutions in the European Union, the United States or the Republic of Mexico to extend credit or syndicate loans or (6) in the case of any of the foregoing existing at the time of the commencement of the tender offer, a material acceleration or worsening thereof.

The offer is also subject to a number of other conditions. We can waive some of the conditions to the offer without Southdown's consent; however, we cannot waive the minimum condition without Southdown's written consent. See Sections 1 and 15.

Our obligation to purchase shares under the offer is not conditioned on any financing arrangements or subject to any financing condition. See Section 9 for information about our financing arrangements.

HOW DO I TENDER MY SHARES?

To tender shares:

- . You must deliver the certificates representing your shares, together with a completed letter of transmittal and any other documents required by the letter of transmittal, to Citibank, N.A., the depositary for the offer, not later than the time the tender offer expires.

- . If your shares are held in street name, your shares can be tendered by your nominee through Citibank, N.A.
- . If you are unable to deliver any required document or instrument to the

depository by the expiration of the offer, you may gain some extra time by having a broker, a bank or other fiduciary that is an eligible institution guarantee that the missing items will be received by the depository within three New York Stock Exchange trading days. For the tender to be valid, however, the depository must receive the missing items within that three trading day period.

See Section 3.

UNTIL WHAT TIME MAY I WITHDRAW PREVIOUSLY TENDERED SHARES?

You may withdraw shares at any time until the offer has expired. You may not, however, withdraw any shares that are tendered during the subsequent offering period, if there is one. See Section 4.

HOW DO I WITHDRAW PREVIOUSLY TENDERED SHARES?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to Citibank, N.A. while you still have the right to withdraw the shares. See Section 4.

WHAT DOES SOUTHDOWN'S BOARD OF DIRECTORS RECOMMEND REGARDING THE OFFER?

We are making the offer pursuant to the merger agreement, which has been unanimously approved by Southdown's board of directors. Southdown's board of directors, at a special meeting held on September 28, 2000, unanimously:

- (a) determined that the merger agreement and the transactions contemplated thereby, including the tender offer and the merger, are fair to Southdown's shareholders and in the best interests of Southdown and its shareholders;
- (b) approved and adopted the merger agreement and the transactions contemplated by the merger agreement, including the tender offer and the merger; and
- (c) recommended that Southdown's shareholders (i) accept the tender offer and (ii) if shareholder approval is necessary, approve the merger agreement and the merger.

Accordingly, Southdown's board of directors recommends that you accept the offer and tender all of your shares of common stock pursuant to the offer. See "Introduction."

IF TWO-THIRDS OF THE SHARES ARE TENDERED AND ACCEPTED FOR PAYMENT, WILL SOUTHDOWN CONTINUE AS A PUBLIC COMPANY?

No. Following the purchase of shares in the offer we expect to consummate the merger. If the merger takes place, Southdown will no longer be publicly owned. Even if for some reason the merger does not take place, if we purchase all of the tendered shares, there may be so few remaining shareholders and publicly held shares that Southdown common stock will no longer be eligible to be traded on the New York Stock Exchange, there may not be a public trading market for Southdown common stock, and Southdown may cease making filings with the SEC or otherwise cease being required to comply with the SEC rules relating to publicly held companies. See Section 13.

WILL THE TENDER OFFER BE FOLLOWED BY A MERGER IF ALL OF THE SOUTHDOWN SHARES ARE NOT TENDERED IN THE OFFER?

Yes. If the number of shares of Southdown tendered represent at least two-thirds of the shares of Southdown on a fully diluted basis, we will be merged with and into Southdown. If that merger takes place,

shareholders of Southdown (other than shareholders properly exercising dissenters' rights) will receive \$73.00 per share in cash (or any higher price per share that is paid in the offer). See "Introduction."

IF I DECIDE NOT TO TENDER, HOW WILL THE OFFER AFFECT MY SHARES?

If the merger described above takes place, shareholders not tendering in the offer will receive the same amount of cash per share that they would have received had they tendered their shares in the offer, subject to any dissenters' rights properly exercised under Louisiana law. Therefore, if the merger takes place and you do not exercise dissenters' rights, the only difference to you between tendering your shares and not tendering your shares is that you will be paid earlier if you tender your shares. If the merger does not take place, however, the number of shareholders and the number of shares of Southdown common stock that are still in the hands of the public may be so small that there no longer will be an active public trading market (or, possibly, there may not be any public trading market) for Southdown common stock. Also, as described above, Southdown may cease making filings with the SEC or otherwise may not be required to comply with the SEC rules relating to publicly held companies. See "Introduction" and Sections 12 and 13.

WHAT IS THE MARKET VALUE OF MY SHARES AS OF A RECENT DATE?

On September 28, 2000, the last trading day before we announced the acquisition, the last sale price of Southdown common stock reported on the New York Stock Exchange was \$56.00 per share. On October 4, 2000, the last trading day before we commenced the tender offer, the last sale price of Southdown common stock reported on the New York Stock Exchange was \$71.25. We encourage you to obtain a recent quotation for shares of Southdown common stock in deciding whether to tender your shares. See Section 6.

GENERALLY, WHAT ARE THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF TENDERING SHARES?

The receipt of cash for shares pursuant to the tender offer or the merger will be a taxable transaction for United States federal income tax purposes and possibly for state, local and foreign income tax purposes as well. See Section 5. We encourage you to seek independent tax advice regarding the tax consequences of tendering your shares.

TO WHOM MAY I SPEAK IF I HAVE QUESTIONS ABOUT THE TENDER OFFER?

You may call MacKenzie Partners, Inc. at (800) 322-2885 (toll free) or Salomon Smith Barney Inc. at (877) 755-4456 (toll free). MacKenzie Partners, Inc. is acting as the information agent and Salomon Smith Barney Inc. is acting as the dealer manager for our tender offer. See the back cover of this Offer to Purchase.

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To the Holders of Shares of Common Stock
of Southdown, Inc.:

INTRODUCTION

CENA Acquisition Corp. ("Purchaser"), a Delaware corporation and an indirect subsidiary of CEMEX, S.A. de C.V., a corporation organized under the laws of the United Mexican States ("CEMEX"), hereby offers to purchase all of the issued and outstanding shares of common stock, par value \$1.25 per share (the "Company Common Stock"), of Southdown, Inc., a Louisiana corporation (the "Company" or "Southdown"), including the related rights to purchase preferred stock (the "Rights") issued pursuant to the Rights Agreement, dated March 4, 1991, as amended as of September 28, 2000 (the "Rights Agreement"), between the Company and American Stock Transfer and Trust Company (the shares of the Company Common Stock and any related Rights are herein referred to as the "Shares"), at a purchase price of \$73.00 per Share (the "Offer Price"), net to the seller in cash, without interest thereon, upon the terms and subject to the

conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (the "Letter of Transmittal"), (which, together with this Offer to Purchase and any amendments or supplements hereto or thereto, collectively constitute the "Offer").

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of September 28, 2000 (the "Merger Agreement") among CEMEX, Purchaser, and the Company. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Merger Agreement. The Merger Agreement provides that, following the Offer, Purchaser will be merged with and into the Company (the "Merger"), with the Company continuing as the surviving corporation (the "Surviving Corporation"). The Company will be an indirect subsidiary of CEMEX. Pursuant to the Merger, at the effective time of the Merger (the "Effective Time") each Share outstanding immediately prior to the Effective Time (other than Shares owned by CEMEX, Purchaser, the Company or any of their respective subsidiaries, all of which will be cancelled, and other than Shares that are held by shareholders, if any, who properly exercise their dissenters' rights under the Louisiana Business Corporation Law (the "LBCL")) will be converted into the right to receive \$73.00 or any greater per Share price paid in the Offer in cash, without interest (the "Merger Consideration"). Without limiting the foregoing, effective upon acceptance for payment of Shares pursuant to the Offer in accordance with the terms hereof, the holder of such Shares will sell and assign to Purchaser all right, title and interest in and to all of the Shares tendered (including, but not limited to, such holder's right to any and all dividends and distributions with a record date before, and a payment date after, the scheduled or extended expiration date). The Merger Agreement is more fully described in Section 11.

Tendering shareholders who are record owners of their Shares and tender directly to the Depository (as defined below) will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Shareholders who hold their Shares through a broker or bank should consult such institution as to whether it charges any service fees. CEMEX or Purchaser will pay all charges and expenses of Salomon Smith Barney Inc. ("Salomon Smith Barney"), as dealer manager (the "Dealer Manager"), Citibank, N.A., as depository (the "Depository"), and MacKenzie Partners, Inc., as information agent (the "Information Agent"), incurred in connection with the Offer. See Section 17.

The Company's Board of Directors, at a special meeting held on September 28, 2000, unanimously (1) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are fair to the Company's shareholders and in the best interests of the Company and the Company's shareholders; (2) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger; and (3) recommended that the Company's shareholders (A) accept the Offer and (B) if shareholder approval is necessary, approve the Merger Agreement and the Merger. Accordingly, the Company's Board of Directors recommends that you accept the Offer and tender all of your Shares pursuant to the Offer.

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Lehman Brothers Inc. ("Lehman Brothers"), the financial advisor to the Company's Board of Directors, has delivered its written opinion, dated September 28, 2000, to the effect that, as of the date of the opinion, the consideration to be received by the Company's shareholders is fair, from a financial point of view, to the Company's shareholders (other than CEMEX and any of its affiliates). The full text of Lehman Brothers' written opinion, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is included as Annex I to the Company's Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is being mailed to shareholders concurrently with this Offer to Purchase. Shareholders are urged to read the full text of such opinion carefully in its entirety.

The Offer is conditioned upon, among other things, (1) there being validly tendered (other than by guaranteed delivery where actual delivery has not occurred) and not withdrawn prior to the expiration of the Offer that number of Shares which represents at least two-thirds of the then outstanding shares on a fully diluted basis, after giving effect to the conversion or exercise of all outstanding options, warrants and other rights and securities exercisable or convertible into common stock, whether or not exercised or converted at the time of determination (the "Minimum Condition") and (2) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder having expired or been terminated. The Offer is also subject to certain other conditions contained in Section 15. Please read Section 15, which sets forth in full the conditions to the Offer. Purchaser's obligation to purchase Shares under the Offer is not conditioned on any financing arrangements or subject to any financing condition. See Section 9 for a description of Purchaser's financing arrangements.

The Company has represented to CEMEX that, as of September 30, 2000, there were 35,954,927 Shares issued and outstanding, 2,012,683 Shares reserved for issuance under outstanding stock options, no shares of the Company's preferred stock issued and outstanding, and 4,083,645 Shares issued and held in the treasury of the Company. Accordingly, the Minimum Condition will be satisfied if 25,311,740 Shares are tendered in the Offer and not withdrawn. See Section 11.

The Merger Agreement provides that promptly upon the purchase of and payment for not less than a majority of the outstanding Shares on a fully diluted basis by Purchaser pursuant to the Offer, CEMEX shall be entitled to designate for appointment or election to the Company's Board of Directors, upon written notice to the Company, such number of directors, rounded up to the next whole number, on such Board of Directors such that the percentage of its designees on such Board of Directors shall equal the percentage of the Shares beneficially owned by Purchaser and its affiliates. In furtherance thereof, the Company shall, upon request of Purchaser, use its reasonable best efforts promptly to cause CEMEX's designees (and any replacement designees in the event that any designee shall no longer be on the Company's Board of Directors) to be so elected to the Company's Board of Directors, and in furtherance thereof, to the extent necessary, increase the size of such Board of Directors or use its reasonable best efforts to obtain the resignation of such number of its current directors as is necessary to give effect to the foregoing provision. At such time, the Company shall also, upon the request of Purchaser, use its reasonable best efforts to cause Persons designated by CEMEX to constitute at least the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each subsidiary of the Company and (iii) each committee (or similar body) of each such board (or, with respect to clause (ii) and (iii) in the case of the Kosmos Cement Company, a partnership (the "Partnership")). The Merger Agreement provides that, until the Effective Time, the Company's Board of Directors will have at least three directors who are directors of the Company on the date of the Merger Agreement and who are not officers or affiliates of the Company or any of its subsidiaries ("Independent Directors"); provided, however, that notwithstanding the foregoing,

(a) in no event shall the requirement to have at least three Independent Directors result in CEMEX's designees constituting less than a majority of the Company's Board of Directors unless CEMEX shall have failed to designate a sufficient number of persons to constitute at least a majority and

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(b) if the number of Independent Directors shall be reduced below three for any reason whatsoever (or if immediately following consummation of the Offer there are not at least three then-existing directors of the Company who (1) are Qualified Persons (as defined below) and (2) are willing to serve as Independent Directors), then the number of Independent Directors required under the Merger Agreement shall be

reduced to equal to the number of then-serving Independent Directors, unless the remaining Independent Director(s) are able to identify a person(s) who are not officers or affiliates of the Company, CEMEX or any of their respective subsidiaries (any such person being referred to in the Merger Agreement as a "Qualified Person") willing to serve as an Independent Director, in which case such remaining Independent Director(s) shall be entitled to designate any such Qualified Person(s) to fill such vacancies and such designated Qualified Person shall be deemed to be an Independent Director for purposes of the Merger Agreement, or if no Independent Directors then remain, the other Directors shall be entitled to designate three Qualified Persons to fill such vacancies, and such persons shall be deemed to be Independent Directors for purposes of the Merger Agreement.

See Section 11.

The Merger is subject to the satisfaction or waiver of certain conditions, including, if required, the approval and adoption of the Merger Agreement by the affirmative vote of the holders of the greater of (a) two-thirds of the shares of Company Common Stock present at the shareholders' meeting and (b) not less than a majority of the vote of all outstanding shares of the Company Common Stock. If the Minimum Condition is satisfied, Purchaser would have sufficient voting power to approve the Merger without the affirmative vote of any other shareholder of the Company. The Company has agreed, if required, to cause a meeting of its shareholders to be held as promptly as practicable following consummation of the Offer for the purposes of considering and taking action upon the approval and adoption of the Merger Agreement. See Section 11.

This Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

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THE TENDER OFFER

1. Terms of the Offer.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), Purchaser will accept for payment and pay for all Shares validly tendered (other than by guaranteed delivery where actual delivery has not occurred) on or prior to the Expiration Date and not properly withdrawn as permitted under Section 4. The term "Expiration Date" means 12:01 a.m., New York City time, on Friday, November 3, 2000, unless Purchaser, in accordance with the Merger Agreement, extends the period during which the Offer is open, in which event the term "Expiration Date" means the latest time and date on which the Offer, as so extended (other than any extension with respect to the Subsequent Offering Period described below), expires.

The Offer is conditioned upon the satisfaction of the Minimum Condition and the other conditions set forth in Section 15. Subject to the provisions of the Merger Agreement, Purchaser may waive any or all of the conditions to its obligation to purchase Shares pursuant to the Offer (other than the Minimum Condition). If by the initial Expiration Date or any extended Expiration Date any of the conditions to the Offer have not been satisfied or waived, subject to the provisions of the Merger Agreement, Purchaser may elect to (i) subject to Purchaser's obligation to extend the Offer described below, terminate the Offer and return all tendered Shares to tendering shareholders, (ii) waive all of the unsatisfied conditions (other than the Minimum Condition) and, subject to any required extension, purchase all Shares validly tendered by the Expiration Date and not properly withdrawn or (iii) extend the Offer and, subject to the right of shareholders to withdraw Shares until the new Expiration Date, retain the Shares that have been tendered until the expiration of the Offer as extended.

Under the terms of the Merger Agreement, Purchaser may not, without the

prior written consent of the Company (i) waive or change the Minimum Condition or (ii) change the form of consideration to be paid, decrease the Offer Price, decrease the number of Shares sought in the Offer, add to or modify any of the conditions to the Offer set forth in Section 15, make any other change in the terms and conditions of the Offer that is in any manner adverse to the shareholders of the Company, or (except as provided in the next paragraph) change the expiration date of the Offer.

Subject to the terms of the Merger Agreement, Purchaser may, without the consent of the Company, extend the expiration date of the Offer:

- (i) if, at the scheduled or extended expiration date of the Offer, any of the conditions to the Offer will not have been satisfied or, to the extent permitted, waived, until such conditions are satisfied or waived;
- (ii) for any period required by any rule, regulation, interpretation or position of the U.S. Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer or any period required by applicable law; and
- (iii) for up to 10 additional business days in increments of not more than two business days each (but in no event beyond the Termination Date (as defined below)), if, immediately prior to the scheduled or extended expiration date of the Offer, the Shares tendered and not withdrawn pursuant to the Offer constitute more than 80% and less than 90% of the outstanding Shares, notwithstanding that all conditions to the Offer are satisfied as of such expiration date of the Offer; or (iv) as contemplated in paragraph (c) (i) of "Termination" in Section 11;

provided, that, in the case of any extension under clause (iii), CEMEX and Purchaser may not thereafter assert the failure of any of the conditions provided for in clauses (a) (iii), (a) (iv), (a) (v), and (b) (ii) of Section 15 hereof, or for purposes of clause (b) (iii) or (c) of Section 15, a Company Material Adverse Effect (as defined in "Representations and Warranties" of Section 11) or a material breach of a representation or warranty, in each such case, by reasons of an event other than a breach of a covenant by the Company occurring after the initial extension under clause (iii).

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Rule 14d-11 under the Exchange Act permits Purchaser, subject to certain conditions, to provide a subsequent offering period following the expiration of the Offer on the Expiration Date (a "Subsequent Offering Period"). A Subsequent Offering Period is an additional period of time from three business days to 20 business days in length, beginning after Purchaser purchases Shares tendered in the Offer, during which stockholders may tender, but not withdraw, their Shares and receive the Offer Price.

Purchaser has the right to include a Subsequent Offering Period in the event that the Minimum Condition has been satisfied but the Shares tendered and not withdrawn pursuant to the Offer constitute less than 90% of the outstanding Company Common Stock as of the Expiration Date. Pursuant to Rule 14d-7 under the Exchange Act, no withdrawal rights apply to Shares tendered during a Subsequent Offering Period and no withdrawal rights apply during the Subsequent Offering Period with respect to Shares tendered in the Offer and accepted for payment. During a Subsequent Offering Period, Purchaser will promptly purchase and pay for all Shares tendered at the same price paid in the Offer.

As agreed in the Merger Agreement, if any condition to the Offer is not satisfied or waived on any scheduled or extended expiration date of the Offer, Purchaser shall extend the Offer, if such condition or conditions could reasonably be expected to be satisfied, from time to time until such conditions are satisfied or waived; provided, that Purchaser shall not be required to extend the Offer beyond, and in the case of clause (z) of this paragraph may terminate the Offer upon, the earliest to occur of (x) the Termination Date,

(y) ten business days following satisfaction of the condition provided for in clause (a) (ii) of Section 15 or (z) five business days following the public announcement of any Takeover Proposal (as defined in "No Solicitation" of Section 11) or amended Takeover Proposal that has not been publicly rejected by the Company at the time of such expiration or termination (except that Purchaser may not terminate the Offer pursuant to this clause (z) prior to the twentieth business day following commencement of the Offer). For purposes of the Merger Agreement, "Termination Date" means December 31, 2000; provided, however, that if the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 has not occurred on or prior to December 31, 2000, then the Termination Date shall be extended until ten business days after such expiration or termination has occurred, but in no event shall such date be extended beyond February 28, 2001.

The rights reserved by Purchaser with respect to extending, delaying and terminating the Offer are in addition to Purchaser's rights pursuant to Section 15. Any extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date, in accordance with the public announcement requirements of Rule 14e-1(d) under the Exchange Act. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that material changes be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If Purchaser extends the Offer or if Purchaser is delayed in its acceptance for payment of or payment for Shares or it is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described herein under Section 4. However, the ability of Purchaser to delay the payment for Shares that Purchaser has accepted for payment is limited by (i) Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of shareholders promptly after the termination or withdrawal of such bidder's offer, unless such bidder elects to offer a Subsequent Offering Period and pays for the Shares tendered during the Subsequent Offering Period in accordance with Rule 14d-11 under the Exchange Act, and (ii) the terms of the Merger Agreement, which

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require that Purchaser pay for Shares that are tendered pursuant to the Offer as soon as practicable after the Offer.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(d), 14d-6(c) and 14e-1 under the Exchange Act. The minimum period during which an offer must remain open following material changes in the terms of the Offer, other than a change in price, percentage of securities sought or inclusion of or changes to a dealer's soliciting fee, will depend upon the facts and circumstances, including the materiality, of the changes. In the SEC's view, an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to shareholders and, if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of ten business days may be required to allow for adequate dissemination to shareholders. Accordingly, if, prior to the Expiration Date, Purchaser decreases the number of Shares being sought or increases or decreases the consideration offered pursuant to the Offer, and if the Offer is scheduled to expire at any time earlier than the tenth business day from the date that notice of such increase or decrease is first published, sent or given to

shareholders, the Offer will be extended at least until the expiration of such tenth business day.

The Company has provided Purchaser with the Company's shareholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase, the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares whose names appear on the Company's shareholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. Acceptance for Payment and Payment for Shares.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment) and the satisfaction or earlier waiver of all the conditions to the Offer set forth in Section 15, Purchaser will accept for payment and will pay for all Shares validly tendered (other than by guaranteed delivery where actual delivery has not occurred) on or prior to the Expiration Date and not properly withdrawn pursuant to the Offer as soon as it is permitted to do so under applicable law. Subject to the Merger Agreement and compliance with Rule 14e-1(c) under the Exchange Act, Purchaser expressly reserves the right to delay payment for Shares in order to comply in whole or in part with any applicable law. See Section 16.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (1) the certificates evidencing such Shares (the "Share Certificates") or confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3, (2) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined below) in lieu of the Letter of Transmittal and (3) any other documents required by the Letter of Transmittal.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered (other than by guaranteed delivery where actual delivery has not occurred) and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering shareholders whose Shares

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have been accepted for payment. If, for any reason whatsoever, acceptance for payment of any Shares tendered pursuant to the Offer is delayed, or Purchaser is unable to accept for payment Shares tendered pursuant to the Offer, then, without prejudice to Purchaser's rights under Section 1 hereof, the Depository may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn, except to the extent that the tendering shareholders are entitled to withdrawal rights as described in Section 4 and as otherwise required by Rule 14e-1(c) under the Exchange Act.

Under no circumstances will interest on the Offer Price for Shares be paid, regardless of any delay in making such payment.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer, or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the

tendering shareholder (or, in the case of Shares tendered by book-entry transfer into the Depository's account at the Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. Procedures for Accepting the Offer and Tendering Shares.

Valid Tenders. In order for a shareholder validly to tender Shares pursuant to the Offer, either (1) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal) and any other documents required by the Letter of Transmittal must be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase and either the Share Certificates evidencing tendered Shares must be received by the Depository at such address or such Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depository, in each case on or prior to the Expiration Date, or (2) the tendering shareholder must comply with the guaranteed delivery procedures described below.

The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Depository and forming a part of a Book-Entry Confirmation, that states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares that are the subject of such Book-Entry Confirmation, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

Book-Entry Transfer. The Depository will establish an account with respect to the Shares at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depository's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer at the Book-Entry Transfer Facility, either the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must, in any case, be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering shareholder must comply with the guaranteed delivery procedure described below.

Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depository.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal (1) if the Letter of Transmittal is signed by the registered holder of the Shares tendered therewith, unless such holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (2) if the Shares are tendered for the account of a firm that is participating in the Security

Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an "Eligible Institution" and collectively the "Eligible Institutions"). In all other cases, all signatures on a Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a Share Certificate is registered in the name of a person or persons other than the signer of the Letter of Transmittal, or if payment is to be made or delivered to, or a Share Certificate not accepted for payment or not tendered is to be issued, in the name of, a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate duly executed stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Offer and the Share Certificates evidencing such shareholder's Shares are not immediately available or such shareholder cannot deliver the Share Certificates and all other required documents to the Depository prior to the Expiration Date, or such shareholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Shares may nevertheless be tendered; provided that all of the following conditions are satisfied:

- (1) such tender is made by or through an Eligible Institution;
- (2) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, is received prior to the Expiration Date by the Depository as provided below; and
- (3) the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal are received by the Depository within three New York Stock Exchange trading days after the date of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mailed to the Depository and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser.

In all cases, Shares will not be deemed validly tendered unless a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) is received by the Depository.

The method of delivery of Share Certificates, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the Depository (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any and all

tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. Purchaser also

reserves the absolute right to waive any defect or irregularity in the tender of any Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived to the satisfaction of Purchaser. None of CEMEX, Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Other Requirements. By executing the Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints designees of Purchaser as such shareholder's proxies, each with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by Purchaser (including, with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies shall be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, Purchaser accepts such Shares for payment. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares (and such other Shares and securities) will be revoked without further action, and no subsequent proxies may be given nor any subsequent written consent executed by such shareholder (and, if given or executed, will not be deemed to be effective) with respect thereto. The designees of Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual or special meeting of the Company's shareholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's payment for such Shares, Purchaser must be able to exercise full voting rights with respect to such Shares.

The tender of Shares pursuant to any one of the procedures described above will constitute the tendering shareholder's acceptance of the Offer, as well as the tendering shareholder's representation and warranty that such shareholder has the full power and authority to tender and assign the Shares tendered, as specified in the Letter of Transmittal. Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and Purchaser upon the terms and subject to the conditions of the Offer.

Backup Withholding. Under the "backup withholding" provisions of United States federal income tax law, the Depositary may be required to withhold 31% of the amount of any payments made pursuant to the Offer or the Merger, as the case may be. In order to prevent backup federal income tax withholding with respect to payments to certain shareholders of the Offer Price or Merger Consideration, as the case may be, for Shares purchased pursuant to the Offer or the Merger, as the case may be, each such shareholder must provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") and certify that such shareholder is not subject to backup withholding by completing the Substitute Form W-9 in the Letter of Transmittal. Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. If a shareholder does not provide its correct TIN or fails to provide the certifications described above, the Internal Revenue Service may impose a penalty on the shareholder and payment of cash to the shareholder pursuant to the Offer or the Merger, as the case may be, may be subject to backup withholding. All shareholders surrendering Shares pursuant to the Offer or the Merger, as the case may be, should complete and sign the Substitute Form W-9 included in the Letter of Transmittal to provide the information necessary to avoid backup withholding. Non-corporate foreign shareholders should complete and sign a Form W-8, Certificate of Foreign Status (a copy of which may be obtained from the Depositary) in order to avoid backup withholding. See

4. Withdrawal Rights.

Tenders of Shares made pursuant to the Offer are irrevocable, except that such Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. However, Shares tendered in any Subsequent Offering Period may not be withdrawn.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name, address and taxpayer identification number of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

If Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described herein.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of CEMEX, Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Withdrawals of Shares may not be rescinded. Any Shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered at any time prior to the Expiration Date or during the Subsequent Offering Period by following one of the procedures described in Section 3.

No withdrawal rights will apply to Shares tendered into a Subsequent Offering Period and no withdrawal rights apply during the Subsequent Offering Period with respect to the Shares tendered in the Offer and accepted for payment. See Section 1.

5. Certain United States Federal Income Tax Consequences.

The following is a summary of certain United States federal income tax consequences of the Offer and the Merger to shareholders of the Company whose Shares are tendered and accepted for payment pursuant to the Offer or whose Shares are converted into the right to receive cash in the Merger. The discussion is for general information only and does not purport to consider all aspects of United States federal income taxation that might be relevant to shareholders of the Company. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing, proposed and temporary regulations promulgated thereunder and administrative and judicial interpretations thereof, all of which are subject to change, possibly

with a retroactive effect. The discussion applies only to shareholders of the Company who hold their Shares as capital assets within the meaning of Section 1221 of the Code. This discussion does not apply to Shares received pursuant to the exercise of employee stock options or otherwise as compensation, or to certain types of shareholders (such as insurance companies, tax-exempt organizations, financial institutions, broker-dealers

and shareholders who have acquired the Shares as part of a straddle, hedge, conversion transaction or other integrated investment) who may be subject to special rules. This discussion does not discuss the United States federal income tax consequences to any shareholder of the Company who, for United States federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust, nor does it consider the effect of any foreign, state or local tax laws.

Because individual circumstances may differ, each shareholder should consult his or her own tax advisor to determine the applicability of the rules discussed below and the particular tax effects of the Offer and the Merger, on a beneficial holder of Shares, including the application and effect of the alternative minimum tax, and any state, local and foreign tax laws and of changes in such laws.

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction for United States federal income tax purposes and possibly for state, local and foreign income tax purposes as well. In general, a shareholder who sells Shares pursuant to the Offer or receives cash in exchange for Shares pursuant to the Merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the shareholder's adjusted tax basis in the Shares sold pursuant to the Offer or exchanged for cash pursuant to the Merger. Gain or loss will be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) tendered pursuant to the Offer or exchanged for cash pursuant to the Merger. Such gain or loss will be long-term capital gain or loss provided that a shareholder's holding period for such Shares is more than one year at the time of consummation of the Offer or the Merger, as the case may be. Capital gains recognized by an individual upon a disposition of a Share that has been held for more than one year generally will be subject to a maximum United States federal income tax rate of 20% or, in the case of a Share that has been held for one year or less, will be subject to tax at ordinary income tax rates. Certain limitations apply to the use of a shareholder's capital losses.

A shareholder whose Shares are purchased in the Offer or the Merger, as the case may be, may be subject to 31% backup withholding unless certain information is provided to the Depository or an exemption applies. See Section 3.

6. Price Range of Shares; Dividends.

The Shares are listed and traded on the New York Stock Exchange (the "NYSE") under the symbol "SDW". The following table sets forth, for the quarters indicated, the high and low sale prices per Share as well as the dividends paid to shareholders for the periods indicated. Share prices are as reported on the NYSE based on published financial sources.

Common Stock		
High	Low	Dividends

Fiscal Year 1998:

First Quarter.....	\$72.50	\$55.31	\$0.10
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Second Quarter.....	74.00	63.06	0.10
Third Quarter.....	73.75	42.25	0.10
Fourth Quarter.....	61.06	36.44	0.15
Fiscal Year 1999:			
First Quarter.....	\$59.25	\$45.88	\$0.15
Second Quarter.....	69.94	53.63	0.15
Third Quarter.....	65.88	48.56	0.15
Fourth Quarter.....	58.00	45.38	0.15
Fiscal Year 2000:			
First Quarter.....	\$60.25	\$47.81	\$0.15
Second Quarter.....	67.19	56.50	0.15
Third Quarter.....	65.38	52.75	0.15
Fourth Quarter (through October 4, 2000).....	71.31	71.25	--

On September 28, 2000, the last full day of trading before the public announcement of the execution of the Merger Agreement, the last sale price of the Shares on the NYSE was \$56.00 per Share. On October 4, 2000, the last full day of trading before the commencement of the Offer, the closing price of the Shares on the NYSE was \$71.25 per Share. Shareholders are urged to obtain a current market quotation for the Shares.

7. Certain Information Concerning the Company.

General. Southdown is a Louisiana corporation with its principal offices located at 1200 Smith Street, Suite 2400, Houston, Texas 77002-4486. The telephone number of the Company is (713) 650-6200. According to the Company's Form 10-K for the fiscal year ended December 31, 1999 (the "1999 10-K"), the Company engages primarily in three business segments related to the production of cement. Southdown operates twelve portland cement manufacturing plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee and Texas, plus an extensive network of cement distribution terminals. The Company also mines, processes and sells construction aggregates and specialty mineral products in the eastern half of the United States, in Florida and in California and installs highway safety systems such as guardrails, traffic signals, highway signage and lighting. In addition, the Company markets ready-mixed concrete products in two of its largest cement markets, California and Florida.

Available Information. The Shares are registered under the Exchange Act. Accordingly, the Company is subject to the informational reporting requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information as of particular dates concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the SEC. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Information regarding the public reference facilities may be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available to the public on the SEC's Internet site (<http://www.sec.gov>). Copies of such materials may also be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

8. Certain Information Concerning CEMEX and Purchaser.

General. CEMEX, S.A. de C.V. is a stock corporation with variable capital organized under the laws of the United Mexican States with its principal offices located at Ave. Constitucion 444 Pte., Monterrey, Mexico 64000. The

telephone number of CEMEX is (011-528) 328-3000 or (800) 462-3639. CEMEX is the third largest cement company in the world, based on installed capacity as of December 31, 1999, of approximately 65.4 million tons, and is the world's largest trader of cement and clinker, having traded over 13 million tons of cement and clinker in 1999. CEMEX engages, through its operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. It is a global cement manufacturer, with operations in North, Central and South America, Europe, the Carribean, Asia and Africa. As of December 31, 1999, CEMEX had worldwide assets of \$11.8 billion. On June 21, 2000, CEMEX had an equity market capitalization of approximately \$5.8 billion. The historical consolidated financial statements of CEMEX for the fiscal year ended December 31, 1999 and the six months ended June 30, 2000 are attached to this Offer to Purchase as Annex A.

Purchaser is a newly incorporated Delaware corporation organized in connection with the Offer and the Merger. The principal offices of Purchaser are located at One Riverway, Suite 2200, Houston, Texas 77056. The telephone number of Purchaser is (713) 881-1000. Purchaser is an indirect subsidiary of CEMEX. Purchaser has not carried on any activities other than in connection with the Merger Agreement.

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The name, citizenship, principal business address, business phone number, principal occupation or employment and five-year employment history for each of the directors and executive officers of CEMEX and Purchaser and certain other information are set forth in Schedule I hereto. None of the persons listed in Schedule I has, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons listed in Schedule I has, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Except as described in this Offer to Purchase, neither Purchaser nor, to the best knowledge of CEMEX and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of CEMEX or Purchaser or any of the persons so listed beneficially owns or has any right to acquire, directly or indirectly, any Shares. Furthermore, none of CEMEX, Purchaser nor, to the best knowledge of CEMEX and Purchaser, any of the persons or entities referred to above nor any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Shares during the past 60 days. Please see Section 11 for a description of the Merger Agreement.

Except as provided in the Merger Agreement, none of CEMEX, Purchaser nor, to the best knowledge of CEMEX and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, guarantees of profits, division of profits or loss or the giving or withholding of proxies.

On June 22, 2000, a U.S. subsidiary of CEMEX and the Company entered into an arm's length cement supply agreement whereby the subsidiary agreed to make certain volumes of cement available to the Company's California concrete operations. The agreement provides for certain quantities of cement to be made available from the subsidiary's terminal located in Long Beach, California from June 1, 2000 through September 30, 2001. The Company agreed to pay for approximately half of the cement in cash at specified prices and for the remainder by making available to the subsidiary certain tonnages of cement from the Company's cement plant in Victorville, California. The prices to be paid are based on market prices and, at present, total payments over the life of

this agreement are not expected to exceed U.S.\$10 million.

Except as set forth above, none of CEMEX, Purchaser nor, to the best knowledge of CEMEX and Purchaser, any of the persons listed on Schedule I hereto, has had any business relationship or transaction with the Company or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no material contacts, negotiations or transactions between CEMEX or any of its subsidiaries or, to the best knowledge of CEMEX and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

9. Source and Amount of Funds.

Purchaser's obligation to purchase Shares under the Offer is not conditioned on any financing arrangements or subject to any financing condition. The total amount of funds required by Purchaser to consummate the Offer and the Merger and to pay related fees and expenses is estimated to be approximately US\$2.85 billion. Purchaser will obtain all necessary funds from a new credit facility and from CEMEX or certain of CEMEX's subsidiaries. CEMEX expects to fund any necessary capital contributions or intra-company loans to Purchaser from new borrowing arrangements for which CEMEX has obtained commitments from several financial institutions, which include a US\$1.5 Billion Equity Swap Facility and US\$1.4 Billion in

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Senior Unsecured Credit Facilities, certain terms and conditions of which are described below. The terms and conditions of the definitive documentation entered into in connection with these facilities may differ in certain respects from those described below.

US\$1.5 Billion Equity Swap Facility. On September 28, 2000, CEMEX, The Chase Manhattan Bank, Deutsche Bank AG London, Chase Manhattan PLC and Deutsche Bank Securities Inc. (collectively, "Chase/Deutsche") signed a commitment letter (the "Chase/Deutsche Commitment Letter") pursuant to which Chase/Deutsche agreed, subject to the satisfaction of specified conditions, to establish a term loan facility in the amount of US\$1.5 billion (the "Swap Facility"). The Swap Facility consists of an 18-month US\$1.5 billion term loan facility to be provided to a newly formed special purpose company in which CEMEX will not have any interest (together with its subsidiaries, the "Swap Borrower"), pursuant to facility documentation (the "Facility Documentation") to be entered into on terms set forth in the Chase/Deutsche Commitment Letter.

The Swap Borrower will use the funds advanced under the Swap Facility to acquire preference shares (together with other preference shares of Dutch Holdco subscribed for by the Swap Borrower, the "Preference Shares") of a newly formed Dutch company ("Dutch Holdco"), a wholly owned subsidiary of Sunward Acquisitions NV ("Sunward"), a Dutch company and wholly owned subsidiary of CEMEX. Concurrently with the Swap Borrower's acquisition of the Preference Shares, Sunward will contribute its 85.15% interest in Compenia Valenciana de Cementos Portland, S.A., the Spanish holding company through which CEMEX holds its non-Mexican businesses ("Valenciana"), to Dutch Holdco in exchange for all of the ordinary shares of Dutch Holdco (the "Ordinary Shares"). The \$1.5 billion received from the Swap Borrower for the issuance of Preference Shares will be used in connection with the Offer and the Merger. The Swap Facility will be non-recourse to CEMEX and its subsidiaries. It is anticipated that all debt service payments to be made by the Swap Borrower will be derived from payments made in respect of the Preference Shares in Dutch Holdco acquired by the Swap Borrower.

Dutch Holdco and the Swap Borrower will enter into agreements that regulate Sunward's and the Swap Borrower's interests in Dutch Holdco and that set forth each of their respective rights under the Preference Shares and the Ordinary

Shares (the "Dutch Holdco Documentation"). Under the Dutch Holdco Documentation, Sunward will have options to acquire the Preference Shares at a purchase price sufficient to enable the Swap Borrower to repay all amounts due under the Swap Facility. There will be no recourse against Sunward or any other CEMEX entity in the event that Sunward fails to exercise any of these options. However, among other things, the Dutch Holdco Documentation will permit Dutch Holdco to be liquidated in the event that these options are not exercised. These liquidation procedures contemplate selling Dutch Holdco's assets (principally the Valenciana shares) at market prices in an amount sufficient to satisfy the liquidation preference of the Preference Shares.

The availability of funds from the Swap Facility will be subject to the satisfaction of specified conditions including:

- . the Facility Documentation and the Dutch Holdco Documentation in form and substance acceptable to the underwriters and arrangers having been executed prior to or on November 30, 2000;
- . the absence of either (i) any material adverse change in the operations, condition or prospects (financial or otherwise) of CEMEX and its subsidiaries including the Company and its subsidiaries or (ii) a material disruption of or material adverse change in the financial, banking or capital market conditions, in either case which may have an adverse effect on the successful syndication of the Swap Facility;
- . receipt by lenders of evidence that all regulatory and other approvals for the closing of the Offer and the Merger have been obtained; and
- . no material regulatory conditions or undertakings having been required of CEMEX and its subsidiaries (including any divestment obligation) and none of the conditions of the Offer relating to price, acceptances and regulatory matters having been waived without in any such case the prior written consent of at least 51% of the lenders having been obtained.

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The Swap Facility shall be repaid:

- (a) as to US\$300,000,000, in installments of the following amounts on the following dates after the first drawdown:
 - . US\$100,000,000 on the ninth month;
 - . US\$100,000,000 on the twelfth month;
 - . US\$100,000,000 on the fifteenth month; and
- (b) as to the balance on the date falling 18 months after the execution of the definitive agreement governing the Swap Facility.

The interest rate will be the London Interbank Offered Rate ("LIBOR") (determined by reference to the applicable screen page for US dollars) plus the Applicable Margin (as defined below) and any applicable additional costs rate. Interest shall be paid on the last day of each interest period and will be calculated on the basis of actual days elapsed and a year of 360 days. The "Applicable Margin" will be determined by the ratio of Total Debt to EBITDA (each as defined in the Chase/Deutsche Commitment Letter), tested quarterly.

The Swap Borrower may prepay all or, subject to an appropriate minimum amount and multiple, any part of the Swap Facility upon 30 banking days' notice without penalty, fee or premium unless the prepayment is otherwise than on the last day of an interest period in which case the prepayment will be subject to an indemnity for broken funding costs. Under certain circumstances, the Swap Facility shall require mandatory prepayments, including:

- . in full, on an initial public offering ("IPO") of Valenciana or, with certain exceptions, any of its subsidiaries (together with Valenciana,

the "Valenciana Group") or on a change of control or sale of substantially all of the business or assets of any material member of the Valenciana Group;

- . in full, on CEMEX ceasing to be the owner, directly or indirectly, of 100% of the issued capital of Sunward; and
- . to the extent such application is legally permitted, from the net proceeds of any disposal of assets or shares by any members of the Valenciana Group in excess of an amount to be agreed to the extent that such net proceeds are not reinvested by any member of the Valenciana Group in the ordinary course of business or used to permanently repay borrowed money of the Valenciana Group, within three months of the receipt of such net proceeds.

The Swap Facility will contain representations and warranties, affirmative covenants, financial covenants, negative covenants and events of default that are usual and customary for facilities similar to the Swap Facility.

Neither CEMEX nor Purchaser has made any formal plans concerning the repayment or refinancing of the Swap Facility.

US\$1.4 Billion Senior Unsecured Credit Facilities. On September 28, 2000, CEMEX, Salomon Smith Barney and Citibank, N.A. ("Citibank," and together with Salomon Smith Barney, "Citi/SSB") signed a commitment letter (the "Citi/SSB Commitment Letter" and, together with the Chase/Deutsche Commitment Letter, the "Commitment Letters") pursuant to which Citi/SSB agreed to establish for Purchaser and, following the Merger, the Surviving Corporation (the "Borrower"):

- (a) a Senior Unsecured US\$350,000,000 364-Day Revolving Credit Facility,
- (b) a Senior Unsecured US\$500,000,000 364-Day Revolving Credit Facility, and
- (c) a Senior Unsecured US\$550,000,000 5-Year Term Loan (each such loan, a "Tranche" and collectively, the "Loan Facilities").

The Borrower's obligations under the Loan Facilities will be supported by a guarantee of the Borrower's direct parent, Valenciana. Following the consummation of the Offer and prior to the consummation of the Merger, Valenciana will use best efforts to cause the Company to become a guarantor.

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The funds from the Loan Facilities are to be used in connection with the Offer and the Merger, and shall be made available for the Offer and the Merger on and from the satisfaction of certain conditions including:

- . the preparation, execution and delivery of mutually acceptable loan documentation, including a guarantee of the Loan Facilities provided by Valenciana (the "Operative Documents");
- . no law, regulation or decree that imposes materially adverse conditions upon the Borrower; and neither the Loan Facilities nor the transactions contemplated by the Loan Facilities will conflict with, violate or result in a default under any contract, agreement or instrument to which the Borrower is a party;
- . no material change in the business, condition (financial or otherwise), operations, performance, properties or prospects of Valenciana and the Company taken as a whole; and
- . the Borrower shall have received, or will receive on the date the Loan Facilities are advanced, no less than US\$1.5 billion as a capital contribution from the Valenciana from the proceeds of the Swap Facility.

At the Borrower's option, any advance under the facilities made to it will be available at the following rates:

- (a) Base Rate: a fluctuating rate equal to Citibank's base rate plus the applicable margin, which is zero basis points per annum; and
- (b) Eurodollar Rate: a periodic fixed rate equal to LIBOR plus the applicable margin, which is an amount that will vary based on a pricing grid with applicable spreads based on the long-term senior unsecured non-credit-enhanced debt ratings of Valenciana until the consummation of the Merger, and thereafter, on the long-term unsecured debt ratings of the Surviving Corporation taking into account the guarantee of Valenciana.

Upon the occurrence of an event of default under the Loan Facilities and during the continuance of any event of default, each Eurodollar Rate will convert to a Base Rate at the end of the interest period then in effect for such Eurodollar Rate advance. The Borrower shall make interest payments at the end of each interest period for each advance under a Tranche.

The Borrower may request that Citibank solicit competitive bids from the lenders under the Loan Facilities for advances under the two revolving credit facilities with requested maturities of 30 days or more. Each lender will bid at its discretion. The Borrower may accept one or more bids, provided that the aggregate outstanding advances of all lenders on the date of, and giving effect to, any advance under a competitive bid ("Competitive Bid Advance") may not exceed the aggregate commitments for the applicable Tranche at such time.

Advances (other than Competitive Bid Advances) may be prepaid without penalty, on the same day notice of the Base Rate advances and two business days' notice for Eurodollar Rate advances, in minimum amounts of US\$10,000,000 and increments of US\$1,000,000 in excess thereof. Competitive Bid Advances cannot be prepaid.

The Loan Facilities will contain representations and warranties, affirmative covenants, financial covenants, negative covenants and events of default that are usual and customary for facilities similar to the Loan Facilities.

Neither CEMEX nor Purchaser has made any formal plans concerning the repayment or refinancing of the Loan Facilities.

The Commitment Letters have each been filed as an exhibit to the Tender Offer Statement on Schedule TO filed by CEMEX and Purchaser pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act with the SEC in connection with the Offer (the "Schedule TO"). The summaries of the Commitment Letters are qualified in their entirety by reference to the Commitment Letters, which are deemed to be incorporated by reference herein.

No alternative financing plans or arrangements have been made in the event CEMEX is unable to finalize the credit facilities or the guarantee described above in connection with the Offer and the Merger.

10. Background of the Offer; Past Contacts or Negotiations with the Company.

For a number of years, CEMEX and the Company have had occasional contacts, including discussions related to antidumping litigation in which the Company was a member of a plaintiff group and CEMEX was a defendant. From time to time, CEMEX and the Company discussed a possible settlement of this litigation. In the fall of 1999, the Company unilaterally withdrew as a plaintiff in the antidumping litigation. During the same period, the Company and CEMEX also discussed the possible formation of a joint venture to hold a portion of their respective ready-mix operations in California. These discussions terminated without any agreement being reached.

Following the Company's engagement of Lehman Brothers Inc. as its financial

advisor, Mr. Comer contacted Lorenzo Zambrano, the President and CEO of CEMEX, to determine CEMEX's possible interest in an acquisition by CEMEX of the Company. While dollar amounts were not specifically discussed, Mr. Comer did mention the valuation multiples paid by other foreign cement manufacturers for cement assets recently acquired in the United States. Mr. Zambrano subsequently indicated that CEMEX would not be interested in acquiring the Company at those levels.

On April 5, 2000, Mr. Zambrano met with Mr. Comer in Houston, where they again discussed CEMEX's possible interest in an acquisition of the Company. Mr. Zambrano indicated that there was probably a price at which CEMEX would be interested in an acquisition of the Company, a price at which it would probably be neutral, and a price at which it would be uninterested. Based on the analysis CEMEX had done, Mr. Zambrano indicated that at a price of approximately U.S.\$65 per share CEMEX would be interested in acquiring the Company. Mr. Comer said that he believed that the price at which the Company might consider an acquisition would be in the range where CEMEX was either neutral or uninterested, and that at the level indicated by Mr. Zambrano the Company would not be interested in pursuing more serious discussions.

In July 2000, Jim Rowe, a financial advisor to CEMEX, contacted Mr. Comer and indicated that while CEMEX was interested in an acquisition of the Company, it had been unable to develop valuations consistent with the speculations of analysts and the financial press. Mr. Rowe suggested a meeting to discuss Mr. Rowe's financial acquisition model and valuation of the Company. On July 28, 2000, Mr. Rowe met with Mr. Comer in Houston to review the assumptions underlying Mr. Rowe's financial acquisition model. Mr. Comer discussed those assumptions with Mr. Rowe and suggested certain revisions. Mr. Rowe indicated that he would adjust his model, discuss the revised financial model with Mr. Zambrano, and contact Mr. Comer shortly.

As a result of the discussions with Mr. Rowe, in early August 2000, Mr. Comer and Mr. Zambrano again discussed CEMEX's possible interest in acquiring the Company. They also discussed Mr. Rowe's valuation model. Mr. Zambrano suggested that the parties sign a confidentiality agreement that granted CEMEX an exclusive period of time in which to develop an acquisition proposal and commence due diligence activities. Mr. Comer indicated that in view of the current state of the Company's discussions with other parties, the Company was not in a position to grant CEMEX an exclusive negotiating arrangement.

On August 11, 2000, the Company and CEMEX entered into a confidentiality agreement. Thereafter representatives of CEMEX and the Company met in Houston to discuss various aspects of the Company's operations and exchange relevant information. The Company agreed to permit CEMEX to tour the Company's plants, subject to CEMEX proposing a range of values that might be acceptable to the Company's senior management and the Company's Board of Directors.

During a meeting in Houston later in August 2000, Mr. Zambrano indicated to Mr. Comer that CEMEX would be interested in pursuing an acquisition of the Company in the range of U.S.\$68 to U.S.\$72 per Share, but that in order to pursue such an acquisition CEMEX would need to conduct a thorough due diligence investigation of the Company as well as explore financing arrangements. Mr. Zambrano also indicated that this process would likely take until the end of September. Mr. Comer indicated that it was highly unlikely that the Company's Board of Directors would accept a price below U.S.\$70 per share, and that there was no assurance

that the Company's Board of Directors would accept a proposal at the higher end of Mr. Zambrano's suggested range. During this meeting Mr. Zambrano agreed that CEMEX would be interested in pursuing the acquisition of the Company in the range of U.S.\$70 to U.S.\$72 per Share. Subsequently, representatives of CEMEX visited the Company's manufacturing facilities and conducted additional in-depth financial, environmental and operations due diligence.

In early September, Mr. Zambrano reviewed with Mr. Comer the preliminary

results of CEMEX's due diligence investigation and potential financing discussions. Mr. Zambrano told Mr. Comer that he was encouraged by the progress of both and believed that CEMEX would be in a position to make a definitive acquisition proposal earlier than had been planned. Messrs. Zambrano and Comer agreed that it would be appropriate to begin discussions concerning the form the necessary merger agreement would take in the event that CEMEX made, and the Company accepted, an acquisition proposal. These discussions began soon thereafter and continued through the time of execution of the Merger Agreement.

During a conversation initiated by Mr. Comer on September 22, 2000, Mr. Zambrano confirmed that CEMEX would be prepared to pay U.S.\$73 per share if the discussions concerning the Merger Agreement could be brought to a prompt and successful conclusion and approval of the Company's Board of Directors promptly obtained. The parties continued these discussions and CEMEX's acquisition proposal was considered by the Company's Board of Directors at a meeting on September 27, 2000. Late in the Company's Board of Directors meeting on September 27, 2000, Mr. Comer called Mr. Zambrano and asked if CEMEX would raise its offer from U.S.\$73 per share. Mr. Zambrano responded that U.S.\$73 was the most CEMEX would pay. The Company's Board of Directors subsequently adjourned until the afternoon of September 28, 2000. Representatives of the Company and CEMEX continued to negotiate the terms of the Merger, and at a meeting late in the afternoon of September 28, 2000, the Company's Board of Directors ultimately approved the transaction, following which the parties executed the Merger Agreement and publicly announced the transaction the next morning.

Additionally, during the periods described above, representatives of Lehman Brothers and Salomon Smith Barney, the financial advisors of the Company and CEMEX, respectively, remained in periodic contact relating to the discussions and negotiations between their clients.

11. The Merger Agreement and the Confidentiality Agreement.

General. The following is a summary of the material provisions of the Merger Agreement, a copy of which is filed as an exhibit to the Schedule TO. The summary is qualified in its entirety by reference to the Merger Agreement, which is deemed to be incorporated by reference herein.

The Offer. The Merger Agreement provides for the making of the Offer. The obligation of Purchaser to accept for payment and pay for Shares tendered pursuant to the Offer is subject to the satisfaction of the Minimum Condition and certain other conditions that are described in Section 15.

The Merger. The Merger Agreement provides that upon the terms and subject to the conditions set forth therein, at the Effective Time Purchaser will be merged with and into the Company with the Company being the Surviving Corporation in the Merger. Following the Merger, the separate corporate existence of Purchaser will cease, and the Company will continue as the Surviving Corporation and become an indirect subsidiary of CEMEX.

If required by the LBCL, the Company will call and hold a meeting of its shareholders promptly following consummation of the Offer for the purpose of voting upon the approval of the Merger Agreement. At any such meeting all Shares then owned by CEMEX or Purchaser or any subsidiary of CEMEX will be voted in favor of adopting the Merger Agreement.

Pursuant to the Merger Agreement, each Share outstanding at the Effective Time (other than Shares owned by CEMEX, Purchaser, the Company or any of their respective subsidiaries, all of which will be cancelled, and

other than Shares that are held by shareholders, if any, who properly exercise their dissenters' rights under the LBCL) will be converted into the right to receive the Merger Consideration. Shareholders who perfect their dissenters' rights under the LBCL will be entitled to the amounts determined pursuant to such proceedings. See Section 12.

Representations and Warranties. Pursuant to the Merger Agreement, the Company has made customary representations and warranties to CEMEX and Purchaser. The representations and warranties made by the Company include:

- . representations relating to the Company's and its subsidiaries due organization, good standing and corporate power, authorization and validity of the Merger Agreement, the Company's capitalization, the Company's reports and financial statements, broker's or finder's fees, state takeover statutes, voting requirements and approval by the Company's board of directors, the opinion of the Company's financial advisor, and the Rights Agreement, and each such representation must be true and correct in all material respects as of the date of the Merger Agreement and as of any scheduled or extended expiration date of the Offer as though made on such date (or, in each case, if made as of a specified date, as of such date) (the "Absolute Representations"); and
- . representations relating to the Company having the necessary consents and approvals, no violations, information to be supplied, the absence of certain events with respect to the Company, litigation, the Company's title to properties and encumbrances on the Company's property, compliance with laws, Company employee benefit plans, taxes, intellectual property, environmental matters, contracts, the Company's books and records, the Company's plant and equipment and labor and employment matters ("Qualified Representations"), which must be true and correct as of the date of the Merger Agreement and as of any scheduled or extended expiration date of the Offer as though made on such date (or, in each case, if made as of a specified date, as of such date). The Qualified Representations shall be deemed untrue or incorrect for any purpose under the Merger Agreement or the Offer and no party to the Merger Agreement shall be deemed to have breached any such representation or warranty for any purpose under the Merger Agreement, in any case as a consequence of the existence or absence of any fact, circumstance or event unless such fact, circumstance or event, individually or when taken together with all other facts, circumstances or events inconsistent with any such representations or warranties of the Company contained in Article VI of the Merger Agreement has had or would reasonably be expected to have a Company Material Adverse Effect (as defined below). The Merger Agreement defines a "Company Material Adverse Effect" as a material adverse effect on (a) the ability of the Company to perform in all material respects its obligations under the Merger Agreement or to consummate the transactions contemplated hereby or (b) the business, assets, liabilities, results of operations or financial condition of the Company and its subsidiaries, taken as a whole; provided, however, that any effect directly relating to the economy in general or affecting the United States cement industry generally shall be excluded for purposes of determining whether a Company Material Adverse Effect has occurred.

Pursuant to the Merger Agreement, CEMEX and Purchaser have made customary representations and warranties to the Company. The representations and warranties made by CEMEX and Purchaser include representations relating to their due organization, good standing and corporate power, authorization and validity of the Merger Agreement, information to be supplied by them, broker's or finder's fees, their obtaining consents and approvals, no violations, their ownership of capital stock, Purchaser's activities prior to the signing of the Merger Agreement and the availability of sufficient funds.

Covenants. The Merger Agreement contains various covenants of the parties thereto. A description of certain of these covenants follows:

Company Conduct of Business Covenants. The Merger Agreement provides that, prior to the Effective Time and except as may be agreed in writing by CEMEX, and except as disclosed in or expressly contemplated or permitted by the Merger Agreement:

- (a) the Company and its subsidiaries will conduct their respective operations only according to their ordinary and usual course of business consistent with past practice and shall use their reasonable best efforts to preserve intact their respective business organizations, keep available the services of their officers and employees and maintain satisfactory relationships with licensors, suppliers, distributors, customers, clients, joint venture partners and others having significant business relationships with them;
- (b) neither the Company nor any of its subsidiaries will:
- (1) make any change in or amendment to its articles of incorporation or its by-laws or similar organizational documents;
 - (2) issue or sell, or authorize to issue or sell, any shares of its capital stock or any other securities, voting debt, or issue or sell, or authorize to issue or sell, any securities convertible into, or options, warrants or rights to purchase or subscribe for, or enter into any arrangement or contract with respect to the issuance or sale of, any shares of its capital stock, voting debt, or any other securities, or make any other changes in its capital structure, other than (A) the issuance of Shares upon the exercise of stock options outstanding on the date of the Merger Agreement, in accordance with their terms and (B) subject to the continued accuracy of the Company's representation regarding the Rights Agreement and compliance with its covenants with respect to the Rights Agreement, dividends with rights pursuant to a Permitted Replacement Rights Agreement (see "--Rights Agreement");
 - (3) declare, pay or set aside any dividend or other distribution or payment with respect to, or split, combine, redeem or reclassify, or purchase or otherwise acquire, any shares of its capital stock or its other securities, other than (A) normal quarterly cash dividends not in excess of \$0.15 per share declared and paid in accordance with the Company's past dividend policy, including as to the timing of the declaration, record and payment dates, provided that no such cash dividends shall be declared after the consummation of the Offer, or (B) dividends payable by a wholly owned subsidiary of the Company to the Company or another wholly owned subsidiary of the Company and (C) pro-rata distributions in the ordinary course of business consistent with past practice by the Partnership, to its partners;
 - (4) incur any capital expenditures or any obligations or liabilities in respect thereof, except (A) with respect to expansion projects, for expenditures for such projects which are consistent in amount and scope with the 2000 Capital Budget and the 2001 Capital Spending Forecast (provided that any such expenditure included in the 2000 Capital Budget that is not made prior to January 1, 2001 may be made on or after January 1, 2001 provided that it is consistent in amount and scope with the 2000 Capital Budget), (B) those required for maintenance and replacement in the ordinary course of business not to exceed (x) during the period from the date of the Merger Agreement to December 31, 2000, the amounts provided for matters other than expansion projects in the 2000 Capital Budget that have not been spent as of the date of the Merger Agreement and (y) \$23.5 million following December 31, 2000, or (C) those required for maintenance and replacement in the ordinary course of business in excess of the amounts permitted by clause (B) but not to exceed in the case of this clause (C) \$3,600,000 in the aggregate after the date of this Agreement;
 - (5) acquire or agree to acquire (A) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof (including any of the Company's subsidiaries) or (B) any assets, including real estate, except (x) purchases of inventory,

equipment, other non-material assets in the ordinary course of business consistent with past practice or (y) expenditures consistent with the Company's Capital Budget;

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- (6) (A) except in the ordinary course of business consistent with past practice and except to the extent required under existing employee and director benefit plans, agreements or arrangements as in effect on the date of the Merger Agreement, increase the compensation or fringe benefits of any of its directors, officers or employees or grant any severance or termination pay not currently required to be paid under existing severance plans or (B) enter into (x) any employment or consulting agreement or arrangement with any present or former director or officer of the Company or any of its subsidiaries, or any employment or consulting agreement with any other employee of the Company or any of its Subsidiaries or (y) or severance agreement or arrangement with any present or former director, officer or other employee of the Company or any of its subsidiaries, except the Company or its subsidiaries may enter into a severance agreement or arrangement consistent with past practice where the Company and its subsidiaries would not have any obligation or liability for the payment of any amount in excess of U.S.\$50,000 in any individual case or U.S.\$250,000 in the aggregate; or (C) hire or agree to hire, or enter into any employment agreement or arrangement with, any new or additional employee or officer (x) having an annual base salary of U.S.\$100,000 or more and (y) in the case of any new or additional officer (or employee performing similar functions), if the aggregate annual salaries of all such new officers and employees performing similar functions would exceed U.S.\$500,000;
- (7) except as required to comply with applicable law or expressly provided in the Merger Agreement, (A) adopt, enter into, terminate or amend any Company Benefit Plan (as defined herein), collective bargaining agreement or other arrangement for the current or future benefit or welfare of any director, officer or current or former employee, except to the extent necessary to coordinate any such Company Benefit Plans with the terms of the Merger Agreement, (B) pay any benefit not provided for under any Company Benefit Plan, accelerate the payment, right of payment or vesting of any bonus, severance, profit sharing, retirement, deferred compensation, stock option, insurance or other compensation or benefits, (C) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Company Benefit Plan (including the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any Company Benefit Plans or agreements or awards made thereunder) or (D) except as required by the current terms thereof take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or Company Benefit Plan;
- (8) transfer, lease (as lessor), license, sell, mortgage, pledge, dispose of, encumber or subject to any lien, any assets, other than in the ordinary course of business and consistent with past practice, except (x) as described below in "--Vessels Engaged in Coastwide Trade" and (y) for the disposition in the ordinary course of business of dormant real property;
- (9) except as required by applicable law or GAAP, make any change in its methods of accounting;
- (10) adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring,

recapitalization or other reorganization of the Company or any of its subsidiaries (other than the Merger), except as contemplated by the Merger Agreement (see "--No Solicitation");

- (11) (A) incur or assume any long-term debt (other than under existing revolving credit facilities, as may be amended as contemplated by the Merger Agreement), or except in the ordinary course of business consistent with past practice, incur or assume any short-term indebtedness; (B) incur or modify any material indebtedness or other liability; (C) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations or indebtedness of any other person (other than any wholly owned direct or indirect subsidiary in the ordinary course of business and consistent with past practice), except in the ordinary course

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of business and consistent with past practice and except for guarantees by subsidiaries of the Company of indebtedness permitted under the preceding clause (A); (D) make any loans, advances or capital contributions to, or investments in, any other person (other than in or to wholly owned subsidiaries of the Company or the Partnership (in the ordinary course of business and consistent with past practice), or by wholly owned subsidiaries to the Company, or customary loans or advances to employees in accordance with past practice); (E) settle any claims against the Company or any of its subsidiaries (x) outside the ordinary course of business consistent with past practice or (y) where the amounts payable by the Company and its subsidiaries would exceed U.S.\$1.0 million, in each such case, without admission of liability; or (F) enter into any material commitment or transaction other than in the ordinary course of business;

- (12) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, in the ordinary course of business and consistent with past practice, or of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the audited and reaudited financial statements (or the notes thereto) of the Company and its consolidated subsidiaries;
- (13) enter into any agreement, understanding or commitment that contains any material prohibition on the conduct of any business or line of business, or any material limitation on the scope of business that may be conducted, by the Company or any of its subsidiaries, including geographic limitations on the Company's or any of its subsidiaries' activities;
- (14) (A) announce, implement or effect any material reduction in labor force, lay-off, early retirement program, severance program or other program or effort concerning the termination of employment of employees of the Company or its subsidiaries (other than routine employee terminations for cause which are not subject to this provision) or (B) terminate the employment of any officer of the Company other than for cause or agree that any voluntary termination of employment by an officer of the Company occurring prior to the Effective Time shall be treated as having been with "good reason";
- (15) take any action including, without limitation, the adoption of any shareholder rights plan or amendments to its articles of incorporation or by-laws (or comparable governing documents), which would, directly or indirectly, restrict or impair the ability of CEMEX to vote, or otherwise to exercise the rights and

receive the benefits of a shareholder with respect to, securities of the Company acquired by Purchaser in the Offer or, except with respect to the exercise of stock options issued and outstanding on the date of the Merger Agreement, permit any shareholder to acquire securities of the Company on a basis not available to CEMEX or Purchaser in the event that CEMEX or Purchaser were to acquire any additional Shares (subject to the Company's right to take action specifically permitted by the Merger Agreement prior to the consummation of the Offer); provided, however, that prior to the acceptance for payment of Shares pursuant to the Offer, the Company may adopt a Permitted Replacement Rights Plan (as defined in "--Rights Agreement") to replace the existing Rights Agreement and authorize sufficient shares of preferred stock of the Company issuable thereunder, provided that the record date for the dividend of the rights under any such Permitted Replacement Rights Plan shall not occur before March 1, 2001 (see "--Rights Agreement");

- (16) terminate or materially modify or amend any material contract to which it is a party or waive or assign any of its material rights or claims except in the ordinary course of business consistent with past practice;
- (17) other than consistent with past practice or as required by a change of law or required by law because of a change in facts, make any tax election or enter into any settlement or compromise of any tax liability that in either case is material;

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- (18) permit any insurance policy naming it as a beneficiary or a loss payable payee to be cancelled or terminated, other than pursuant to an expiration in accordance with its terms, unless a new policy with substantially similar coverage is in effect as of the date of such cancellation or termination, except policies providing coverage for losses not in excess of U.S.\$250,000; or
- (19) agree or commit, in writing or otherwise, to take any of the foregoing actions.

For purposes of the Company's conduct of business covenants (other than clause (13)), references to "material" (but not "materially") mean material to the Company and its subsidiaries, taken as a whole.

- (c) The Company (i) shall not, and shall not permit any of its subsidiaries to, take any action that would, or would reasonably be expected to, result in (A) any of the conditions of the Offer set forth in the Merger Agreement not being satisfied or (B) a Company Material Adverse Effect and (ii) shall not knowingly take, or permit any of its subsidiaries to take, any action that would or would reasonably be expected to, result in any of its representations and warranties set forth in the Merger Agreement becoming untrue in any respect.

Special Meeting; Proxy Statement. As promptly as practicable following acceptance for payment and purchase of Shares pursuant to the Offer and the expiration of the Offer, if required by applicable law in order to consummate the Merger, the Company, acting through its Board of Directors, will, in accordance with applicable law:

- (a) call, give notice of, convene and hold a special meeting of its shareholders (the "Special Meeting") for the purposes of considering and taking action upon the approval of the Merger and adoption of the Merger Agreement;
- (b) prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and the Merger Agreement (the "Proxy Statement") and obtain and furnish the information required to be

included by the SEC in the Proxy Statement and, after consultation with CEMEX, respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement, to be mailed to its shareholders at the earliest practicable date, provided that no amendments or supplements to the Proxy Statement will be made by the Company without consultation with CEMEX and its counsel;

- (c) include in the Proxy Statement the recommendation of the Board of Directors of the Company that shareholders of the Company vote in favor of approval of the Merger and adoption of the Merger Agreement; and
- (d) use reasonable best efforts to take all action necessary to solicit from its shareholders proxies, and shall take all other action necessary and advisable, to secure the vote of shareholders required by applicable law and the Company's Restated Articles of Incorporation or By-Laws to obtain the approval for the Merger Agreement and the Merger.

CEMEX will vote, or cause to be voted, all of the Shares acquired in the Offer or otherwise then owned by it, Purchaser or any of CEMEX's other subsidiaries in favor of the approval and adoption of the Merger Agreement.

In the event that Purchaser acquires, in the aggregate, at least 90% of the outstanding shares of each class of capital stock of the Company pursuant to the Offer or otherwise, the parties hereto will, subject to the conditions to the Merger set forth in the Merger Agreement, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of shareholders of the Company, in accordance with Section 253 of the General Corporation Law of the State of Delaware and Section 112G of the LBCL.

Reasonable Best Efforts. The Merger Agreement provides that CEMEX, Purchaser and the Company will use all reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to

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assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Offer and the Merger, and the other transactions contemplated by the Merger Agreement, including:

- (a) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision ("Governmental Authority") and the making of all necessary registrations and filings (including filings with any Governmental Authority, if any) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Authority;
- (b) the obtaining of all necessary consents, approvals or waivers from third parties;
- (c) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging the Merger Agreement or the consummation of any of the transactions contemplated by the Merger Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed; and
- (d) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, the Merger Agreement; provided, however, that no loan agreement or contract for borrowed money entered into by the Company or any of its subsidiaries shall be repaid except as currently required by

its terms, in whole or in part, and no contract shall be amended to increase the amount payable thereunder or otherwise to be more burdensome to the Company or any of its subsidiaries in order to obtain any such consent, approval or authorization without first obtaining the written approval of CEMEX (which approval shall not be unreasonably withheld).

In addition to the obligations presented above, the Company shall cooperate with CEMEX's reasonable requests in connection with CEMEX's efforts to finalize the financing, on terms reasonably satisfactory to CEMEX, necessary to provide CEMEX and Purchaser with sufficient funds to purchase at the Offer Price all of the Shares outstanding on a fully diluted basis, including the Company's providing financial statements and financial and other business information reasonably required to be disclosed by CEMEX in connection therewith.

The Merger Agreement provides that the Company shall give prompt notice to CEMEX of (i) any representation or warranty made by it contained in the Merger Agreement becoming untrue or incorrect in any respect, subject in the case of Qualified Representations to the standard described under "--Representations and Warranties" (including the Company receiving knowledge of any fact, event or circumstance which may cause any representation qualified as to the knowledge of the Company to be or become untrue or incorrect, subject in the case of Qualified Representations to the standard described under "--Representations and Warranties") in any respect that would cause the condition to the Offer set forth in clause (c)(2) in Section 15 hereof to fail to be satisfied; or (ii) the failure by the Company to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the Merger Agreement. However, no such notification shall affect the representations, warranties, covenants or agreements of the Company or the conditions to the obligations of the parties under the Merger Agreement. The Company acknowledges that if after the date of the Merger Agreement the Company receives knowledge of any fact, event or circumstance that would cause any representation or warranty that is conditioned as to the knowledge of the Company to be or become untrue or incorrect (subject in the case of Qualified Representations to the standard described under "--Representations and Warranties" and in the case of Absolute Representations, subject to such Absolute Representation becoming untrue or incorrect in any material respect), the receipt of such knowledge shall mean that such representation or warranty shall be deemed to have become untrue or incorrect as of the date of such receipt.

CEMEX also agrees to give prompt notice to the Company of (i) any representation or warranty made by CEMEX contained in the Merger Agreement becoming untrue or inaccurate in any material respect or (ii) the failure by CEMEX or Purchaser to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the Merger Agreement; provided that no such notification shall affect the representations, warranties, covenants or agreements of CEMEX or Purchaser or the conditions to the obligations of the parties under the Merger Agreement.

Stock Options. The Company, the Company's Board of Directors and each relevant committee of the Company's Board of Directors shall (i) cause any option or right to purchase, acquire or receive shares of Company Common Stock granted under any Stock Option Plan (as defined below) to any employee, consultant or director of the Company or any of its subsidiaries (each a "Stock Option") that is outstanding upon consummation of the Offer, whether granted under any Company Stock Plan, or otherwise, to become fully exercisable and (ii) take action to permit each such Stock Option to be exercisable for a period (the "Option Exercise Period") beginning promptly following the acceptance for payment and purchase of the Shares by Purchaser pursuant to the Offer and ending on the day prior to the Effective Time in accordance with the terms and conditions of the Company Stock Plans. For purposes of each Stock Option, the Company shall cause the Company's Board of Directors or each relevant committee of the Company's Board of Directors acting as administrator

of each such Company Stock Plan to determine prior to the consummation of the Offer that the consummation of the Offer and the Merger constitute a single "Change in Control" occurring at the time of acceptance for payment of Shares pursuant to the Offer. The Company shall cause each Stock Option that is outstanding immediately prior to the Effective Time to be cancelled in exchange for an amount in cash, payable at the Effective Time, equal to the product of (i) the number of shares of Company Common Stock subject to such Stock Option and (ii) the excess, if any, of the Merger Consideration over the per share exercise price of such Stock Option. The Company, the Company's Board of Directors or the relevant committee of the Company's Board of Directors acting as administrator of a Company Stock Plan, as appropriate, shall obtain the written consent of the holder of each Stock Option to such cancellation, if required in accordance with the terms and conditions of the Company Stock Plans to such cancellation. Subject to having obtained any necessary consents from the holders of Stock Options, the Company shall cause the Company's Board of Directors or each relevant committee of the Company's Board of Directors to make any amendments to the Company Stock Plans or stock option agreements thereunder which may be needed or desirable to implement such cancellation. For purposes of the Merger Agreement, "Company Stock Plan" means the Company's 1987 Stock Option Plan, as amended, 1989 Stock Option Plan, as amended, 1991 Nonqualified Stock Option Plan for Non-employee Directors, as amended, Phantom Stock and Deferred Compensation Plan for Non-employee Directors, 1999 Phantom Stock Plan for Non-employee Directors, 1999 Restricted Stock Grants Plan, as amended, and any other stock-based incentive plan, program, agreement, grant or arrangement, sponsored, maintained, entered into or made by the Company or any of its Subsidiaries for the benefit of any employee, consultant or director thereof.

Except as provided in the next sentence, all Company Stock Plans shall terminate as of the Effective Time and the provisions in any other Company benefit plan or any other plan providing for the issuance, transfer or grant of any capital stock of the Company or any interest in respect of any capital stock of the Company shall be deleted as of the Effective Time, and the Company shall ensure that following the Effective Time no holder of a Stock Option or any participant in any Company Stock Plan or Company benefit plan or any other plan shall have any right thereunder to acquire any capital stock of the Company, CEMEX or the Surviving Corporation. Notwithstanding the foregoing and the prior paragraph, (i) promptly following the execution and delivery of the Merger Agreement, the Company shall take all action necessary to terminate each of the Phantom Stock and Deferred Compensation Plan for Non-employee Directors and the 1999 Phantom Stock Plan for Non-employee Directors as promptly as practicable in accordance with their respective terms (but in no event shall such termination occur later than the fifth day after the date of the Merger Agreement) and for shares of Company Common Stock to be distributed to the participants in such plans in accordance with their terms, and (ii) the consummation of the Offer shall constitute a "change of control" under the 1999 Restricted Stock Grants Plan and the related agreements, and the shares of Company Common Stock issued thereunder

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shall become Transferable Shares (as provided therein) and shall be delivered to the participants in such plan in accordance with their terms.

No Solicitation. The Merger Agreement provides that the Company shall, and shall use its reasonable best efforts to cause its affiliates, officers, directors, employees, financial advisors, attorneys and other advisors, representatives and agents to, immediately cease any existing activities, discussions or negotiations conducted with any third parties other than CEMEX or Purchaser with respect to any Takeover Proposal (as defined below). The Company shall not, nor shall it authorize or permit any of its affiliates to, nor shall it authorize or permit any officer, director or employee of or any financial advisor, attorney or other advisor, representative or agent of it or any of its affiliates, to

- (i) directly or indirectly solicit, facilitate, initiate or encourage the making or submission of, any Takeover Proposal (including, without

limitation, the taking of any action which would make Section 133 of the LBCL inapplicable to a Takeover Proposal),

- (ii) enter into any agreement, arrangement or understanding with respect to any Takeover Proposal or enter into any agreement, arrangement or understanding requiring it to abandon or terminate the Merger Agreement or to fail to consummate the Merger or any other transaction contemplated by the Merger Agreement,
- (iii) initiate or participate in any way in any discussions or negotiations regarding, or furnish or disclose to any person (other than a party to the Merger Agreement) any information with respect to, or take any other action to facilitate or in furtherance of any inquiries or the making of any proposal that constitutes, or could reasonably be expected to lead to, any Takeover Proposal, or
- (iv) grant any waiver or release under any standstill or similar agreement with respect to any class of the Company's equity securities (other than to permit the Company to receive an Takeover Proposal that did not result from a breach of this provision);

provided that prior to the acceptance for payment of shares of the Shares pursuant to the Offer, in response to a Takeover Proposal that did not result from the breach of this provision and following delivery to CEMEX of notice of the Takeover Proposal in compliance with its obligations under this provision, the Company may participate in discussions or negotiations with or furnish information (pursuant to a confidentiality/standstill agreement with customary terms as reasonably determined in good faith by the Company after consultation with outside counsel; provided that each such agreement is at least as limiting as any such agreement between CEMEX and the Company) to any third party which makes a bona fide written Takeover Proposal if (A) the Company's Board of Directors reasonably determines in good faith (after consultation with its financial advisor) that taking such action would be reasonably likely to lead to the delivery to the Company of a Superior Proposal and (B) the Company's Board of Directors determines in good faith (after consultation with outside legal counsel) that it is necessary to take such actions in order to comply with its fiduciary duties under applicable law. Without limiting the foregoing, the Company agrees that any violation of the restrictions set forth in this provision directly or indirectly by any of its, or any of its subsidiaries', officers, affiliates or directors or any advisor, representative, consultant or agent retained by the Company or any of its subsidiaries or affiliates in connection with the transactions contemplated in the Merger Agreement, whether or not such Person is purporting to act on behalf of the Company or any of its subsidiaries, shall constitute a breach of this provision by the Company. The Company will take all actions necessary or advisable to inform the appropriate individuals or entities referred to in the prior sentence of the obligations undertaken in this provision. For purposes of this provision, a person shall be deemed to have facilitated or encouraged an action or result only if any act or omission by such person (i) would reasonably be expected to facilitate or encourage such action or result or (ii) was intended by such person to facilitate or encourage such action or result.

For purposes of the Merger Agreement, "Takeover Proposal" means any inquiry, proposal or offer from any person or group relating to:

- (i) any direct or indirect acquisition or purchase of 15% or more of the assets of the Company or any of its subsidiaries or 15% or more of any class of equity securities of the Company or any of its subsidiaries;

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- (ii) any tender offer or exchange offer that, if consummated, would result in any Person beneficially owning 15% or more of any class of equity securities of the Company or any of its subsidiaries; or
- (iii) any merger, consolidation, business combination, sale of all or any substantial portion of the assets, recapitalization, liquidation or a

dissolution of, or similar transaction of the Company or any of its subsidiaries other than the Offer or the Merger and except for any transaction described in "--Vessels Engaged in Coastwise Trade."

For purposes of the Merger Agreement, "Superior Proposal" means a bona fide written Takeover Proposal made by a third party to purchase all of the outstanding equity securities of the Company pursuant to a tender offer, exchange offer, merger or other business combination:

- (x) on terms which the Company's Board of Directors determines in good faith to be superior to the Company and its shareholders (other than CEMEX, Purchaser and their affiliates), in their capacity as shareholder) from a financial point of view (taking into account, among other things, all legal, financial, regulatory and other aspects of the proposal and identity of the offeror and the financial capacity of the offeror to consummate the transaction) as compared to the transactions contemplated in the Merger Agreement and any alternative proposed by CEMEX or Purchaser in accordance with the Merger Agreement, such determination having been made only after consultation with the Company's financial advisor;
- (y) which is reasonably capable of being consummated; and
- (z) for which financing is committed and which financing is no more conditional than CEMEX's financing at that time (taking into account whether any of the conditions to CEMEX's financing shall have been satisfied at that time).

In the Merger Agreement, the Company agrees that, except as described in the following paragraph, neither its Board of Directors nor any committee thereof shall (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to CEMEX or Purchaser, the approval or recommendation of the Company's Board of Directors of the Offer, the Merger or the Merger Agreement, unless the Board of Directors of the Company shall have determined in good faith, after consultation with its outside counsel, that such withdrawal or modification is necessary in order to satisfy its fiduciary duties to the Company's shareholders under applicable law; (ii) approve or recommend, or, in the case of a committee, propose publicly to the Company's Board of Directors to approve or recommend any Takeover Proposal; or (iii) approve, recommend or cause it to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, an "Acquisition Agreement") related to any Takeover Proposal. For purposes of this provision, if any such board or committee proposal is publicly disclosed, regardless of the source of, or the circumstances surrounding, the disclosure, such board or committee proposal shall be deemed to have been made publicly.

Prior to the acceptance for payment of the Shares pursuant to the Offer, the Company and/or its Board of Directors may take the actions otherwise prohibited by the Merger Agreement if (i) a third party makes a Superior Proposal, (ii) the Company complies with its obligations under the Merger Agreement to inform CEMEX of the Superior Proposal, (iii) all of the conditions to the Company's right to terminate the Merger Agreement have been satisfied, and (iv) simultaneously therewith, the Merger Agreement is terminated due to the Company's acceptance of a Superior Proposal.

The Merger Agreement also provides that the Company will promptly notify CEMEX in writing of any Takeover Proposal or any inquiry regarding the making of any Takeover Proposal (but in no event more than 24 hours after receipt by the Company of such Takeover Proposal or inquiry).

Nothing contained in the Merger Agreement prohibits the Company or the Company's Board of Directors from at any time taking and disclosing to its shareholders a position contemplated by Rule 14e-2 promulgated under the Exchange Act or from making any required disclosure to the Company's shareholders if, in the

reasonable good faith judgment of the Company's Board of Directors, after consultation with outside counsel, failure so to disclose would be inconsistent with its fiduciary or disclosure obligations under applicable law.

Indemnification; Insurance. In the Merger Agreement, CEMEX, Purchaser and the Surviving Corporation agree that all rights to indemnification existing in favor of the present or former directors, officers, employees, fiduciaries and agents of the Company or any of its subsidiaries (collectively, the "Indemnified Parties") for acts or omissions of such persons occurring at or prior to the Effective Time, as provided in the Company's Restated Articles of Incorporation or By-Laws or the certificate or articles of incorporation, by-laws or similar organizational documents of any of the subsidiaries and on the terms of any existing individual indemnity agreement or other arrangement with any director or officer, which has been disclosed to CEMEX prior to the date of the Merger Agreement, in each case, as in effect as of the date of the Merger Agreement, shall survive the Merger and shall continue in full force and effect for six years after the Effective Time (without modification or amendment, except as required by applicable law) in accordance with their terms, to the fullest extent permitted by law, and shall be enforceable by the Indemnified Parties against the Surviving Corporation, and the Surviving Corporation shall also advance fees and expenses (including reasonable attorneys' fees) as incurred to the fullest extent permitted under applicable law upon receipt of any undertaking required by applicable law.

Purchaser or the Surviving Corporation will cause to be maintained in effect for not less than six years from the Effective Time the current policies of the directors' and officers' liability insurance maintained by the Company (provided that Purchaser may substitute therefor policies of at least equivalent coverage containing terms and conditions which are no less advantageous) with respect to matters occurring prior to the Effective Time, provided that in no event will Purchaser or the Surviving Corporation be required to expend to maintain or procure insurance coverage pursuant to this provision any amount per annum in excess of 200% of the amount currently expended by the Company (the "Maximum Premium"), which annual amount currently expended is U.S.\$492,500. In the event the payment of the Maximum Premium for any year is insufficient to maintain such insurance or equivalent coverage cannot otherwise be obtained, Purchaser or the Surviving Corporation shall purchase as much insurance as may be purchased for the amount indicated; provided, however, if such insurance coverage cannot be obtained at all, the Surviving Corporation shall purchase coverage for all available extended reporting periods with respect to pre-existing insurance in an amount which, together with all other insurance purchased pursuant to this provision, does not exceed the Maximum Premium. The provisions of this provision shall survive the consummation of the Merger and expressly are intended to benefit each of the Indemnified Parties.

Nothing in the Merger Agreement is intended to, shall be construed to, or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its subsidiaries or any of their respective officers, directors or employees, it being understood and agreed that the indemnification provided for in this provision is not prior to or in substitution for any such claims under such policies.

Public Announcements. CEMEX and the Company have agreed that they will consult with each other before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by the Merger Agreement and shall not issue any such press release or make any such public statement prior to such consultation and review by the other party of such release or statement, except as may be required by law, court process or by obligations pursuant to any listing agreement with a national securities exchange.

Option to Acquire Additional Shares. The Merger Agreement provides that the Company shall grant to Purchaser an irrevocable option (the "Option") to purchase up to that number of newly issued Shares (the "Option Shares") equal to the number of Shares that, when added to the number Shares owned by CEMEX,

Purchaser and its affiliates immediately following consummation of the Offer, shall constitute one share more than 90% of the shares of Common Company Stock then outstanding on a fully diluted basis (after giving effect to the issuance of the Option Shares) for a consideration per Option Share equal to the Offer Price. Such

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Option shall be exercisable only within five business days following the purchase of and payment for Shares pursuant to the Offer by CEMEX or Purchaser as a result of which CEMEX and its affiliates own beneficially at least 80% of the outstanding Shares on a fully diluted basis. Such Option shall not be exercisable if (i) the number of Shares subject thereto exceeds the number of authorized Shares available for issuance, or (ii) the exercise of the Option would violate the applicable rules of the NYSE applicable to the Company.

In the event Purchaser wishes to exercise the Option, Purchaser shall give the Company a one-day prior written notice of its exercise of the Option specifying the number of Shares that are or will be beneficially owned by CEMEX, Purchaser and its affiliates immediately following consummation of the Offer and a place and a time (which may be concurrent with the consummation of the Offer) for the closing of such purchase. The Company shall, as soon as practicable following receipt of the notice, deliver written notice to Purchaser specifying the number of Option Shares. At the closing of the purchase of the Option Shares, the portion of the purchase price owing upon exercise of such Option which equals the product of (x) the number of Shares purchased pursuant to such Option multiplied by (y) the Offer Price shall be paid to the Company in cash by wire transfer or cashier's check.

Rights Agreement. Except as contemplated by the Merger Agreement or approved in writing by CEMEX, the Company's Board of Directors shall not: (a) amend the Rights Agreement, (b) redeem or exchange, or resolve to redeem or exchange, the Rights, (c) permit a "Distribution Date" to occur under the Rights Agreement or (d) take any action except as provided in clause (c) with respect to, or make any determination under, the Rights Agreement, except, in each case, to the extent necessary to comply with the fiduciary obligations of the Company's Board of Directors, as determined by it in good faith after consultation with outside counsel.

Vessels Engaged in Coastwise Trade. The Company has agreed that, prior to consummation of the Offer, it shall, and shall cause each of its subsidiaries to, take all actions necessary to transfer to the Company any vessels engaged in the coastwise trade owned by such subsidiaries, including the Southdown Conquest (Official Number 236823) and Steelton (Official Number 243587) (other than the Southdown Challenger (Official Number 202859) (the "Ship")), and shall obtain all consents, permits and licenses associated therewith, in each such case without incurring tax payments (other than those occasioned by termination of the capital construction fund) by the Company or any of its subsidiaries or restrictions on operation of such vessels materially different than those restrictions in place as of the date of the Merger Agreement.

The Company has agreed that, prior to consummation of the Offer, it shall, and shall cause its subsidiaries to (i) (A) sell or transfer the Ship to a citizen of the United States, which citizen is designated by CEMEX and entitled to register the Ship in unrestricted coastwise trade, and (B) enter into a leaseback or time charter agreement on terms approved by CEMEX (which approval shall not be unreasonably withheld) and in compliance with United States maritime law or (ii) subject to CEMEX's approval (which approval shall not be unreasonably withheld), make such other arrangements (which may include a sale, other transfer or disposal, lease or charter, including a transfer to a trust that is qualified under 46 U.S.C. Section 12102(d)(2)) and agreements with respect to the Ship as may be necessary to permit the purchase of the Shares by Purchaser pursuant to the Offer without contravention of the United States citizenship and other requirements of United States maritime law, without incurring tax payments (other than those occasioned by termination of the capital construction fund) by the Company or any of its subsidiaries or restrictions on operation of such vessels materially different than those

restrictions in place as of the date of the Merger Agreement.

Employee Benefits Plans. From and after the first to occur (a) the date upon which CEMEX first designates one or more directors of the Company and (b) the date upon which the Effective Time occurs (the "Measurement Date"), the Company and the Surviving Corporation, as the case may be, shall honor in accordance with their respective terms (as in effect on the date of the Merger Agreement), all the Company's written employment, severance and termination agreements, plans and policies existing prior to the date of the Merger Agreement which are between the Company or any of its subsidiaries and any director, officer or employee thereof. CEMEX acknowledges and agrees that (i) the consummation of the Offer would constitute a

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"Change in Control" (or similar relevant defined term) for all purposes pursuant to those agreements and arrangements indicated in the Merger Agreement and (ii) consummation of the Merger would constitute a "good reason" under those agreements and arrangements indicated in the Merger Agreement.

For a period of not less than six months following the Measurement Date, CEMEX shall, unless employees of the Company and its subsidiaries as of the Measurement Date (each, a "Company Employee") shall otherwise agree or different terms are negotiated with the relevant union representing such employees, cause the Surviving Corporation to provide to Company Employees employee benefits that are, in the aggregate, no less favorable than those provided immediately prior to the Measurement Date; provided, however, that nothing contained in this provision shall require CEMEX or Purchaser to continue or replace, or cause to be continued or replaced, any Company Stock Plan or any employee benefit plans, programs, policies or arrangements (each, a "Company Benefit Plan") after the Measurement Date.

Subject to compliance with this provision, nothing contained in this provision or elsewhere in the Merger Agreement shall be construed to prevent the termination of employment of any Company Employee or any change in the compensation or employee benefits available to any Company Employee or the amendment or termination of any particular Company Benefit Plan, to the extent permitted by its terms as in effect immediately before the Measurement Date.

For all purposes under any employee benefit plans of CEMEX and its subsidiaries providing benefits to any Company Employee after the Effective Time, other than CEMEX's employee stock option plan (the "CEMEX Option Plan") (all such employee benefit plans, other than the CEMEX Option Plan, are hereinafter referred to as the "New Plans"), each such Company Employee shall be credited with his or her years of service with the Company and its subsidiaries before the Effective Time, to the same extent as such employee was entitled, before the Effective Time, to credit for such service under any similar Company Benefit Plans for purposes of (i) eligibility to participate and (ii) vesting, but in no event shall such service be taken into account in determining the accrual of benefits under any New Plan, including, but not limited to, a defined benefit plan. In addition, and without limiting the generality of the foregoing, (x) each Company Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan replaces coverage under a comparable benefit plan of the Company in which such employee participated immediately before the Effective Time and which plans were previously disclosed to CEMEX and (y) for purposes of each New Plan providing medical, dental, pharmaceutical or vision benefits to any Company Employee, CEMEX shall cause all pre-existing condition exclusions of such New Plan to be waived for such employee and his or her covered dependents (other than limitations or waiting periods that are already in effect with respect to such employees and dependents and that have not been satisfied as of the Effective Time), and CEMEX shall cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Company Benefit Plan ending on the date such employee's participation in the corresponding New Plan begins, to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to

such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

Definitive Financing Agreements. Prior to the close of business on the earlier to occur of the expiration date of the Offer (as it may be extended by Purchaser as permitted by the Merger Agreement) and 60 days following the date of the Merger Agreement (the "Delivery Date"), CEMEX and Purchaser agree to (a) execute and deliver definitive financing agreements (the "Definitive Financing Agreements") (i) pursuant to which financial institutions agree to provide to CEMEX and/or Purchaser funds which, when taken together with cash otherwise available to CEMEX and/or Purchaser, will constitute sufficient funds to purchase the Shares accepted for payment pursuant to the Offer in accordance with its terms and (ii) with conditions to funding no more onerous in the aggregate to CEMEX and Purchaser than those contemplated by the Commitment Letters and (b) deliver true, complete and correct copies of the Definitive Financing Agreements to the Company.

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Conditions to the Merger. The Merger Agreement provides that the obligations of CEMEX, Purchaser and the Company to consummate the Merger are subject to the satisfaction of the following conditions:

- . the Merger Agreement shall have been approved and adopted by the requisite vote of the shareholders of the Company, if required by applicable law, in order to consummate the Merger;
- . no provision of any applicable law or regulation and no judgment, injunction, order or decree of any Governmental Authority of competent jurisdiction shall prohibit the consummation of the Merger; and
- . Purchaser, CEMEX or any affiliate of CEMEX shall have purchased Shares pursuant to the Offer; provided, however, that neither CEMEX nor Purchaser shall be entitled to rely on this clause if either of them shall have failed to purchase Shares pursuant to the Offer in breach of their obligations under the Merger Agreement.

Pursuant to the Merger Agreement, the obligations of CEMEX and Purchaser to consummate the Merger are subject to the satisfaction of the following further conditions:

- (a) that the Company shall have performed in all material respects all of its obligations under the Merger Agreement required to be performed by it at or prior to the Effective Time, except for an action or inaction after the Measurement Date that would constitute a breach thereunder that is approved by a majority of CEMEX's designees to the Company's Board of Directors or is otherwise consented to by CEMEX; and
- (b) the Option Exercise Period shall have commenced and shall have been in effect for at least 30 consecutive days as of the day immediately prior to the Effective Time; provided, however, that (x) for purposes of this clause (b), the Option Exercise Period shall not be deemed to have commenced until any required notice thereof shall have been provided to participants (or their personal representatives) in accordance with the Company Stock Plans under which Stock Options then remain unexercised and (y) this condition shall be satisfied prior to such time if each holder of a then-unexercised Stock Option shall have consented to the cancellation of such Stock Option at the Effective Time in exchange for the payment contemplated in "--Stock Options", each such consent to be (A) in form and substance reasonably acceptable to CEMEX and (B) in full force and effect as of the Effective Time.

Termination. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after adoption of the Merger Agreement by shareholders:

(a) by mutual written consent of CEMEX and the Company (which, if required by the Merger Agreement, must be approved by the Independent Directors as provided in the Merger Agreement); or

(b) by CEMEX:

(i) if at any time prior to the acceptance for payment of Shares pursuant to the Offer, the Company has breached any representation or warranty, or prior to the Effective Time has breached any, covenant or other agreement contained in the Merger Agreement, which (A) would give rise to the failure of a condition set forth in paragraph (c) of Section 15 of this Offer to Purchase, (B) cannot be or has not been cured within 30 days after receipt of notice thereof by the Company or by the Termination Date, which ever is earlier, and (C) has not been waived by CEMEX pursuant to the provisions of the Merger Agreement (provided that CEMEX may not terminate the Merger Agreement pursuant to this clause (b) (i) if either CEMEX or Purchaser is then in material breach of any representation, warranty, covenant or other agreement contained in the Merger Agreement);

(ii) if at any time prior to the acceptance for payment of Shares pursuant to the Offer, (A) the Company, or its Board of Directors, as the case may be, shall have (w) entered into any agreement other than a confidentiality standstill agreement permitted under the Merger Agreement with respect to any Takeover Proposal other than the Offer or the Merger under the

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Merger Agreement, (x) amended, conditioned, qualified, withdrawn, modified or contradicted, or, in the case of a committee, publicly proposed to the Board of Directors, or resolved to do any of the foregoing, in a manner adverse to CEMEX or Purchaser, its approval and recommendation of the Offer, the Merger and the Merger Agreement (regardless of whether such action was permitted under the Merger Agreement), (y) approved or recommended, or, in the case of a committee, publicly proposed to the Company's Board of Directors, to approve or recommend, any Takeover Proposal other than the Offer or the Merger or (z) failed to reject any Takeover Proposal or amended Takeover Proposal within five business days following the public announcement of such Takeover Proposal or amendment (except that CEMEX may not terminate this Agreement pursuant to this clause (z) prior to the twentieth business day following commencement of the Offer), or (B) the Company or the Company's Board of Directors or any committee thereof shall have resolved to do any of the foregoing (it being understood and agreed that for purposes of this provision, if any board or committee proposal is publicly disclosed, regardless of the source of, or the circumstances surrounding, the disclosure, such board or committee proposal shall be deemed to have been made publicly); or

(iii) if the Company breaches in any material respect its obligations under the Merger Agreement;

(c) by the Company:

(i) if at any time prior to the acceptance for payment of Shares pursuant to the Offer (A) a Superior Proposal is received by the Company and (B) the Board of Directors of the Company reasonably determines in good faith (after consultation with outside counsel) that it is necessary to terminate the Merger Agreement and enter into an agreement to effect the Superior Proposal in order to comply with its fiduciary duties to the Company's shareholders under applicable law; provided that the Company may not terminate the Merger Agreement pursuant to this provision unless and until

- (x) five business days have elapsed following delivery to CEMEX of a written notice of such determination by the Board of Directors of the Company and during such five business day period the Company has fully cooperated with CEMEX, including, without limitation, informing CEMEX of the terms and conditions of such Superior Proposal, and the identity of the Person making such Superior Proposal, with the intent of enabling both parties to agree to a modification of the terms and conditions of the Merger Agreement so that the transactions contemplated hereby may be effected;
- (y) at the end of such five business day period the Takeover Proposal continues to constitute a Superior Proposal and the Board of Directors of the Company confirms its determination (after consultation with outside counsel) that it is necessary to terminate the Merger Agreement and enter into an agreement to effect the Superior Proposal to comply with its fiduciary duties under applicable law; and
- (z) (1) at or prior to such termination, CEMEX has received the Termination Fee set forth in the Merger Agreement by wire transfer in immediately available funds and (2) immediately following such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the Superior Proposal;

provided, however, that, if the written notice contemplated in clause (x) above is given to CEMEX less than five business days, but more than two business days, prior to the then-scheduled expiration of the Offer, then the Company will be permitted to terminate the Merger Agreement under this provision no earlier than 24 hours before such scheduled expiration if the Company has complied with all of the requirements of this provision (with the five business day period set forth in clauses (x) and (y) above being deemed to end when such 24-hour period begins for purposes of determining such compliance) unless, prior to the beginning of such 24-hour period, Purchaser shall have extended the Offer to a date that is at least five business days

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after the delivery of such notice to CEMEX, in which case the Company's right to terminate the Merger Agreement pursuant to this provision shall be determined without regard to this proviso; provided, further, that it is understood and agreed that if the written notice contemplated in clause (x) above is given to CEMEX less than two business days prior to the then-scheduled expiration of the Offer, the Company's right to terminate the Merger Agreement pursuant to this provision shall be subject to compliance with all of the requirements of this provision, including the five business day period set forth in clauses (x) and (y) hereof without regard to the immediately preceding provision;

- (ii) provided the Company is not in material breach of its obligations under the Merger Agreement, if CEMEX or Purchaser shall have (x) failed to commence the Offer as provided in the Merger Agreement, (y) failed to pay for Shares pursuant to the Offer in accordance with Merger Agreement, or (z) breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach cannot be or has not been cured within 30 business days after receipt of notice thereof by CEMEX or by the Termination Date, whichever is earlier; or
- (iii) CEMEX or Purchaser breach their obligation to execute and deliver, and deliver to the Company copies of, the Definitive Financing Agreements on or prior to the Delivery Date; or

(d) by either CEMEX or the Company:

- (i) if the Offer has not been consummated on or before the Termination Date; provided that the right to terminate the Merger Agreement pursuant to this clause shall not be available to any party whose failure to fulfill any material obligation of the Merger Agreement or other material breach of the Merger Agreement has been the cause of, or resulted in, the failure of the Offer to have been consummated on or prior to the aforesaid date; or
- (ii) if, as a result of the failure of any of the conditions set forth in the Merger Agreement, the Offer shall have terminated or expired in accordance with its terms without Purchaser having purchased any Shares pursuant to the Offer; provided that the right to terminate the Merger Agreement pursuant to this clause shall not be available to any party whose failure to fulfill any material obligation under the Merger Agreement or other material breach of the Merger Agreement has resulted in the failure of such condition; or
- (iii) if any court of competent jurisdiction or any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently restricting, enjoining, restraining or otherwise prohibiting acceptance for payment of, and payment for, Shares pursuant to the Offer or consummation of the Merger and such order, decree, ruling or other action shall have become final and nonappealable.

Payment of Certain Fees and Expenses. If the Merger Agreement is terminated by CEMEX as set forth in paragraphs (b)(ii) or (b)(iii) above or by the Company as set forth in paragraph (c)(i) above, then the Company shall pay to CEMEX in immediately available funds a termination fee in an amount equal to U.S.\$80 million (the "Termination Fee").

If the Merger Agreement is terminated by (A) CEMEX pursuant to paragraph (b)(i) above, (B) by CEMEX or the Company as set forth in paragraphs (d)(i) or (d)(iii) above or (C) CEMEX or the Company pursuant to paragraph (d)(ii) above and either the Minimum Condition or any conditions listed in paragraphs (c) of Section 15 of this Offer shall fail to have been satisfied and (x) a Takeover Proposal has been made and publicly announced or communicated to the Company's shareholders after the date of the Merger Agreement and prior to the effective date of such termination and (y) concurrently with or within 12 months of the date of such termination a Third Party Acquisition Event (as defined below) occurs, then the Company shall within one business day of the occurrence of such a Third Party Acquisition Event (including any revisions or amendments thereto), if any, pay to CEMEX the Termination Fee.

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"Third Party Acquisition Event" shall mean (i) the consummation of a Takeover Proposal involving the purchase of a majority of either the equity securities of the Company or of the consolidated assets of the Company and its subsidiaries, taken as a whole, or any such transaction that, if it had been proposed prior to the termination of the Merger Agreement would have constituted a Takeover Proposal or (ii) the entering into by the Company or any of its subsidiaries of a definitive agreement with respect to any such transaction.

Effect of Termination. In the event of termination of the Merger Agreement by CEMEX or the Company, the Merger Agreement shall forthwith become void and there shall be no liability hereunder on the part of the Company, CEMEX or Purchaser or their respective officers or directors (except for the Confidentiality Agreement and the provisions described in "--Effect of Termination," "--Payment of Certain Fees and Expenses" and "--Assignment," and certain other provisions of the Merger Agreement relating to notices, entire agreement, enforcement, applicable law, waiver of jury trial and CEMEX

guarantee, which shall survive the termination). However, no provision described in "Effect of Termination" and "Payment of Certain Fees and Expenses" shall relieve any party hereto from any liability for any breach of the Merger Agreement.

Assignment. Neither the Merger Agreement nor any of the rights, interests or obligations under the Merger Agreement may be assigned by any of the parties to the Merger Agreement (CEMEX, Purchaser and the Company) without the prior written consent of the other parties, except that Purchaser may assign and transfer its right and obligations hereunder to any of its affiliates, provided that such assignment will not release CEMEX of its obligations under the Merger Agreement, including its guarantee with respect to obligations of Purchaser under the Merger Agreement.

Amendment or Supplement. Subject to applicable law, the Merger Agreement may be amended, modified and supplemented in writing by CEMEX, Purchaser and the Company in any and all respects before the Effective Time (notwithstanding the Company Shareholder Approval contemplated by the Merger Agreement), by action taken by the respective Boards of Directors of CEMEX, Purchaser and the Company (or, if required by the Merger Agreement, the Independent Directors) or by the respective officers authorized by such Boards of Directors or the Independent Directors, as the case may be. However, that after the Company Shareholder Approval, no amendment shall be made which by law requires further approval by the shareholders of the Company without such further approval.

Guarantee. CEMEX has guaranteed the performance of any and all obligations and liabilities of Purchaser under or arising out of the Merger Agreement and the transactions contemplated thereby.

Confidentiality Agreement. The following is a summary of certain provisions of the Confidentiality Agreement, dated August 11, 2000, between the Company and CEMEX (the "Confidentiality Agreement"). This summary is qualified in its entirety by reference to the Confidentiality Agreement, which is incorporated herein by reference, and a copy of which has been filed with the SEC as an exhibit to the Schedule TO. The Confidentiality Agreement may be examined and copies may be obtained at the places set forth in Section 7.

Pursuant to the terms of the Confidentiality Agreement, each of CEMEX and the Company agreed to provide the other company certain non-public confidential and proprietary information concerning the company's business, financial condition, operations, prospects, assets and liabilities ("Evaluation Materials"). Each of CEMEX and the Company (together with their respective subsidiaries and affiliates that received such information) agreed among other things:

- (a) to use the Evaluation Materials solely for the purpose of evaluating a possible transaction between the companies;
- (b) to keep the Evaluation Materials confidential and that neither it nor its respective directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) (collectively, "Representatives") will disclose any of the Evaluation Materials in any manner whatsoever; provided, however, that (i) either company may make any disclosure of such information to which the other company gives its prior written consent, (ii) any of

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such information may be disclosed to each company's respective Representatives who need to know such information for the sole purpose of evaluating a possible transaction between CEMEX and the Company and (iii) any of such information may be disclosed to the extent it is legally required to be disclosed;

- (c) that, for a period of one year from the date hereof, neither it nor any of its affiliates will solicit to employ any of the current officers or

employees of the other company who were directly involved with the other company in connection with the evaluation of a transaction hereunder, so long as they are employed by the other company, without obtaining the prior written consent of the other Company; and

- (d) that, without the prior written consent of the board of directors of the other company, for a period of two years from the date hereof, it shall not (i) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, any equity securities, or any direct or indirect rights to acquire any equity securities or any property, of the other company; (ii) propose to enter into, directly or indirectly, any merger, business combination or other extraordinary transaction involving the other company or to purchase, directly or indirectly, a material portion of the assets of the other company; (iii) make, or in any way participate, in any "solicitation" of "proxies" to vote (as those terms are used in the rules of the SEC) any voting securities of the other company or act, alone or in concert with others, to seek to control or influence the management, board of directors or policies of the other company; (iv) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing; (v) enter into or disclose any intention, plan or arrangement inconsistent with the foregoing; or (vi) advise, assist or encourage any other persons in connection with any of the foregoing.

12. Purpose of the Offer; Plans for the Company.

Purpose of the Offer. The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. The purpose of the Merger is to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. If the Offer is successful, Purchaser intends to consummate the Merger as promptly as practicable.

The Company's Board of Directors has unanimously approved the Merger and the Merger Agreement. Depending upon the number of Shares purchased by Purchaser pursuant to the Offer, the Company's Board of Directors may be required to submit the Merger Agreement to the Company's shareholders for approval and adoption at a shareholder's meeting convened for that purpose in accordance with the LBCL. If shareholder approval is required, the Merger Agreement must be approved by the holders of the greater of (a) two-thirds of the shares of Company Common Stock present at the Company shareholders' meeting or (b) not less than a majority of a vote of all outstanding shares of Company Common Stock. If the Minimum Condition is satisfied, Purchaser will have sufficient voting power to approve the Merger Agreement at the shareholders' meeting without the affirmative vote of any other shareholder.

If Purchaser acquires at least 90% of the then outstanding Shares pursuant to the Offer, the Merger may be consummated without a shareholder meeting and without the approval of the Company's shareholders under the "short form" merger provisions of Section 112(G) of the LBCL. The Merger Agreement provides that Purchaser will be merged into the Company and that the Restated Articles of Incorporation and Bylaws of the Company will be the articles of incorporation and bylaws of the Surviving Corporation following the Merger.

Dissenters' Rights. Under Section 131 of the LBCL, holders of record of Shares who have the right to dissent and who file a written objection to the Merger prior to or at the meeting at which the vote on the Merger is taken, and who vote against the Merger, may demand in writing to be paid in cash the fair cash value of such shares, as of the day before the meeting, as determined by agreement between such shareholder and the Company or by a state district court in Louisiana, if the shareholder and the Company are unable to agree upon the fair cash value. If the Merger Agreement is approved by the holders of 80% or more of the outstanding Shares, Section 131 of the LBCL provides that no Company shareholder will have dissenters' rights. However,

if the Merger occurs under the "short form" merger provisions of Section 112(G) of the LBCL, the shareholders of the Company shall have dissenters' rights without regard to the proportion of the voting power that approved the Merger and despite the fact that the Merger was not approved by vote of the shareholders of the Company. In the case of a merger pursuant to Section 112(G) of the LBCL, the dissenting shareholder need not file an objection with the Company or vote against the Merger, but must comply with certain other procedural requirements set forth in Section 131 of the LBCL. A person who is a beneficial owner, but not a registered owner, of Shares who wishes to exercise the rights of a dissenting shareholder under the LBCL cannot do so in his own name and should have the record ownership of the shares transferred to his or her name or instruct the record owner thereof to take all required action to comply on his behalf with the procedures under Section 131 of the LBCL.

Any shareholder of record contemplating exercising dissenters' rights is urged to review carefully the provisions of Section 131 of the LBCL, particularly the procedural steps required to perfect dissenters' rights thereunder. Dissenters' rights will be lost if the procedural requirements of Section 131 are not fully satisfied.

Plans for the Company. Pursuant to the terms of the Merger Agreement, promptly upon the purchase of and payment for any Shares by Purchaser pursuant to the Offer, CEMEX currently intends to seek maximum representation on the Company's Board of Directors, subject to the requirement in the Merger Agreement that if Shares are purchased pursuant to the Offer, there shall be until the Effective Time at least three Independent Directors, as described in more detail in "Introduction."

After the Merger, CEMEX intends to operate all of its U.S. operations as a combined entity. It is anticipated that Mr. Comer will be President and CEO of the combined entity. CEMEX and Mr. Comer have had only preliminary discussions with respect to this matter, and no definitive agreement with respect to the terms on which he might be so engaged have been determined. CEMEX may reach ongoing employment arrangements with other executive officers of the Company, but discussions have been preliminary.

Except as otherwise set forth in this Offer to Purchase, it is expected that, initially following the Merger, the business and operations of the Company will be continued substantially as they are currently being conducted. CEMEX will continue to evaluate the business and operations of the Company during the pendency of the Offer. In addition, CEMEX intends to conduct a comprehensive review of the Company's business, operations, capitalization, corporate structure and management with a view to optimizing development of the Company's potential in conjunction with CEMEX's businesses. CEMEX hopes to realize roughly US\$60 million in annual cost savings following the Merger. Although CEMEX has preliminarily identified different areas where it may be able to realize cost savings, it has not completed its review or made any definitive decisions.

Except as described above or elsewhere in this Offer to Purchase, Purchaser and CEMEX have no present plans or proposals that would relate to or result in (i) any extraordinary corporate transaction involving the Company or any of its subsidiaries (such as a merger, reorganization, liquidation, relocation of any operations or sale or other transfer of a material amount of assets), (ii) any sale or transfer of a material amount of assets of the Company or any of its subsidiaries, (iii) any material change in the Company's capitalization or dividend policy or (v) any other material change in the Company's corporate structure or business.

13. Certain Effects of the Offer.

Market for the Shares. The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly, which could adversely affect the liquidity and market value of the remaining Shares held by shareholders other than Purchaser. Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction

would cause future market prices to be greater or less than the Offer Price.

NYSE Listing. Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued listing on the NYSE. According to the NYSE's published guidelines, the Shares would not be eligible to be included for listing if, among other things, the number of Shares publicly held falls below 600,000, or the number of holders of Shares falls below 400, or the number of holders of shares falls below 1,200 and the average monthly trading volume (for most recent 12 months) is less than 100,000 shares. If, as a result of the purchase of Shares pursuant to the Offer, the Merger, the Merger Agreement or otherwise, the Shares no longer meet the requirements of the NYSE for continued listing, the listing of the Shares will be discontinued. In such event, the market for the Shares would be adversely affected. In the event the Shares were no longer eligible for listing on the NYSE, quotations might still be available from other sources. The extent of the public market for the Shares and the availability of such quotations would, however, depend upon the number of holders of such Shares remaining at such time, the interest in maintaining a market in such Shares on the part of securities firms, the possible termination of registration of such Shares under the Exchange Act as described below and other factors.

Exchange Act Registration. The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the SEC if the Shares are not listed on a "national securities exchange" and there are fewer than 300 record holders. The termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement in connection with shareholders' meetings pursuant to Section 14(a) or 14(c) of the Exchange Act and the related requirements of an annual report, and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be eligible for NYSE reporting. Purchaser currently intends to seek to cause the Company to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Offer as the requirements for termination of registration are met.

Margin Regulations. The Shares are currently "margin securities," as such term is defined under the rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such securities. Depending upon factors similar to those described above regarding listing and market quotations, following the Offer it is possible that the Shares might no longer constitute "margin securities" for purposes of the margin regulations of the Federal Reserve Board, in which event such Shares could no longer be used as collateral for loans made by brokers. In addition, if registration of the Shares under the Exchange Act were terminated, the Shares would no longer constitute "margin securities."

14. Dividends and Distributions.

As discussed in Section 11, the Merger Agreement provides that from the date of the Merger Agreement to the Effective Time, without the prior written approval of CEMEX, the Company will not and will not permit any of its subsidiaries to authorize or pay any dividends on or make any distribution with respect to its outstanding shares of capital stock other than (a) normal quarterly cash dividends not in excess of \$0.15 per share declared and paid in accordance with the Company's past dividend policy, including as to the timing

of the declaration, record and payment dates, provided that no such cash dividends shall be declared after the consummation of the Offer, or (b) dividends or distributions by wholly owned subsidiaries of the Company. Without limiting the foregoing, effective upon acceptance for payment of Shares pursuant to the Offer in accordance with the terms hereof, the holder of such Shares will sell and assign to Purchaser all right, title and interest in and to all of the Shares tendered (including, but not limited to, such holder's right to any and all dividends and distributions with a record date before, and a payment date after, the scheduled or extended expiration date).

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15. Certain Conditions of the Offer.

Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) promulgated under the Exchange Act (relating to Purchaser's obligations to pay for or return tendered Shares promptly after the termination or withdrawal of the Offer), pay for any shares of Shares tendered pursuant to the Offer, and may terminate or amend the Offer in accordance with the Merger Agreement, if:

- (a) immediately prior to any scheduled or extended expiration date of the Offer:
 - (i) the Minimum Condition shall not have been satisfied;
 - (ii) the applicable waiting period under the Hart-Scott-Rodino Act shall not have expired or been terminated;
 - (iii) necessary consents or approvals from the United States Maritime Administration are not received with respect to the transfer or termination of the capital construction fund and any transfer of vessels owned and operated by the Company or any of its subsidiaries that are operated in the coastwise trade or consents from (or amendments to agreements with) the lenders under the Company's debt agreements (other than the Company's Series B 10% Senior Subordinated Notes due 2006) to waive until the earlier of (x) the Effective Time and (y) March 31, 2001 any "change of control" defaults that may occur thereunder by reason of the closing of the Offer and to defer any right to repayment thereunder by reason of a "change of control" until the Effective Time;
 - (iv) all filings and consents required in connection with or under the permits of the Company, the failure of which to make or obtain prior to the consummation of the Offer would reasonably be expected to have an adverse effect on continued operation following the Offer and the Merger of the Company's operations in all material respects as they are presently conducted, shall not have been obtained; or
 - (v) all consents necessary to the consummation of the Offer or the Merger including, without limitation, consents from parties to loans, contracts, leases or other agreements shall not have been obtained, other than (x) consents the failure to obtain which would not have, or be reasonably expected to have, a Company Material Adverse Effect, (y) consents in respect of permits and (z) any consents from lenders under the Company's debt agreements to waive any "change of control" defaults that may occur by reason of consummation of the Merger;
- (b) immediately prior to any scheduled or extended expiration date of the Offer, any of the following conditions exists:
 - (i) there shall have been any action threatened or taken, or any statute, rule, regulation, judgment, order or injunction

promulgated, entered, enforced, enacted, issued or deemed applicable to the Offer or the Merger by any domestic or foreign Federal or state governmental regulatory or administrative agency or authority or court or legislative body or commission which directly or indirectly (1) prohibits, or imposes any material limitations, other than limitations generally affecting the industries in which the Company and CEMEX and their respective subsidiaries conduct their business, on, CEMEX's or Purchaser's ownership or operation (or that of any of their respective subsidiaries or affiliates) of all or a material portion of the Company's and its subsidiaries' businesses or assets as a whole, or compels CEMEX or Purchaser or their respective subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the Company or CEMEX in each case taken as a whole, (2) prohibits, or makes illegal, the acceptance for payment, payment for or purchase of Shares or the consummation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement, (3) results in the material delay in the ability of Purchaser, or renders Purchaser

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unable, to accept for payment, pay for or purchase a material amount of the Shares, or (4) imposes material limitations on the ability of Purchaser or CEMEX effectively to exercise full rights of ownership of the Shares including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's shareholders;

- (ii) there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities in the NYSE (excluding any coordinated trading halt triggered solely as a result of a specified decrease in a market index and excluding any suspension or limitation resulting from physical damage or interference with any exchange not related to market conditions), (2) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or the Republic of Mexico (whether or not mandatory), (3) a commencement or escalation of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or the Republic of Mexico which materially adversely affects or delays the Offer, (4) any limitation (whether or not mandatory) by any Governmental Authority on the extension of credit by banks or other financial institutions in a manner which prohibits the extension of funds to CEMEX or Purchaser, (5) a change in general financial bank or capital market conditions which materially or adversely affects the ability of financial institutions in the European Union, the United States or the Republic of Mexico to extend credit or syndicate loans or (6) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;
- (iii) other than as explicitly disclosed in the Merger Agreement or the Company's reports filed with the SEC prior to the date of the Merger Agreement any change shall have occurred (or any development shall have occurred) after December 31, 1999, in the business, assets, liabilities, financial condition, capitalization, operations or results of operations of the Company or any of its subsidiaries that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;
- (iv) the Company's Board of Directors shall have withdrawn, or modified or changed in a manner adverse to CEMEX or Purchaser (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, or recommended another proposal or offer regarding a Takeover Proposal, or shall have

resolved to do any of the foregoing; or

(v) the Merger Agreement shall have been terminated in accordance with its terms; or

(c) immediately prior to any scheduled or extended expiration date of the Offer, (i) the Company shall have breached or failed to perform in any material respect any of its obligations under the Merger Agreement required to have been performed at or prior to such time, or (ii) (1) subject in the case of Qualified Representations to the standard described under "--Representations and Warranties", the representations and warranties of the Company set forth in the Merger Agreement (other than the Absolute Representations) shall fail to be true and correct as of the date of the Merger Agreement and as of any scheduled or extended expiration date of the Offer as though made on such date (or, in each case, if made as of a specified date, as of such date) and (2) the Absolute Representations shall fail to be true and correct in all material respects as of the date of the Merger Agreement and as of any scheduled or extended expiration date of the Offer as though made on such date (or, in each case, if made as of a specified date, as of such date),

which conditions in the reasonable judgment of CEMEX or Purchaser but subject to the provisions of the Merger Agreement, in any such case, and regardless of the circumstances (including any action or inaction by CEMEX or Purchaser) giving rise to such conditions makes it inadvisable to proceed with the Offer and/or with such acceptance for payment of or payments for shares of Shares.

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Purchaser's obligation to purchase Shares under the Offer is not conditioned on any financing arrangements or subject to any financing condition. See Section 9 for a description of the financing arrangements for the Offer and the Merger.

Subject to the provisions of the Merger Agreement, the foregoing conditions are for the sole benefit of CEMEX and Purchaser and may be asserted by Purchaser or, subject to the terms of the Merger Agreement, may be waived by CEMEX or Purchaser, in whole or in part at any time and from time to time up to the expiration of the Offer. The failure by CEMEX or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time up to the expiration of the Offer.

16. Certain Legal Matters; Regulatory Approvals.

General. Purchaser is not aware of any pending legal proceeding relating to the Offer. Except as described in this Section 16, based on its examination of publicly available information filed by the Company with the SEC and other publicly available information concerning the Company, Purchaser is not aware of any governmental license or regulatory permit that appears to be material to the Company's business that might be adversely affected by Purchaser's acquisition of Shares as contemplated herein or of any approval or other action by any governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by Purchaser or CEMEX as contemplated herein. Should any such approval or other action be required, Purchaser currently contemplates that, except as described below under "--State Takeover Statutes," such approval or other action will be sought. While Purchaser does not currently intend to delay acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that if such approvals were not obtained or such other actions were not taken, adverse consequences might not result to the Company's business, or certain parts of the Company's business might not have to be disposed of, any of which could cause Purchaser to elect to terminate the Offer without the purchase of Shares thereunder under certain conditions. See Section

State Takeover Statutes. A number of states have adopted laws that purport, to varying degrees, to apply to attempts to acquire corporations that are incorporated in, or that have substantial assets, shareholders, principal executive offices or principal places of business or whose business operations otherwise have substantial economic effects in, such states. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted such laws.

In *Edgar v. MITE Corp.*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquirer from voting shares of a target corporation without the prior approval of the remaining shareholders where, among other things, the corporation is incorporated in, and has a substantial number of shareholders in, the state. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a Federal District Court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a Federal District Court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit.

The Company is incorporated under the laws of the State of Louisiana. In general, in the event of a "business combination" (defined to include mergers and certain other actions) with a Louisiana corporation, Section of the 133 LBCL ("Section 133") requires the affirmative vote of at least (a) 80% of the votes entitled to be cast by outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock other than voting stock held by the "interested shareholder" (including a person

who has the right to acquire 10% or more of the corporation's outstanding voting stock or an affiliate of the corporation who at any time within the two-year period immediately prior to the date in question owned, directly or indirectly 10% or more of the corporation's outstanding voting stock) who is a party to the business combination. The Company's Board of Directors approved for purposes of Section 133 the entering into by Purchaser, CEMEX and the Company of the Merger Agreement and the consummation of the transactions contemplated thereby and has taken all appropriate action so that Section 133, with respect to the Company, will not be applicable to CEMEX and Purchaser by virtue of such actions.

Sections 135 through 140.2 of the LBCL provide generally that in the event that any person acquires shares entitling the person to exercise at least one-fifth of the voting power of a corporation that is an "issuing public corporation" (a "control share acquisition"), the shares so acquired have only the voting rights that are conferred by the shareholders of the corporation by a vote of the shareholders, unless the corporation's articles of incorporation or bylaws in effect prior to the control share acquisition provide that the provisions of Sections 135 through 140.2 of the LBCL do not apply to control share acquisitions of shares of the corporation. Immediately prior to the execution of the Merger Agreement, Southdown's Board of Directors adopted an amendment to Southdown's bylaws providing that the provisions of Sections 135 through 140.2 of the LBCL do not apply to control share acquisitions of shares of Southdown. Accordingly, the provisions of Sections 135 through 140.2 of the LBCL will not apply to the Shares acquired by Purchaser pursuant to the Offer.

If any government official or third party should seek to apply any state takeover law to the Offer or the Merger or other business combination between

Purchaser or any of its affiliates and the Company, Purchaser will take such action as then appears desirable, which action may include challenging the applicability or validity of such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover statutes is applicable to the Offer or the Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities or holders of Shares, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer or the Merger. In such case, Purchaser may not be obligated to accept for payment or pay for any tendered Shares. See Section 15.

United States Antitrust Compliance. Under the Hart-Scott-Rodino Act and the rules that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the FTC and certain waiting period requirements have been satisfied. The purchase of Shares pursuant to the Offer is subject to such requirements.

Pursuant to the requirements of the Hart-Scott-Rodino Act, Purchaser expects to file a Notification and Report Form with respect to the Offer and Merger with the Antitrust Division and the FTC not later than October 10, 2000. The waiting period applicable to the purchase of Shares pursuant to the Offer will expire at 11:59 p.m., New York City time, fifteen days after such filing. However, prior to such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the Offer from Purchaser. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, on the tenth day after substantial compliance by Purchaser with such request. Thereafter, such waiting period can be extended only by court order.

The Antitrust Division and the FTC scrutinize the legality under the antitrust laws of transactions such as the acquisition of Shares by Purchaser pursuant to the Offer. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could take such action under the antitrust laws of the United States as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking divestiture of the Shares so acquired or divestiture of substantial assets of CEMEX or the Company. Private parties (including individual States) may also bring legal actions under the antitrust laws of the United States. Purchaser does not believe that the consummation of the Offer or the Merger will result in a violation of any applicable antitrust laws. However, there can be no assurance that a

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challenge to the Offer or the Merger on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See Section 15, including conditions with respect to litigation and certain governmental actions and Section 11 for certain termination rights.

Other Filings. CEMEX and the Company each conduct operations in a number of foreign countries, and filings may have to be made with foreign governments under their pre-merger notification statutes. The filing requirements of various nations are being analyzed by the parties and, where necessary, such filings will be made.

17. Fees and Expenses.

Salomon Smith Barney is acting as Dealer Manager for the Offer and as financial advisor to CEMEX in connection with the Offer and the Merger, for which services Salomon Smith Barney will receive customary compensation. In addition, Salomon Smith Barney and its affiliates will be participating in the financing of the Offer and the Merger, for which services Salomon Smith Barney and its affiliates also will receive customary compensation. CEMEX has agreed

to reimburse Salomon Smith Barney for reasonable travel and other expenses incurred by Salomon Smith Barney in performing its services, including reasonable fees and expenses of its legal counsel, and to indemnify Salomon Smith Barney and certain related parties against certain liabilities, including liabilities under the federal securities laws, arising out of its engagement. In the ordinary course of business, Salomon Smith Barney and its affiliates may actively trade or hold the securities of the Company and CEMEX for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities.

CEMEX and Purchaser have retained MacKenzie Partners, Inc. to be the Information Agent and Citibank, N.A. to be the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Shares.

The Information Agent and the Depositary each will receive reasonable and customary compensation for their respective services in connection with the Offer, will be reimbursed for reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws.

Neither CEMEX nor Purchaser will pay any fees or commissions to any broker or dealer or to any other person (other than to the Dealer Manager, the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

18. Miscellaneous.

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Purchaser may, in its discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to holders of Shares in such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF CEMEX OR PURCHASER NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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Purchaser and CEMEX have filed with the SEC a Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, together with exhibits furnishing certain additional information with respect to the Offer, and may file amendments thereto. In addition, the Company has filed with the SEC a Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9, together with exhibits, pursuant to Rule 14d-9 under the Exchange Act, setting forth the recommendation of the Company's Board of Directors with respect to the Offer and the reasons for such recommendation and furnishing certain additional related information. A copy of such documents, and any amendments thereto, may be examined at, and copies may be obtained from, the SEC (but not the regional offices of the SEC) in the manner set forth under Section 7 above.

CENA Acquisition Corp.

October 5, 2000

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INFORMATION CONCERNING
 DIRECTORS AND EXECUTIVE OFFICERS
 OF CEMEX AND THE PURCHASER

1. Directors and Executive Officers of CEMEX.

The following tables set forth the name, present principal occupation or employment and material occupations, positions, offices or employments for the past five years for each member of the Board of Directors and each executive officer of CEMEX. Unless indicated otherwise, each person is a citizen of Mexico with a principal business address at Ave. Constitucion 444 Pte., Monterrey, Mexico 64000.

Name	Title	Principal Occupation or Employment and Material Positions Held During the Past Five Years
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Lorenzo H. Zambrano.....	Chairman, Chief Executive Officer and Director	Chairman of the Board of Directors of CEMEX since 1995, Director since 1979 and Chief Executive Officer of CEMEX since 1985. Mr. Zambrano is a member of the board of directors of Fomento Economico Mexicano, S.A. de C.V., Empresas ICA, S.A. de C.V., Alfa, S.A. de C.V., Cydsa, S.A., Vitro, S.A., and Grupo Televisa, S.A. He is Chairman of the Board of Directors of Consejo de Enseñanza e Investigacion Superior, A.C., which manages ITESM. He is also a member of the Stanford Business School's advisory group and a member of the board of directors and of the executive committee of Grupo Financiero Banamex Accival, S.A. de C.V. In addition, he is a member of the board of directors of The Museum of Modern Art, The Economic Development Institute of the World Bank, Americas Society, Inc., Museo de Arte Contemporaneo, and the Mexico-United States Commission for Educational and Cultural Exchange.
Armando J. Garcia Segovia.....	Director, Executive Vice President of Development	Director since 1983 and Executive Vice President of Development of CEMEX since 1996. Mr. Segovia was Director of Development of CEMEX from 1994 to 1996. 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., Compania Industrial de Parras, S.A. de C.V., Fabrica La Estrella, S.A. de C.V., Prendas Textiles, S.A. de C.V., Telas de Parras, S.A. de C.V., Canacem, Confederacion Patronal de la Republica Mexicana, Centro Patronal de Nuevo Leon, and Instituto Mexicano del Cemento y del Concreto. He is also Chairman of the Board of Directors of Centro de Estudios del Sector Privado para el Desarrollo Sostenible.
Marcelo Zambrano	Director	Honorary Chairman of the Board of

<p>Hellion.....</p>	<p>Directors of CEMEX since 1995 and Director since 1957. Mr. Hellion is President of Ceramica Industrial de Monterrey, S.A., de C.V., since 1979 and General de Ceramica, S.A., since 1979. He was Chairman of the Board of Directors of CEMEX from 1979 to 1995. He is currently a member of the board of directors of Consejo Industrial de Nuevo Leon, Consejo Empresarial de America Latina, Seguros La Comercial, S.A., Club Industrial, A.C. and Grupo Serfin-OBSA (Regional Board).</p>
<p>Eduardo Brittingham Director Sumner.....</p>	<p>Director since 1967. Mr. Sumner is currently General Director of Laredo Autos, S.A. de C.V., since 1988, and of Auto Express Rapido Nuevo Laredo, S.A. de C.V., since 1980 He is a member of the board of directors of Consorcio Industrial de Exportacion, S.A. de C.V. since 1988, and an alternate member of the board of directors of Vitro, S.A.</p>
<p>Lorenzo Milmo Director Zambrano.....</p>	<p>Director since 1977. Mr. Zambrano is General Director of Inmobiliaria Ermiza, S.A. de C.V., since 1988 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).</p>
<p>Rodolfo Garcia Muriel... Director</p>	<p>Director since 1985. Mr. Muriel is the Chief Executive Officer of Compania Industrial de Parras, S.A. de C.V., since 1996 and its Chairman of the Board of Directors since 1996. Mr. Muriel is also Chairman of the Board of Directors of Parras Cone de Mexico, S.A. de C.V., since 1993, Hilapar, S.A. de C.V., since 1996 and Vice-Chairman of the Board of Directors of the Camara Nacional de la Industria Textil since 1994. He is also a member of the board of directors of Parras Williamson, S.A. de C.V., Telas de Parras, S.A. de C.V., Prendas Textiles, S.A. de C.V., Iusacell, S.A. de C.V., Iusa-GE, S. de R.L., Cambridge Lee Industries Inc., Industrias Unidas, S.A., Apollo Operadora de Sociedades de Inversion, S.A. de C.V., and Sinkro, S.A. de C.V.</p>
<p>Rogelio Zambrano Director Lozano.....</p>	<p>Director since 1987. Mr. Lozano is General Director of Carza S.A. de C.V., since 1985 and Plaza Sesamo S.A. de C.V., since 1992. Mr. Lozano is also a member of the consultive board of Grupo Financiero Banamex Accival, S.A. de C.V. Zona Norte.</p>
<p>2</p>	
<p>Roberto Zambrano Director Villarreal.....</p>	<p>Director since 1987. Mr. Villarreal is Chairman of the Board of Directors of Desarrollo Integrado, S.A. de C.V., since 1994, Pronatura S.A. de C.V., since 1997, Administracion Ficap, S.A. de C.V., since 1994, Aero Zano, S.A. de C.V., since 1994, Ciudad Villamonte, S.A. de C.V., Focos, S.A. de C.V., since 1994, C & I Capital, S.A. de C.V., since 1997, Industrias Diza, S.A. de C.V.,</p>

since 1994, Inmobiliaria Sanni, S.A. de C.V., since 1994, Inmuebles Trevisa, S.A. de C.V., since 1994, Servicios Tjcnicos Hidraulicos, S.A. de C.V., since 1994, and Mantenimiento Integrado, S.A. de C.V. since 1993. He is a member of the board of directors of S.L.I. de Mexico, S.A. de C.V., CompaZia de Vidrio Industrial, S.A. de C.V., Radio Digital 220, S.A. de C.V., Eicon, S.A. de C.V. and Telecomunicaciones Publicas y Privadas, S.A. de C.V.

Bernardo Quintana Director
Isaac.....

Director since 1990. Mr. Isaac is Chairman of the Board of Directors of Grupo ICA, S.A. de C.V., and its Chief Executive Officer since 1994. He is also a member of the board of directors of TelJfonos de Mexico, S.A. de C.V., Grupo Financiero Banamex Accival, S.A. de C.V., Grupo Financiero Inbursa, S.A. de C.V., Grupo Carso, S.A. de C.V., and Grupo Maseca, S.A. de C.V. He is also a member of the Consejo Mexicano de Hombres de Negocios.

Dionisio Garza Medina... Director

Director since 1995. Mr. Medina is Chairman of the Board and Chief Executive Officer of Alfa, S.A. de C.V., since 1990. He is Chairman of the Board of Hylsamex, S.A. de C.V., since 1993 and of Sigma Alimentos, S.A. de C.V., since 1990. He is also a member of the board of directors of Vitro, S.A., Cydsa, S.A., Seguros Comercial America, S.A., and Grupo Financiero Bancomer, S.A. de C.V. He is also a member of Consejo Mexicano de Hombres de Negocios, the consultive committee of the School of Business of Harvard University, and the David Rockefeller Center for Latin American Studies and the consultive committee of the New York Stock Exchange. He is also Chairman of the Executive Board of the Universidad de Monterrey, A.C.

Alfonso Romo Garza..... Director

Director since 1995. Mr. Garza is Chairman of the Board of Directors and Chief Executive Officer of Pulsar Internacional, S.A. de C.V., since 1984, Chairman of the Board of Directors and Chief Executive Officer of Savia, S.A. de C.V., since 1986, Chairman of the Board of Directors and Chief Executive Officer of Seguros Comercial America, S.A. de C.V., since 1989, Chairman of the Board of Directors and Chief Executive Officer of Empaques Ponderosa, S.A. de C.V., since 1994, and Chairman of the Board of Directors and Chief Executive Officer of Seminis Inc., since 1996. He is also a member of the board of Nacional de Drogas, S.A. de C.V. and Grupo Maseca S.A. de C.V. He is an external advisor of the World Bank Board for Latin America and the Caribbean, and member of the board of directors of The Donald Danford Plant Science Center.

Jorge Garcia Segovia.... Alternate Director

Alternate Director since 1985. Mr. Segovia was Retail Banking Executive

Director of Banca Sefin (North Region) from 1995 to 1998. Since 1998, he has served as Director of Vector Casa de Bolsa, S.A. de C.V. He is also a member of the board of directors of Compania Industrial de Parras., S.A. de C.V., Vitro Vidrio Plano, S.A., ABA Seguros, S.A., and director of Vector Casa de Bolsa, S.A. de C.V.

Tomas Brittingham Alternate Director
Longoria.....

Alternate Director since 1987. He is the Chief Executive Officer of Laredo Autos, S.A. de C.V., since 1983.

Mauricio Zambrano Alternate Director
Villareal.....

Alternate Director since 1995. Mr. Villareal is General Vice-President of Desarrollo Integrado, S.A. de C.V., since 1978. He is also Chairman of the Board of Directors of Empresas Falcon, S.A. de C.V. and Trek Associates, Inc., Secretary of the Board of Directors of Administracion 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., Compania 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 Tjcnicos Hidraulicos, S.A. de C.V., and a member of the board of directors of Sylvania Lighting International Mexico, S.A. de C.V., Invercap, S.A. de C.V. and Precision Auto Care, Inc.

Luis Santos de la Board Examiner
Garza.....

Board Examiner since 1989 and Alternate Director from 1987 to 1988. He was a Senator of Mexico for the State of Nuevo Leon from 1997 to 2000. He is also a member of the board of directors of Grupo Industrial Ramirez, S.A. de C.V., since 1981 and Productora de Papel, S.A. de C.V., since 1985. He was a founding partner of Bufete de Abogados Santos-Elizondo-Cantd-Rivera-Gonzalez-De la Garza, S.C.

Fernando Ruiz Alternate Board Examiner
Arredondo.....

Alternate Board Examiner since 1981.

Hector Medina..... Executive Vice President
of Planning and Finance

Executive Vice President of Planning and Finance of CEMEX since 1996. Mr. Medina was President of CEMEX Mexico from 1994 to 1996.

Rodrigo Trevino..... Chief Financial Officer

Chief Financial Officer of CEMEX since 1997. Prior to joining CEMEX, Mr. Trevino was the Country Corporate Officer for Citicorp/Citibank Chile from 1995 to 1996.

Ramiro G. Villarreal.... General Counsel

General Counsel of CEMEX since 1987. Although not a director, Mr. Villarreal has served as Secretary of the Board of Directors since 1995.

Mario de la Garza..... Vice President of
Administration

Vice President of Administration of CEMEX since 1996. Mr. de la Garza was Director of Administration of CEMEX from 1994 to 1996.

Francisco Garza..... President of CEMEX North
America and Trading

President of CEMEX North America and Trading since 1998. Mr. Garza was President of CEMEX Mexico and CEMEX USA from 1996 to 1998 and President of Vencemos and Cemento Bayano from 1994 to 1996.

Jose Luis Saenz de Miera.....	President of CEMEX Europe and Asia	President of the Europe and Asia region since 1998. Mr. de Miera was President of Valenciana from 1994 to 1998.
Victor Romo.....	President of CEMEX South America and the Caribbean	President of the South American and Caribbean region since 1998. Mr. Romo was President of Vencemos from 1996 to 1998 and General Director of Administration and Finance of Valenciana from 1994 to 1996.
Gilberto Perez.....	President of CEMEX USA	President of CEMEX USA since 1998. Prior to that time, Mr. Perez of was Vice President of Planning and Marketing for CEMEX Mexico and Planning Vice President of CEMEX Venezuela. Mr. Perez has been employed with CEMEX since 1989.

2. Directors and Executive Officers of Purchaser

The following tables set forth the name, present principal occupation or employment and material occupations, positions, offices or employments for the past five years for each member of the Board of Directors and each executive officer of Purchaser. Unless indicated otherwise, each person is a citizen of Mexico with a principal business address at One Riverway, Suite 2200, Houston, Texas 77056.

Name ----	Title -----	Principal Occupation or Employment; Material Positions Held During the Past Five Years -----
Jill Simeone.....	Director, Chief Executive Officer	Director and Chief Executive Officer of Purchaser since 2000. Ms. Simeone is General Counsel of CEMEX USA since 1999. From 1998 to 1999, Ms. Simeone was a visiting law professor at the Facultad Libre Derecho in Monterrey and a Fulbright Scholar at ITESM in Monterrey, Mexico, as from 1998 to 1999, From 1993 to 1998, she was a prosecutor in the Manhattan District Attorney's office. Ms. Simeone is a citizen of the United States of America.
Jeffrey H. Smith.....	Director, Treasurer	Director and Treasurer of Purchaser since 2000. Mr. Smith is Senior Vice President of Administration of CEMEX USA since 1994. Mr. Smith is a citizen of the United States of America.
Andrew M. Miller.....	Director, Secretary	Director and Secretary of Purchaser since 2000. Mr. Miller is Senior Vice President of Human Resources of CEMEX USA. He was Vice President of Human Resources of Molex, Inc., from 1996 to 1998. He was also Vice President of Human Resources of Little Tikes, Inc., a division of Rubbermaid, Inc. from 1995 to 1996. Prior to that time, Mr. Miller was Vice President of Human Resources of Rubbermaid Specialty Products. He currently serves on the Development Board of the Diocese of Galveston-Houston, Texas. Mr. Miller is a citizen of the United States of America.

Lorenzo Milmo President See--Directors and Executive Officers of
Zambrano..... CEMEX above. Mr. Zambrano's principal
business address is Ave. Constitucion
444 Pte. Monterrey, Mexico 64000.

Rodrigo Trevino..... Vice President See--Directors and Executive Officers of
CEMEX above. Mr. Trevino's principal
business address is Ave. Constitucion
444 Pte. Monterrey, Mexico 64000.

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Francisco Garza..... Vice President See--Directors and Executive Officers of
CEMEX above. Mr. Garza's principal
business address is Ave. Constitucion
444 Pte. Monterrey, Mexico 64000.

Hector Medina..... Vice President See--Directors and Executive Officers of
CEMEX above. Mr. Medina's principal
business address is Ave. Constitucion
444 Pte. Monterrey, Mexico 64000.

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

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

As discussed in note 3B to the consolidated financial statements, Bulletin B-15 issued by the Mexican Institute of Public Accountants requires the restatement of prior periods consolidated financial statements to constant pesos as of the most recent balance sheet presented by applying a weighted average index that takes into consideration the inflation rates of the countries in which the subsidiaries operate and the exchange rate related to the Mexican peso. The above mentioned consolidated financial statements have been restated from amounts previously presented to reflect the purchasing power of the Mexican peso as of June 30, 2000.

In our opinion, based upon our audits and 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, 1999 and 1998, and the consolidated results of their operations, the changes in their stockholders' equity and the changes in their financial position for each of the years in the three-year period ended December 31, 1999, in accordance with generally accepted accounting principles in Mexico.

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

KPMG Cardenas Dosal, S.C.

Rafael Gomez Eng

Monterrey, N.L., Mexico
January 17, 2000, except for the restatement
described in the third paragraph of this
report which is as of September 1, 2000 and
note 23 which is as of June 7, 2000.

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

Consolidated Balance Sheets
(Thousands of constant Mexican pesos as of June 30, 2000)

Assets	December 31,		(Unaudited) June 30, 2000
	1998	1999	
Current Assets			
Cash and temporary investments.....	Ps4,147,606	3,193,079	3,297,769
Trade accounts receivable, less allowance for doubtful accounts Ps623,978 in 1998 and Ps525,728 in 1999.....	5,141,485	5,189,379	6,296,946
Other receivables (note 4).....	2,150,453	2,299,651	1,932,935
Inventories (note 5).....	4,498,463	5,436,085	5,454,156
Other current assets (note 6).....	819,281	594,404	783,903
Total current assets.....	16,757,288	16,712,598	17,765,709
Investments And Noncurrent			
Receivables (note 7)			
Investments in affiliated companies.....	3,919,249	6,014,024	5,347,787
Other investments.....	270,356	808,514	855,450
Other accounts receivable.....	236,688	879,315	1,019,569
Total investments and noncurrent receivables.....	4,426,293	7,701,853	7,222,806
Property, Machinery And Equipment (note 8)			
Land and buildings.....	29,629,305	32,774,118	33,443,635
Machinery and equipment.....	90,487,643	94,146,827	91,158,603
Accumulated depreciation.....	(61,095,482)	(62,184,559)	(62,666,973)
Construction in progress.....	3,597,107	2,978,065	3,476,291
Total property, machinery and equipment.....	62,618,573	67,714,451	65,411,556
Deferred Charges (note 9).....	22,837,557	23,938,653	25,550,076
Total Assets.....	Ps106,639,711	116,067,555	115,950,147
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 10).....	Ps4,085,923	1,876,448	648,363
Notes payable (note 10).....	834,535	407,792	326,014
Current maturities of long-term debt (notes 10 and 11).....	6,354,481	7,792,561	8,019,922
Trade accounts payable.....	3,131,743	3,791,039	4,528,201
Other accounts payable and accrued expenses.....	3,928,771	3,998,260	4,115,580
Total current liabilities.....	18,335,453	17,866,100	17,638,080
Long-Term Debt (note 11)			
Bank loans.....	20,242,455	22,677,087	21,960,600
Notes payable.....	18,087,447	17,795,420	16,723,911

Current maturities of long-term debt.....	(6,354,481)	(7,792,561)	(8,019,902)
Total long-term debt.....	31,975,421	32,679,946	30,664,609
Other Noncurrent Liabilities			
Pension and seniority premium (note 12).....	986,178	543,576	259,858
Deferred income taxes (note 15).....	1,106,552	1,077,053	6,275,098
Other noncurrent liabilities.....	1,850,174	951,223	1,166,553
Total other noncurrent liabilities.....	3,942,904	2,571,852	7,701,509
Total liabilities.....	54,253,778	53,117,898	56,004,198
Stockholders' Equity (note 13)			
Majority interest:			
Common stock-historical cost basis.....	47,619	49,312	51,291
Common stock-accumulated inflation adjustments.....	2,860,636	2,860,792	2,860,793
Additional paid-in capital.....	17,477,797	19,563,959	21,391,863
Deficit in equity restatement.....	(42,360,557)	(40,957,792)	(47,916,266)
Retained earnings.....	53,417,438	59,665,281	66,902,720
Net income.....	8,189,321	9,514,494	4,719,708
Total majority interest.....	39,632,254	50,696,046	48,010,109
Minority interest.....	12,753,679	12,253,611	11,935,840
Total stockholders' equity.....	52,385,933	62,949,657	59,945,949
Total Liabilities and Stockholders' Equity.....	Ps106,639,711	116,067,555	115,950,147

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

(Thousands of constant Mexican pesos as of June 30, 2000, except for Earnings Per Share)

	Years ended on December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Net sales.....	Ps 39,611,572	43,994,866	47,231,676	22,958,756	26,140,145
Cost of sales.....	(24,273,649)	(25,437,568)	(26,315,262)	(12,763,820)	(14,456,104)
Gross profit.....	15,337,923	18,557,298	20,916,414	10,194,936	11,684,041
Operating expenses:					
Administrative.....	(4,049,499)	(4,735,603)	(5,115,880)	(2,417,379)	(2,895,675)
Selling.....	(1,928,265)	(1,813,716)	(1,747,398)	(851,320)	(876,330)
Total operating expenses.....	(5,977,764)	(6,549,319)	(6,863,278)	(3,268,699)	(3,772,005)

Operating income.....	9,360,159	12,007,979	14,053,136	6,926,237	7,912,036
Comprehensive financing income (cost):					
Financial expenses....	(5,332,829)	(4,948,604)	(4,772,402)	(2,351,927)	(2,328,828)
Financial income.....	1,081,876	109,473	398,841	138,770	115,758
Foreign exchange result, net.....	(123,636)	(2,257,656)	269,996	637,531	(227,525)
Monetary position result.....	6,033,910	5,749,015	3,820,556	2,431,447	1,551,080
Net comprehensive financing income (cost).....	1,659,321	(1,347,772)	(283,009)	855,821	(889,515)
Other expense, net.....	(1,438,101)	(1,551,054)	(2,904,148)	(1,586,489)	(985,355)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates.....	9,581,379	9,109,153	10,865,979	6,195,569	6,037,166
Income tax and business assets tax, net (note 15).....	(523,394)	(471,083)	(668,985)	(421,234)	(995,705)
Employees' statutory profit sharing (note 15).....	(170,675)	(206,162)	(374,536)	(144,250)	(167,437)
Total income tax, business assets tax and employees' statutory profit sharing.....	(694,069)	(677,245)	(1,043,521)	(565,484)	(1,163,142)
Income before equity in income of affiliates.....	8,887,310	8,431,908	9,822,458	5,630,085	4,874,024
Equity in income of affiliates.....	182,821	159,786	243,382	81,636	94,091
Consolidated net income.....	9,070,131	8,591,694	10,065,840	5,711,721	4,968,115
Minority interest net income.....	1,115,010	402,373	551,346	282,533	248,407
Majority interest net income.....	Ps 7,955,121	8,189,321	9,514,494	5,429,188	4,719,708
Basic Earnings Per Share (note 2A and note 19).....	Ps 2.06	2.16	2.52	2.61	2.16
Diluted Earnings Per Share (note 2A and note 19).....	Ps 2.03	2.16	2.51	2.60	2.15

See accompanying notes to consolidated financial statements.

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

Statements of Changes in Stockholders' Equity
(Thousands of constant Mexican pesos as of June 30, 2000)

	Common stock		Additional paid-in capital	Deficit in equity restatement	Retained earnings	Net income	Majority interest	Minority interest	Total stockholders' Equity
	Series A	Series B							
Balances at December 31, 1996.....	Ps 1,783,702	1,124,253	16,042,281	(31,052,440)	37,766,270	10,626,449	36,290,515	10,877,236	47,167,751

effect of income tax.....	--	--	--	(3,575,914)	--	--	(3,575,914)	--	(3,575,914)
Investment by subsidiaries (Unaudited).....	--	--	--	(4,215,711)	--	--	(4,215,711)	--	(4,215,711)
Net income (Unaudited).....	--	--	--	--	--	4,719,708	4,719,708	248,407	4,968,115
Balances at June 30, 2000 (Unaudited).....	1,788,331	1,123,753	21,391,863	(47,916,266)	66,902,720	4,719,708	48,010,109	11,935,840	59,945,949

See accompanying notes to consolidated financial statements.

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CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Statements of Changes in Stockholders' Equity, continued
Consolidated Comprehensive Net Income
(Thousands of constant Mexican pesos as of June 30, 2000)

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

	Years ended on December 31,		
	1997	1998	1999
Majority interest net income.....	Ps 7,955,121	8,189,321	9,514,494
Other comprehensive income:			
Foreign currency translation adjustment.....	696,017	6,045,988	(849,435)
Foreign exchange gains (losses) accounted as a hedge of a net investment.....	(459,755)	(3,098,900)	613,612
Effects from holding non-monetary assets.....	(2,924,251)	(1,447,780)	(2,467,756)
Other hedge derivative instruments..	(198,659)	(289,320)	(146,744)
Bulletin B-15 constant pesos adjustment.....	(1,135,013)	(2,160,226)	(128,752)
Other comprehensive income (loss)...	(4,021,661)	(950,238)	(2,979,075)
Comprehensive income (loss) for the year.....	3,933,460	7,239,083	6,535,419
Accumulated other comprehensive income:			
Balance at beginning of year.....	(16,372,761)	(20,394,422)	(21,344,660)
Balance at end of year.....	Ps (20,394,422)	(21,344,660)	(24,323,735)

For the periods ended June 30, 1999 and 2000, other comprehensive income amounts (loss) income of Ps(2,270,068) and Ps286,472 respectively (unaudited). The comprehensive income for the periods ended June 30, 1999 and 2000 was Ps3,159,121 and Ps5,006,180 respectively (unaudited).

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

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

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

Consolidated Statements of Changes in Financial Position
(Thousands of constant Mexican pesos as of June 30, 2000)

	Years ended on December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Operating activities					
Majority interest net income.....	Ps 7,955,121	8,189,321	9,514,494	5,429,188	4,719,708
Charges to operations which did not require resources (note 18)...	5,448,015	4,555,066	5,498,947	2,290,251	2,546,367
Resources provided by operating activities.....	13,403,136	12,744,387	15,013,441	7,719,439	7,266,075
Changes in working capital, excluding effect of acquisitions:					
Trade accounts receivable, net.....	(271,973)	(814,332)	501,916	(355,462)	(1,204,549)
Other receivable and other assets.....	286,372	(322,756)	107,310	111,732	186,446
Inventories.....	(287,944)	(532,227)	101,440	391,764	(190,337)
Trade accounts payable.....	744,911	387,635	325,412	393,266	683,570
Other accounts payable and accrued expenses.....	(638,128)	949,053	(968,115)	(320,082)	63,929
Net change in working capital.....	(166,762)	(332,627)	67,963	221,218	(460,941)
Net resources provided by operating activities.....	13,236,374	12,411,760	15,081,404	7,940,657	6,805,134
Financing activities					
Proceeds from bank loans (repayments), net.....	(81,429)	3,133,018	(3,179,979)	1,684,698	(830,208)
Notes payable, net, excluding foreign exchange effect (note 3E).....	(4,281,751)	(7,167,794)	(4,220,764)	(313,702)	(1,817,268)
Investment by subsidiaries.....	(747,918)	(2,537,345)	4,891,479	55,186	(1,190,640)
Dividends paid.....	--	(1,691,617)	(1,941,478)	(1,955,393)	(2,277,055)
Issuance of common stock from reinvestment of dividends.....	--	1,407,992	1,753,866	1,754,537	1,900,411
Issuance of preferred stock by subsidiaries.....	--	2,548,833	--	--	--

Other financing activities, net.....	(491,968)	(436,778)	(3,345,024)	(979,977)	1,102,679
Acquisition of shares under repurchase program.....	(1,239,932)	--	--	--	--
Issuance of common stock.....	18,822	10,149	334,145	50,864	(70,527)
	-----	-----	-----	-----	-----
Resources used in financing activities.....	(6,824,176)	(4,733,542)	(5,707,755)	296,213	(3,182,608)
	-----	-----	-----	-----	-----
Investing activities					
Property, machinery and equipment, net.....	(3,499,610)	(3,324,203)	(2,600,880)	204,013	(1,387,440)
Acquisitions, net of cash acquired.....	(970,633)	(2,587,522)	(9,666,931)	(5,648,531)	(532,616)
Disposal of assets.....	--	2,456,775	--	70,363	1,172,895
Minority interest.....	(1,066,549)	(882,191)	(1,424,189)	(968,053)	(40,900)
Deferred charges.....	(690,962)	(41,577)	(900,011)	15,073	227,910
Other investments and monetary foreign currency effect.....	(652,858)	(3,128,624)	4,263,835	(2,448,197)	(2,957,685)
	-----	-----	-----	-----	-----
Resources used in investing activities.....	(6,880,612)	(7,507,342)	(10,328,176)	(8,775,332)	(3,517,836)
	-----	-----	-----	-----	-----
(Decrease) increase in cash and temporary investments.....	(468,414)	170,876	(954,527)	(538,462)	104,690
Cash and temporary investments at beginning of year....	4,445,144	3,976,730	4,147,606	4,147,606	3,193,079
	-----	-----	-----	-----	-----
Cash and temporary investments at end of year.....	Ps 3,976,730	4,147,606	3,193,079	3,609,144	3,297,769
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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CEMEX, S.A. DE C.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1997, 1998 and 1999

(Thousands of constant Mexican pesos as of June 30, 2000)

1. DESCRIPTION OF BUSINESS

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

2. OUTSTANDING EVENTS DURING 1999

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

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

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

B) REGISTRATION IN THE NEW YORK STOCK EXCHANGE

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

C) PUBLIC OFFER OF WARRANTS

During December 1999, through a simultaneous public offer in the Mexican Stock Exchange ("BMV") and the New York Stock Exchange ("NYSE"), the Company issued 105 million warrants at a subscription price of Ps3.3750 per warrant. The warrants allow the holder to benefit from the future increment in the market price of the Company's CPO above the strike price of \$6.20 per warrant, within certain limits. The benefit, if any, will be paid in CPOs of the Company. The warrants were issued for a term of three years and are exercisable at maturity. The warrants were subscribed as American Depositary Warrants ("ADWs") in the NYSE, each ADW is equivalent to 5 warrants.

As part of the same transaction, the Company carried out a hedge transaction in order to cover the future obligations for the warrants exercise. Through this transaction, 105 million CPOs of the Company and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

33,751,566 shares of Compania Valenciana de Cementos Portland, S.A. ("Valenciana"), a subsidiary of the Company in Spain, were sold to a group of foreign banks. Simultaneously, a subsidiary of the Company entered into forward contracts with the same group of banks, to repurchase the basket of shares with a three-year maturity and prepaid approximately \$ 439.9 million of the forward purchase price to the bank

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

3. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

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

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

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

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

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

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

	December 31, 1998	December 31, 1999	June 30, 2000
	-----	-----	-----
Inflation restatement factor using weighted average index.....	1.2581	1.0011	1.0287
Inflation restatement factor for inflation in Mexico.....	1.1861	1.1232	1.0442

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

C) PRINCIPLES OF CONSOLIDATION

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

The main subsidiaries are:

- . Cemex Mexico, S. A. de C.V.
- . Beeston Investments Holdings Limited
- . Compania Valenciana de Cementos Portland, S.A.

- . Corporacion Venezolana de Cementos, S.A.C.A.
- . Cemex USA, Inc.
- . Cementos Diamante, S.A.
- . Cemento Bayano, S.A.
- . Cementos Nacionales, S.A.
- . Rizal Cement Company, Inc.
- . APO Cement Corporation
- . Assiut Cement Company
- . Cementos del Pacifico, S.A.
- . Turismo Cemex, S.A. de C.V.

D) ADMINISTRATIVE IMPROVEMENT PROGRAM DURING 1999

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

- 1) Effective July 31, 1999, the Company changed the legal name of Cemex Control, S.A. de C.V. ("Control") to Empresas Tolteca de Mexico, S.A. de C.V. ("ETM").
- 2) Effective December 31, 1999, a merger took place of most of the cement subsidiaries in Mexico, including Tolmex, S.A. de C.V. ("Tolmex"). The merging entity was Serto Construcciones, S.A. de C.V. ("Serto"), company which before the merger was a direct subsidiary of Tolmex. Likewise, on December 10, 1999, the legal name of Serto was changed to Cemex Mexico, S.A. de C.V. ("Cemex Mexico").
- 3) Effective December 31, 1999, a merger took place of most of the concrete subsidiaries in Mexico. The merging entity was Cemex Concretos, S.A. de C.V., before named Concretos de Alta Calidad y Agregados, S.A. de C.V.
- 4) Additionally, on December 15, 1999, through a sale and purchase of shares within the Group, ETM became a direct subsidiary of Cemex Mexico.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
 (Thousands of constant Mexican pesos as of June 30, 2000)

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

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

Transactions denominated in foreign currencies are recorded at the exchange rates prevalent on the dates of their execution or liquidation. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at

the exchange rates prevailing at the balance sheet date. The resulting foreign exchange fluctuations are reflected in the results of operations as part of the comprehensive financing income (cost) or as a charge directly to the stockholders' equity when the indebtedness is directly related to the acquisition of a foreign subsidiary.

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

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

F) CASH AND TEMPORARY INVESTMENTS

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

G) INVENTORIES AND COST OF SALES (note 5)

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

H) INVESTMENTS AND NONCURRENT RECEIVABLES (note 7)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

I) PROPERTY, MACHINERY AND EQUIPMENT (note 8)

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

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

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

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

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

J) DEFERRED CHARGES AND AMORTIZATION (note 9)

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

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

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

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

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

K) PENSION PLANS AND SENIORITY PREMIUM (note 12)

Pension benefits and accumulated seniority premium rights to which employees are legally entitled are recognized in the results of operations on the basis of the present value of the benefit determined under

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

actuarial estimations. The amortization of unrecognized prior service cost is based on the employee's estimated active service life. As of December 31, 1999, the estimated active service life of the personnel's under benefit plan is approximately 22 years.

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

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

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

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

M) MONETARY POSITION GAIN OR LOSS

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

N) DEFICIT IN EQUITY RESTATEMENT

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

O) DERIVATIVE FINANCIAL INSTRUMENTS (note 14)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

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

P) REVENUE RECOGNITION

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

Q) USE OF ESTIMATES

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

R) RECLASSIFICATIONS

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

4. OTHER RECEIVABLES

Other current receivables consist of:

	December 31,		(Unaudited)
	-----	-----	June 30,
	1998	1999	2000
	-----	-----	-----
Non-trade receivables.....	Ps1,321,516	1,581,597	1,550,946
Refundable income tax.....	653,471	399,368	381,989
Other refundable taxes.....	175,466	318,686	--
	-----	-----	-----
	Ps2,150,453	2,299,651	1,932,935
	=====	=====	=====

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

5. INVENTORIES

Inventories are summarized as follows:

	December 31,		(Unaudited)
	-----	-----	June 30,
	1998	1999	2000

Finished goods.....	Ps1,027,325	765,997	941,726
Work-in-process.....	499,634	603,303	642,230
Raw materials.....	523,773	528,908	516,961
Supplies and spare parts.....	2,045,907	2,833,428	2,669,125
Advances to suppliers.....	175,300	430,419	386,316
Inventory in transit.....	31,979	121,196	202,655
Real estate held for sale.....	194,545	152,834	95,143
	-----	-----	-----
	Ps4,498,463	5,436,085	5,454,156
	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

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

6. OTHER CURRENT ASSETS

Other current assets include Ps486,915 and Ps132,470, as of December 31, 1998 and 1999, respectively and Ps134,191 as of June 30, 2000 (unaudited), of non-cement related assets which are intended to be sold in the short-term, and that are stated at their estimated realizable value. These assets include securities and assets for lines of business other than the Company's, which are mainly originated from (i) non-cement related assets acquired in the acquisition of our international subsidiaries, and (ii) assets held for sale including land and buildings received from customers as payment of trade receivables.

As of December 31, 1998, within non-cement related assets acquired as part of the acquisition of subsidiaries, were included approximately Ps432.9 million for an uncompleted real estate project in Spain. During 1999, the Company sold part of this asset in Spain, recording a net loss of approximately Ps165 million in the caption Other Expenses, net. Additionally, as of December 31, 1999, the Company recognized an impairment allowance related to this asset for approximately Ps38.6 million in the income statement. The fair value of the remaining non-cement assets in Spain as of December 31, 1999 is approximately Ps29.3 million and was reclassified to fixed assets.

7. INVESTMENTS AND NONCURRENT RECEIVABLES

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

December 31, (Unaudited)

	----- 1998	1999	June 30, 2000 -----
Contribution or book value at acquisition date.....	Ps2,534,811	4,383,583	4,064,838
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies.....	1,384,438	1,630,441	1,282,949
	-----	-----	-----
	Ps3,919,249	6,014,024	5,347,787
	=====	=====	=====

Investment held by subsidiaries in the Parent Company amounting to Ps4,469,334 (171,064,911 CPO's) and Ps6,318,929 (113,625,709 CPO's and 3,663,615 warrants) as of December 31, 1998 and 1999, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements. As part of the hedge transaction carried out by the Company during 1999 (see notes 2C and 14(d)), a total of 105 million CPOs held by subsidiaries in the Parent Company were sold.

- a) On November 22, 1999, the Company acquired from the Egyptian government a 77% equity interest in Assiut Cement, Co. ("Assiut"), the largest cement-producing company in Egypt, for \$318.8 million (Ps3,119 million). Additionally, the Company has an option until June 30, 2000 to acquire an additional

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

13% equity interest for an approximate amount of \$53.8 million. As of December 31, 1999, the consolidated financial statements of the Company include the balance sheet of Assiut with figures as of November 30, 1999, and the results of the one-month period ended November 30, 1999.

- b) During 1999, the Company entered into capitalization and subscription of shares agreements with institutional investors in Asia, represented by AIG Asian Infrastructure Fund II, L.P. and GIC Special Investments Pte Ltd., to co-invest in Cemex Asia Holdings Ltd. ("CAH"), a subsidiary of the Company created to make cement investments in Asia. Based on the agreements, on September 30, 1999, the investors in Asia contributed capital to CAH of approximately \$87 million, and the Company, through subsidiaries, contributed to CAH its direct participation and its economic benefits in Rizal Cement and APO Cement, subsidiaries in the Philippines. As a result of this transaction, on September 30, 1999, the direct participation and economic benefits of the Company in Rizal and APO decreased to 60% and 86%, respectively. Due to this transaction, a minority interest increase in the consolidated stockholders' equity was reflected.
- c) On September 21, 1999, the Company successfully completed a tender offer for the acquisition of the Costa Rican cement producer, Cementos del Pacifico, S.A. ("Cempasa"). Through this transaction, a subsidiary of the Company acquired an additional 79.5% of the shares outstanding of Cempasa for approximately \$72 million (Ps704 million), increasing the equity interest of the Company in Cempasa to 95.3%. As of December 31, 1999 the consolidated financial statements of the Company, include the balance sheet of Cempasa with figures as of December 31, 1999, and the results for the three-month period ended December 31, 1999.

- d) In June 1999, the Company acquired an 11.92% equity interest in Cementos Bio Bio, S.A., the largest cement producer of Chile. The total of this transaction amounted to approximately \$34 million. As of December 31, 1999, the investment in Cementos Bio Bio was accounted for under the equity method of accounting, and is included in the investments in affiliated companies' caption for Ps302,567.
- e) In February 1999, a subsidiary of the company acquired 99.9% interest in the economic benefits of APO Cement Corporation ("APO"), a Philippine cement producer, for approximately \$400 million. As of December 31, 1999, the consolidated financial statements of the Company include the balance sheet and results of APO for the year ended December 31, 1999.
- f) Through transactions carried out in 1998 and 1999 for approximately \$114.6 and \$126 million, respectively, a subsidiary of the Company acquired 25.53% of the common stock of PT Semen Gresik (Persero), Tbk. ("Gresik"), an Indonesian company with several cement plants. As of December 31, 1999, the investment in Gresik was included in the consolidated financial statements under the equity method of accounting, and is included in the investments in affiliated companies' caption for Ps2,793,724. As of December 31, 1998, the investment in Gresik was accounted under the cost method of accounting and totaled Ps1,203,009. Under the terms of the Company's agreement, entered into with the Indonesian government in connection with the Company's investment in Gresik, the Indonesian government has an option until October 2001 to require the Company to purchase its 51% interest in Gresik for a purchase price of approximately \$418 million (Ps4,113 million), plus accrued interests since October 1998 at 8.2% per annum.
- g) In December 1998, through a public offering, the Company acquired an additional 21.96% of the shares representative of the capital stock of its Colombian subsidiary. Through this acquisition, the Company's investment in this subsidiary increased from a 68.7% to 90.7%. This transaction amounted to approximately \$47.3 million (approximately Ps 482 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

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

	a) Assiut	c) Cempasa	e) APO
	-----	-----	-----
Total assets.....	Ps4,187,915	655,051	3,686,583
Total liabilities.....	2,789,953	261,611	1,214,783
Stockholders' equity.....	1,397,962	393,440	2,471,800
	-----	-----	-----
Sales.....	Ps 141,638	93,812	634,753
Operating income.....	15,834	20,676	114,258
Net (loss) income.....	(7,407)	(18,237)	75,318
	-----	-----	-----

8. PROPERTY, MACHINERY AND EQUIPMENT

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

As a result of the above and, according to the guidelines established in Bulletin C-6 "Property, Machinery and Equipment", during 1999, the Company determined an impairment provision of approximately \$63.1 million (Ps617.3 million), which is reflected in the consolidated income statement under the caption Other Expenses, net. As of December 31, 1999, the assets subject to impairment described above are valued at their estimated realizable value, net of the expenses estimated for their disposal and, their depreciation has been suspended. The remaining book value of these assets is approximately Ps322 million and it is the Company's intention to dispose of those that were completely closed. The impact at December 31, 1999 of having suspended depreciation of these assets on the 1999 results was approximately Ps31.07 million.

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

In 1998, the Company sold a cement plant and its related assets of its Spanish subsidiary for approximately \$260 million (Ps2,651million), resulting in a gain in the consolidated income statement of approximately Ps335 million. The sale included the ready-mix concrete, mortar and aggregates operations related to that plant.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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9. DEFERRED CHARGES

Deferred charges are summarized as follows:

December 31, (Unaudited)

	----- 1998	----- 1999	----- June 30, 2000
Excess of cost over book value of subsidiaries and affiliated companies acquired.....	Ps23,693,664	25,040,419	25,090,683
Terminal installation costs and other intangible assets.....	47,207	60,822	73,728
Deferred financing costs.....	427,685	547,953	595,743
Others.....	3,020,599	3,532,609	5,170,730
Accumulated amortization.....	(4,351,598)	(5,243,150)	(5,380,808)
	----- Ps22,837,557	----- 23,938,653	----- 25,550,076
	=====	=====	=====

As of December 31, 1999, as a result of the acquisitions made by the Company during 1999 (see note 7), goodwill increased approximately \$249 million (Ps2,436 million), in relation to the prior year.

10. SHORT-TERM BANK LOANS AND NOTES PAYABLE

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

	----- 1998	----- Rate	----- 1999	----- Rate
US Dollars.....	Ps10,532,324	5.8% - 10.0%	8,047,747	5.4% - 10.8%
Euros.....	--	--	907,792	3.5% - 4.1%
Egyptian Pounds.....	--	--	693,394	10.5%
Philippine Pesos.....	201,969	16.8%	233,217	13.0% - 15.7%
Spanish Pesetas.....	392,672	3.9% - 5.8%	189,057	3.8%
Colombian Pesos.....	147,974	19.8%	5,594	19.8%
	----- Ps11,274,939		----- 10,076,801	
	=====		=====	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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11. LONG-TERM BANK LOANS AND NOTES PAYABLE

The consolidated long-term debt is summarized as follows:

	----- 1998	----- Rate	----- 1999	----- Rate
A) Bank Loans				
1. Syndicated loans denominated in foreign currency, due from 2000 to 2006.....	Ps 9,779,892	6.1% - 8.2%	13,839,623	4.1% - 9.5%

2. Bank loans denominated in foreign currency, due from 2000 to 2007.....	5,466,849	3.9% - 19.8%	4,924,289	3.5% - 15.7%
3. Revolving line of credit in foreign currency, due from 2001 to 2002.....	4,995,714	6.6%	3,913,175	7.1%
	-----		-----	
	20,242,455		22,677,087	
	=====		=====	

B) Notes Payable

4. Euro medium-term Notes denominated in foreign currency, due from 2000 to 2006.....	13,403,353	8.5% - 12.8%	14,523,925	8.5% - 12.8%
5. Commercial paper denominated in foreign currency with revolving maturities every one or two years.....	1,977,895	5.3% - 7.7%	1,633,751	7.3%
6. Yankee Notes, due in 2003.....	1,785,812	8.4%	805,136	8.4%
7. Other notes denominated in foreign currency, due from 2000 to 2009.....	920,387	6.7% - 9.8%	832,608	7.1% - 8.9%
	-----		-----	
	18,087,447		17,795,420	
	-----		-----	
	38,329,902		40,472,507	
Current maturities....	(6,354,481)		(7,792,561)	
	-----		-----	
	Ps31,975,421		32,679,946	
	=====		=====	

1. Syndicated loans denominated in foreign currency had a weighted average floating interest rate of 6.8% in 1998 and 6.2% in 1999. These loans had a weighted average spread based on LIBOR of 132 basis points in 1998 and 98 in 1999.
2. Bank loans denominated in foreign currency, of which 93% in 1998 and 48% in 1999 were floating rate with a weighted average interest rate of 6.5% in 1998 and 5.4% in 1999. These loans had a weighted average spread based on LIBOR of 122 basis points in 1998 and 45 basis points in 1999.
3. Revolving line of credit in foreign currency with an average floating rate of 6.6% in 1998 and 7.1% in 1999. These loans had a spread based on LIBOR of 125 basis points.
4. Euro medium-term Notes denominated in foreign currency with a weighted average fixed rate of 10.5% in 1998 and 10.3% in 1999.
5. Commercial paper denominated in foreign currency with revolving maturities every one or two years with a weighted average floating interest rate of 6.0% in 1998 and 7.3% in 1999. These loans had a spread based on LIBOR of 73 basis points in 1998 and 116 basis points in 1999.
6. Yankee Notes had a fixed rate of 8.375% in 1998 and 1999.

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

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

Consolidated -----	1998 -----	1999 -----
US Dollars.....	Ps31,087,266	25,840,051
Euros.....	--	4,479,781
Egyptian Pounds.....	--	1,604,900
Philippine Pesos.....	141,793	203,075
Spanish Pesetas.....	687,259	512,299
Colombian Pesos.....	13,989	39,840
Venezuela Bolivars.....	45,114	--
	-----	-----
	Ps31,975,421	32,679,946
	=====	=====

As of December 31, 1999, the Company has interest rate swap contracts for up to \$450 million (Ps4,428 million), exchanging fixed for floating rates. Additionally, the Company has interest rate collars for 7,500 million pesetas (Ps426 million) and \$50 million (Ps492 millions) in 1998 and 2,500 million pesetas (Ps141 million) in 1999, related to the debt negotiated at variable rates in a range of LIBOR and MIBOR. Furthermore, there are forward range swap contracts covering up to \$405 million (Ps3,985 million) and \$80 million (Ps787 million) in 1998 and 1999, respectively, to protect the financial cost of debt negotiated at variable rates.

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

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

	Maturity date -----	Interest rate hedged or exchanged -----	Effective interest rate -----	Estimated market value -----
Debt denominated in Pesetas.....	April 2000	3.11%	3.68%	Ps (479)
Debt denominated in US				

dollars.....	March 2001	6.51%	6.33%	(2,319)
Debt denominated in US				
dollars.....	June 2002	9.25%	8.19%	(56,105)
Debt denominated in US				
dollars.....	October 2009	9.63%	8.47%	(59,324)

				Ps(118,227)
				=====

As of December 31, 1998, the estimated market value of these instruments showed a loss of approximately Ps(225,100).

The estimated market value of the interest rate collars and swaps will fluctuate over time and will be determined by the market future pricing of the rates. Fair values should not be viewed in isolation, but rather in relation to the fair values of the underlying transactions and the overall reduction in the Company's exposure to

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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fluctuations in interest rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and, consequently, there is no direct measure of the Company's exposure for the use of these derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other items included in the derivative instruments.

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

	Total

2001.....	Ps 9,772,968
2002.....	8,490,719
2003.....	3,576,631
2004.....	3,227,391
2005 and thereafter.....	7,612,237

	Ps32,679,946
	=====

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

1998	1999
-----	-----

Assets.....	Ps64,825,009	47,914,331
Liabilities.....	13,636,454	30,036,240
Stockholders' equity.....	51,188,555	17,878,091
	-----	-----
Net sales.....	Ps 8,780,028	19,808,271
Operating income.....	2,638,008	9,084,215
Net income.....	3,839,882	6,419,143
	-----	-----

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

	Line of Credit	Available
	-----	-----
Euro medium-term Notes (\$1,250 million).....	Ps12,228,671	8,415,087
European commercial paper (\$600 million).....	5,869,762	4,236,012
US commercial paper (\$250 million).....	2,445,734	2,445,734
Current line of credit (\$250 million).....	2,445,734	2,445,734
Lines of credit of foreign subsidiaries.....	5,606,503	3,707,155
Other lines of credit from Mexican banks.....	5,531,154	4,632,944
Other lines of credit from foreign banks.....	4,324,481	2,358,138
	-----	-----
	Ps38,452,039	28,240,804
	=====	=====

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

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

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As of December 31, 1999, the Company established deposits in trusts amounting to \$120 million (Ps1,174 million). Such deposits are committed to the repayment of \$30 million in short-term debt and \$90 million in long-term debt, to repay part of the Yankee Bond purchase offer (see note 22). These deposits have been offset for presentation purposes.

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

12. PENSION PLANS AND SENIORITY PREMIUM

The net periodic pension cost of the pension plans and seniority premium and the actuarial present value of the benefit obligation and the funded status of the plans described in note 3K, were determined based on computations prepared

by independent actuaries as of December 31, 1998 and 1999, and are summarized as follows:

	1998	1999
	-----	-----
Change in benefit obligation:		
Benefit obligation ("PBO") at beginning of year.....	Ps 594,439	1,358,899
Service cost.....	158,956	175,600
Interest cost.....	130,483	116,904
Amendments.....	590,393	1,068
Actuarial results.....	262	82,174
Acquisitions.....	13,084	4,022
Foreign exchange rate changes and inflation adjustments.....	(48,164)	48,761
Benefits paid.....	(80,553)	(84,177)
	-----	-----
Benefit obligation ("PBO") at end of year.....	1,358,900	1,703,251
	-----	-----
Change in plan asset:		
Fair value of plan assets at beginning of year.....	66,570	189,346
Actuarial return on plan assets.....	5,761	24,217
Actuarial differences.....	5,628	166,310
Acquisitions.....	10,670	823
Foreign exchange rate changes and inflation adjustments.....	--	25,732
Employer contribution.....	100,717	339,162
Benefits paid from the funds.....	--	--
	-----	-----
Fair value of plan assets at end of year.....	189,346	745,590
	-----	-----
Amounts recognized in the statements of financial position consist of:		
Funded status.....	(1,169,554)	(957,661)
Unrecognized prior service cost.....	575,201	631,293
Unrecognized net actuarial results.....	(42,187)	(82,976)
	-----	-----
Accrued benefit liability.....	(636,540)	(409,344)
Additional minimum liability.....	(349,638)	(134,232)
	-----	-----
Net liability recognized in the consolidated balance sheet.....	Ps (986,178)	(543,576)
	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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The Actuarial Present Obligation ("APO") as of December 31, 1998 and 1999 amounted to Ps1,171,440 and Ps1,407,681, respectively. Of these APO amounts, the vested portion was Ps645,430 in 1998 and Ps703,061 in 1999. As of December 31, 1997, the net cost derived from the pension plans and seniority premium was Ps141,805.

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

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

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

Commencing in January 1998, most of the subsidiaries of the Company in Mexico were incorporated to include pension plans. Therefore, the initial actuarial valuation of the labor obligation for all Mexican subsidiaries under the plan benefits was made as of January 1, 1998. As mentioned in note 3K, the Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine the pension plans and seniority premium liabilities. With the use of real rates, there is a decrease in the difference between the APO and the PBO. As a result of the use of real rates and the initial valuation in Mexico as of January 1, 1998, and according to generally accepted accounting principles, the Company recognizes a minimum liability against an intangible asset, which as of December 31, 1998 and 1999 was Ps349,638 and Ps134,232, respectively.

13. STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

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

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

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

-
- (1) Series "A" or Mexican shares represent at least 64% of capital stock.
 - (2) Series "B" or free subscription shares represent at most 36% of capital stock.

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

During 1999, at the annual stockholders' meeting, a dividends program was established through which shareholders elected between receiving a dividend in cash of Ps0.45 per share or reinvesting such dividend in

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the subscription of new shares representative of the capital stock. As a result of the program, cash dividends were declared in the amount of Ps1,941,478. Of the total of dividends declared, shareholders reinvested Ps1,753,866; therefore, a total of 94,758,232 series "A" shares and 47,379,116 series "B" shares were subscribed and paid, generating an additional paid-in capital of Ps1,752,140.

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

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

	1998		1999	
	Number of options	Exercise price *	Number of options	Exercise price *
Granted.....	30,399,005	32.92	47,000,318	35.09
Canceled.....	--	--	(55,608)	43.43
Exercised.....	(2,481,194)	26.42	(5,924,788)	26.32
Outstanding.....	27,917,811		41,019,922	

* Weighted average exercise price per CPO

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

During 1998 and 1999, options were granted to purchase 9,246,120 and 16,601,313 CPOs at a weighted average purchase price per option of Ps43.47 and Ps39.16 per CPO, respectively. The options exercised were 234,671 and 3,443,594 at a weighted average purchase price per CPO of Ps24.20 and Ps25.40 for 1998 and 1999, respectively. The balance of CPOs available for the Stock Option Plan as of December 31, 1998 and 1999 were 41,700,995 CPOs and 25,099,682 CPOs, respectively. As of December 31, 1999 the outstanding options have a remaining average exercise period of approximately 7.3 years.

The CPOs issued upon the exercise of options were paid at their purchase price per CPO, generating an additional paid-in capital of Ps10,135 and Ps91,948 in 1998 and 1999, respectively.

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

C) RETAINED EARNINGS

Retained earnings as of December 31, 1999 include Ps43,815,683 earnings generated by subsidiaries and affiliated companies, which may be distributed by

the Company when the respective dividends are declared by these companies. Furthermore, retained earnings include a reserve to repurchase the Company's shares in the amount of Ps11,004,774.

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Net income of the year is subject to a 5% allocation to constitute a legal reserve, until such reserve equals one fifth of the capital stock. As of December 31, 1999, the legal reserve amounted to Ps1,268,318.

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

D) EFFECTS OF INFLATION

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

	December 31, 1999		
	Historical cost	Inflation adjustment	Total
Common stock.....	Ps 49,312	2,860,792	2,910,104
Additional paid-in capital.....	9,255,558	10,308,401	19,563,959
Deficit in equity restatement.....	--	(40,957,792)	(40,957,792)
Retained earnings.....	29,637,268	30,028,013	59,665,281
Net income of the year.....	9,178,227	336,267	9,514,494

	(Unaudited) June 30, 2000		
	Historical cost	Inflation adjustment	Total
Common stock.....	Ps 51,291	2,860,793	2,912,084
Additional paid-in capital.....	11,317,341	10,074,522	21,391,863
Deficit in equity restatement.....	--	(47,916,266)	(47,916,266)
Retained earnings.....	36,538,440	30,364,280	66,902,720
Net income of the year.....	4,600,541	119,167	4,719,708

E) FOREIGN CURRENCY TRANSLATION

Net foreign currency translation results, amounting to Ps236,262, Ps2,947,088 and Ps(235,823) in 1997, 1998 and 1999, respectively and for the six months ended in 1999 and 2000 Ps(50,587) (unaudited) and Ps1,351,600 (unaudited), respectively, have been recorded directly to stockholders' equity, and are summarized as follows:

	December 31,			(Unaudited) June 30,	
	1997	1998	1999	1999	2000
Foreign currency translation adjustment.....	Ps 696,017	6,045,988	(849,435)	(817,547)	1,856,324
Foreign exchange gain (loss) (1).....	(459,755)	(3,098,900)	613,612	766,960	(504,724)
	Ps 236,262	2,947,088	(235,823)	(50,587)	1,351,600

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

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

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The foreign currency translation adjustment includes foreign exchange results from financing related to the acquisition of foreign subsidiaries by a subsidiary of the Company in Spain for Ps(877,040), Ps465,978 and Ps(1,930,758), in 1997, 1998 and 1999, respectively and Ps(1,598,932) and Ps(391,179) for the six month periods ended June 30, 1999 and 2000 (unaudited), respectively.

F) OTHER EQUITY TRANSACTIONS

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

As of December 31, 1999 there are financial transactions totaling \$604.6 million (Ps5,949.3 million), some of which include guarantees, which have been offset for presentation purposes in the Company's consolidated balance sheet. These financial transactions have been offset as follows: \$500 million for a minority interest without voting rights or dividend rights of the subsidiary in Spain and \$104.6 million for the transfer of assets to a trust. These financial transactions require certain collateral guarantees. The maturity of the described transactions varies between the year 2000 and 2007, and the Company has the option to reacquire the related assets at different dates. As of December 31, 1998, \$78 million were compensated with stock of the Parent Company, amount that was refinanced in 1999 as a part of the transaction, which includes stock of the subsidiary in Spain.

As of December 31, 1999, the Company has recognized valuation effects in the stockholders' equity for Ps538,456, derived from investments available for sale (see note 3H).

14. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 1999, the Company has entered into various derivative financial instrument transactions in order to reduce its risks resulting from changes in interest rates (see note 11), foreign exchange rates and the price

of its common shares. These instruments have been negotiated with major domestic and international institutions and corporations, which have a solid financial capacity. Therefore, the Company considers that the risk of non-compliance of the obligations agreed upon by such counterparties is minimum. The notional amount, as well as the estimated fair value of the derivative instruments as of December 31, 1998 and 1999, is as follows:

	December 31, 1998		December 31, 1999		(Unaudited) June 30, 2000	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
(Thousands of US dollars)						
a) Equity forward contracts.....	220,638	(48,011)	222,719	89,650	427,116	70,272
b) Foreign exchange forward contracts...	250,000	(60,848)	410,000	12,423	200,000	1,498
c) Call options.....	--	--	51,530	(15,427)	24,493	(10,862)
d) Warrants related forward contracts...	--	--	606,005	122,690	579,850	25,924

a) The Company has entered in to forward agreements and has sold (put) options related to its outstanding common stock at an established price that covers up to approximately \$137 and \$106 million as of December 31, 1998 and 1999, respectively. At maturity, these agreements provide for physical or net cash settlement,

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at the Company's option, and the gains or losses are recognized in stockholders' equity. In addition, the Company has forwards related to its ADSs, in order to fully cover its voluntary stock option plans for employees for up to \$84 and \$116 million, in 1998 and 1999, respectively. Through these programs, the Company's executives elected to purchase options to buy 7,293,675 ADSs of the Company. These options are exercisable quarterly over a period of 5 years, and they have an exercise price which increases quarterly in dollars taking into account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the option price at the beginning of the program. As of December 31, 1999, the Company had voluntary stock options outstanding for 4,527,369 ADS's.

- b) The Company has entered into foreign exchange forward contracts in order to protect itself from variations in foreign exchange rates. These contracts have been designated as a hedge on the Company's net investment in foreign subsidiaries for up to \$250 and \$410 million as of December 31, 1998 and 1999, respectively. The fair value effects arising from these instruments are recorded for as part of the translation effect of foreign subsidiaries (see note 13 E).
- c) At December 31, 1999 the Company has outstanding call options for 1,229,260 of its ADSs. The Company may exercise these call options until October 15, 2000, at a weighted average strike price of \$41.89 per ADS.
- d) Regarding the public offer for warrants' subscription made by the Company during December 1999, and the related sale of CPOs and shares of a

subsidiary mentioned in note 2C, the Company, through a subsidiary, carried out a hedge transaction by means of which forward contracts were entered into to repurchase the total of CPOs and shares over a period of three years, and prepaid approximately \$439.9 million (Ps4,303.5 million) of the forward purchase price. At maturity, the forward contracts provide for the physical exchange of the shares, and the effects are recognized as part of stockholders' equity. In the financial statements as of December 31, 1999, anticipated effect has been given to the liquidation of the forward for the portion corresponding to the shares of the subsidiary, due to the prepayment of the forward and the withholding of all economic and voting rights over such shares. Therefore, a net prepayment of approximately \$51.7 million (Ps505.8 million), is reflected in Other Long-Term Accounts Receivable corresponding to the CPO's portion.

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

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

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

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

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

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A) IT, BAT AND ESPS

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

Income Tax benefit (expense) is summarized as follows:

	Year ended December 31,		
	1997	1998	1999
Current Income Tax.....	Ps(1,561,382)	(1,541,753)	(4,125,769)
Received from subsidiaries.....	--	--	--
Deferred taxes.....	--	--	(5,394)
Utilization of tax loss carryforwards.....	999,415	1,005,250	3,452,098
Effects of inflation (note 3B).....	38,573	65,420	10,080
	Ps (523,394)	(471,083)	(668,985)

Total IT includes Ps247,493, Ps298,723 and Ps349,842 from foreign subsidiaries and Ps275,901, Ps172,360 and Ps319,143 from Mexican subsidiaries for 1997, 1998 and 1999, respectively. The Company, as a holding company, prepares its IT and BAT returns on a consolidated basis for its operations in Mexico, which resulted in tax benefits of Ps793,889 in 1997, Ps1,838,812 in 1998 and Ps67,669 in 1999.

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

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

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

Year in which tax loss occurred -----	Amount of carryforwards	Year of expiration -----
1995.....	Ps892,939	2005

For the year ending December 31, 1999, the Company utilized accumulated tax loss carryforwards against the period's taxable income of its operations in Mexico in the amount of Ps9,863,136, which generated a benefit of Ps3,452,098. The Company and its subsidiaries in Mexico must generate returns to keep the benefit of the tax losses carryforwards generated from 1999 and future years.

The BAT Law establishes a 1.8% tax levy on assets, indexed for inflation in the case of inventory, property, plant and equipment after deducting certain liabilities.

The BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT levied exceeds BAT levied in such period. The recoverable BAT as of December 31, 1999 is as follows:

Year in which Business Assets Tax exceeded Income Tax -----	Amount of carryforwards	Year of expiration -----
1997.....	Ps 139,269	2007
1999.....	328,296	2009
	----- Ps 467,565 =====	

B) DEFERRED INCOME TAX

As of December 31, 1999, the Company has created a deferred income tax provision for the temporary differences of results, over which it is reasonably estimated that in a defined period a benefit or liability is originated for tax effects in the amount of Ps1,077 million.

During 1999, the Mexican Institute of Public Accountants ("IMCP"), issued the new Bulletin D-4 Accounting treatment of income tax, business assets tax and employees' profit sharing ("Bulletin D-4"). Bulletin D-4 requires the determination of deferred IT through the application of the statutory IT rate, to the amount of temporary differences resulting from comparing the book and taxable value of the assets and liabilities, applying when available the tax loss carryforwards, as well as the BAT balances or other tax credits to be recovered. Likewise, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature.

The provisions of Bulletin D-4 are mandatory starting January 1, 2000. The beginning net accumulated effect from deferred income tax derived from the adoption of the Bulletin, must be recognized in the financial statements

affecting the stockholders' equity in the account named "Accumulated Effect of Income Tax".

So far, the Company is in the process of determining the final effect that Bulletin D-4 will generate on the financial statements in 2000, for such purpose, an estimated consolidated calculation was determined, which can be representative of the position as of December 31, 1999. Through this calculation, the Company estimated that due to the adoption of the new Bulletin D-4, it would be necessary recognize an additional deferred income tax liability for an approximate amount of Ps3,908 million. Such additional liability would be recorded against stockholders' equity.

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As of June 30, 2000, resulting from the new accounting rule on deferred taxes in Mexico, the Company recorded a deferred tax liability of approximately \$98 million. The initial balance of this provision, amounting to approximately \$363 million was recorded directly to stockholders' equity; \$29 million, which represents the deferred income tax expense for the period was recorded in the income statement (unaudited).

16. FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the U.S. dollar as of December 31, 1997, 1998, 1999 and as of June 30, 2000 (unaudited) was Ps8.07, Ps9.90, Ps9.51 and Ps9.84 per dollar, respectively. As of January 17, 2000, the exchange rate was Ps9.43 per dollar.

As of December 31, 1999 and for the year then ended, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin are presented as follows:

	December 31, 1999			(Unaudited) June 30, 2000		
	Mexico	Foreign	Total	Mexico	Foreign	Total
	(Thousands of U.S. dollars)					
Current assets.....	\$ 123,376	939,677	1,063,053	129,872	1,172,798	1,302,670
Non-current assets.....	693,858 (1)	5,840,472	6,534,330	697,795	5,633,289	6,331,084
Total assets.....	\$ 817,234	6,780,149	7,597,383	827,667	6,806,087	7,633,754
Current liabilities.....	\$ 804,253	856,126	1,660,379	676,385	1,028,085	1,704,470
Long-term liabilities...	1,848,675	1,641,939	3,490,614	1,580,647	1,433,288	3,013,935
Total liabilities.....	\$2,652,928	2,498,065	5,150,993	2,257,032	2,461,373	4,718,405

(1) Non-monetary assets in Mexico of foreign origin.

Additionally, the Mexican operations in foreign currencies during 1997, 1998 and 1999, are summarized as follows:

	(Unaudited)				
	Six months ended June				
	December 31,			30,	
	1997	1998	1999	1999	2000
(Thousands of U.S. dollars)					
Export sales.....	\$131,773	92,170	83,190	40,226	55,938
Import purchases.....	43,452	36,563	29,954	9,402	9,907
Interest income.....	12,652	24,035	14,575	7,675	11,069
Interest expense.....	225,300	202,748	221,057	88,042	92,053
	=====	=====	=====	=====	=====

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17. GEOGRAPHIC SEGMENT DATA

The Company is engaged principally in one industry segment, which is the construction industry through the production and marketing of cement and concrete. The following table presents information about the Company by geographic area for 1997, 1998 and 1999:

	Net Sales				
	December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Mexico.....	Ps17,964,512	19,875,254	22,814,207	10,606,180	12,439,073
Spain.....	7,655,259	9,165,612	7,545,849	3,892,531	4,392,150
Venezuela.....	4,835,060	5,321,484	4,701,741	2,382,711	2,183,411
United States.....	4,612,626	5,511,346	5,840,563	2,950,018	2,821,392
Colombia.....	3,873,409	2,687,358	1,644,889	865,349	978,389
Caribbean and Central America.....	2,429,500	2,691,937	3,609,846	1,640,658	2,226,060
Philippines.....	--	--	1,197,894	620,307	754,223
Egypt.....	--	--	141,638	--	838,674
Others.....	3,158,965	2,824,574	3,806,838	1,881,118	1,921,208
	-----	-----	-----	-----	-----
	44,529,331	48,077,565	51,303,465	24,838,872	28,554,580
Eliminations.....	(4,917,759)	(4,082,699)	(4,071,789)	(1,880,116)	(2,414,435)
	-----	-----	-----	-----	-----
Consolidated.....	Ps39,611,572	43,994,866	47,231,676	22,958,756	26,140,145
	=====	=====	=====	=====	=====

	Operating Income				
	December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Mexico.....	Ps 5,327,762	8,029,867	10,103,561	4,806,643	5,505,813
Spain.....	1,648,158	2,492,978	2,455,522	1,254,344	1,292,626

Venezuela.....	1,674,214	1,786,217	1,283,321	656,623	496,912
United States.....	292,774	774,452	1,205,804	614,814	495,822
Colombia.....	855,618	113,855	389,632	157,532	378,883
Caribbean and Central America.....	625,762	451,094	660,516	331,854	382,760
Philippines.....	--	--	24,564	(13,623)	121,618
Egypt.....	--	--	15,834	--	308,998
Others.....	(1,064,129)	(1,640,484)	(2,085,618)	(881,950)	(1,071,396)
	-----	-----	-----	-----	-----
	9,360,159	12,007,979	14,053,136	6,926,237	7,912,036
Eliminations.....	--	--	--	--	--
	-----	-----	-----	-----	-----
Consolidated.....	Ps9,360,159	12,007,979	14,053,136	6,926,237	7,912,036
	=====	=====	=====	=====	=====

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	Depreciation and Amortization				
	December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Mexico.....	Ps 1,552,967	1,483,980	1,489,793	725,236	616,836
Spain.....	1,003,972	799,482	579,270	301,825	262,751
Venezuela.....	539,360	533,363	569,295	251,389	307,661
United States.....	230,754	206,973	223,862	101,186	116,346
Colombia.....	552,651	535,678	312,582	165,124	219,376
Caribbean and Central America.....	176,861	176,510	190,780	80,391	82,991
Philippines.....	--	--	237,036	127,851	115,208
Egypt.....	--	--	20,897	--	111,921
Others.....	317,455	270,090	618,077	340,094	414,340
	-----	-----	-----	-----	-----
Consolidated.....	Ps 4,374,020	4,006,076	4,241,592	2,093,096	2,247,430
	=====	=====	=====	=====	=====

	Total Assets		
	December 31,		(Unaudited) June 30,
	1998	1999	2000
Mexico.....	Ps 55,767,156	48,062,234	50,846,443
Spain.....	22,855,017	20,743,883	21,105,013
Venezuela.....	10,711,602	10,920,583	11,204,426
United States.....	6,866,424	6,867,835	7,079,885
Colombia.....	10,983,596	8,406,318	7,919,659
Caribbean and Central America.....	4,244,931	5,712,525	6,482,320
Philippines.....	3,277,128	7,946,087	7,703,034
Others Asian.....	1,203,009	2,313,160	2,316,575
Egypt.....	--	6,173,543	6,610,686
Others.....	8,220,400	28,652,603	27,864,327
	-----	-----	-----
	124,129,263	145,798,771	149,132,368
Eliminations.....	(17,489,552)	(29,731,216)	(33,182,221)
	-----	-----	-----
Consolidated.....	Ps106,639,711	116,067,555	115,950,147

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	Investment in Fixed Assets*			
	December 31,		(Unaudited) June 30,	
	1998	1999	1999	2000
Mexico.....	Ps 622,968	884,302	220,972	397,110
Spain.....	375,741	328,883	140,512	136,664
Venezuela.....	618,612	363,266	98,100	69,194
United States.....	159,009	158,851	49,885	45,767
Colombia.....	1,144,650	177,761	122,883	12,737
Caribbean and Central America...	169,900	245,370	70,506	222,057
Philippines.....	--	177,624	27,119	162,803
Others Asian.....	--	--	--	--
Egypt.....	--	--	--	172,509
Others.....	460,692	242,767	75,954	154,584
	3,551,572	2,578,824	805,931	1,373,425
Eliminations.....	--	--	--	--
Consolidated.....	Ps3,551,572	2,578,824	805,931	1,373,425

* Corresponds to investments in fixed assets without considering the effects of inflation.

18. CHARGES TO OPERATIONS NOT REQUIRING RESOURCES

Items charged or credited to the results of operations, which did not generate the use of resources, are summarized as follows:

	1997	1998	1999
Depreciation of property, machinery and equipment.....	Ps3,117,496	3,089,617	3,397,798
Amortization of deferred charges and credits, net.....	1,256,524	916,459	843,794
Impairment of assets.....	--	--	651,845
Seniority premium.....	141,805	306,403	297,546
Equity in income of subsidiaries and affiliates.....	(182,820)	(159,786)	(243,382)
Minority interest.....	1,115,010	402,373	551,346
	Ps5,448,015	4,555,066	5,498,947

19. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing majority interest net income for the year by the weighted average number of common shares outstanding during the year.

Diluted net earnings per share reflects the effects of the stock options not exercised on the weighted average number of common shares outstanding (see note 13B).

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The weighted average number of shares utilized in the calculations is as follows:

	Basic	Diluted
	-----	-----
June 30, 2000(1) (unaudited).....	4,073,005,495	4,097,328,615
June 30, 1999(1) (unaudited).....	3,750,321,732	3,761,416,902
December 31, 1997.....	3,851,983,824	3,908,702,910
December 31, 1998.....	3,786,281,775	3,797,376,945
December 31, 1999.....	3,767,646,462	3,787,200,759
	=====	=====

Included in 1997 and 1998, are 187,733,226 and 118,919,607 shares related to financial transactions, respectively, (see note 13F).

(1) For purposes of calculating earnings per share as of June 30, 1999 and 2000, net income for a twelve month period was determined, amounting to Ps9,784,926 and Ps8,805,014 (unaudited), respectively.

The difference between the basic and diluted average number of shares for 1997, 1998 and 1999 above is attributable to the additional shares issued under the Company's executive stock option plan (see note 13B).

20. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

At December 31, 1999, Cemex, S.A. de C.V. has signed as guarantor for loans made to certain subsidiaries for approximately \$101 million.

B) TAX ASSESSMENTS

As of December 31, 1999, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Tax Authorities related to years prior to 1996. These tax assessments total approximately Ps2,732 million. The tax assessments result primarily from: (i) disallowed deductions resulting from employee benefit plans; and (ii) recalculation of the inflationary tax deduction, since the tax authorities purport that "Advance Payments to Suppliers" are not by their nature credits. The companies involved have legally contested the assessments by seeking legal

remedies available before the courts.

During 1998, three indirect subsidiaries of the Company in Colombia, acquired as a part of the purchase of Cementos Diamante, S.A., were individually notified by the Domestic Taxes and Costumes Office of Colombia ("DIAN"), of special assessments corresponding to income taxes of the 1995 fiscal year, for approximately \$143 million (Ps1,407 million). The Colombian subsidiaries filed a timely response to such special assessments within the required legal period. During 1999, the DIAN issued a formal deficiency note and the Colombian subsidiaries made a motion for reconsideration against such assessments within the required legal period. The Company estimates that the final resolution of these procedures may delay as long as 2 years, so far, it can not be established if the reconsideration resources will succeed.

C) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce (DOC) imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, certain subsidiaries of the Company as importers of record, have been subject to payment of anti-dumping duty deposits estimated on imports of gray

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Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, however, it will be reviewed by the United States government no later than July 2001, taking into consideration the World Trade Organization new rules in order to determine whether the conditions for imposing the order still exist. The Company and its subsidiaries have used the available legal means in this matter and will continue to do so in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

As of December 31, 1999, the Company has accrued a liability of \$37 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the DOC in its administrative reviews for all of the reviewed periods.

As of December 31, 1999, the Company finds itself in the ninth administrative review period by the DOC, and will expect a preliminary resolution in the second semester of the year 2000. With respect of the first 4 review periods, the DOC has issued a final resolution of the anti-dumping duties. With respect of the remaining review periods, the final resolutions are suspended until all the procedures before the NAFTA Panel have been concluded, for which, the final results may be different from those registered in the accompanying consolidated financial statements.

D) LEASES

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

Year ending December 31,

(Thousands of
U.S. dollars)

-----	-----
2000.....	32,811
2001.....	38,560
2002.....	32,891
2003.....	30,472
2004.....	27,272
2005 and thereafter.....	130,333

	292,339
	=====

Rental expense for the years ended December 31, 1997, 1998 and 1999 was approximately \$22, \$25 and \$41 million, respectively.

E) PLEDGE ASSETS

At December 31, 1999 there are liabilities amounting to \$91 million secured by property, plant and equipment.

F) COMMITMENTS

As of December 31, 1999, subsidiaries of the Company have future commitments for the purchase of raw material for an approximate amount of \$38 million.

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As of December 31, 1999, the Company has entered into agreements with an international partnership, which will build and operate an electrical energy generating plant. These agreements establish that when the plant begins operations, the Company will acquire, starting the second half of 2002, all the electrical energy generated by such plant for a term no less than 20 years. As part of these agreements, the Company has agreed to supply the electric plant with enough fuel for its operation. This commitment will be covered through an 20-year agreement that the Company has with Petroleos Mexicanos. By means of this transaction, the Company expects to have enough decreases in the electrical energy costs, and the supply will be enough to cover approximately 60% of the electrical energy use of 12 cement plants in Mexico. For effect of these agreements, the Company is not required to make capital investment in the project.

21. YEAR 2000 PROGRAM

The CEMEX 2000 program was completed according to the schedule. The Company achieved its objective of maintaining continuous operations in all its manufacturing plants, technological platforms and information systems according to the work plan. During the transition period to the year 2000, all operations have been performing normally and during the following months, the Company will continue monitoring the performance of all Y2K sensitive elements its worldwide operations.

The Company invested approximately 400 thousand man-hours and a budget of \$36 million (Ps352.2 million) in the Y2K preparation.

The Company has undertaken the necessary efforts to ensure business as usual during the year 2000 and beyond.

22. SUBSEQUENT EVENTS

As a result of the natural disaster occurred in Venezuela, country where the Company operates, during December 1999, an approximate amount of \$2.6 million was recorded in the results under the caption other expenses, net. This provision corresponds to the book value of the portion of assets of the subsidiary in Venezuela, which as of December 31, 1999 are estimated to be unrecoverable. These assets include accounts receivable from clients, inventory, investments in shares, as well as fixed assets. As of the date of the financial statements, the Company cannot assure that it will not be necessary to record extraordinary losses in addition to those recognized during 1999, due to the effects of the natural disaster mentioned above, since some of the effects are not yet known.

Regarding the sale of shares mentioned in note 3D with effects as of December 31, 1999, Cemex Mexico required consent of 51% or more of the holders of the 8.375% Yankee Notes, in order to modify certain restrictions in the indenture that limited the Company's ability to complete the transaction. For this purpose, on January 3, 2000, the Company announced a purchase offer for the notes outstanding, through which the holders were offered a premium equivalent to 2% of the value of the notes in exchange for their consent, and simultaneously the redemption of the notes at 98% of their nominal value. In case the consent was not obtained from 51% or more of the note holders, the trading of shares would have been invalid, since it was conditioned upon receipt of such consent. The term to receive the consent expired January 14, while the term for the purchase of the notes expired on February 2, 2000.

As of the date of the financial statements, the Company obtained consent of approximately 85% of the note holders, and therefore validated the sale of shares with retroactive effects to December 31, 1999. For the

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Company, the consent received from the note holders represents the redemption of notes for approximately \$148.8 million before the due date in 2003; however, such amount could be increased until the purchase offer expires on February 2, 2000.

23. DIFFERENCES BETWEEN MEXICAN AND UNITED STATES ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Mexico (Mexican GAAP), which differ in certain significant respects from those applicable in the United States (U.S. GAAP).

The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes (i) a reconciling item for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos as of December 31, 1997 and 1998, and (ii) a reconciling item to reflect the difference in the carrying value of machinery and equipment of foreign origin and related depreciation between the methodology set forth by the fifth amendment to Bulletin B-10 (modified) and the amounts that would be determined by using the historical cost/constant currency method. As described below, these provisions of inflation accounting under Mexican GAAP do not meet the requirement of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than

historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

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The other principal differences between Mexican GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

	Year ended December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Net income as reported under Mexican GAAP.....	Ps 7,955,121	8,189,321	9,514,494	Ps5,429,188	4,719,708
NCPI inflation adjustment.....	586,249	1,137,260	143,360	258,179	--
Net income as reported under Mexican GAAP after NCPI adjustment..	8,541,370	9,326,581	9,657,854	5,687,367	4,719,708
Approximate U.S. GAAP adjustments:					
1. Amortization of goodwill (see 23 (a)).....	197,101	403,979	(64,634)	(116,930)	29,469
2. Deferred income taxes (see 23 (b))..	(2,318,612)	(2,138,660)	(3,338,896)	(384,767)	(42,705)
3. Deferred employees' statutory profit sharing (see 23(b)).....	(317,497)	(451,105)	(349,570)	(261,538)	(129,330)
4. Other employee benefits (see 23(c)).....	(57,970)	6,512	(74,481)	(41,501)	(42,619)
5. Marketable securities (see 23(d)).....	(152,540)	324,533	--	--	--
6. Capitalized interest (see 23(e)).....	(40,316)	(4,250)	80,951	6,308	(4,264)
7. Minority interest (see 23(f)):					
a) Financing Transactions.....	795,821	(210,773)	222,657	165,720	11,213
b) Effect of U.S. GAAP adjustments.....	448,178	34,375	(23,572)	85,155	50,398
8. Hedge accounting (see 23(m)).....	(1,231,914)	(3,256,190)	(1,745,225)	(837,713)	(1,145,204)
9. Depreciation (see 23(g)):	6,946	57,872	144,923	81,540	103,679
10. Accruals for Contingencies (see 23(h)).....	111,870	(34,432)	(2,745)	5,457	(947)
11. Equity in net income of affiliated companies (see 23 (i)).....	(56,583)	(61,376)	(23,456)	(25,639)	--
12. Inflation adjustment of machinery and equipment (see 23(j)).....	(235,053)	(91,647)	(399,051)	(231,525)	(205,297)

13. Other U.S. GAAP adjustments (see 23(1)).....	70,873	109,277	(113,428)	(180,630)	37,689
14. Monetary effect of U.S. GAAP adjustments.....	1,638,788	1,853,217	1,628,023	985,524	674,397
Total approximate U.S. GAAP adjustments.....	(1,140,908)	(3,458,668)	(4,058,504)	(750,539)	(663,521)
Approximate net income under U.S. GAAP.....	Ps 7,400,462	5,867,913	5,599,350	Ps 4,936,828	4,056,187
Basic U.S. GAAP earnings per share.....	Ps 1.92	1.55	1.48	Ps 1.31	1.00
Diluted U.S. GAAP earnings per share.....	Ps 1.83	1.54	1.47	Ps 1.30	0.99

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	Year ended December 31,		(Unaudited)
	1998	1999	Six months ended June 30, 2000
Total stockholders' equity reported under Mexican GAAP.....	Ps 52,385,933	62,949,657	59,945,949
NCPI inflation adjustment.....	7,274,896	948,498	--
Total stockholders' equity after NCPI adjustment.....	59,660,829	63,898,155	59,945,949
Approximate U.S. GAAP adjustments:			
1. Goodwill net (see 23(a)).....	(2,242,948)	(3,031,272)	(2,730,639)
2. Deferred income taxes (see 23(b)).....	(6,528,022)	(8,783,144)	(4,839,782)
3. Deferred employees' statutory profit sharing (see 23(b))...	(2,910,838)	(2,939,077)	(2,940,259)
4. Other employee benefits (see 23(c)).....	(193,370)	(249,008)	(279,963)
5. Capitalized interest (see 23(e)).....	(44,894)	(458,755)	(428,143)
6. Minority interest--effect of financing transactions (see 23(f)).....	(6,160,186)	(6,004,128)	(5,911,135)
7. Minority interest--U.S. GAAP presentation (see 23(f)).....	(9,181,511)	(9,118,507)	(9,154,732)
8. Depreciation (see 23(g)).....	11,929	157,229	217,934
9. Accruals for contingencies (see 23(h)).....	321,888	233,552	220,130
10. Investment in net assets of affiliated companies (see 23(i)).....	(543,642)	(497,414)	(24,365)
11. Inflation adjustment for machinery and equipment (see 23(j)).....	3,595,821	8,469,542	8,278,679

12. Temporary equity from forward contracts (see 23(k)).....	--	(5,113,768)	(5,041,271)
13. Other U.S. GAAP adjustments (see 23(1)).....	485,319	297,573	302,286
	-----	-----	-----
Total approximate U.S. GAAP adjustments.....	(23,390,454)	(27,037,177)	(22,331,260)
	-----	-----	-----
Total approximate stockholders' equity under U.S. GAAP.....	Ps 36,270,375	36,860,978	37,614,689
	=====	=====	=====

For purposes of the following notes, the Mexican GAAP prior years amounts have been restated using the Mexican inflation rate instead of the weighted average index described in note 3B. Therefore the amounts shown for prior years in these notes do not agree with the amounts shown in footnotes 1 to 22.

The term "SFAS" as used herein refers to Statements of Financial Accounting Standards.

(a) Goodwill

The Company's goodwill recognized under Mexican GAAP has been adjusted for U.S. GAAP purposes for (i) the effect of the U.S. GAAP adjustments as of the dates of acquisition on the goodwill of the subsidiaries acquired (ii) the difference between sinking fund amortization of goodwill over 20 to 40 years for Mexican GAAP purposes (see note 3J) and the straight line method over 40 years for U.S. GAAP purposes and (iii) the conversion of goodwill applicable to foreign subsidiaries in accordance with SFAS 52, utilizing inflation of each country to restate the goodwill for inflation purposes. In addition, amortization of goodwill is reflected as an operating expense for U.S. GAAP purposes versus other income and expense for Mexican GAAP purposes.

For U.S. GAAP purposes, the Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost

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of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(b) Deferred Income Taxes and Employees' Statutory Profit Sharing

Until December 31, 1999, Mexican GAAP provided that deferred taxes should not be recorded for those temporary differences whose origin is not specifically identifiable or whose realization is not presently determinable because upon turnaround they will be replaced by other temporary differences of a similar nature and amount.

For U.S. GAAP purposes, the Company accounts for income taxes utilizing SFAS 109 "Accounting for Income Taxes", which requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax asset and liabilities are recognized for the future tax consequences of "temporary differences" by applying enacted statutory tax rates applicable in future years to differences between the financial statement

carrying amounts and the tax basis of existing assets and liabilities and operating loss carryforwards. The amount of deferred income taxes charged or credited to operations in each period for U.S. GAAP is based upon the difference between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in nominal pesos. A monetary position gain or loss of the deferred tax assets or liabilities was also recognized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1999 are presented below.

	December 31,	
	1998	1999
Deferred tax assets:		
Net operating loss and assets tax carryforwards.....	Ps 5,178,015	2,404,076
Trade accounts receivable.....	440,054	417,266
Investment in affiliated companies.....	341,742	479
Accounts payable and accrued expenses.....	679,268	513,303
Other.....	397,871	160,899
	-----	-----
Total gross deferred tax assets.....	7,036,950	3,496,023
Less valuation allowance.....	244,442	195,615
	-----	-----
Net deferred tax assets under U.S. GAAP.....	6,792,508	3,300,408
	-----	-----
Deferred tax liabilities:		
Property, plant and equipment.....	15,143,876	14,714,639
Inventories.....	682,365	420,510
Other.....	335,788	162,190
	-----	-----
Total gross deferred tax liability under U.S. GAAP..	16,162,029	15,297,339
	-----	-----
Net deferred tax liability under U.S. GAAP.....	9,369,521	11,996,931
Deferred tax liability recognized under Mexican GAAP.....	1,106,552	1,077,053
	-----	-----
Excess of liability recognized under U.S. GAAP over that recognized under Mexican GAAP.....	8,262,969	10,919,878
Less--U.S. GAAP deferred income taxes of acquired subsidiaries at date of Acquisition.....	1,581,278	2,120,506
Inflation adjustment (note 3B).....	(153,669)	(16,228)
	-----	-----
U.S. GAAP adjustment to stockholders' equity.....	Ps 6,528,022	8,783,144
	=====	=====

As of June 30, 1999 and 2000 (unaudited), deferred income tax expense

amounts to Ps384,767 and Ps42,705, respectively, with a net effect in stockholders' equity under U.S. GAAP of Ps(4,839,782) at June 30, 2000 (unaudited).

Management believes that it is more likely than not that it will generate taxable income sufficient to realize the tax benefit associated with future deductible temporary differences and operating tax loss carryforwards prior to their expiration. If the Company is unable to generate sufficient taxable income in the future through operating results, or alternative tax strategies are no longer viable, a valuation allowance will be required through a charge to expense.

The Company has recorded a valuation allowance for the estimated amount of the recoverable tax on assets, which may not be realized due to their expiration during the carryforwards period. However, through the continuous evaluation of the effects of tax strategies, among other economic factors, during 1999 the Company canceled a net effect on the valuation allowance of approximately Ps22 million.

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Effective December 31, 1998, the income tax rate increased from 34% to 35% for temporary differences in Mexico to give effect to the enactment of the new income tax law in Mexico. This resulted in an additional deferred tax expense of Ps257,729 for U.S. GAAP purposes in 1998.

Deferred income taxes for interim periods are measured by the use of an estimated annual effective tax rate for the annual periods.

The Company also recorded a deferred liability for U.S. GAAP purposes, related to employees' statutory profit sharing in Mexico under the asset and liability method at the statutory rate of 10%. The principal effects of temporary differences that give rise to significant portions of the deferred employees' profit sharing liabilities at December 31, 1998 and 1999 are presented below:

	December 31,	
	1998	1999
	-----	-----
Deferred assets:		
Employee benefits.....	Ps 15,414	44,095
Trade accounts receivable.....	130,005	11,578
Other.....	--	--
	-----	-----
Gross deferred assets under U.S. GAAP.....	145,419	55,673
	-----	-----
Deferred liabilities:		
Property, plant and equipment.....	2,931,981	2,841,333
Inventories.....	106,285	134,743
Other.....	17,991	18,674
	-----	-----
Gross deferred liabilities under U.S. GAAP.....	3,056,257	2,994,750
	-----	-----
Net deferred liabilities under U.S. GAAP.....	Ps2,910,838	2,939,077

As of June 30, 1999 and 2000 (unaudited), deferred employees profit sharing expense amounts to Ps261,538 and Ps129,330, respectively, with a net effect in stockholders' equity under U.S. GAAP of Ps(2,940,259) at June 30, 2000 (unaudited).

For purposes of the condensed financial information presented under U.S. GAAP in note 23(p), employees' statutory profit sharing expense, both current and deferred, is deducted in the determination of operating income.

Additionally, as it is mentioned in note 15B, beginning in the year 2000, new Bulletin D-4, requires the determination of deferred income tax through the balance sheet methodology. Even when Bulletin D-4 establishes a methodology similar to US GAAP, in the application of the Bulletin, differences will prevail in the reconciliation to US GAAP, arising from i) the recognition of the initial balance as of January 1, 2000 will be recorded directly to stockholders' equity, ii) certain adjustments to Mexican GAAP recorded in the foreign subsidiaries for consolidation purposes, are to be treated as permanent differences, iii) the treatment of deferred tax consequences in business combinations under Mexican GAAP, does not consider the provisions of APB Opinion 16, and iv) for Mexican GAAP purposes, deferred tax assets and liabilities, should be considered as long-term items. For Mexican GAAP purposes, it is required to determine the effect of deferred ESPS for those temporary differences arising from the reconciliation of the net income of the period and the taxable income for ESPS, of a non-recurring nature.

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As of June 30, 2000, a net deferred tax liability under Bulletin D-4 of Ps4,904,463, has been canceled for purposes of the U.S. GAAP reconciliation of stockholders' equity. The net effect in the reconciliation of net income arising from the cancelation of Bulletin D-4 amounts to Ps292,002 of a deferred tax expense as of June 30, 2000 (unaudited).

(c) Other Employee Benefits

Vacations

Under Mexican GAAP, vacation expense is recognized when taken rather than during the period the employees earn it. In order to comply with SFAS 43, as of December 31, 1997, 1998, 1999 and as of June 30, 1999 and 2000 (unaudited), the vacation expense recorded for U.S. GAAP purposes was Ps4,717, Ps9,103, Ps8,501, Ps6,619 and Ps7,617, respectively with an accrual of Ps39,439, Ps43,564 and Ps49,147 at December 31, 1998, 1999 and June 30, 2000 (unaudited) respectively.

Severance

Before 1997, under Mexican GAAP, postemployment benefit expenses other than pension benefits were recorded when retirement occurred and the Company did not provide for any severance benefits. Beginning in 1997, in accordance with Mexican GAAP (Circular 50), SFAS 112 is the supplementary accounting standard for postemployment benefits. As of December 31, 1998, 1999 and June 30 2000, the Company did not accrue a provision for these benefits for Mexican GAAP due to their insignificance. However, under U.S. GAAP, postemployment benefits for former or inactive employees excluding retirement benefits, are accounted for under the provisions of SFAS 112, which requires the Company to accrue the cost of certain benefits, including severance over an employee's service life. As of

December 31, 1997, 1998, 1999 and as of June 30, 1999 and 2000 (unaudited), the severance provisions recorded for U.S. GAAP purposes were an expense of Ps21,684, Ps41,829, Ps39,063, Ps30,427 and Ps35,002, respectively with an accrual of Ps181,227, Ps200,181 and Ps225,833 at December 31, 1998, 1999 and June 30, 2000 (unaudited), respectively. Severance payments relating to any specific event or restructuring are excluded from the SFAS 112 calculation.

SFAS 106, requires accrual of these benefits during the years an employee provides services. The Company does not provide to its employees any postretirement benefits subject to the provisions of SFAS 106.

Pension Benefits

The Company records liabilities for employee pension benefits determined by actuarial computations, which are similar to SFAS 82 under U.S. GAAP. The pension benefits recorded for U.S. GAAP purposes were an expense of Ps31,569 in 1997, an income of Ps57,444 in 1998, an expense of Ps26,917 in 1999 and an expense of Ps 4,455 as of June 30 1999 (unaudited), with an additional (asset) liability of Ps(27,296) in 1998, Ps5,263 in 1999 and Ps4,983 at June 30, 2000 (unaudited), respectively.

(d) Marketable Securities

Included in other investments at December 31, 1998 are Ps270,356 of an investment in common stock of a third party company. This investment is recorded at market value based upon its quoted price. Although the Company does not have the intention to sell these shares, this investment is classified as available-for-sale for purposes of complying with SFAS 115. Unrealized holding loss of Ps152,540 and gain of Ps324,533 (loss

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Ps114,560 and gain of Ps227,835, after the related deferred income tax effect which has been credited directly to stockholders' equity) for the years ended December 31, 1997 and 1998, respectively, are included as a component of stockholders' equity for purposes of the Company's reconciliation to U.S. GAAP. Beginning in January 1, 1999, the Company adopted the provisions of SFAS 115 under Mexican GAAP, therefore, no additional reclassification is needed for purposes of the net income reconciliation.

(e) Capitalized Interest

Under Mexican GAAP, the Company is allowed, but no required, to capitalize interest on assets under construction. Mexican GAAP states that the amount of financing cost to be capitalized during the construction period of property, machinery and equipment must be comprehensively measured in order to include properly the effects of inflation. Therefore, the amount capitalized includes (i) the interest cost of the debt incurred, plus (ii) any foreign currency exchange loss that results from the related debt, and less (iii) the related monetary position result recognized on the debt incurred to finance the construction project. Under U.S. GAAP, interest must be considered an additional cost of constructed assets to be capitalized in property, machinery and equipment and depreciated over the lives of the related assets.

The U.S. GAAP reconciliation removes the foreign currency gain or loss capitalized for Mexican GAAP derived from borrowings denominated in foreign currency.

(f) Minority Interest

Financing Transactions

As of December 31, 1998 the Company had \$422.5 million and \$500 million, as of December 31, 1999 and June 30, 2000 (unaudited), of an outstanding equity financing transaction involving shares of its Spanish subsidiary. The transferred shares represented 25.4% in 1998 and 24.8% in 1999 and June 30, 2000 (unaudited) of the outstanding capital stock of this subsidiary. The Company has considered the shares involved in this transaction, as if those were owned by a third party and therefore, has recorded a minority interest in the consolidated balance sheet under Mexican GAAP. For U.S. GAAP purposes, this financing transaction had been classified as debt in the amount of Ps4,905 million, Ps4,965 million and Ps4,920 million at December 31, 1998, 1999 and June 30, 2000 (unaudited), respectively. For Mexican GAAP purposes, the costs related to this transaction are recorded as part of the net financing cost in the income statement. Differences between the amount of minority interest recognized for Mexican GAAP purposes and the amount of net debt for U.S. GAAP purposes for this financing transaction are reflected as a reconciliation of Mexican GAAP stockholders' equity. This financing transaction bears interest at 3 month-LIBOR plus 100 basis points (approximately 7.0% and 8.0% at December 31, 1999 and June 30, 2000 (unaudited), respectively), and matures with \$125 million of the principal due in July 2000, \$125 million in December 2000, and the remaining \$250 million due in June 2001. This transaction was terminated in August 31, 2000 (unaudited) (see note 23X).

For purposes of U.S. GAAP presentation, Putable Capital Securities described in note 13(F) are presented as a separate component of minority interest. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Dividends declared are recorded as part of the minority interest in the consolidated statements of income under both Mexican GAAP and U.S. GAAP.

In December 1995, the Company entered into a financial transaction in which a subsidiary transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately \$123.5 million in exchange for notes issued by the trust. The Company has the right to

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reacquire these assets on various dates until 2007. As of December 31, 1998, 1999 and June 30, 2000 (unaudited), \$108 million (Ps1,255 million), \$104.6 million (Ps1,039 million) and \$100.7 million (Ps991 million), respectively, were outstanding under this transaction. For U.S. GAAP purposes the amount outstanding under this arrangement is treated as debt. Under Mexican GAAP this transaction has been treated as minority interest (see note 13(F)).

U.S. GAAP adjustments

Under Mexican GAAP the minority interest in consolidated subsidiaries is presented as a separate component within the stockholders' equity section in the consolidated balance sheets. According to U.S. GAAP, minority interest is excluded from consolidated stockholders' equity and classified as a separate component between total liabilities and stockholders' equity in the consolidated balance sheets. The U.S. GAAP adjustment to stockholders' equity included herein represents the minority interests in the Company's subsidiaries determined in accordance with U.S. GAAP.

(g) Depreciation

One of the Company's subsidiaries in Colombia, records depreciation expense

utilizing the sinking fund method. This methodology for depreciation was in place before Cemex acquired the subsidiary in 1997. For Mexican GAAP purposes, the Company has decided to maintain this accounting practice due to tax consequences in Colombia arising from a change in methodology, and the immateriality of the effects in the Company's consolidated results. During the year 2000, the Company will evaluate changing the depreciation methodology of this subsidiary, in order to align all subsidiary practices to the Company's policy for depreciation. For U.S. GAAP purposes, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. As a result of this accounting difference, as of December 31, 1997, 1998, 1999 and as of June 30, 1999 and 2000 (unaudited) Ps6,946, Ps57,872, Ps122,049, Ps81,540 and Ps93,204 respectively, have been credited to income in the U.S. GAAP reconciliation.

Additionally, as a result of the application of APB 16 in the acquisition of Rizal for U.S. GAAP purposes, at December 31, 1999, the Company reduced the value of its fixed assets by Ps264,156, corresponding to the portion of the appraisal value related to the minority owners. The change in the fixed assets' amount for under U.S. GAAP arising from this concept, led to a decrease in the depreciation expense under U.S. GAAP of Ps22,874 during 1999 and Ps10,475 as of June 30, 2000 (unaudited).

(h) Accruals for Contingencies

For Mexican GAAP purposes the Company has recorded accruals for certain contingencies that do not meet the accrual criteria of SFAS 5 of U.S. GAAP. Our Spanish subsidiary has recorded a liability for guarantees given to third parties by former subsidiaries and other general accruals. At the balance sheet dates the likelihood of a loss occurring is considered to be possible but not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met and the recorded liabilities were reversed for U.S. GAAP purposes.

In addition, with respect to the Mexican and Colombian tax assessments described in note 20(B), the Company believes that while it is reasonably possible for a loss to occur as a result of these assessments, the likelihood of a loss is not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met (see also note 23(v)). In January 2000, the company had a final resolution on the Colombian tax assesment (see note 23x).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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(i) Affiliated Companies

The Company has adjusted its investment in and its equity in the earnings of affiliated companies for the Company's share of the approximate U.S. GAAP adjustments applicable to these affiliates.

(j) Inflation Adjustment of Machinery and Equipment

On December 2, 1997, the International Practices Task Force of the American Institute of Certified Public Accountants encouraged Mexican companies to restate their fixed assets of foreign origin by applying the inflation rate of each country in which the Company operates, instead of using the methodology included in the fifth amendment to Bulletin B-10, which consists of restating the fixed assets of foreign origin on the basis of the devaluation of the functional currency against the currency of origin and applying a factor of inflation in such foreign country. For purposes of the U.S. GAAP

reconciliation, fixed assets of foreign origin were restated using the inflation factor arising from the Consumer Price Index ("CPI") of each country and depreciation is based upon the revised amounts.

(k) Temporary Equity from Forward Contracts

As mentioned in notes 2C and 14D to the financial statements, the Company has entered in to forward contracts in connection with its warrant offering transaction. According to EITF 96-13, forward contracts involving the Company's own stock that will be physically settled by delivering cash, should be initially measured at fair value and recorded in permanent equity, and an amount equivalent to the cash redemption at the date of reporting, should be reclassified to temporary equity, which is to be considered as a mezzanine item for the balance sheet presentation under U.S. GAAP. As a result, for purposes of reconciliation the Company presents an adjustment to its stockholders' equity under Mexican GAAP for Ps5,113,768 in 1999 and Ps5,041,271 at June 30, 2000 (unaudited), which represents the cash obligation of the Company in the forward contract at the reporting date. This amount is presented as a mezzanine for purposes of note 23(p).

(l) Other U.S. GAAP Adjustments

Inventory costs--As permitted by Mexican GAAP, certain inventories are valued under the direct cost system, which includes material, labor and other direct costs. For purposes of complying with U.S. GAAP, inventories have been valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. At December 31, 1998 and 1999, the Company recognized an income of Ps293,861 and Ps108,338, respectively, in the stockholders' equity reconciliation to U.S. GAAP. Beginning January 1, 2000, the company has adopted the full absorption cost method for all its producing facilities, therefore, as of June 30, 2000 (unaudited) the reconciling item arising from this concept has been cancelled, recognizing an expense of Ps65,446 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. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The estimated average useful lives period to amortize these capitalized costs is

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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between 3 and 5 years. The cumulative effect recognized an income in stockholders' equity reconciliation to U.S. GAAP at December 31, 1998, 1999 and June 30, 2000 (unaudited) is Ps345,454, Ps513,876 and Ps613,185, respectively.

Sale of own stock--In 1997, the Company had a gain in the sale of its own stock of Ps62,189, recorded in the income statement under Mexican GAAP, which has been reclassified to stockholders' equity for purposes of the U.S. GAAP reconciliation of net income.

Deferred charges--For U.S. GAAP purposes other deferred charges net of accumulated amortization, that did not qualified for deferral under U.S. GAAP

had been charged to expense in the year or period incurred for Ps102,278 in 1998, Ps188,642 in 1999 and Ps101,476 as of June 30, 1999 (unaudited). The net effect in the stockholders' equity reconciliation to U.S. GAAP is Ps153,996, Ps324,641 and Ps310,899 at December 31, 1998, 1999 and June 30, 2000 (unaudited), respectively. Mexican GAAP allowed the deferral of these expenses.

Monetary position result--Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined with a weighted average inflation factor for the period.

Reclassifications--Real estate held for sale amounting to Ps194,543 in 1998, Ps152,834 in 1999 and Ps95,143 at June 30, 2000 (unaudited), and non-cement related assets amounting to Ps486,915 in 1998, Ps132,470 in 1999 and Ps134,191 at June 30, 2000 (unaudited), have been reclassified to long-term assets for purposes of U.S. GAAP presentation in note 23(p). These assets are stated at their estimated fair value. Estimated costs to sell, are not significant.

(m) Financial Instruments

Fair Value of Financial Instruments

The carrying amount of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses and short-term debt, approximates fair value because of the short-term maturity of these financial assets and liabilities.

Marketable securities and long-term investments are accounted for at fair value, which is based on quoted market prices for these or similar instruments.

The carrying value of the Company's long-term debt and the related fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (or determined by discounting future cash flows using borrowing rates currently available to the Company) at December 31, 1999 is summarized as follows:

	Carrying Amount	Estimated Fair value
	-----	-----
Bank loans.....	Ps22,677,087	22,673,771
Notes payable.....	17,795,420	18,358,606
	=====	=====

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

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As discussed in note 3E, the Company has designated certain debt as hedges of its investment in foreign subsidiaries and for Mexican GAAP purpose, records foreign exchange fluctuations on such debt in equity. For purposes of the U.S. GAAP net income reconciliation, Ps1,231,914, Ps3,256,190 and Ps1,745,225 for 1997, 1998 and 1999, respectively, and Ps837,713 and Ps1,145,204 as of June 30, 1999 and 2000 respectively (unaudited), were recognized as foreign exchange losses since the related debt does not meet the conditions set forth in SFAS 52

for hedge accounting purposes.

Concentration of Credit Risk

The Company sells its products primarily to distributors for the construction industry with no specific geographic concentration within the countries in which the Company operates. No single customer accounted for a significant amount of the Company's sales and there were no significant account receivables from a single customer at December 31, 1998, 1999 and June 30, 2000. The Company performs evaluations of its customers' credit histories and establishes an allowance for doubtful accounts based upon the credit risk of specific customers and historical trends. In addition, there is no concentration of suppliers for the purchases of raw materials.

(n) Stock Option Programs

As described in note 13B, pursuant to the Company's Stock Option Plan to which eligible officers and key employee's are entitled to the Company's Boards of Directors may grant stock options for up to 216,300,000 shares of authorized but unissued Series "A" and "B" common stock. Stock option activity during the periods is indicated in note 13B.

The Company applies APB Opinion No. 25 ("APB 25") in accounting for its Plan under U.S. GAAP. According to APB 25, the Company's Plan fulfills the type of a compensatory for services plan, where the price required from the employee at the measurement date, is materially equal to the quoted market price of the stock, therefore, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, using the Black-Scholes pricing model, the Company's net income would have been reduced to the proforma amounts indicated below:

	1997	1998	1999
Net income, as reported (Mexican GAAP).....	Ps7,955,121	8,189,321	9,514,494
Net income, proforma.....	7,788,609	7,929,620	9,317,603
Basic earnings per share, as reported.....	Ps 2.06	2.16	2.52
Basic earnings per share, proforma.....	Ps 2.02	2.09	2.47

* See note 2A.

The assumptions for the Black-Scholes model were:

	1997	1998	1999
Expected dividend yield.....	2%	2%	2%
Volatility.....	30%	30%	30%
Risk free interest rate.....	22%	22%	15%
Tenure.....	10 years	10 years	10 years

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(o) Supplemental Cash Flow Information Under U.S. GAAP

The Company presents a consolidated statement of changes in financial position under Mexican GAAP in accordance with Bulletin B-12, which identifies the sources and uses of resources determined based upon the differences between beginning and ending financial statements balances in constant pesos. It also requires monetary position result and unrealized foreign exchange gain and loss to be treated as cash items in the determination of resources provided by operations. U.S. GAAP requires a statement of cash flow presenting only cash movements and excluding non-cash items. SFAS 95 does not provide any specific guidance with respect to inflation-adjusted financial statements.

The classifications of cash flows under Mexican GAAP and U.S. GAAP are basically the same, in respect to the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported, is mainly due to (i) the elimination of inflationary effects of monetary assets and liabilities from financing and investing activities variations, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rates fluctuations from financing and investing activities variations, against the corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

The following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 1997, 1998 and 1999, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical peso basis and it is not presented in constant purchasing power.

	Years ended December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Net cash provided by operating activities...	Ps 7,677,497	11,779,184	10,275,197	4,332,227	5,438,583
Net cash provided by (used in) financing activities.....	(3,697,605)	(2,821,576)	148,447	2,208,518	(3,572,379)
Net cash used in investing activities...	(4,691,195)	(8,027,317)	(10,351,043)	(6,783,690)	(2,911,897)

Net cash flow from operating activities reflects cash payments for interests and income taxes as follows:

	Years ended December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Interest paid.....	Ps4,269,714	3,652,444	3,291,193	1,764,718	2,277,346
Income taxes paid.....	311,859	321,372	431,144	65,656	551,629

Non-cash activities are comprised of the following:

- . Acquisition of property and equipment through capital leases amounted to Ps77 in 1997, Ps24,150 in 1998 and Ps159,480 in 1999.
- . Liabilities assumed through the acquisition of businesses (see note 7) was Ps498,834 in 1998 and Ps4,147,318 in 1999.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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(p) Condensed Financial Statements under U.S. GAAP

The following table presents consolidated condensed balance sheets at December 31, 1998 and 1999 and statements of income at December 31, 1997, 1998 and 1999 of the Company as prepared under U.S. GAAP. This summarized financial information includes all differences described in this footnote as well as certain other reclassifications required for purposes of U.S. GAAP:

	At December 31,		(Unaudited)
	1998	1999	At June 30,
			2000
	-----	-----	-----
Balance sheets			
Current assets.....	Ps 18,387,873	17,747,462	17,274,824
Investments and non-current assets...	4,802,358	7,567,962	7,473,093
Property, machinery and equipment....	75,205,472	76,562,289	73,255,249
Deferred charges.....	26,003,775	23,877,138	24,176,109
	-----	-----	-----
Total assets.....	124,399,478	125,754,851	122,179,275
	=====	=====	=====
Current liabilities.....	22,818,586	23,538,841	24,954,561
Long-term debt.....	40,585,068	35,306,001	29,859,238
Other non-current liabilities.....	15,543,938	16,102,966	15,807,829
	-----	-----	-----
Total liabilities.....	78,947,592	74,947,808	70,621,628
	-----	-----	-----
Mezzanine items:			
Putable Capital Securities (see note 13F).....	2,902,792	2,482,586	2,460,000
Temporary equity.....	--	5,113,768	5,041,271
Minority interest.....	6,278,719	6,349,711	6,441,687
	-----	-----	-----
	9,181,511	13,946,065	13,942,958
	-----	-----	-----
Stockholders' equity.....	36,270,375	36,860,978	37,614,689
	-----	-----	-----
Total liabilities and stockholders' equity.....	Ps124,399,478	125,754,851	122,179,275
	=====	=====	=====

	As of December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
Statements of income					
Net sales.....	Ps42,014,290	49,446,465	47,305,572	23,712,692	25,832,913
Gross profit.....	15,385,647	20,314,461	19,368,106	9,493,156	11,205,365
Operating income.....	7,342,267	11,076,690	10,487,745	4,853,357	6,725,553
Comprehensive financial income (cost).....	2,673,833	(3,080,340)	(301,113)	1,098,041	(1,414,637)
Other expenses, net.....	318,648	526,830	(636,922)	(289,552)	(266,831)
Income tax (including deferred).....	(2,838,551)	(2,581,223)	(3,972,872)	(804,901)	(1,018,570)
Equity in income of affiliates.....	266,968	305,160	425,945	179,195	183,375
Consolidated net income.....	7,763,165	6,247,117	6,002,783	5,036,140	4,208,890
Minority net income.....	362,703	379,204	403,433	99,312	152,703
Majority net income.....	Ps7,400,462	5,867,913	5,599,350	4,936,828	4,056,187

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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For purposes of the consolidated condensed financial statements, the 1997 and 1998 figures were updated to constant pesos at December 31, 1999 using the Mexican inflation rate, in order to comply with current requirements of Regulation S-X.

(q) Restatement to Constant Pesos of Prior Years

The following table presents summarized financial information under Mexican GAAP of the consolidated statements of income for the years ended December 31, 1997 and 1998 and of the consolidated balance sheet at December 31, 1998, in Mexican pesos of equivalent constant purchasing power of December 31, 1999 using the Mexican inflation rate:

	1997	1998	1999	(Unaudited) Six months ended June 30, 1999
Sales.....	Ps42,530,726	50,104,482	47,943,342	25,124,263
Gross profit.....	16,468,244	21,134,371	21,231,573	12,787,083
Operating income.....	10,049,952	13,675,541	14,264,882	8,658,312
Majority net income.....	8,541,370	9,326,581	9,657,854	5,941,276
Current assets.....		Ps19,084,393	Ps16,964,416	
Non-current assets.....		102,364,495	100,851,993	
Current liabilities.....		20,881,718	18,135,298	
Non-current liabilities.....		40,906,342	35,782,957	

Majority interest		
stockholders' equity...	45,136,033	51,459,911
Minority interest		
stockholders' equity...	14,524,795	12,438,243
	-----	-----

(r) Environmental Costs

Environmental expenditures related to current operations are expensed or capitalized, as appropriate. Remediation costs related to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Prior to its acquisition in 1989, one subsidiary of the Company in the United States employed the use of underground storage tanks in their operations. Subsequently, the use of those tanks resulted in environmental remediation liabilities for several of the subsidiary's plant sites. Per a 1996 settlement agreement with the former owners, the subsidiary is responsible for 10% of remediation costs at one of the plant sites and 100% of remediation costs for the remaining sites.

As of December 31, 1998 and 1999, the subsidiary had accrued its best estimate of its obligation with respect to the sites of approximately Ps9 million in 1998 and Ps8 million in 1999, which are included in accrued liabilities.

In May 1999, several companies filed a civil liability suit against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice producing capacity of certain land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibague, Colombia. The plaintiffs have asked for relief in the amount of U.S. \$12.6 million. This proceeding has not yet reached the

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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evidentiary stage, since both parties have appealed the court's evidentiary decree. Upon resolution of the appeals, the evidentiary stage will begin. We estimate that this proceeding will continue for approximately six years before final resolution. For accounting purposes under both Mexican and U.S. GAAP, the Company believes that the accrual criteria, has not been met in connection with this civil action (unaudited).

The Company is not currently facing other situation as those described above which might result in the recognition of an environmental remediation liability.

(s) Supplemental Debt Information

Classification of Short-term debt Expected to be Refinanced--In accordance with U.S. GAAP, and for purposes of the condensed information of note 23(p), at December 31, 1998, 1999 and June 30, 2000 (unaudited), \$168 million (Ps1,950 million), \$226 million (Ps2,243 million) and \$178 million (Ps1,752 million), respectively, were reclassified from long-term debt to short-term debt for U.S. GAAP purposes.

(t) Impairment of Long Lived Assets

In accordance with the provisions of SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Off" long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell (see note 8).

For Mexican GAAP purposes the impairment provisions are reported in other income and expense. For purposes of note 23(p), these provisions are reported as a component of operating income.

(u) Business combinations

As mentioned in note 7, during September 1999, the Company acquired a majority equity interest in Cemcasa, and during November 1999 acquired a majority equity interest in Assiut Cement Co. For purposes of disclosure under U.S. GAAP according to APB 16, companies must provide in proforma basis, the effects of having being consolidating the acquired companies since the beginning of the reported period. In respect to APO, the Company consolidated for Mexican GAAP purposes, its results of operations for the twelve-month period ended December 31, 1999. Therefore, for purposes of compliance with APB 16 disclosure requirement, the Company is providing proforma selected income statement amounts for the consolidation of Cemcasa and Assiut, as if they were consolidated for the full year 1999.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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The approximated amounts are as follows:

	Cemex as reported	Assiut twelve- months	Cemcasa twelve- months	Elimination	Cemex proforma
	-----	-----	-----	-----	-----
Net sales.....	Ps47,231,676	1,928,358	406,348	(235,449)	49,330,933
Operating income.....	14,053,136	486,989	40,995	(36,511)	14,544,609
Majority interest net income (loss).....	9,514,494	277,173	(1,809)	25,644	9,815,502
	=====	=====	=====	=====	=====
Basic earnings per share.....	Ps 2.52				2.60
Diluted earnings per share.....	Ps 2.51				2.59
	=====				=====

For purposes of the table above, the "Elimination" column represents the sum

of the Assiut's one-month period results, and Cemcasa's three-month period results, that were included in to the Company's consolidated income statement under Mexican GAAP as of December 31, 1999.

(v) 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 (unaudited). 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 Mexico, S.A. de C.V. (formerly, TOLMEX, S.A. de C.V.), and Empresas Tolteca de Mexico, S.A. de C.V. (formerly, CEMEX Control, S.A. de C.V.). These two companies, together with their subsidiaries, account for substantially all the revenues and operating income of the Company's Mexican operations.

As described in note 3D, through a series of mergers during 1999, the cement and ready-mix concrete operations of the Company in Mexico were integrated into CEMEX Mexico, S.A. de C.V. ("CEMEX Mexico"). 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 Mexico, S.A. de C.V. (this subsidiary was not part of the merging process described above). As of December 31, 1998, the Guarantors fully, unconditionally, jointly and severally guaranteed indebtedness of the Company in an aggregate amount of US dollars \$2,010 million (see note 11).

As mentioned in note 11, as of December 31, 1999, indebtedness of the Company in an aggregate amount of US dollars \$2,090 million is fully and unconditionally guaranteed, on a joint and several basis, by CEMEX Mexico and Empresas Tolteca de Mexico, S.A. de C.V. ("ETM"). The Company's indebtedness guaranteed by these two subsidiaries will not increase as a result of the exchange offer described above.

As of December 31, 1999, the Company owned a 99.8% equity interest in CEMEX Mexico, including a 2.5% equity interest held by a Mexican trust in connection with an equity financing transaction due in 2007 (see note 13F), and CEMEX Mexico owned a 99.9% equity interest in ETM. The current "General Law of Commercial Corporations" in Mexico prescribes a minimum participation of two shareholders on the equity of a Mexican corporation; therefore, no single company or person can own 100% equity interest of another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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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 other material operations than its investments in subsidiaries and affiliated companies. The second column, "Combined Guarantors", represents the combined amounts of CEMEX Mexico and ETM, after adjustments and eliminations relating to their consolidation. As mentioned above, the Guarantors represent substantially all the Company's Mexican operations. The third column, "Combined non-guarantors", represents the amounts of the international subsidiaries of the Company, CEMEX Mexico and ETM 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 June 30, 2000, for the periods ended December 31, 1997, 1998 and 1999 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.

The accompanying condensed consolidating financial information as of December 31, 1998 and for the years ended December 31, 1997 and 1998, reflects the total combined equity of the Guarantors and related transactions as if the mergers described in the previous paragraphs had been completed on January 1, 1997, as a reorganization of entities under common control (similar to pooling of interest). All significant intercompany balances and transactions between the Guarantors and the merged entities have been eliminated in the "Combined Guarantors" column. Such information is presented in Mexican GAAP, and net income and stockholders' equity have also been reconciled to US GAAP.

As mentioned in note 3B, according the 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-a-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 "non-guarantors" amounts have been adjusted to reflect constant pesos as of June 30, 2000, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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The information is as follows:

Condensed consolidating balance sheets:

1998	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
----	-----	-----	-----	-----	-----
Current assets.....	Ps 2,562,379	19,361,219	15,226,137	(20,392,447)	16,757,288
Investment in affiliates.....	73,533,652	2,329,802	2,813,683	(74,757,888)	3,919,249
Other non-current assets.....	1,153,993	--	428,732	(1,075,681)	507,044
Property, machinery and equipment.....	1,486,057	29,994,194	39,721,469	(8,583,147)	62,618,573
Deferred charges.....	2,335,649	5,834,207	20,102,428	(5,434,727)	22,837,557
Total assets.....	81,071,730	57,519,422	78,292,449	(110,243,890)	106,639,711
Current liabilities.....	19,578,735	2,869,464	16,836,641	(20,949,387)	18,335,453
Long-term debt.....	21,819,177	2,144,834	16,590,489	(8,579,079)	31,975,421
Other non-current					

liabilities.....	41,564	31,289,376	526,270	(27,914,306)	3,942,904
Total liabilities.....	41,439,476	36,303,674	33,953,400	(57,442,772)	54,253,778
Majority interest stockholders' Equity...	39,632,254	21,215,748	31,494,384	(52,710,132)	39,632,254
Minority interest.....	--	--	12,844,665	(90,986)	12,753,679
Stockholders' equity under Mexican GAAP.....	Ps39,632,254	21,215,748	44,339,049	(52,801,118)	52,385,933

1999	CEMEX	Combined Guarantors	Combined non- guarantors	Adjustments and eliminations	CEMEX Consolidated
Current assets.....	Ps 783,483	9,417,876	17,117,195	(10,605,956)	16,712,598
Investment in affiliates.....	45,648,605	5,139,659	4,391,445	(49,165,685)	6,014,024
Other non-current assets.....	23,570,972	513,919	1,346,410	(23,743,472)	1,687,829
Property, machinery and equipment.....	1,483,846	25,687,234	41,568,909	(1,025,538)	67,714,451
Deferred charges.....	4,474,684	5,081,912	16,674,353	(2,292,296)	23,938,653
Total assets.....	75,961,590	45,840,600	81,098,312	(86,832,947)	116,067,555
Current liabilities.....	9,395,768	3,774,951	15,089,499	(10,394,118)	17,866,100
Long-term debt.....	15,848,084	295,150	16,423,223	113,489	32,679,946
Other non-current liabilities.....	21,692	24,689,939	1,751,846	(23,891,625)	2,571,852
Total liabilities.....	25,265,544	28,760,040	33,264,568	(34,172,254)	53,117,898
Majority interest stockholders' equity...	50,696,046	17,080,560	36,692,183	(53,772,743)	50,696,046
Minority interest.....	--	--	11,141,561	1,112,050	12,253,611
Stockholders' equity under Mexican GAAP.....	Ps50,696,046	17,080,560	47,833,744	(52,660,693)	62,949,657

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

(Thousands of constant Mexican pesos as of June 30, 2000)

June 30, 2000	CEMEX	Combined Guarantors	Combined non- guarantors	Adjustments and eliminations	CEMEX Consolidated
Current assets.....	Ps 2,005,493	7,555,618	15,867,759	(7,663,161)	17,765,709
Investment in affiliates.....	42,759,295	4,465,164	4,162,902	(46,039,574)	5,347,787
Other non-current assets.....	21,030,720	3,492,265	5,680,149	(28,328,115)	1,875,019
Property, machinery and equipment.....	1,481,654	25,250,858	38,650,554	28,490	65,411,556
Deferred charges.....	4,568,601	5,503,171	16,259,351	(781,047)	25,550,076

Total assets.....	71,845,763	46,267,076	80,620,715	(82,783,407)	115,950,147
Current liabilities.....	7,662,584	3,777,669	14,504,018	(8,306,191)	17,638,080
Long-term debt.....	16,159,628	251,345	14,638,073	(384,437)	30,664,609
Other non-current liabilities.....	13,442	28,941,998	5,379,490	(26,633,421)	7,701,509
Total liabilities.....	23,835,654	32,971,012	34,521,581	(35,324,049)	56,004,198
Majority interest stockholders' equity...	48,010,109	13,296,064	34,818,601	(48,114,665)	48,010,109
Minority interest.....	--	--	11,280,533	655,307	11,935,840
Stockholders' equity under Mexican GAAP.....	Ps 48,010,109	13,296,064	46,099,134	(47,459,358)	59,945,949

Condensed consolidating income statements:

1997	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales.....	Ps --	18,404,732	30,500,582	(9,293,742)	39,611,572
Operating income.....	(99,625)	5,370,337	4,639,471	(550,024)	9,360,159
Comprehensive financing result.....	923,143	4,287,743	1,117,282	(4,668,847)	1,659,321
Other income (expense), net.....	120,315	744,758	(595,413)	(1,707,761)	(1,438,101)
Income tax.....	793,889	(1,901,614)	(331,871)	745,527	(694,069)
Equity in income of affiliates.....	6,217,399	(427,037)	(1,116,675)	(4,490,866)	182,821
Consolidated net income.....	7,955,121	8,074,187	3,712,794	(10,671,971)	9,070,131
Minority interest.....	--	--	1,216,695	(101,685)	1,115,010
Majority net income.....	Ps 7,955,121	8,074,187	2,496,099	(10,570,286)	7,955,121

1998	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales.....	Ps --	19,956,766	30,783,288	(6,745,188)	43,994,866
Operating income.....	(121,510)	8,552,216	4,596,916	(1,019,643)	12,007,979
Comprehensive financing result.....	(593,030)	(505,311)	134,102	(383,533)	(1,347,772)
Other income (expense), net.....	39,285	(1,323,784)	108,876	(375,431)	(1,551,054)
Income tax.....	1,838,812	(2,089,144)	(721,955)	295,042	(677,245)
Equity in income of affiliates.....	7,025,764	81,940	(436,744)	(6,511,174)	159,786
Consolidated net income.....	8,189,321	4,715,917	3,681,195	(7,994,739)	8,591,694
Minority interest.....	--	--	396,028	6,345	402,373
Majority net income.....	Ps 8,189,321	4,715,917	3,285,167	(8,001,084)	8,189,321

(Thousands of constant Mexican pesos as of June 30, 2000)

1999	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
-----	-----	-----	-----	-----	-----
Sales.....	Ps --	20,106,733	31,724,423	(4,599,480)	47,231,676
Operating income.....	(111,650)	9,218,339	5,295,527	(349,080)	14,053,136
Comprehensive financing result.....	893,707	5,011,910	2,621,773	(8,810,399)	(283,009)
Other income (expense), net.....	(636,555)	(3,814,170)	(1,245,474)	2,792,051	(2,904,148)
Income tax.....	67,669	(487,972)	(668,718)	45,500	(1,043,521)
Equity in income of affiliates.....	9,301,323	507,945	(265,102)	(9,300,784)	243,382
Consolidated net income.....	9,514,494	10,436,052	5,738,006	(15,622,712)	10,065,840
Minority interest.....	--	--	346,901	204,445	551,346
Majority net income.....	Ps 9,514,494	10,436,052	5,391,105	(15,827,157)	9,514,494
	=====	=====	=====	=====	=====
June 30, 1999	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
-----	-----	-----	-----	-----	-----
Sales.....	Ps --	9,902,998	15,491,842	(2,436,084)	22,958,756
Operating income.....	(60,019)	4,785,676	2,829,582	(629,002)	6,926,237
Comprehensive financing result.....	607,825	4,199,448	70,520	(4,021,972)	855,821
Other income (expense), net.....	(38,143)	(1,286,059)	(817,254)	554,967	(1,586,489)
Income tax.....	--	(422,173)	(421,568)	278,257	(565,484)
Equity in income of affiliates.....	4,919,525	427,727	(77,870)	(5,187,746)	81,636
Consolidated net income.....	5,429,188	7,704,619	1,583,410	(9,005,496)	5,711,721
Minority interest.....	--	--	--	282,533	282,533
Majority net income.....	Ps 5,429,188	7,704,619	1,583,410	(9,288,029)	5,429,188
	=====	=====	=====	=====	=====
June 30, 2000	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
-----	-----	-----	-----	-----	-----
Sales.....	Ps --	10,294,232	17,869,132	(2,023,219)	26,140,145
Operating income.....	(34,777)	5,146,146	3,145,927	(345,260)	7,912,036
Comprehensive financing result.....	364,902	(1,270,002)	(262,483)	278,068	(889,515)
Other income (expense), net.....	384,795	(1,633,079)	(246,630)	509,559	(985,355)
Income tax.....	--	(302,079)	(682,693)	(178,370)	(1,163,142)
Equity in income of affiliates.....	4,004,788	(135,504)	(81,506)	(3,693,687)	94,091
Consolidated net income.....	4,719,708	1,805,482	1,872,615	(3,429,690)	4,968,115
Minority interest.....	--	--	--	248,407	248,407
Majority net income.....	Ps 4,719,708	1,805,482	1,872,615	(3,678,097)	4,719,708
	=====	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Condensed consolidating statements of changes in financial position:

1997	CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and eliminations	CEMEX Consolidated
----	-----	-----	-----	-----	-----
Operating activities:					
Majority net income.....	Ps 7,955,121	8,074,187	2,496,099	(10,570,286)	7,955,121
Non-cash items.....	(5,491,560)	1,975,231	(789,688)	9,754,032	5,448,015
Resources provided by operating Activities..					
Net change in working capital.....	2,463,561	10,049,418	1,706,411	(816,254)	13,403,136
	14,837,433	(3,944,085)	2,109,806	(13,169,916)	(166,762)
Resources provided by operating activities, net.....					
	17,300,994	6,105,333	3,816,217	(13,986,170)	13,236,374
Financing activities:					
Bank loans and notes payable, net.....	(4,286,784)	(160,639)	(237,661)	321,904	(4,363,180)
Dividends paid.....	--	(804,712)	--	804,712	--
Issuance (repurchase) of common Stock.....	(1,221,110)	--	--	--	(1,221,110)
Others.....	--	(3,888,467)	2,258,547	390,034	(1,239,886)
Resources used in financing Activities..					
	(5,507,894)	(4,853,818)	2,020,886	1,516,650	(6,824,176)
Investing activities:					
Property, machinery and equipment, net.....	--	(732,742)	(3,024,770)	257,902	(3,499,610)
Acquisitions, net of cash acquired.....	(13,086,221)	--	(1,042,163)	13,157,751	(970,633)
Dividends received.....	804,729	--	--	(804,729)	--
Minority interest.....	--	--	(1,145,148)	78,599	(1,066,549)
Deferred charges.....	(47,594)	(237,526)	(511,998)	106,156	(690,962)
Others.....	--	--	(699,307)	46,449	(652,858)
Resources used in investing Activities..					
	(12,329,086)	(970,268)	(6,423,386)	12,842,128	(6,880,612)
Change in cash and temporary Investments.....					
Cash and temporary investments initial balance.....	(535,986)	281,247	(586,283)	372,608	(468,414)
	547,899	313,797	4,253,951	(670,503)	4,445,144
Cash and temporary investments ending balance.....					
	Ps 11,913	595,044	3,667,668	(297,895)	3,976,730
	=====	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

(Thousands of constant Mexican pesos as of June 30, 2000)

Condensed consolidating statements of changes in financial position:

1998	CEMEX	Combined Guarantors	Combined Non- guarantors	Adjustments and eliminations	CEMEX Consolidated
----	-----	-----	-----	-----	-----
Operating activities:					
Majority net income.....	Ps 8,189,321	4,715,917	3,285,167	(8,001,084)	8,189,321
Non-cash items.....	(6,207,732)	1,405,221	3,164,363	6,193,214	4,555,066
	-----	-----	-----	-----	-----
Resources provided by operating activities..	1,981,589	6,121,138	6,449,530	(1,807,870)	12,744,387
Net change in working capital.....	(1,650,345)	(1,252,735)	(986,006)	3,556,459	(332,627)
	-----	-----	-----	-----	-----
Resources provided by operating activities, net.....	331,244	4,868,403	5,463,524	1,748,589	12,411,760
	-----	-----	-----	-----	-----
Financing activities:					
Bank loans and notes payable, net.....	(4,221,319)	(1,166,999)	793,230	560,312	(4,034,776)
Dividends paid.....	(1,691,617)	(3,035,677)	--	3,035,677	(1,691,617)
Issuance (repurchase) of common stock.....	1,418,141	--	--	--	1,418,141
Others.....	(122,520)	937,071	687,744	(1,927,585)	(425,290)
	-----	-----	-----	-----	-----
Resources used in financing activities..	(4,617,315)	(3,265,605)	1,480,974	1,668,404	(4,733,542)
	-----	-----	-----	-----	-----
Investing activities:					
Property, machinery and equipment, net.....	--	(509,384)	(478,504)	120,460	(867,428)
Acquisitions, net of cash acquired.....	6,019,091	--	(2,946,856)	(5,659,757)	(2,587,522)
Minority interest.....	--	--	(1,004,702)	122,511	(882,191)
Deferred charges.....	(383,629)	(481,228)	486,383	336,897	(41,577)
Others.....	(1,143,191)	--	(3,366,159)	1,380,726	(3,128,624)
	-----	-----	-----	-----	-----
Resources used in investing activities..	4,492,271	(990,612)	(7,309,838)	(3,699,163)	(7,507,342)
	-----	-----	-----	-----	-----
Change in cash and temporary investments.....	206,200	612,186	(365,340)	(282,170)	170,876
Cash and temporary investments initial balance.....	11,913	595,044	3,667,668	(297,895)	3,976,730
	-----	-----	-----	-----	-----
Cash and temporary investments ending balance.....	Ps 218,113	1,207,230	3,302,328	(580,065)	4,147,606
	=====	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

(Thousands of constant Mexican pesos as of June 30, 2000)

Condensed consolidating statements of changes in financial position:

1999	CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and eliminations	CEMEX Consolidated
----	-----	-----	-----	-----	-----
Operating activities:					
Majority net income.....	Ps 9,514,494	10,436,052	5,391,105	(15,827,157)	9,514,494
Non-cash items.....	(7,754,197)	1,857,853	(4,620,405)	16,015,696	5,498,947

Resources provided by operating activities..	1,760,297	12,293,905	770,700	188,539	15,013,441
Net change in working capital.....	(6,945,275)	11,577,034	1,720,002	(6,283,798)	67,963

Resources provided by operating activities, net.....	(5,184,978)	23,870,939	2,490,702	(6,095,259)	15,081,404

Financing activities:					
Bank loans and notes payable, net.....	(6,967,864)	(2,105,559)	1,561,168	111,512	(7,400,743)
Dividends paid.....	(1,941,478)	(12,160,438)	--	12,160,438	(1,941,478)
Issuance (repurchase) of common stock.....	2,088,011	--	--	--	2,088,011
Others.....	7,038	(6,599,435)	1,158,638	6,980,214	1,546,455

Resources used in financing activities..	(6,814,293)	(20,865,432)	2,719,806	19,252,164	(5,707,755)

Investing activities:					
Property, machinery and equipment, net.....	--	(398,980)	(2,241,089)	39,189	(2,600,880)
Acquisitions, net of cash acquired.....	23,857,456	--	(6,275,956)	(27,248,431)	(9,666,931)
Dividends received.....	12,656,483	--	(496,045)	(12,160,438)	--
Minority interest.....	--	--	(1,445,647)	21,458	(1,424,189)
Deferred charges.....	(2,257,334)	418,812	780,208	158,303	(900,011)
Others.....	(22,418,163)	(2,039,091)	3,681,934	25,039,155	4,263,835

Resources used in investing activities..	11,838,442	(2,019,259)	(5,996,595)	(14,150,764)	(10,328,176)

Change in cash and temporary investments.....	(160,829)	986,248	(786,087)	(993,859)	(954,527)
Cash and temporary investments initial balance.....	218,113	1,207,230	3,302,328	(580,065)	4,147,606

Cash and temporary investments ending balance.....	Ps 57,284	2,193,478	2,516,241	(1,573,924)	3,193,079
=====					

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

June 30, 1999	CEMEX	Combined Guarantors	Combined Non-guarantors	Adjustments and eliminations	CEMEX Consolidated
-----	-----	-----	-----	-----	-----
Operating activities:					
Majority net income.....	Ps 5,429,188	7,704,619	1,583,410	(9,288,029)	5,429,188
Non-cash items.....	(4,287,425)	221,753	(7,792,404)	14,148,327	2,290,251

Resources provided by operating activities..	1,141,763	7,926,372	(6,208,994)	4,860,298	7,719,439
Net change in working capital.....	(9,145,574)	12,750,789	2,498,272	(5,882,269)	221,218
Resources provided by operating activities, net.....	(8,003,811)	20,677,161	(3,710,722)	(1,021,971)	7,940,657
Financing activities:					
Bank loans and notes payable, net.....	(4,319,431)	(579,701)	6,270,128	--	1,370,996
Dividends paid.....	(1,955,393)	(12,877,845)	213,465	12,664,380	(1,955,393)
Issuance (repurchase) of common stock.....	1,805,401	--	--	--	1,805,401
Others.....	(10,820)	(4,601,177)	2,858,854	828,352	(924,791)
Resources used in financing activities..	(4,480,243)	(18,058,723)	9,342,447	13,492,732	296,213
Investing activities:					
Property, machinery and equipment, net.....	--	(22,222)	226,235	--	204,013
Acquisitions, net of cash acquired.....	(731,709)	--	(5,578,168)	731,709	(5,578,168)
Dividends received.....	12,664,380	--	--	(12,664,380)	--
Minority interest.....	--	--	(968,053)	--	(968,053)
Deferred charges.....	210,195	(118,914)	(402,276)	326,068	15,073
Others.....	131,462	(1,761,635)	(782,218)	(35,806)	(2,448,197)
Resources used in investing activities..	12,274,328	(1,902,771)	(7,504,480)	(11,642,409)	(8,775,332)
Change in cash and temporary investments.....	(209,726)	715,667	(1,872,755)	828,352	(538,462)
Cash and temporary investments initial balance.....	218,113	1,207,230	3,302,328	(580,065)	4,147,606
Cash and temporary investments ending balance.....	Ps 8,387	1,922,897	1,429,573	248,287	3,609,144
	=====	=====	=====	=====	=====
		Combined	Combined	Adjustments	CEMEX
June 30, 2000	CEMEX	Guarantors	Non-guarantors	and eliminations	Consolidated
Operating activities:					
Majority net income.....	Ps 4,719,708	1,805,482	1,872,615	(3,678,097)	4,719,708
Non-cash items.....	(3,803,840)	623,292	1,770,868	3,956,047	2,546,367
Resources provided by operating activities..	915,868	2,428,774	3,643,483	277,950	7,266,075
Net change in working capital.....	(2,000,227)	2,106,730	77,669	(645,113)	(460,941)
Resources provided by operating activities, net.....	(1,084,359)	4,535,504	3,721,152	(367,163)	6,805,134
Financing activities:					
Bank loans and notes payable, net.....	(2,053,557)	(644,757)	50,838	--	(2,647,476)
Dividends paid.....	(2,277,055)	--	(441,662)	441,662	(2,277,055)
Issuance (repurchase) of common stock.....	1,829,884	--	--	--	1,829,884
Others.....	(283)	(3,308,973)	4,373,432	(1,152,137)	(87,961)
Resources used in financing activities..	(2,501,011)	(3,953,730)	3,982,608	(710,475)	(3,182,608)
Investing activities:					
Property, machinery and equipment, net.....	--	(220,432)	5,887	--	(214,545)
Acquisitions, net of cash acquired.....	(139,251)	--	(532,616)	139,251	(532,616)
Dividends received.....	441,662	--	--	(441,662)	--
Minority interest.....	--	--	(40,900)	--	(40,900)

Deferred charges.....	(145,120)	(445,381)	371,728	446,683	227,910
Others.....	3,430,635	(190,363)	(7,282,020)	1,084,063	(2,957,685)
	-----	-----	-----	-----	-----
Resources used in investing activities..	3,587,926	(856,176)	(7,477,921)	1,228,335	(3,517,836)
	-----	-----	-----	-----	-----
Change in cash and temporary investments.....	2,556	(274,402)	225,839	150,697	104,690
Cash and temporary investments initial balance.....	57,284	2,193,478	2,516,241	(1,573,924)	3,193,079
	-----	-----	-----	-----	-----
Cash and temporary investments ending balance.....	Ps 59,840	1,919,076	2,742,080	(1,423,227)	3,297,769
	=====	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

In addition to the information presented above, the tables below present consolidating balance sheets as of December 31, 1998 and 1999, and income statements and statements of changes in financial position for each of the three-year period ended December 31, 1999 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 intercompany balances and transactions, between the Guarantors and the merged entities have been eliminated in the "Combined Guarantors" column.

The amounts presented in the column "Combined Guarantors" are readily comparable with the information on the Guarantors included in the condensed consolidating 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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Balance Sheets:

December 31, 1998

Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
-----	-----	-----	-----
CEMEX Mexico	ETM		
-----	-----	-----	-----

Assets					
Current Assets					
Cash and temporary					
investments.....	Ps	809,881	397,349	--	1,207,230
Trade accounts					
receivable, net.....		1,433,396	--	--	1,433,396
Other receivables and					
other current assets.....		1,413,633	2,621	(81,030)	1,335,224
Intercompany					
receivables.....		14,881,216	7,306,391	(7,958,297)	14,229,310
Inventories.....		1,156,059	--	--	1,156,059

Total current assets....		19,694,185	7,706,361	(8,039,327)	19,361,219

Other Investments					
Investments in					
subsidiaries and					
affiliates.....		17,043,509	20,600,959	(35,314,666)	2,329,802
Long-term intercompany					
receivables.....		--	595,311	(595,311)	--
Other investments.....		--	--	--	--

Total other		17,043,509	21,196,270	(35,909,977)	2,329,802
investments.....					

Property, Plant and					
Equipment					
Property, plant and					
equipment.....		61,549,653	--	--	61,549,653
Accumulated					
depreciation.....		(31,555,459)	--	--	(31,555,459)

Total property, plant		29,994,194	--	--	29,994,194
and equipment.....					

Deferred Charges.....		1,362,110	4,472,097	--	5,834,207

Total Assets.....	Ps	68,093,998	33,374,728	(43,949,304)	57,519,422
=====					
Liabilities and					
Stockholders' Equity					
Current Liabilities					
Bank loans and notes					
payable.....	Ps	290,276	--	--	290,276
Current maturities of					
long-term debt.....		96,972	--	--	96,972
Trade accounts payable....		484,704	--	--	484,704
Other accounts payable					
and accrued expenses.....		811,847	174,688	(120,097)	866,438
Intercompany payables.....		10,247,118	517,149	(9,633,193)	1,131,074

Total current		11,930,917	691,837	(9,753,290)	2,869,464
liabilities.....					

Long-Term Debt					
Notes payable.....					
		2,241,806	--	--	2,241,806
Current maturities of					
long-term debt.....		(96,972)	--	--	(96,972)

Total long-term debt....		2,144,834	--	--	2,144,834

Other Noncurrent					
Liabilities					
Pension and seniority					
premium.....		221,142	--	--	221,142
Deferred income taxes.....		1,223,468	--	--	1,223,468
Long-term intercompany					

payables.....	30,437,955	--	(593,189)	29,844,766
Other noncurrent liabilities.....	--	51,947	(51,947)	--
Total other noncurrent liabilities.....	31,882,565	51,947	(645,136)	31,289,376
Total Liabilities.....	45,958,316	743,784	(10,398,426)	36,303,674
Stockholders' Equity				
Stockholders' equity.....	19,585,100	28,253,958	(31,339,227)	16,499,831
Net income.....	2,550,582	4,376,986	(2,211,651)	4,715,917
Total stockholders' equity.....	22,135,682	32,630,944	(33,550,878)	21,215,748
Total Liabilities and Stockholders' Equity... Ps	68,093,998	33,374,728	(43,949,304)	57,519,422

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Balance Sheets:

December 31, 1999

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Assets				
Current Assets				
Cash and temporary investments.....	Ps 653,148	1,540,330	--	2,193,478
Trade accounts receivable, net.....	1,430,109	--	--	1,430,109
Other receivables and other current assets....	766,343	92,260	--	858,603
Intercompany receivables.....	3,108,486	7,131,012	(7,115,756)	3,123,742
Inventories.....	1,811,944	--	--	1,811,944
Total current assets....	7,770,030	8,763,602	(7,115,756)	9,417,876
Other Investments				
Investments in subsidiaries and affiliates.....	17,742,032	16,563,453	(29,165,826)	5,139,659
Long-term intercompany receivables.....	--	446,817	(446,817)	--
Other investments.....	--	513,919	--	513,919

Total other investments.....	17,742,032	17,524,189	(29,612,643)	5,653,578
Property, Plant and Equipment				
Property, plant and equipment.....	53,716,407	--	--	53,716,407
Accumulated depreciation.....	(28,029,173)	--	--	(28,029,173)
Total property, plant and equipment.....	25,687,234	--	--	25,687,234
Deferred Charges.....	1,563,522	3,518,390	--	5,081,912
Total Assets.....	Ps 52,762,818	29,806,181	(36,728,399)	45,840,600
Liabilities and Stockholders' Equity				
Current Liabilities				
Bank loans and notes payable.....	Ps 619,178	--	--	619,178
Current maturities of long-term debt.....	26,112	--	--	26,112
Trade accounts payable...	722,186	--	--	722,186
Other accounts payable and accrued expenses....	637,842	123,441	--	761,283
Intercompany payables....	9,034,776	516,915	(7,905,499)	1,646,192
Total current liabilities.....	11,040,094	640,356	(7,905,499)	3,774,951
Long-Term Debt				
Bank loans and notes payable.....	321,262	--	--	321,262
Current maturities of long-term debt.....	(26,112)	--	--	(26,112)
Total long-term debt....	295,150	--	--	295,150
Other Noncurrent Liabilities				
Pension and seniority premium.....	39,031	--	--	39,031
Deferred income taxes (note 15).....	1,089,273	--	--	1,089,273
Long-term intercompany payables.....	24,008,452	--	(446,817)	23,561,635
Other noncurrent liabilities.....	--	--	--	--
Total other noncurrent liabilities.....	25,136,756	--	(446,817)	24,689,939
Total Liabilities.....	36,472,000	640,356	(8,352,316)	28,760,040
Stockholders' Equity				
Stockholders' equity.....	6,635,880	24,984,992	(24,976,364)	6,644,508
Net income.....	9,654,938	4,180,833	(3,399,719)	10,436,052
Total stockholders' equity.....	16,290,818	29,165,825	(28,376,083)	17,080,560
Total Liabilities and Stockholders' Equity...	Ps 52,762,818	29,806,181	(36,728,399)	45,840,600

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
 (Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Balance Sheets:
 June 30, 2000

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Assets				
Current Assets				
Cash and temporary investments.....	Ps 329,679	1,589,397	--	1,919,076
Trade accounts receivable, net.....	1,271,440	--	--	1,271,440
Other receivables and other current assets.....	348,807	88,549	--	437,356
Intercompany receivables.....	2,327,151	7,397,869	(7,576,578)	2,148,442
Inventories.....	1,779,304	--	--	1,779,304
Total current assets....	6,056,381	9,075,815	(7,576,578)	7,555,618
Other Investments				
Investments in subsidiaries and affiliates.....	21,883,777	15,634,435	(33,053,048)	4,465,164
Long-term intercompany receivables.....	--	3,503,608	(900,000)	2,603,608
Other investments.....	165,778	722,879	--	888,657
Total other investments.....	22,049,555	19,860,922	(33,953,048)	7,957,429
Property, Plant and Equipment				
Property, plant and equipment.....	53,116,349	--	--	53,116,349
Accumulated depreciation.....	(27,865,491)	--	--	(27,865,491)
Total property, plant and equipment.....	25,250,858	--	--	25,250,858
Deferred Charges	2,001,501	4,205,655	(703,985)	5,503,171
Total Assets.....	55,358,295	33,142,392	(42,233,611)	46,267,076
Liabilities and Stockholders' Equity				
Current Liabilities				
Bank loans and notes payable.....	Ps 39,897	--	--	39,897
Current maturities of				

long-term debt.....	4,657	--	--	4,657
Trade accounts payable....	873,461	--	--	873,461
Other accounts payable and accrued expenses.....	490,589	66,590	--	557,179
Intercompany payables.....	9,856,299	22,754	(7,576,578)	2,302,475
	-----	-----	-----	-----
Total current liabilities.....	11,264,903	89,344	(7,576,578)	3,777,669
	-----	-----	-----	-----
Long-Term Debt				
Bank loans and notes payable.....	256,002	--	--	256,002
Current maturities of long-term debt.....	(4,657)	--	--	(4,657)
	-----	-----	-----	-----
Total long-term debt....	251,345	--	--	251,345
	-----	-----	-----	-----
Other Noncurrent Liabilities				
Pension and seniority premium.....	--	--	--	--
Deferred income taxes (note 15).....	6,765,263	--	(703,985)	6,061,278
Long-term intercompany payables.....	23,780,720	--	(900,000)	22,880,720
Other noncurrent liabilities.....	--	--	--	--
	-----	-----	-----	-----
Total other noncurrent liabilities.....	30,545,983	--	(1,603,985)	28,941,998
	-----	-----	-----	-----
Total Liabilities.....	42,062,231	89,344	(9,180,563)	32,971,012
	-----	-----	-----	-----
Stockholders' Equity				
Stockholders' equity.....	11,490,582	33,030,892	(33,030,892)	11,490,582
Net income.....	1,805,482	22,156	(22,156)	1,805,482
	-----	-----	-----	-----
Total stockholders' equity.....	13,296,064	33,053,048	(33,053,048)	13,296,064
	-----	-----	-----	-----
Total Liabilities and Stockholders' Equity... Ps	55,358,295	33,142,392	(42,233,611)	46,267,076
	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Income Statements:

December 31, 1997

Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
-----	-----	-----	-----
CEMEX Mexico	ETM		
-----	-----	-----	-----

Net sales.....	Ps 19,161,737	--	(757,005)	18,404,732
Cost of sales.....	(12,002,342)	--	774,997	(11,227,345)
	-----	-----	-----	-----
Gross profit.....	7,159,395	--	17,992	7,177,387
	-----	-----	-----	-----
Operating expenses:				
Administrative.....	985,222	394	3,054	988,670
Selling.....	802,230	--	16,150	818,380
	-----	-----	-----	-----
Total operating expenses.....	1,787,452	394	19,204	1,807,050
	-----	-----	-----	-----
Operating income.....	5,371,943	(394)	(1,212)	5,370,337
	-----	-----	-----	-----
Comprehensive financing income (cost):				
Financial expenses.....	(1,974,312)	(57,124)	712,617	(1,318,819)
Financial income.....	2,814,079	636,746	(712,971)	2,737,854
Foreign exchange result, net.....	(738,731)	56,100	--	(682,631)
Monetary position result..	4,145,658	(594,319)	--	3,551,339
	-----	-----	-----	-----
Net comprehensive financing income (cost).....	4,246,694	41,403	(354)	4,287,743
	-----	-----	-----	-----
Other income (expense), net.....	(1,154,664)	1,001,082	898,340	744,758
	-----	-----	-----	-----
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates..	8,463,973	1,042,091	896,774	10,402,838
	-----	-----	-----	-----
Income tax and business assets tax, net.....	(1,486,172)	(345,721)	--	(1,831,893)
Employees' statutory profit sharing.....	(69,721)	--	--	(69,721)
	-----	-----	-----	-----
Total income tax, business assets tax and employees' statutory profit sharing.....	(1,555,893)	(345,721)	--	(1,901,614)
	-----	-----	-----	-----
Income before equity in income of affiliates....	6,908,080	696,370	896,774	8,501,224
Equity in income of affiliates.....	(630,855)	2,843	200,975	(427,037)
	-----	-----	-----	-----
Net income.....	Ps 6,277,225	699,213	1,097,749	8,074,187
	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Income Statements:

December 31, 1998

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Net sales.....	Ps19,956,766	--	--	19,956,766
Cost of sales.....	(9,403,760)	--	(24,096)	(9,427,856)
Gross profit.....	10,553,006	--	(24,096)	10,528,910
Operating expenses:				
Administrative.....	1,173,602	3,276	2,754	1,179,632
Selling.....	782,432	--	14,630	797,062
Total operating expenses.....	1,956,034	3,276	17,384	1,976,694
Operating income.....	8,596,972	(3,276)	(41,480)	8,552,216
Comprehensive financing income (cost):				
Financial expenses.....	(2,742,584)	(87,994)	1,065,791	(1,764,787)
Financial income.....	4,178,291	1,074,270	(1,066,128)	4,186,433
Foreign exchange result, net.....	(6,909,534)	335,812	--	(6,573,722)
Monetary position result...	4,526,922	(880,157)	--	3,646,765
Net comprehensive financing income (cost).....	(946,905)	441,931	(337)	(505,311)
Other income (expense), net..	(3,305,868)	4,088,729	(2,106,645)	(1,323,784)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates...	4,344,199	4,527,384	(2,148,462)	6,723,121
Income tax and business assets tax, net.....	(1,648,292)	(539,642)	170,483	(2,017,451)
Employees' statutory profit sharing.....	(71,693)	--	--	(71,693)
Total income tax, business assets tax and employees' statutory profit sharing..	(1,719,985)	(539,642)	170,483	(2,089,144)
Income before equity in income of affiliates.....	2,624,214	3,987,742	(1,977,979)	4,633,977
Equity in income of affiliates.....	(73,632)	389,244	(233,672)	81,940
Net income.....	Ps 2,550,582	4,376,986	(2,211,651)	4,715,917

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Income Statements:

December 31, 1999

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Net sales.....	Ps20,106,733	--	--	20,106,733
Cost of sales.....	(8,718,669)	--	--	(8,718,669)
Gross profit.....	11,388,064	--	--	11,388,064
Operating expenses:				
Administrative.....	1,480,067	638	2,755	1,483,460
Selling.....	686,265	--	--	686,265
Total operating expenses.....	2,166,332	638	2,755	2,169,725
Operating income.....	9,221,732	(638)	(2,755)	9,218,339
Comprehensive financing income (cost):				
Financial expenses.....	(2,448,619)	(21,754)	1,589,537	(880,836)
Financial income.....	2,323,834	1,743,012	(1,589,537)	2,477,309
Foreign exchange result, net.....	797,115	6,036	--	803,151
Monetary position result...	3,599,466	(987,180)	--	2,612,286
Net comprehensive financing income (cost).....	4,271,796	740,114	--	5,011,910
Other income (expense), net..	(3,676,247)	389,268	(527,191)	(3,814,170)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates...	9,817,281	1,128,744	(529,946)	10,416,079
Income tax and business assets tax, net.....	(315,169)	(47,135)	--	(362,304)
Employees' statutory profit sharing.....	(125,668)	--	--	(125,668)
Total income tax, business assets tax and employees' statutory profit sharing..	(440,837)	(47,135)	--	(487,972)
Income before equity in income of affiliates.....	9,376,444	1,081,609	(529,946)	9,928,107
Equity in income of affiliates.....	278,494	3,099,224	(2,869,773)	507,945
Net income.....	Ps 9,654,938	4,180,833	(3,399,719)	10,436,052

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
 (Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Income Statements:

June 30, 1999

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Net sales.....	Ps 9,902,998	--	--	9,902,998
Cost of sales.....	(4,116,357)	--	--	(4,116,357)
Gross profit.....	5,786,641	--	--	5,786,641
Operating Expenses:				
Administrative.....	656,418	561		656,979
Selling.....	343,986	--	--	343,986
Total operating expenses.....	1,000,404	561	--	1,000,965
Operating income.....	4,786,237	(561)	--	4,785,676
Comprehensive financing income (cost):				
Financial expenses.....	(1,049,433)	(39,503)	864,232	(224,704)
Financial income.....	1,653,706	880,483	(864,232)	1,669,957
Foreign exchange result, net.....	1,462,805	822		1,463,627
Monetary position result...	1,842,368	(551,800)	--	1,290,568
Net comprehensive financing income (cost).....	3,909,446	290,002	--	4,199,448
Other income (expense), net..	(1,543,811)	257,752	--	(1,286,059)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates...	7,151,872	547,193	--	7,699,065
Income tax and business assets tax, net.....	(243,510)	(24,327)	--	(267,837)
Employees' statutory profit sharing.....	(154,336)	--	--	(154,336)
Total income tax, business assets tax and employees' statutory profit sharing.....	(397,846)	(24,327)	--	(422,173)

Income before equity in income of affiliates.....	6,754,026	522,866	--	7,276,892
Equity in income of affiliates.....	950,593	1,828,985	(2,351,851)	427,727
Net income.....	Ps 7,704,619	2,351,851	(2,351,851)	7,704,619
	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Income Statements:

June 30, 2000

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Net sales.....	Ps10,294,232	--	--	10,294,232
Cost of sales.....	(4,399,199)	--	--	(4,399,199)
Gross profit.....	5,895,033	--	--	5,895,033
Operating expenses:				
Administrative.....	485,724	134	--	485,858
Selling.....	263,029	--	--	263,029
Total operating expenses..	748,753	134	--	748,887
Operating income.....	5,146,280	(134)	--	5,146,146
Comprehensive financing income (cost):				
Financial expenses.....	(1,783,512)	(318,315)	507,899	(1,593,928)
Financial income.....	175,532	604,121	(507,899)	271,754
Foreign exchange result, net.....	(916,500)	98,053	--	(818,447)
Monetary position result....	1,269,643	(399,024)	--	870,619
Net comprehensive financing income (cost)..	(1,254,837)	(15,165)	--	(1,270,002)
Other income (expense), net...	(1,836,624)	203,545	--	(1,633,079)
Income before income taxes, business assets tax, employees' statutory profit sharing and equity in income of affiliates.....	2,054,819	188,246	--	2,243,065
Income tax and business assets tax, net.....	(115,471)	(105,232)	--	(220,703)
Employees' statutory profit sharing.....	(81,376)	--	--	(81,376)

Total income tax, business assets tax and employees' statutory profit sharing...	(196,847)	(105,232)	--	(302,079)
Income before equity in income of affiliates.....	1,857,972	83,014	--	1,940,986
Equity in income of affiliates.....	(52,490)	(60,858)	(22,156)	(135,504)
Net income.....	Ps 1,805,482	22,156	(22,156)	1,805,482

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 1997

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Operating activities				
Net income.....	Ps 6,277,225	699,213	1,097,749	8,074,187
Charges to operations which did not require resources..	2,179,049	(2,843)	(200,975)	1,975,231
Resources provided by operating activities.....	8,456,274	696,370	896,774	10,049,418
Changes in working capital:				
Trade accounts receivable, net.....	(149,649)	--	--	(149,649)
Other receivables and other current assets.....	52,170	81,334	2,032,580	2,166,084
Intercompany receivables and payables, net.....	(2,494,002)	298,287	(91,847)	(2,287,562)
Inventories.....	(836,273)	--	89,548	(746,725)
Trade accounts payable.....	(101,857)	--	(21)	(101,878)
Other accounts payable and accrued expenses.....	(763,977)	(27,824)	(2,032,554)	(2,824,355)
Net change in working capital.....	(4,293,588)	351,797	(2,294)	(3,944,085)
Net resources provided by operating activities.....	4,162,686	1,048,167	894,480	6,105,333
Financing activities				
Bank loans and notes payable, net.....	(160,639)	--	--	(160,639)
Dividends.....	--	--	(804,712)	(804,712)

Long-term intercompany receivables and payables, net.....	(3,859,914)	--	110,591	(3,749,323)
Other noncurrent assets and liabilities, net.....	(139,144)	--	--	(139,144)
Resources used in financing activities.....	(4,159,697)	--	(694,121)	(4,853,818)
Investing activities				
Property, plant and equipment, net.....	(732,742)	--	--	(732,742)
Investments in subsidiaries and affiliates.....	545,678	(345,319)	(200,359)	--
Deferred charges.....	145,579	(383,105)	--	(237,526)
Other investments.....	--	--	--	--
Resources used in investing activities.....	(41,485)	(728,424)	(200,359)	(970,268)
Change in cash and temporary investments.....	(38,496)	319,743	--	281,247
Cash and temporary investments initial balance.....	584,775	(270,978)	--	313,797
Cash and temporary investments ending balance.....	Ps 546,279	48,765	--	595,044

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 1998

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Operating activities				
Net income.....	Ps 2,550,582	4,376,986	(2,211,651)	4,715,917
Charges to operations which did not require resources.....	1,543,142	(371,123)	233,202	1,405,221
Resources provided by operating activities.....	4,093,724	4,005,863	(1,978,449)	6,121,138
Changes in working capital:				
Trade accounts receivable, net.....	(162,409)	--	--	(162,409)

Other receivables and other current assets.....	(1,036,957)	129,544	(51,342)	(958,755)
Intercompany receivables and payables, net.....	4,411,558	(4,257,227)	(117,696)	36,635
Inventories.....	82,614	--	(101,306)	(18,692)
Trade accounts payable....	26,791	221,830	(221,832)	26,789
Other accounts payable and accrued expenses.....	(358,462)	--	182,159	(176,303)
	-----	-----	-----	-----
Net change in working capital.....	2,963,135	(3,905,853)	(310,017)	(1,252,735)
	-----	-----	-----	-----
Net resources provided by operating activities....	7,056,859	100,010	(2,288,466)	4,868,403
	-----	-----	-----	-----
Financing activities				
Bank loans and notes payable, net.....	(1,166,999)	--	--	(1,166,999)
Dividends.....	(3,035,677)	--	--	(3,035,677)
Long-term intercompany receivables and payables, net.....	879,123	108,267	2,123	989,513
Other noncurrent assets and liabilities, net.....	(52,442)	254,851	(254,851)	(52,442)
	-----	-----	-----	-----
Resources used in financing activities.....	(3,375,995)	363,118	(252,728)	(3,265,605)
	-----	-----	-----	-----
Investing activities				
Property, plant and equipment, net.....	(509,384)	--	--	(509,384)
Investments in subsidiaries and affiliates.....	(2,426,650)	(114,544)	2,541,194	--
Deferred charges.....	(481,228)	--	--	(481,228)
Other investments.....	--	--	--	--
	-----	-----	-----	-----
Resources used in investing activities.....	(3,417,262)	(114,544)	2,541,194	(990,612)
	-----	-----	-----	-----
Change in cash and temporary investments.....	263,602	348,584	--	612,186
Cash and temporary investments initial balance.....	546,279	48,765	--	595,044
	-----	-----	-----	-----
Cash and temporary investments ending balance.....	Ps 809,881	397,349	--	1,207,230
	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

December 31, 1999

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Operating activities				
Net income.....	Ps 9,654,938	4,180,833	(3,399,719)	10,436,052
Charges to operations which did not require resources.....	1,119,757	1,864,881	(1,126,785)	1,857,853
Resources provided by operating activities....	10,774,695	6,045,714	(4,526,504)	12,293,905
Changes in working capital:				
Trade accounts receivable, net.....	3,287	--	--	3,287
Other receivables and other current assets...	669,984	(89,640)	(81,030)	499,314
Intercompany receivables and payables, net.....	10,537,696	175,145	885,151	11,597,992
Inventories.....	(655,884)	--	--	(655,884)
Trade accounts payable..	237,481	--	--	237,481
Other accounts payable and accrued expenses...	(174,006)	(51,247)	120,097	(105,156)
Net change in working capital.....	10,618,558	34,258	924,218	11,577,034
Net resources provided by operating activities.....	21,393,253	6,079,972	(3,602,286)	23,870,939
Financing activities				
Bank loans and notes payable, net.....	(1,591,641)	--	(513,918)	(2,105,559)
Dividends.....	(12,386,179)	(5,091,265)	5,317,006	(12,160,438)
Long-term intercompany receivables and payables, net.....	(6,429,145)	148,493	(2,121)	(6,282,773)
Other noncurrent assets and liabilities, net....	(316,662)	(513,919)	513,919	(316,662)
Resources used in financing activities....	(20,723,627)	(5,456,691)	5,314,886	(20,865,432)
Investing activities				
Property, plant and equipment, net.....	(398,980)	--	--	(398,980)
Investments in subsidiaries and affiliates.....	(330,264)	571,646	(2,280,473)	(2,039,091)
Deferred charges.....	(97,115)	--	515,927	418,812
Other investments.....	--	(51,946)	51,946	--
Resources used in investing activities....	(826,359)	519,700	(1,712,600)	(2,019,259)
Change in cash and temporary investments...	(156,733)	1,142,981	--	986,248
Cash and temporary investments initial balance.....	809,881	397,349	--	1,207,230
Cash and temporary				

investments ending balance.....	Ps	653,148	1,540,330	--	2,193,478
		=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

June 30, 1999

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Operating activities				
Net income.....	Ps 7,704,619	2,351,851	(2,351,851)	7,704,619
Charges to operations which did not require resources.....	(310,447)	3,053,203	(2,521,003)	221,753
Resources provided by operating activities....	7,394,172	5,405,054	(4,872,854)	7,926,372
Changes in working capital:				
Trade accounts receivable, net.....	(24,501)	--	--	(24,501)
Other receivables and other current assets...	1,106,178	(1,933)	(80,585)	1,023,660
Intercompany receivables and payables, net.....	8,852,415	(142,226)	1,665,711	10,375,900
Inventories.....	(230,797)	--	--	(230,797)
Trade accounts payable..	106,230	--	--	106,230
Other accounts payable and accrued expenses...	1,285,252	95,607	119,438	1,500,297
Net change in working capital.....	11,094,777	(48,552)	1,704,564	12,750,789
Net resources provided by operating activities.....	18,488,949	5,356,502	(3,168,290)	20,677,161
Financing activities				
Bank loans and notes payable, net.....	(579,701)	--	--	(579,701)
Dividends.....	(13,169,877)	(5,089,803)	5,381,835	(12,877,845)
Long-term intercompany receivables and payables, net.....	(4,510,637)	(468,183)	589,936	(4,388,884)
Other noncurrent assets and liabilities, net....	(183,073)	(51,662)	22,442	(212,293)
Resources used in				

financing activities....	(18,443,288)	(5,609,648)	5,994,213	(18,058,723)
Investing activities				
Property, plant and equipment, net.....	(22,222)	--	--	(22,222)
Investments in subsidiaries and affiliates.....	(203,834)	1,274,743	(2,832,544)	(1,761,635)
Deferred charges.....	(118,914)	--	--	(118,914)
Other investments.....	--	--	--	--
Resources used in investing activities...	(344,970)	1,274,743	(2,832,544)	(1,902,771)
Change in cash and temporary investments..	(299,309)	1,021,597	(6,621)	715,667
Cash and temporary investments initial balance.....	805,439	395,170	6,621	1,207,230
Cash and temporary investments ending balance.....	Ps 506,130	1,416,767	--	1,922,897

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Guarantors' Combined Statements of Changes in Financial Position:

June 30, 2000

	Guarantors (Parent Company Only)		Adjustments and eliminations	Combined Guarantors
	CEMEX Mexico	ETM		
Operating activities				
Net income.....	Ps 1,805,482	22,156	(22,156)	1,805,482
Charges to operations which did not require resources.....	1,248,854	71,327	(696,889)	623,292
Resources provided by operating activities.....	3,054,336	93,483	(719,045)	2,428,774
Changes in working capital:				
Trade accounts receivable, net.....	130,087	--	8,171	138,258
Other receivables and other current assets.....	413,333	3,206	4,905	421,444
Intercompany receivables and payables, net.....	1,635,352	(797,281)	793,852	1,631,923
Inventories.....	(42,080)	--	10,353	(31,727)
Trade accounts payable....	155,235	--	(4,126)	151,109
Other accounts payable and				

accrued expenses.....	(143,754)	(56,174)	(4,349)	(204,277)
Net change in working capital.....	2,148,173	(850,249)	808,806	2,106,730
Net resources provided by operating activities....	5,202,509	(756,766)	89,761	4,535,504
Financing activities				
Bank loans and notes payable, net.....	(639,385)	--	(5,372)	(644,757)
Dividends.....	--	--	--	--
Long-term intercompany receivables and payables, net.....	(96,091)	(3,059,241)	(134,616)	(3,289,948)
Other noncurrent assets and liabilities, net.....	(18,802)	3,943,200	(3,943,423)	(19,025)
Resources used in financing activities.....	(754,278)	883,959	(4,083,411)	(3,953,730)
Investing activities				
Property, plant and equipment, net.....	(367,192)	--	146,760	(220,432)
Investments in subsidiaries and affiliates.....	(3,926,511)	134,501	3,802,386	10,376
Deferred charges.....	(474,416)	--	29,035	(445,381)
Other investments.....	(3,581)	(212,627)	15,469	(200,739)
Resources used in investing activities.....	(4,771,700)	(78,126)	3,993,650	(856,176)
Change in cash and temporary investments.....	(323,469)	49,067	--	(274,402)
Cash and temporary investments initial balance.....	653,148	1,540,330	--	2,193,478
Cash and temporary investments ending balance.....	Ps 329,679	1,589,397	--	1,919,076

Guarantors--Investment in affiliates

At December 31, 1998 and 1999, of the Guarantors' total investment in affiliates, which are accounted for under the equity method, Ps2,199,497 and Ps5,001,284, respectively, correspond to investments in non-guarantors, and Ps130,305 in 1998 and Ps138,376 in 1999, are related to minority investments in third parties.

At December 31, 1999, 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., which is the parent company of the international operations of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Indebtedness of the guarantors

At December 31, 1998, 1999 and June 30, 2000 (unaudited), the Guarantors had total indebtedness of \$218.1 million (Ps2,532.1 million), \$94.7 million (Ps940.4 million) and \$30.1 million (Ps295.9 million), respectively. At December 31 1999, the average interest rate of this indebtedness was approximately 8.3%. Of the total indebtedness of the Guarantors at December 31, 1999, approximately \$65.0 million (Ps645.3 million) matures in 2000 and \$29.7 million (Ps295.1 million) matures in different dates from 2001 until 2003. As mentioned in note 22, approximately \$148.8 million of the total indebtedness of the Guarantors at December 31, 1999 was prepaid during February 2000 as a result of the purchase offer conducted in connection with the consent solicitation of the 8.375% Yankee Notes. At December 31, 1999, of this \$148.8 million prepaid in February 2000, \$90 million in cash were invested and committed to the repayment of this debt by the creation of an irrevocable trust; such amount was considered extinguished for balance sheet presentation under Mexican GAAP. At the same date, the remaining \$58.8 million, were reclassified to short-term debt.

Guarantors--Balances and transactions with related parties

At December 31, 1998, 1999 and June 30, 2000 (unaudited), included in current assets, the Guarantors had intercompany receivables amounting to approximately Ps14,229.3 million, Ps3,123.7 million and Ps2,148.4 million, respectively. As of June 30, 2000, the guarantors had long term intercompany receivables amounting to approximately Ps2,603.6 million (unaudited). Within Guarantors' current liabilities, the Guarantors had intercompany payables amounting to approximately Ps1,131.1 million in 1998, Ps1,646.2 in 1999 and Ps2,302.5 million as of June 30, 2000. At December 31, 1998, 1999 and June 30, 2000 (unaudited), included in Guarantors' other non-current liabilities, there are intercompany payables of Ps29,844.8 million, Ps23,561.6 million and Ps22,880.7 million, 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 intercompany balance detail is as follows:

Guarantors	1998		
	Assets	Liabilities	
	Short-Term	Short-Term	Long-Term
Cemex, S.A. de C.V.....	Ps 9,978,103	--	29,844,766
Petrocemex, S.A. de C.V.	1,732,052	--	--
Cemex Concretos, S.A. de C.V.....	1,255,694	--	--
Sunbelt Enterprises.....	778,480	--	--
Cemex Central, S.A. de C.V.....	182,214	--	--
Cemex Internacional, S.A. de C.V.....	--	710,338	--
Aviacion Comercial de America, S.A. de C.V.	--	97,988	--
Productora de Bolsas de Papel, S.A. de C.V.	--	48,912	--
Inmobiliaria Valiant, S.A. de C.V.	--	48,175	--
Turismo Cemex, S.A. de C.V.	--	47,725	--
Inmobiliaria Canopo, S.A. de C.V.....	--	32,270	--
Compania de Transportes del Mar de Cortes, S.A. de C.V.	--	25,029	--

Others.....	302,767	120,637	--
	-----	-----	-----
	Ps14,229,310	1,131,074	29,844,766
	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
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Guarantors -----	1999		
	Assets		Liabilities
	Short-Term	Short-Term	Long-Term
-----	-----	-----	-----
Cemex Concretos, S.A. de C.V.....	Ps1,188,607	--	--
Beeston Investments Holdings Limited.....	1,124,294	--	--
Cemex Central, S.A. de C.V.....	524,062	--	--
Cemex, S.A. de C.V.....	--	94,227	23,561,635
Petrocemex, S.A. de C.V.....	--	618,961	--
Cemex Internacional, S.A. de C.V.....	--	505,165	--
Turismo Cemex, S.A. de C.V.....	--	104,189	--
Productora de Bolsas de Papel, S.A. de C.V.....	--	80,291	--
Inmobiliaria Valiant, S.A. de C.V.....	--	71,542	--
Others.....	286,779	171,817	--
	-----	-----	-----
	Ps3,123,742	1,646,192	23,561,635
	=====	=====	=====

(unaudited) As of June 30, 2000

	Short Term		Long Term	
	Assets	Liabilities	Assets	Liabilities
	-----	-----	-----	-----
Cemex, S.A. de C.V.	Ps1,172,191	--	--	20,130,720
Centro Distribuidor de Cemento, S.A. de C.V.	459,134	--	100,000	--
Cemex Central, S.A. de C.V.	181,365	--	569,000	--
Proveedora Mexicana de Materiales, S.A. de C.V.	111,283	--	--	--
Beeston Investments Holdings Limited.....	--	1,061,272	--	--
Petrocemex, S.A. de C.V.	--	362,814	--	2,750,000
Cemex Concretos, S.A. de C.V. ..	--	262,901	1,787,608	--

Turismo Cemex, S.A. de C.V.	--	155,946	--	--
Productora de Bolsas de Papel, S.A. de C.V.	--	107,617	--	--
Cemex Internacional, S.A. de C.V.	--	102,267	--	--
Aviacion Comercial de America, S.A. de C.V.	--	67,661	147,000	--
Others.....	224,469	181,997	--	--
	-----	-----	-----	-----
	Ps2,148,442	2,302,475	2,603,608	22,880,720
	=====	=====	=====	=====

The principal transactions carried out with affiliated companies are:

Guarantors	December 31,			June 30,	
	1997	1998	1999	1999	2000
Net sales.....	Ps2,443,314	2,364,118	2,276,837	915,236	1,686,670
Purchases.....	(902,465)	(812,684)	(837,833)	(165,147)	(424,055)
Selling and administrative expenses.....	--	(39,791)	(41,118)	(24,755)	(27,930)
Financial expense.....	(478,034)	(469,858)	(587,287)	(11,651)	(1,174,276)
Financial income.....	2,201,517	3,250,735	2,355,069	1,613,202	270,102
Other expense, net.....	--	--	(2,661,189)	(1,067,379)	1,444,245
	=====	=====	=====	=====	=====

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

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 23, 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,			(Unaudited) Periods ended June 30,	
	1997	1998	1999	1999	2000
Net income reported under Mexican GAAP.....	Ps8,074,187	4,715,917	10,436,052	7,704,619	1,805,482
Approximate U.S. GAAP adjustments:					
1. Amortization of pushdown goodwill (see note 1).....	(169,360)	(167,656)	(167,004)	(83,163)	(83,690)
2. Deferred income taxes and ESPS (see note 2).....	(1,134,863)	(1,570,442)	(1,660,511)	(1,165,616)	(416,394)
3. Other employees' benefits (see note 3).....	(13,493)	(24,503)	(25,059)	(25,534)	(25,762)
4. Inflation adjustment for machinery and equipment (see note 4).....	(122,267)	1,804	(125,997)	(85,329)	(67,652)
5. Other U.S. GAAP adjustments (see note 5).....	203,020	254,787	(170,661)	66,684	233,245
6. Monetary position result (see note 6).....	1,389,958	1,614,349	1,093,321	637,292	363,456
Total approximate U.S. GAAP adjustments.....	152,995	108,339	(1,055,911)	(655,666)	3,203
Total approximate net income under U.S. GAAP.....	Ps8,227,182	4,824,256	9,380,141	7,048,953	1,808,685

	Year ended December 31,		(Unaudited)
	1998	1999	June 30, 2000
Total stockholders' equity under Mexican GAAP.....	Ps21,215,748	17,080,560	13,296,064
Approximate U.S. GAAP adjustments:			
1. Effect of pushdown of goodwill, net (see note 1).....	1,390,885	1,126,833	1,099,585
2. Deferred income taxes and ESPS (see note 2).....	(9,157,474)	(9,813,533)	(5,270,616)
3. Other employees' benefits (see note 3).....	(116,950)	(129,182)	(149,476)
4. Inflation adjustment for machinery and equipment (see note 4).....	(43,761)	2,984,977	3,024,088
5. Other U.S. GAAP adjustments (see note			

5).....	(1,745,265)	(1,933,484)	(152,982)
	-----	-----	-----
Total approximate U.S. GAAP adjustments.....	(9,672,565)	(7,764,389)	(1,449,401)
	-----	-----	-----
Total approximate stockholders' equity under U.S. GAAP.....	Ps11,543,183	9,316,171	11,846,663
	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

Footnotes to the U.S. GAAP reconciliation:

1. Business Combinations

In 1989 and 1990, through an exchange of its shares with the Company, CEMEX Mexico (formerly Tolmex) 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 Ps6,223,287. In addition, during 1995 CEMEX acquired through a public exchange offer, where the Company exchanged its own shares for Tolmex' shares, a 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 Ps805,918. These goodwill amounts have been pushed-down to CEMEX Mexico for purposes of the U.S. GAAP reconciliation. 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.

The amounts shown in the above table relative to this adjustment for the years ended December 31, 1998 and 1999 have been restated by Ps3,141,892 and Ps3,236,750, respectively from amounts previously reported to reflect the correction of an error in the original calculations. As a result, total approximate stockholders' equity under US GAAP at December 31, 1998 and 1999 is lower by those amounts than what was previously reflected." For purposes of U.S. GAAP presentation, Ps966,605 and Ps966,643 as of December 31, 1998 and 1999, respectively, were reclassified from goodwill to investments in subsidiaries. This, however, has no effect in stockholders' equity under U.S. GAAP.

2. Deferred income taxes and Employees' Statutory Profit Sharing

Deferred income taxes provision at December 31, 1998, 1999 and June 30, 2000 (unaudited) for the Guarantors amounts to Ps6,639,220, Ps7,268,959 and Ps2,696,263, respectively. In addition, deferred Employees' Statutory Profit Sharing ("ESPS") provision amounts to Ps2,518,254 in 1998 and Ps2,544,574 in 1999 and Ps2,574,353, as of June 30, 2000 (unaudited).

3. 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 Ps20,901, Ps23,087 and Ps26,714, at December 31, 1998, 1999 and June 30, 2000 (unaudited), respectively. In addition, the Guarantors recognized, for purposes of the U.S. GAAP reconciliation, a liability for severance benefits for Ps96,049 in 1998, Ps106,095 in 1999 and Ps122,762, as of June 30, 2000 (unaudited).

4. 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 companies operate, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

5. Other U.S. GAAP adjustments

Deferred charges--For U.S. GAAP purposes, other deferred charges net of accumulated amortization generated during 1999, that did not qualify for deferral under U.S. GAAP have been charged to expense, with a net effect on the stockholders' equity and in the net income reconciliation to U.S. GAAP of Ps(183,785) in 1999 and Ps(100,836), as of June 30, 1999 (unaudited). As of June 30, 2000, the guarantors recognize a decrease of Ps176,005 in their stockholders' equity reconciliation to U.S. GAAP. Mexican GAAP allowed the deferral of these expenses.

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 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. At December 31, 1998, the Guarantors recognized an increase of Ps138,539 in their stockholders' equity reconciliation to U.S. GAAP. For purposes of the net income reconciliation to U.S. GAAP, the Guarantors recognized income of Ps33,986 in 1997, income of Ps23,449 in 1998, expense of Ps123,343 in 1999 and expense of Ps118,898 as of June 30, 1999 (unaudited), respectively.

Subsidiary companies--The Guarantors have adjusted their investment in 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 Ps(1,883,804), Ps(1,749,699) and Ps23,023 in 1998, 1999 and June 30, 2000 (unaudited), respectively. The net effect in the net income reconciliation to U.S. GAAP was benefits of Ps169,034, Ps231,338, Ps136,467, Ps286,418 and Ps233,245 in 1997, 1998, 1999 and June 30, 1999 and 2000 (unaudited), respectively. From the U.S. GAAP adjustments to subsidiary companies in the Guarantor's reconciliation of stockholders' equity, Ps(2,594,077) in 1998, Ps(2,710,190) in 1999, and Ps(1,157,348) as of June 30, 2000 (unaudited) are related to deferred income taxes and deferred ESPPS.

6. 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

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, 1997, 1998 and 1999, giving effect to the U.S. GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented on a historical Peso basis and it is not presented in constant purchasing power.

	Years ended December 31,			(Unaudited) Period ended June 30,	
	1997	1998	1999	1999	2000
	Net cash provided by operating activities... Ps	798,653	2,617,994	2,464,265	315,728
Net cash provided by (used in) financing activities.....	3,718,702	(159,044)	277,668	1,133,652	(1,020,905)
Net cash used in investing activities...	(4,284,536)	(2,161,902)	(2,847,880)	(1,703,955)	(2,342,406)

Net cash flow from operating activities reflects cash payments for interests and income taxes as follows:

	Years ended December 31,			(Unaudited) Six months ended June 30,	
	1997	1998	1999	1999	2000
	Interest paid..... Ps	565,022	659,394	799,594	150,014
Income taxes paid.....	669,874	1,501,030	145,501	85,084	318,560

Guarantors' non-cash activities are comprised of the following:

During 1999, the Guarantors acquired from CEMEX, an equity interest in Centro Distribuidor de Cemento, S.A. de C.V. for an amount of Ps1,952,779, which was compensated against an account payable owed by CEMEX to the

Guarantors.

Dividends declared to CEMEX amounting to Ps578,479 in 1997 and Ps11,645,698 in 1999 and as of June 30, 1999 (unaudited), 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, 1999, Cemex Mexico, S.A. de C.V. and Empresas Tolteca de Mexico, S.A. de C.V., had guaranteed debt of CEMEX, S.A. de C.V. in the amount of US dollars \$2,090 million (see note 11).

(w) Newly Issued Accounting Pronouncements

In June 1998, The Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is currently scheduled to be effective for fiscal years beginning after June 15, 2000. We are currently evaluating the impact that SFAS 133 will have on our consolidated financial statements and disclosures.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999
(Thousands of constant Mexican pesos as of June 30, 2000)

(x) Subsequent events under U.S. GAAP (unaudited)

In June 2000, we exercised an option to acquire an additional 13% of Assiut Cement Co. for approximately U.S.\$56 million, increasing the Company's interest in Assiut to 90%.

On May 31, 2000, the Company sold its 100% interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, Mexico, to Marriott International, as well as a land property in Puerto Vallarta, for a total of US\$116 million. As a result of this transaction, for Mexican and U.S. GAAP purposes, the Company will record under the line item Other Income and Expense, net, a loss of approximately \$9 million, before the related tax benefits.

In April 2000, the Company agreed to invest \$20 million for an ownership interest of 80% in PuntoCom Holdings, an e-business development accelerator of several Internet projects for Latin America. Additionally, the Company agreed to invest \$30 million for a 100% ownership interest in PuntoCom Investments, a Delaware fund that will make e-business investments in Latin America, this company has the right to co-invest in PuntoCom Holdings portfolio companies. The Company expects to begin the consolidation of PuntoCom Holdings and PuntoCom Investments during the second quarter of year 2000.

In April 2000, the Company through its Philippine affiliate formalized an exclusive long-term distributorship agreement with Universe Cement of Taiwan. This agreement signals the Company's entrance into the Taiwan cement market, and reinforces its presence in Southeast Asia. The agreement covers an estimated 900,000 metric tons per year in sales in one of Southeast Asia's most dynamic markets.

In March 2000, the Company agreed to invest \$26 million to begin the construction of a new grinding mill near Dhaka, Bangladesh. The facility is expected to begin operations in March 2001.

In February 2000, the Company through a subsidiary, entered into shareholders and subscription agreements with institutional investors, whom subscribed for approximately 8.8% ownership interest in Cemex Asia Holdings ("CAH") for approximately \$56 million. As a result of this transaction, our ownership interest in CAH was reduced to 77.4%, therefore, our economic interest in Rizal and APO were reduced to approximately 54% and 77%, respectively.

On January 26, 2000, the Company obtained a favorable resolution by the Domestic and Customs Office of Colombia, dismissing the tax assessment that was served on three of our Colombian subsidiaries in 1998. (see note 20B).

On September 5, 2000, we were notified of a tax assessment in respect of the 1994 tax year for approximately Ps460 million.

In September 2000, one of our subsidiaries, Latin Networks Holding, BV, launched CXNetworks, an e-business project with the objective of developing, managing and deploying several e-business networks relating to online construction websites with an internet based marketplace, an e-procurement marketplace and the expansion of our existing information technology company Cemtec, S.A. de C.V., which will provide information technology solution and its related services to e-business industry. We have committed to invest US\$100 million during these projects each year.

In September 2000, we terminated the Equity Swap transaction subject to the 24.8% of the outstanding capital stock of Valenciana through a bridge loan for US\$400 million, contracted in August 2000; we repurchased Valenciana's shares subject to it for US\$500 million, through one of our subsidiaries.

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REPORT OF INDEPENDENT AUDITORS

Monterrey N.L., January 12, 2000

To the Stockholders of
Cal Guadalajara, S.A. de C.V.
(formerly Simifa, S.A. de C.V.)

We have audited the balance sheets of Cal Guadalajara, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cal Guadalajara, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Productora de Bolsas de Papel, S.A.

We have audited the balance sheets of Productora de Bolsas de Papel, S.A. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Productora de Bolsas de Papel, S.A. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cemtec, S.A. de C.V.

We have audited the balance sheets of Cemtec, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemtec, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Agregados y Triturados Monterrey, S.A. de C.V.

1. We have audited the balance sheets of Agregados y Triturados Monterrey, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 6, 1999, the stockholders resolved to merge the company with Cemex Concretos, S.A. de C.V. (formerly Concretos de Alta Calidad y Agregados, S.A. de C.V., a related party), the former company being absorbed by the latter. Consequently, Agregados y Triturados Monterrey, S.A. de C.V. terminates operations. This merger is effective from December 31, 1999 onwards.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Agregados y Triturados Monterrey, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Petrocemex, S.A. de C.V.

1. We have audited the balance sheets of Petrocemex, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on May 18, 1999, the stockholders resolved to merge the company with Dinek and Badenoch, affiliated companies, both latter companies being absorbed by Petrocemex, S.A. de C.V. This merger is effective from July 1, 1999 onwards.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Petrocemex, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cemex Concretos, S.A. de C.V.
(formerly Concretos de Alta Calidad y Agregados, S.A. de C.V.)

1. We have audited the balance sheets of Cemex Concretos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 6, 1999, the stockholders resolved to merge the company with Agregados y Triturados Monterrey, S.A. de C.V., Arenera de Occidente, S.A.

de C.V., Concreto Premezclado Nacional, S.A. de C.V., Concreto y Precolados, S.A. de C.V. and Pavimentos Mexicanos de Concreto, S.A. de C.V. (affiliated companies), all latter companies being absorbed by the company. This merger is effective from December 31, 1999 onwards.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cemex Concretos, S. A. de C. V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos del Noreste, S.A. de C.V.
(formerly Polycemex, S.A. de C.V.)

1. We have audited the balance sheets of Cementos del Noreste, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiaries accounted for by the equity method, as determined on the basis of the unaudited financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on December 7, 1999, the stockholders resolved to merge the company with Cemex Mexico, S.A. de C.V. (formerly Serto Construcciones, S.A. de C.V., a related party), the former company being absorbed by the latter. This merger is effective from December 31, 1999 onwards.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Noreste, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos Monterrey, S.A. de C.V.
(formerly Polimeros Cemex, S.A. de C.V.)

1. We have audited the balance sheets of Cementos Monterrey, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiaries accounted for by the equity method, as determined on the basis of the unaudited financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

2. As described in Note 1 to the financial statements, at a meeting held on March 15, 1999 the stockholders resolved to merge the company with Ceser, S.A. and Maritima del Golfo, S.A. (related parties) both latter companies being absorbed by Cementos Monterrey, S.A. de C.V. this merger is effective from March 31, 1999, onwards. At a meeting held on December 7, 1999, the stockholders resolved to merge the company with Cemex Mexico, S.A. de C.V. (formerly Serto Construcciones, S.A. de C.V., a related party) the former company being absorbed by the latter. Consequently, Cementos Monterrey, S.A. de C.V. terminates operations. This merger is effective from December 31, 1999 onwards.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Monterrey, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos Anahuac, S.A. de C.V.
(formerly Inmobiliaria Angela Segovia, S.A.)

We have audited the balance sheets of Cementos Anahuac, S.A. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial

statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Anahuac, S.A. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos del Norte, S.A. de C.V.
(formerly Inmobiliaria ZP Triangular, S.A. de C.V.)

We have audited the balance sheets of Cementos del Norte, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Norte, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Compania Minera Atoyac, S.A. de C.V.

We have audited the balance sheets of Compania Minera Atoyac, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compania Minera Atoyac, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Granos y Terrenos, S.A. de C.V.

We have audited the balance sheets of Granos y Terrenos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Granos y Terrenos, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally

accepted in Mexico.

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Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Productos Calcareos, S.A. de C.V.

We have audited the balance sheets of Productos Calcareos, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Productos Calcareos, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-95

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Provedora Mexicana de Materiales, S.A. de C.V.

We have audited the balance sheets of Provedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiary accounted for by the equity method. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free

of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Proveedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-96

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Pavimentos Mexicanos de Concreto, S.A. de C.V.

We have audited the balance sheets of Pavimentos Mexicanos de Concreto, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2E to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps1,300,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Pavimentos Mexicanos de Concreto, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puentes S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Explotadora de Canteras, S.A. de C.V.

We have audited the balance sheets of Explotadora de Canteras, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statement, income and operating cost and expenses, arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Mexicana, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2D. to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps8,179,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Explotadora de Canteras, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puentes S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of

Arenera del Oriente, S.A. de C.V.

We have audited the balance sheets of Arenera del Oriente, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

As mentioned in Note 2E. to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plan and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps9,482,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Arenera del Oriente, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Compania de Transporte del Mar de Cortes, S.A. de C.V.

We have audited the balance sheets of Compania de Transporte del Mar de Cortes, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 2D. to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps4,658,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compania de Transporte del Mar de Cortes, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-100

REPORT OF INDEPENDENT AUDITORS

Monterrey, N. L., January 12, 2000

To the Stockholders of
Cementos Guadalajara, S.A. de C.V.
(formerly Inmobiliaria Industrial Mazatlan, S.A. de C.V.)

We have audited the balance sheets of Cementos Guadalajara, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses, arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on June 30, 1999 it was decided to change the name of the company

from Inmobiliaria Industrial Mazatlan, S.A. de C.V. to Cementos Guadalajara, S.A. de C.V.

In our opinion the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Guadalajara, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-101

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Cementos de Oriente S.A. de C.V.
(formerly Maquiladora y Distribuidora
de Materiales para la Construccion, S.A. de C.V.)

We have audited the balance sheets of Cementos de Oriente, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the foregoing, this transaction may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on August 31, 1999, it was decided to change to the name of the company from Maquiladora y Distribuidora de Materiales para la Construccion, S.A. de C.V. to Cementos de Oriente, S.A. de C.V.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos de Oriente, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Autotransportes de Huichapan, S.A. de C.V.

We have audited the balance sheets of Autotransportes de Huichapan, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, income and operating cost and expenses arise from transactions with related parties. In view of the before going, these transactions may not be considered to be the same as those that would be carried out with independent parties in comparable transactions.

As mentioned in Note 2D. to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps742,000.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Autotransportes de Huichapan, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-103

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Concretos y Precolados, S.A. de C.V.

We have audited the balance sheets of Concretos y Precolados, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free

of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from December 31, 1999, which means that all the company's rights and obligations were transferred to the merging company.

As mentioned in Note 2E. to the financial statements, on the basis of a study carried out in 1999, the company decided to modify the technical useful lives of the property, plant and equipment, particularly as concerns a lower rate of wear and tear as compared to the rate originally considered. The result of this change was a reduction in depreciation charged to income amounting to approximately Ps10,355,000.

As mentioned in Note 1 to the financial statements, at the extraordinary stockholders' meeting held on November 19, 1998, it was agreed that as from December 31, 1998, Concretos y Derivados, S.A. de C.V. would be merged into the company.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Concretos y Precolados, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

F-104

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., January 12, 2000

To the Stockholders of
Concreto Premezclado Nacional, S.A. de C.V.

We have audited the balance sheets of Concreto Premezclado Nacional, S.A. de C.V. as of December 31, 1999 and 1998, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 1 to the financial statements, at the stockholders' meeting held on December 6, 1999, the stockholders approved the merger of the company into Cemex Concreto, S.A. de C.V. This merger became effective as from

December 31, 1999, which means that all the company's rights and obligation were transferred to the merging company.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Concreto Premezclado Nacional, S.A. de C.V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Hector Puente S.

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Manually signed facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of the Company or such shareholder or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of the addresses set forth below:

The Depositary for the Offer is:

Citibank, N.A.

By Facsimile Transmission
(for Eligible Institutions only):

(212) 505-2248

Confirm by Telephone:

(800) 270-0808

By Courier:

Citibank, N.A.
915 Broadway, 5th Floor
New York, N.Y. 10010

By Mail:

Citibank, N.A.
P.O. Box 685
Old Chelsea Station
New York, N.Y. 10113

By Hand:

Citibank, N.A.
Corporate Trust Window
111 Wall Street, 5th Floor
New York, N.Y. 10043

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Requests for copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and all other tender offer materials may be directed to the Information Agent as set forth below and will be furnished promptly at Purchaser's expense. Purchaser will not pay fees or commissions to any broker or dealer or any other person (other than the Dealer Manager) for soliciting tenders of Shares pursuant to the Offer. Shareholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

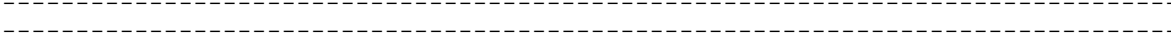
[MACKENZIE LOGO]

156 Fifth Avenue
New York, New York 10010
(212) 929-5500 (Call Collect)
or
Call Toll Free (800) 322-2885

The Dealer Manager for the Offer is:

Salomon Smith Barney

388 Greenwich Street
New York, New York 10013
Call Toll Free (877) 755-4456



Letter of Transmittal
to Tender Shares of Common Stock
(Including the Related Rights to Purchase Preferred Stock)
of
Southdown, Inc.
Pursuant to the Offer to Purchase, dated October 5, 2000,

by
CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY
TIME, ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

The Depository for the Offer is:
Citibank, N.A.

By First Class Mail:	By Overnight Courier, Certified or Express Mail Delivery:	By Hand:
Citibank, N.A. P.O. Box 685 Old Chelsea Station New York, N.Y. 10013	Citibank, N.A. 915 Broadway, 5th Floor New York, N.Y. 10010	Citibank, N.A. Corporate Trust Window 111 Wall Street, 5th Floor New York, N.Y. 10043

Facsimile
Transmission for Eligible
Institutions:
(212) 505-2248

For Confirmation by Telephone:
(800) 270-0808

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH
ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN AS
SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY. YOU
MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE PROVIDED
THEREFORE BELOW, WITH SIGNATURE GUARANTEE IF REQUIRED, AND COMPLETE THE
SUBSTITUTE FORM W-9 SET FORTH BELOW.

THE INSTRUCTIONS CONTAINED WITHIN THIS LETTER OF TRANSMITTAL SHOULD BE READ
CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

DESCRIPTION OF SHARES TENDERED

Share Certificate(s) and Share(s)
Tendered (Please attach additional
signed list,
if necessary)

Name(s) and
Address(es)
of

Registered

Holder(s)	Share	Total Number	Number of
(Please	Certificate	of Shares	Shares
fill in, if	Number(s) (1)	Represented by	Tendered(2)
blank)	Number(s) (1)	Certificate(s)	

Total
Shares
Tendered

- (1) Need not be completed by shareholders who deliver Shares by book-entry transfer ("Book-Entry Shareholders").
 - (2) Unless otherwise indicated, all Shares represented by certificates delivered to the Depositary will be deemed to have been tendered. See Instruction 4.
- [_]CHECK HERE IF CERTIFICATES HAVE BEEN LOST OR MUTILATED. SEE INSTRUCTION 11.

The names and addresses of the registered holders of the tendered Shares should be printed, if not already printed above, exactly as they appear on the Share Certificates tendered hereby.

This Letter of Transmittal is to be used by shareholders of Southdown, Inc. (the "Company") if certificates for Shares (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in Section 3 of the Offer to Purchase) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at the Book-Entry Transfer Facility (as defined in Section 2 of the Offer to Purchase and pursuant to the procedures set forth in Section 3 thereof).

Holders of Shares whose certificates for such Shares (the "Share Certificates") are not immediately available, or who cannot complete the procedure for book-entry transfer on a timely basis, or who cannot deliver all other required documents to the Depositary prior to the Expiration Date (as defined in the Offer to Purchase), must tender their Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

TENDER OF SHARES

[_]CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

[_]CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Eligible Institution that Guaranteed Delivery: _____

2

NOTE: SIGNATURES MUST BE PROVIDED BELOW

PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS
LETTER OF TRANSMITTAL CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to CENA Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect subsidiary of CEMEX, S.A. de C.V., a corporation organized under the laws of the United Mexican States, the above-described shares of common stock, par value \$1.25 per share, and the related rights to purchase preferred stock (the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), pursuant to Purchaser's offer to purchase all outstanding Shares, at a purchase price of \$73.00 per Share, net to the seller in cash (the "Offer Price"), without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 5, 2000 (the "Offer to Purchase"), and in this Letter of Transmittal (which, together with the Offer to Purchase and any amendments or supplements thereto or hereto, collectively constitute the "Offer"). Receipt of the Offer is hereby acknowledged.

Upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of any such extension or amendment), and effective upon acceptance for payment of the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to or upon the order of Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof with a record date before, and a payment date after the Expiration Date (as defined in Section 1 of the Offer to Purchase) (collectively, "Distributions")) and irrevocably constitutes and appoints Citibank, N.A. (the "Depository") the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and any and all Distributions), or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by any of the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares (and any and all Distributions) for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned hereby irrevocably appoints Jill Simeone, Jeffrey H. Smith and Andrew M. Miller in their respective capacities as officers or directors of Purchaser, and any individual who shall thereafter succeed to any such office of Purchaser, and each of them, and any other designees of Purchaser, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote at any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof or otherwise in such manner as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, to execute any written consent concerning any matter as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, and to otherwise act as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper with respect to, all of the Shares (and any and all Distributions) tendered hereby and accepted for payment by Purchaser. This appointment will be effective if and when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. This power of

attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall, without further action, revoke any prior powers of attorney and proxies granted by the undersigned at any time with respect to such Shares (and any and all Distributions), and no subsequent powers of attorney, proxies, consents or revocations may be given by the undersigned with respect thereto (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for the Shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of the Company's stockholders.

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The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that the undersigned owns the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that the tender of the tendered Shares complies with Rule 14e-4 under the Exchange Act, and that, when the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depository or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depository for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that the valid tender of the Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms or conditions of any such extension or amendment). Without limiting the foregoing, if the price to be paid in the Offer is amended in accordance with the Merger Agreement (as defined in the Introduction to the Offer to Purchase), the price to be paid to the undersigned will be the amended price notwithstanding the fact that a different price is stated in this Letter of Transmittal. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated under "Special Payment Instructions", please issue the check for the purchase price of all the Shares purchased and/or return any certificates for the Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered". Similarly, unless otherwise indicated under "Special Delivery Instructions", please mail the check for the purchase price of all the Shares purchased and/or return any certificates for the Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered". In the event that the boxes entitled "Special Payment

Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and/or return any certificates evidencing Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and/or return any such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions", please credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the "Special Payment Instructions", to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

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SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 6 and 7)

To be completed ONLY if the check for the purchase price of Shares accepted for payment and/or certificates representing Shares not tendered or accepted for payment are to be issued in the name of someone other than the undersigned.

Issue: Check
 Certificate(s) to

Name: _____
(Please Print)

Address: _____

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

(Also complete Substitute Form W-9 below)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if the check for the purchase price of Shares accepted for payment and/or certificates representing Shares not tendered or accepted for payment are to be sent to someone other than the undersigned or to the undersigned at an address other than that shown under "Description of Shares Tendered".

Mail: Check
 Certificate(s) to

Name: _____
(Please Print)

Address: _____

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

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IMPORTANT

SHAREHOLDER: SIGN HERE
(Complete Substitute Form W-9 Included)

(Signature(s) of Owner(s))

Name (s): _____

Capacity (Full Title): _____
(See Instructions)

Address: _____

(Include Zip Cod

Area Code and Telephone Number: _____

Taxpayer Identification or Social Security Number: _____

(See Substitute Form W-9)

Dated: _____

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by the person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5).

GUARANTEE OF SIGNATURE(S)
(If Required--See Instructions 1 and 5)

FOR USE BY FINANCIAL INSTITUTIONS ONLY. PLACE MEDALLION GUARANTEE IN SPACE BELOW.

Authorized Signature(s): _____

Name: _____

Name of Firm: _____

Address: _____

(Include Zip Code)

Area Code and Telephone Number: _____

Dated: _____

6

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee is required on this Letter of Transmittal (a) if this Letter or Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in the Book-Entry Transfer Facility's systems whose name appears on a security position listing as the owner of Shares) of Shares tendered herewith, unless such registered holder(s) has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program or by any other "eligible guarantor institution" as such term is defined in Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. Requirements of Tender. This Letter of Transmittal is to be completed by

shareholders if certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Share Certificates evidencing tendered Shares, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of Shares into the Depository's account at the Book-Entry Transfer Facility, as well as this Letter of Transmittal (or a facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth herein prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). Shareholders whose Share Certificates are not immediately available, or who cannot complete the procedure for delivery by book-entry transfer on a timely basis or who cannot deliver all other required documents to the Depository prior to the Expiration Date, may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, must be received by the Depository prior to the Expiration Date; and (iii) the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depository within three New York Stock Exchange trading days after the date of execution of such Notice of the Guaranteed Delivery. If Share Certificates are forwarded separately to the Depository, a properly completed and duly executed Letter of Transmittal must accompany each such delivery.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND THE RISK OF THE TENDERING SHAREHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or a facsimile hereof), waive any right to receive any notice of the acceptance of their Shares for payment.

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3. Inadequate Space. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares and any other required information should be listed on a separate signed schedule attached hereto.

4. Partial Tenders (not applicable to shareholders who tender by book-entry transfer). If fewer than all the Shares evidenced by any Share Certificate are to be tendered, fill in the number of Shares that are to be tendered in the box entitled "Number of Shares Tendered". In this case, new Share Certificates for the Shares that were evidenced by your old Share Certificates, but were not tendered by you, will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by Share Certificates delivered to the Depository will be deemed to have been tendered unless indicated.

5. Signatures on Letter of Transmittal, Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any of the tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of the authority of such person so to act must be submitted. If this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment to be made or certificates for Shares not tendered or not accepted for payment are to be issued in the name of a person other than the registered holder(s). Signatures on any such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the certificate(s) listed and transmitted hereby, the certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificate(s). Signature(s) on any such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, the Purchaser will pay all stock transfer taxes with respect to the transfer and sale of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if certificate(s) for Shares not tendered or not accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered certificate(s) are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such other person) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased unless evidence satisfactory to the Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificate(s) evidencing the Shares tendered hereby.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or certificates for Shares not tendered or not accepted for payment are to be issued or returned to, a person other than the signer of this Letter of Transmittal or if a check and/or such certificates are to be returned to a person other than the person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal must be completed.

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8. Substitute Form W-9. A tendering shareholder is required to provide the Depository with a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9, which is provided under "Important Tax Information" below, and to certify, under penalty of perjury, that such TIN is correct and that such holder is not subject to backup withholding tax. If a tendering shareholder is subject to backup withholding, the shareholder must cross out Item (Y) of Part 3 of the Certification Box of the Substitute Form W-9. Failure to provide the information on the Substitute Form W-9 may subject the tendering shareholder to federal income tax withholding of 31% of any payments made to the shareholder, but such withholdings will be refunded if the tendering shareholder provides a TIN within 60 days.

Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. Noncorporate foreign shareholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depository, in order to avoid backup withholding. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

9. Requests for Assistance or Additional Copies. Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent at the address and phone number set forth below, or from brokers, dealers, commercial banks or trust companies.

10. Waiver of Conditions. Subject to the terms and conditions of the Merger Agreement (as defined in the Offer to Purchase), the Purchaser reserves the right, in its sole discretion, to waive, at any time or from time to time, any of the specified conditions of the Offer (other than the Minimum Condition), in whole or in part, in the case of any Shares tendered.

11. Lost, Destroyed or Stolen Certificates. If any certificate representing Shares has been lost, destroyed or stolen, the shareholder should promptly notify American Stock Transfer and Trust Company, in its capacity as transfer agent for the shares, at 800-937-5449. The shareholder will then be instructed as to the steps that must be taken in order to replace the certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A MANUALLY SIGNED FACSIMILE HEREOF) TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE, AND ANY OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING SHAREHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

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IMPORTANT TAX INFORMATION

Under the federal income tax law, a shareholder whose tendered Shares are accepted for payment is required to provide the Depository with such shareholder's correct TIN on the Substitute Form W-9 below. If such shareholder is an individual, the TIN is such shareholder's Social Security Number. If a tendering shareholder is subject to backup withholding, such shareholder must cross out Item (Y) of Part (3) of the Certification box on the Substitute Form W-9. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such shareholder may be subject to backup withholding of 31%.

Certain shareholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements may be obtained from the Depository. Exempt shareholders, other than foreign individuals, should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9 below and sign, date and return the Substitute Form W-9 to the Depository. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depository is required to withhold 31% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to withholding will be

reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a shareholder with respect to Shares purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying that the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN).

What Number to Give the Depository

The shareholder is required to give the Depository the Social Security Number or Employer Identification Number of the record holder of the Shares. If the Shares are in more than one name, or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidelines on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and dated the Substitute Form W-9. If "Applied For" is written in Part I, the Depository will withhold 31% of payments made for the shareholder, but such withholdings will be refunded if the tendering shareholder provides a TIN within 60 days.

CITIBANK, N.A.

Name: _____

Address: _____

(Number and Street)

(Zip Code)

(City)

(State)

SUBSTITUTE
FORM W-9

Department of the
Treasury
Internal Revenue
Service

Part 1(a)--PLEASE PROVIDE
YOUR TIN IN THE BOX AT
RIGHT AND CERTIFY BY
SIGNING AND DATING BELOW.

TIN: _____

Payer's Request for
Taxpayer

Part 1(b)--PLEASE CHECK THE BOX AT RIGHT IF YOU HAVE
APPLIED FOR, AND ARE AWAITING RECEIPT OF YOUR
TIN.

Identification
Number ("TIN")

Part 2--FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING
PLEASE WRITE "EXEMPT" HERE (SEE INSTRUCTIONS).

Part 3--CERTIFICATION UNDER PENALTIES OF PERJURY, I
CERTIFY THAT (X) The number shown on this form is my
correct TIN (or I am waiting for a number to be
issued to me), and (Y) I am not subject to backup
withholding because: (a) I am exempt from backup
withholding, or (b) I have not been notified by the
Internal Revenue Service (the "IRS") that I am
subject to backup withholding as a result of a
failure to report all interest or dividends, or (c)
the IRS has notified me that I am no longer subject
to backup withholding.

Sign Here

SIGNATURE _____
DATE _____

Certification of Instructions--You must cross out Item (Y) of Part 3 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out such Item (Y).

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 1(b) OF THE SUBSTITUTE FORM W-9 INDICATING YOU HAVE APPLIED FOR, AND ARE AWAITING RECEIPT OF, YOUR TIN.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I CERTIFY UNDER PENALTIES OF PERJURY THAT A TAXPAYER IDENTIFICATION NUMBER HAS NOT BEEN ISSUED TO ME, AND EITHER (1) I HAVE MAILED OR DELIVERED AN APPLICATION TO RECEIVE A TAXPAYER IDENTIFICATION NUMBER TO THE APPROPRIATE INTERNAL REVENUE SERVICE CENTER OR SOCIAL SECURITY ADMINISTRATION OFFICE OR (2) I INTEND TO MAIL OR DELIVER AN APPLICATION IN THE NEAR FUTURE. I UNDERSTAND THAT IF I DO NOT PROVIDE A TAXPAYER IDENTIFICATION NUMBER TO THE PAYOR BY THE TIME OF PAYMENT, 31 PERCENT OF ALL REPORTABLE PAYMENTS MADE TO ME PURSUANT TO THIS OFFER WILL BE WITHHELD.

Signature

Date

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

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MANUALLY SIGNED FACSIMILE COPIES OF THIS LETTER OF TRANSMITTAL WILL BE ACCEPTED. THE LETTER OF TRANSMITTAL, CERTIFICATES FOR SHARES AND ANY OTHER REQUIRED DOCUMENTS SHOULD BE SENT OR DELIVERED BY EACH SHAREHOLDER OF THE COMPANY OR SUCH SHAREHOLDER'S BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO THE DEPOSITARY AT ONE OF ITS ADDRESSES SET FORTH ON THE FIRST PAGE.

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Requests for copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and all other tender offer materials may be directed to the Information Agent as set forth below and will be furnished promptly at Purchaser's expense. Purchaser will not pay fees or commissions to any broker or dealer or any other person (other than the Dealer Manager) for soliciting tenders of Shares pursuant to the Offer. Shareholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

[MACKENZIE LOGO APPEARS HERE]

156 Fifth Avenue
New York, New York 10010
(212) 929-5500 (Call Collect)
or
Call Toll Free (800) 322-2885

The Dealer Manager for the Offer is:

Salomon Smith Barney

388 Greenwich Street
New York, New York 10013
Call Toll Free (877) 755-4456

Notice of Guaranteed Delivery
for
Tender of Shares of Common Stock
(Including the Related Rights to Purchase Preferred Stock)
of
Southdown, Inc.
to
CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.
(Not to be used for signature guarantees)

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY TIME,
ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

This Notice of Guaranteed Delivery, or a form substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates for Shares (as defined below) are not immediately available, if the procedure for book-entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach Citibank, N.A. (the "Depository") on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). This form may be delivered by hand, transmitted by facsimile transmission or mailed (to the Depository). See Section 3 of the Offer to Purchase.

The Depository for the Offer is:

Citibank, N.A.

By First Class Mail:	By Overnight Courier, Certified or Express Mail Delivery:	By Hand:
Citibank, N.A. P.O. Box 685	Citibank, N.A. 915 Broadway, 5th Floor	Citibank, N.A. Corporate Trust Window
Old Chelsea Station New York, N.Y. 10113	New York, N.Y. 10010	111 Wall Street, 5th Floor New York, N.Y. 10043

Facsimile
Transmission for Eligible
Institutions:
(212) 505-2248

For Confirmation by Telephone:
(800) 270-0808

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN ONE SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE NUMBER OTHER THAN THE FACSIMILE NUMBER SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITORY.

THIS NOTICE OF GUARANTEED DELIVERY TO THE DEPOSITORY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" (AS DEFINED IN THE OFFER TO PURCHASE) UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER TO TRANSMITTAL.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the Letter of Transmittal or an

Agent's Message (as defined in Section 3 of the Offer to Purchase) and certificates for Shares to the Depository within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED.

Ladies and Gentlemen:

The undersigned hereby tenders to CENA Acquisition Corp., a Delaware corporation and an indirect subsidiary of CEMEX, S.A. de C.V., a company organized under the laws of the United Mexican States, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 5, 2000 (the "Offer to Purchase"), and the related Letter of Transmittal (the "Letter of Transmittal" which, together with the Offer to Purchase and any amendments or supplements thereto, constitute the "Offer"), receipt of which is hereby acknowledged, the number of shares of common stock, par value \$1.25 per share, including the related rights to purchase preferred stock (the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), set forth below, pursuant to the guaranteed delivery procedures set forth in the Offer to Purchase.

Number of Shares Tendered: _____	SIGN HERE
Certificate No(s) (if available): _____	Name(s) of Record Holder(s): _____
-----	-----
[] Check if securities will be	(Please Print)
tendered by book-entry transfer	
Name of Tendering Institution: _____	Address(es): _____
-----	-----
	(Zip Code)
Account: No: _____	Area Code and Telephone No(s): _____
Dated: _____	-----
	Signature(s): _____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program, guarantees to deliver to the Depository either the certificates evidencing all tendered Shares, in proper form for transfer, or to deliver Shares pursuant to the procedure for book-entry transfer into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility"), in either case together with the Letter of Transmittal (or a facsimile thereof) properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three New York Stock Exchange trading days after the days after the date hereof.

Name of Firm: _____	_____
Address: _____	(Authorized Signature)
_____	Title: _____
Zip Code	Name: _____
Area Code and Tel. No. _____	(Please type or print)

Dated: , _____

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES FOR SHARES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE RELATED RIGHTS TO PURCHASE PREFERRED STOCK)

of
Southdown, Inc.

by

CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY
TIME, ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

October 5, 2000

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

CENA Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect subsidiary of CEMEX, S.A. de C.V., a corporation organized under the laws of the United Mexican States ("CEMEX"), has made an offer to purchase all outstanding shares of common stock, par value \$1.25 per share, including the related rights to purchase preferred stock (collectively, the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), at a purchase price of \$73.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 5, 2000 (the "Offer to Purchase"), and the related Letter of Transmittal (the "Letter of Transmittal" which, together with the Offer to Purchase and any amendments or supplements thereto, collectively constitute the "Offer") enclosed herewith.

Holders of Shares whose certificates for such Shares (the "Share Certificates") are not immediately available, who cannot complete the procedures for book-entry transfer on a timely basis, or who cannot deliver all other required documents to Citibank, N.A. (the "Depositary") prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

The Offer is conditioned upon, among other things, (1) there being validly tendered (other than by guaranteed delivery where actual delivery has not occurred) and not properly withdrawn prior to the expiration of the Offer a number of Shares that represents at least two-thirds of the Shares outstanding on a fully diluted basis, and (2) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder having expired or been terminated. The offer is subject to certain other conditions contained in Section 15 of the Offer to Purchase. Please read Sections 1 and 15 of the Offer to Purchase, which set forth in full the conditions to the Offer.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

1. Offer to Purchase dated October 5, 2000;

2. Letter of Transmittal for your use in accepting the Offer and tendering Shares and for the information of your clients (manually signed facsimile copies of the Letter of Transmittal may be used to tender Shares);

3. Notice of Guaranteed Delivery to be used to accept the Offer if Share Certificates are not immediately available or if such certificates and all other required documents cannot be delivered to the Depository, or if the procedures for book-entry transfer cannot be completed on a timely basis;

4. A printed form of letter that may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. The letter to shareholders of the Company from Clarence C. Comer, President and Chief Executive Officer of the Company, accompanied by the Company's Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company, which includes the recommendation of the Board of Directors of the Company (the "Board of Directors") that shareholders accept the Offer and tender their Shares to the Purchaser pursuant to the Offer; and

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9.

The Company's Board of Directors, at a special meeting held on September 28, 2000, unanimously (1) determined that the Merger Agreement (as defined below) and the transactions contemplated thereby, including the Offer and the Merger (as defined below), are fair to the Company's shareholders and in the best interests of the Company and its shareholders; (2) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger; and (3) recommended that the Company's shareholders (i) accept the Offer and (ii) if shareholder approval is necessary, approve the Merger Agreement and the Merger. Accordingly, the Company's Board of Directors recommends that your clients accept the Offer and tender all of their Shares pursuant to the Offer.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 28, 2000 (the "Merger Agreement"), among CEMEX, Purchaser and the Company. The Merger Agreement provides for, among other things, the making of the Offer by Purchaser, and further provides that Purchaser will be merged with and into the Company (the "Merger") as soon as practicable following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement. Following the Merger, the Company will continue as the surviving corporation, an indirect subsidiary of CEMEX, and the separate corporate existence of Purchaser will cease.

In order to take advantage of the Offer, (i) a duly executed and properly completed Letter of Transmittal and any required signature guarantees, or an Agent's Message (as defined in Section 3 of the Offer to Purchase) in connection with a book-entry delivery of Shares, and other required documents should be sent to the Depository and (ii) Share Certificates representing the tendered Shares should be delivered to the Depository, or such Shares should be tendered by book-entry transfer into the Depository's account maintained at the Book-Entry Transfer Facility (as described in Section 3 of the Offer to Purchase), all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their Share Certificates or other required documents prior to the Expiration Date or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Depository as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary mailing and handling costs incurred by you in forwarding the enclosed materials to your customers.

Purchaser will pay or cause to be paid all stock transfer taxes applicable

to its purchase of Shares pursuant to the Offer, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY TIME, ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

2

Any inquiries you may have with respect to the Offer should be addressed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of the Offer to Purchase. Additional copies of the enclosed materials may be obtained from the Information Agent.

Very truly yours,

Salomon Smith Barney Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF CEMEX, PURCHASER, THE COMPANY, THE DEPOSITARY OR ANY AFFILIATE OF ANY OF THE FOREGOING OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.

3

OFFER TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK

(INCLUDING THE RELATED RIGHTS TO PURCHASE PREFERRED STOCK)

of

Southdown, Inc.

by

CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY
TIME, ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is the Offer to Purchase dated October 5, 2000 (the "Offer to Purchase") and a related Letter of Transmittal (the "Letter of Transmittal" which, together with the Offer to Purchase and any amendments or supplements thereto, collectively constitute the "Offer") in connection with the offer by CENA Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect subsidiary of CEMEX, S.A. de C.V., a company organized under the laws of the United Mexican States ("CEMEX"), to purchase all outstanding shares of common stock, par value \$1.25 per share, including the related rights to purchase preferred stock (collectively, the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), at a purchase price of \$73.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase and the Letter of Transmittal enclosed herewith.

We are the holder of record of Shares for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The enclosed Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase. Your attention is invited to the following:

1. The offer price is \$73.00 per Share, net to you in cash, without interest thereon.
2. The Offer is being made for all outstanding Shares.
3. The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 28, 2000 (the "Merger Agreement"), among CEMEX, Purchaser and the Company. The Merger Agreement provides, among other things, that Purchaser will be merged with and into the Company (the "Merger") following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement.
4. The Company's Board of Directors, at a special meeting held on September 28, 2000, unanimously (1) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are fair to the Company's shareholders and in the best interests of the Company and the Company's shareholders; (2) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger; and (3) recommended that the Company's shareholders

accept the Offer and, if shareholder approval is necessary, approve the Merger Agreement and the Merger. Accordingly, the Company's Board of Directors recommends that you accept the Offer and tender all of your shares pursuant to the Offer.

5. The Offer and withdrawal rights will expire at 12:01 a.m., New York City time, on Friday, November 3, 2000 (the "Expiration Date"), unless the Offer is extended.

6. Any stock transfer taxes applicable to the sale of Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

The Offer is conditioned upon, among other things, (1) there being validly tendered (other than by guaranteed delivery where actual delivery has not occurred) and not properly withdrawn prior to the expiration of the Offer a number of Shares that represents at least two-thirds of the Shares outstanding on a fully diluted basis, and (2) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder having expired or been terminated. The offer is subject to certain other conditions contained in Section 15 of the Offer to Purchase. Please read Sections 1 and 15 of the Offer to Purchase, which set forth in full the conditions to the Offer.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by Salomon Smith Barney Inc., the Dealer Manager for the Offer, or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form set forth on the reverse side of this letter. An envelope to return your instructions to us is also enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the reverse side of this letter. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the Expiration Date.

2

INSTRUCTIONS WITH RESPECT TO THE
OFFER TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE RELATED RIGHTS TO PURCHASE PREFERRED STOCK)

of
Southdown, Inc.

by

CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated October 5, 2000, and the related Letter of Transmittal, in connection with the offer by CENA Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect subsidiary of CEMEX, S.A. de C.V., a company organized under the laws of the United Mexican States (the "Parent"), to purchase all outstanding shares of common stock, par value \$1.25 per share, including the related rights to purchase preferred stock (collectively, the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), at a purchase price of \$73.00 per Share, net to the seller in cash, without interest

thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase and the Letter of Transmittal.

This will instruct you to tender to Purchaser the number of Shares indicated below (or, if no number is indicated below, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

Number of Shares to be
Tendered*: _____

Sign Here: _____
Signature _____

Date: _____

Printed Name

Address

Area Code and Telephone Number

Taxpayer Identification or Social
Security Number

Account No.

* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

For this type of Account:	Give the Social Security Number of:
1. An individual's account	The individual
2. Two or more individuals	The actual owner (joint account) of the account or, if combined funds, the first individual on the account (1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor trustee(1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5. Sole proprietorship account	The owner(3)
6. A valid trust, estate, or pension	The legal entity trust (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(4)
7. Corporate account	The corporation
8. Association, club, religious, charitable, educational or other tax-exempt organization account	The organization
9. Partnership	The partnership
10. A broker or registered nominee	The broker or nominee
11. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

-
- (1) List first and circle the name of the person whose number you furnish.
 - (2) Circle the minor's name and furnish the minor's social security number.
 - (3) Show the name of the owner. Either the social security number or the employer identification number may be furnished.
 - (4) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, Application for a Social Security Card (for resident individuals), Form SS-4, Application for Employer Identification Number (for businesses and all other entities), or Form W-7, Application for IRS Individual Taxpayer Identification Number (for alien individuals required to file U.S. tax returns), at an office of the Social Security Administration or the Internal Revenue Service.

To complete the Substitute Form W-9, if you do not have a taxpayer identification number, check the appropriate box in Part 1(b), sign and date the Form, and give it to the requester. Generally, you will then have 60 days to obtain a taxpayer identification number and furnish it to the requester. If the requester does not receive your taxpayer identification number within 60 days, backup withholding, if applicable, will begin and will continue until you furnish your taxpayer identification number to the requester.

PAYEES AND PAYMENTS EXEMPT FROM BACKUP WITHHOLDING set forth below is a list of payees that are exempt from backup withholding with respect to all or certain types of payments. For interest and dividends, all listed payees are exempt except the payee in item (9). For broker transactions, all payees listed in items (1) through (13) and any person registered under the Investment Advisors Act of 1940 who regularly acts as a broker is exempt. For payments subject to reporting under Sections 6041 and 6041A, the payees listed in items (1) through (7) are generally exempt. For barter exchange transactions and patronage dividends, the payees listed in items (2) through (6) are exempt.

- (1) A corporation.
- (2) An organization exempt from tax under Section 501(a), an IRA, or a custodial account under Section 403(b)(7) if the account satisfies the requirements of Section 401(f)(2).
- (3) The United States or any agency or instrumentality thereof.
- (4) A state, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- (5) A foreign government, or a political subdivision, agency or instrumentality thereof.
- (6) An international organization or any agency or instrumentality thereof.
- (7) A foreign central bank of issue.
- (8) A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- (9) A futures commission merchant registered with the Commodity Futures Trading Commission.
- (10) A real estate investment trust.
- (11) An entity registered at all times under the Investment Company Act of 1940.
- (12) A common trust fund operated by a bank under Section 584(a).
- (13) A financial institution.

(14) A middleman known in the investment community as a nominee or custodian.

(15) A trust exempt from tax under Section 664 or described in Section 4947(a) (1).

2

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- . Payments to non-resident aliens subject to withholding under Section 1441.
- . Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one non-resident partner.
- . Payments of patronage dividends not paid in money.
- . Payments made by certain foreign organizations.
- . Section 404(k) distributions made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- . Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- . Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- . Payments described in Section 6049(b) (5) to non-resident aliens.
- . Payments on tax-free covenant bonds under Section 1451.
- . Payments made by certain foreign organizations.
- . Mortgage interest paid to you.

Exempt payees described above should file a Substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART 2 OF THE FORM, AND RETURN IT TO THE PAYER.

Certain payments other than interest, dividends and patronage dividends, that are not subject to information reporting, are also not subject to backup withholding. For details, see Sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N and the regulations promulgated thereunder.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

- (2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.
- (3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONSULT YOUR TAX
ADVISOR OR THE INTERNAL REVENUE SERVICE

[CEMEX Logo]

EXHIBIT (a) (5) (A)
[Southdown Logo]

FOR IMMEDIATE RELEASE

Contact Information:

FOR CEMEX:
Winnie Lerner
(800) 576-6555

FOR SOUTHDOWN:
Thomas E. Daman
(713) 650-6200

CEMEX TO ACQUIRE SOUTHDOWN IN US\$2.8 BILLION TRANSACTION

MONTERREY, MEXICO AND HOUSTON, TEXAS, September 29, 2000 -- CEMEX (NYSE: CX, BMV:CEMEXCPO) and Southdown (NYSE: SDW) announced today that the companies have entered into a definitive merger agreement under which CEMEX will acquire all of the outstanding stock of Southdown for US\$73.00 in cash per share, or a total of approximately US\$2.8 billion including US\$185 million in long term debt. The transaction has been approved by the boards of both companies. CEMEX will commence its tender offer on or before October 5th, 2000, and intends to fund the purchase price through commitments it has arranged with The Chase Manhattan Bank, Citibank, N.A., Salomon Smith Barney Inc and Deutsche Bank AG.

"Southdown is an excellent fit for CEMEX," said Lorenzo H. Zambrano, Chairman and CEO of CEMEX. "The company's management and facilities are world class and, I believe, will mesh well with our global network. This combination will not only expand our presence in the United States, but help us compete more effectively in all our markets. Integrating Southdown into a company with the scale and resources to prosper in a rapidly consolidating, global industry will create value for our shareholders," he added.

After the merger with Southdown, CEMEX will have annualized combined sales in excess of US\$6.3 billion pro forma as of June 30th 2000.

"As we indicated to our shareholders last March, we have been looking at many alternatives for enhancing value and adding to the challenge of effectively participating in the global economy. I believe that combining with CEMEX is far and away the best of these," said Clarence C. Comer President and CEO of Southdown. "We recommended this transaction to our board and, with their endorsement, we are recommending it to our shareholders because we believe it maximizes the value for all stakeholders. This transaction is good for our shareholders; it is good for our customers; and it is good for our employees."

The closing of the tender offer is conditioned upon, among other things, (1) at least two-thirds of Southdown's fully diluted shares being tendered and not withdrawn prior to the expiration of the tender offer, and (2) expiration or termination of the appropriate waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Subsequent to the consummation of the tender offer, CEMEX will acquire the remaining shares of Southdown's outstanding common stock through a merger of an indirect subsidiary of CEMEX with Southdown, after which each outstanding share of Southdown common stock will be converted into the right to receive US\$73.00 per share in cash.

Until completion of the tender offer and the regulatory process, the two companies will remain independent. Thereafter, CEMEX intends to operate all its U.S. operations, including Southdown, as a combined entity. Mr. Comer is expected to become the President and CEO of the new entity.

"This acquisition meets all of our investment criteria," said Mr. Zambrano. "It allows us to maintain the strength of our capital structure and is expected to generate attractive returns, while diversifying the sources of our cash flow and providing a better balance between our developed and developing country markets. We believe that implementation of CEMEX's best practices in the new entity will lead to significant cost savings. We expect this transaction to add to our cash earnings and free cash flow per share from day one."

CEMEX is one of the three largest cement companies in the world with approximately 65 million metric tons of production capacity. CEMEX is engaged in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker through operating subsidiaries in four continents. For more information, visit www.cemex.com.

Southdown, headquartered in Houston, has a network of 12 cement-manufacturing plants and 45 cement distribution terminals serving 27 states throughout the United States. Southdown also mines, processes, and sells construction aggregates and specialty mineral products in the eastern half of the U.S. and in California. In addition, the company produces and distributes ready-mixed concrete products in California and Florida. For more information, visit www.southdown.com.

Salomon Smith Barney Inc. is acting as exclusive financial advisor to CEMEX in connection with the acquisition and the related financing. Lehman Brothers Inc. is acting as exclusive financial advisor to Southdown in this transaction and rendered a fairness opinion.

EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED, THE MATTERS DISCUSSED IN THIS PRESS RELEASE ARE FORWARD-LOOKING STATEMENTS, THE ACCURACY OF WHICH IS NECESSARILY SUBJECT TO RISKS AND UNCERTAINTIES. ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THE DISCUSSION OF CERTAIN MATTERS IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MAY CAUSE SUCH DIFFERENCE INCLUDE THOSE FACTORS SET FORTH IN SOUTHDOWN 'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999 AND CEMEX'S ANNUAL REPORT ON FORM 20-F FOR THE YEAR ENDED DECEMBER 31, 1999, AND OTHER FILINGS MADE BY EACH COMPANY FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION.

INVESTORS AND SECURITY HOLDERS ARE STRONGLY ADVISED TO READ BOTH THE TENDER OFFER DOCUMENTS AND THE SOLICITATION/RECOMMENDATION STATEMENT REGARDING THE TENDER OFFER REFERRED TO IN THIS PRESS RELEASE, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. THE TENDER OFFER DOCUMENTS WILL BE FILED BY CEMEX WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, AND THE SOLICITATION/RECOMMENDATION STATEMENT WILL BE FILED BY SOUTHDOWN WITH THE COMMISSION. INVESTORS AND SECURITY HOLDERS MAY OBTAIN A FREE COPY OF THESE DOCUMENTS AND OTHER RELATED MATERIAL FILED BY CEMEX AND SOUTHDOWN WITH THE COMMISSION AT www.sec.gov.

THE TENDER OFFER STATEMENT AND RELATED OFFERING DOCUMENTS MAY BE OBTAINED FROM CEMEX BY DIRECTING SUCH REQUEST TO: www.CEMEX.com. THE SOLICITATION/RECOMMENDATION STATEMENT AND SUCH OTHER DOCUMENTS MAY BE OBTAINED FROM SOUTHDOWN BY DIRECTING SUCH REQUEST TO: www.southdown.com.

A WEB CAST PRESENTATION WILL BE ACCESSIBLE LIVE AT 10:00 AM EDT AT: <http://www03.activate.net/cemex>. IF YOU ARE UNABLE TO PARTICIPATE, A REPLAY OF THE WEB CAST WILL BE AVAILABLE UNTIL OCTOBER 6.

An analyst conference call/web cast presentation will be held today at 10:00 AM EDT. PARTICIPANTS IN THE US, MEXICO AND NASSAU, PLEASE DIAL: (800) 406-5345. PARTICIPANTS FROM FRANCE ON FRANCE TELECOM, HONG KONG ON HONG KONG TELECOM, AND SINGAPORE ON SINGAPORE TEL CAN DIAL TOLL FREE: 001-800-77771111. PARTICIPANTS IN GERMANY ON DEUTSCHE TELECOM, SPAIN ON TELEFONICA, ENGLAND, SCOTLAND AND ANYWHERE ELSE IN THE UK ON BT MERCURY CAN DIAL TOLL FREE: 00-800-77771111.

INTERNATIONAL CALLERS EXPERIENCING DIFFICULTY ACCESSING THE TOLL FREE NUMBER CAN DIAL DIRECT: (913) 981-5571 (PARTICIPANTS FROM THE NETHERLANDS SHOULD USE THIS NUMBER ONLY).

IF YOU ARE UNABLE TO PARTICIPATE IN THE CONFERENCE CALL, A REPLAY WILL BE AVAILABLE BEGINNING AT 3:00 PM EDT ON SEPTEMBER 29 AND RUNNING THROUGH 11:59 PM EDT ON OCTOBER 5. TO ACCESS THE REPLAY, PLEASE DIAL: (719) 457-0820, RESERVATION #520564.

IF YOU HAVE ANY QUESTIONS REGARDING THE CONFERENCE CALL/WEB CAST, PLEASE CONTACT JESSICA BAGA, ABERNATHY MACGREGOR GROUP, (212) 371-5999.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase (as defined below), dated October 5, 2000, and the related Letter of Transmittal (as defined below) and any amendments or supplements thereto, and is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by Salomon Smith Barney Inc., the Dealer Manager (as defined below), or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock
(Including the Related Rights to Purchase Preferred Stock)
of
Southdown, Inc.
at
\$73.00 Net Per Share
by
CENA Acquisition Corp.,
an indirect subsidiary of
CEMEX, S.A. de C.V.

CENA Acquisition Corp., a Delaware corporation ("Purchaser") and an indirect subsidiary of CEMEX, S.A. de C.V., a corporation organized under the laws of the United Mexican States ("CEMEX"), is offering to purchase all outstanding shares of common stock, par value \$1.25 per share, including the related rights to purchase preferred stock (the "Shares"), of Southdown, Inc., a Louisiana corporation (the "Company"), at a price of \$73.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 5, 2000 (the "Offer to Purchase"), and in the related Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase and any amendments or supplements thereto, collectively constitute the "Offer"). Tendering shareholders who have Shares registered in their names and who tender directly to Citibank, N.A. (the "Depositary") will not be charged brokerage fees or commissions or, subject to Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares pursuant to the Offer. Shareholders who hold their Shares through a broker or bank should consult such institution as to whether it charges any service fees. Purchaser will pay all charges and expenses of the Dealer Manager, the Depositary and MacKenzie Partners, Inc., which is acting as the information agent (the "Information Agent"), incurred in connection with the Offer. Following the consummation of the Offer, Purchaser intends to effect the Merger (as defined below).

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:01 A.M., NEW YORK CITY TIME, ON FRIDAY, NOVEMBER 3, 2000, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED (OTHER THAN BY GUARANTEED DELIVERY WHERE ACTUAL DELIVERY HAS NOT TAKEN PLACE) AND NOT PROPERLY WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A NUMBER OF SHARES THAT REPRESENTS AT LEAST TWO-THIRDS OF THE OUTSTANDING SHARES ON A FULLY DILUTED BASIS (THE "MINIMUM CONDITION"), AND (2) ANY WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, AND THE

REGULATIONS THEREUNDER HAVING EXPIRED OR BEEN TERMINATED. THE OFFER IS ALSO SUBJECT TO CERTAIN OTHER CONDITIONS CONTAINED IN THE OFFER TO PURCHASE. PLEASE READ SECTIONS 1 AND 15 OF THE OFFER TO PURCHASE, WHICH SET FORTH IN FULL THE CONDITIONS TO THE OFFER. PURCHASER'S OBLIGATION TO PURCHASE THE SHARES IS NOT

CONDITIONED ON ANY FINANCING ARRANGEMENTS OR SUBJECT TO ANY FINANCING CONDITION. SEE SECTION 9 OF THE OFFER TO PURCHASE FOR A DESCRIPTION OF PARENT'S AND PURCHASER'S FINANCING ARRANGEMENTS.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of September 28, 2000 (the "Merger Agreement"), among CEMEX, Purchaser and the Company. The purpose of the Offer is for CEMEX, through Purchaser, to acquire an at least two-thirds voting interest in the Company as the first step in acquiring the entire equity interest in the Company. The Merger Agreement provides that, among other things, Purchaser will commence the Offer and that as promptly as practicable after the purchase of Shares pursuant to the Offer and the satisfaction or waiver of the other conditions set forth in the Merger Agreement and in accordance with relevant provisions of the General Corporation Law of the State of Delaware and the Louisiana Business Corporation Law (the "LBCL"), Purchaser will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation. At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares owned by CEMEX, Purchaser, the Company or any of their respective subsidiaries, all of which will be cancelled, and other than Shares that are held by shareholders, if any, who properly exercise their dissenters' rights under the LBCL) will automatically be converted into the right to receive \$73.00 in cash, without interest thereon. Without limiting the foregoing, effective upon the acceptance for payment of Shares pursuant to the Offer in accordance with the terms of the Merger Agreement, the holders of such Shares will sell and assign to Purchaser all right, title and interest in and to all of the Shares tendered (including, but not limited to, such holder's right to any and all dividends and distributions with a record date before, and a payment date after, the scheduled or extended expiration date of the Offer).

THE COMPANY'S BOARD OF DIRECTORS, AT A SPECIAL MEETING HELD ON SEPTEMBER 28, 2000, UNANIMOUSLY (1) DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, ARE FAIR TO THE COMPANY'S SHAREHOLDERS AND IN THE BEST INTERESTS OF THE COMPANY AND THE COMPANY'S SHAREHOLDERS; (2) APPROVED AND ADOPTED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER; AND (3) RECOMMENDED THAT THE COMPANY'S SHAREHOLDERS (A) ACCEPT THE OFFER AND (B) IF SHAREHOLDER APPROVAL IS NECESSARY, APPROVE THE MERGER AGREEMENT AND THE MERGER. ACCORDINGLY, THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS THAT YOU ACCEPT THE OFFER AND TENDER ALL OF YOUR SHARES OF COMMON STOCK PURSUANT TO THE OFFER.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, the Shares validly tendered (other than by guaranteed delivery where actual delivery has not taken place) and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance of such Shares for payment pursuant to the Offer. In all cases, on the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will be made by deposit of the purchase price with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from Purchaser and transmitting such payment to tendering shareholders. Under no circumstances will interest on the purchase price of Shares be paid by Purchaser because of any delay in making any payment. Payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after the timely receipt by the Depository of (i) certificates for such Shares or timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) pursuant to the procedures set forth in the Offer to Purchase, (ii)

a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with all required signature guarantees or, in the case of book-entry transfer, an Agent's Message (as defined in the Offer the Purchase), and (iii) any other documents required by the Letter of Transmittal.

Subject to the terms of the Merger Agreement, Purchaser may, without the consent of the Company, extend the Expiration Date of the Offer:

(i) if, at the Expiration Date of the Offer, any of the conditions to the Offer will not have been satisfied or, to the extent permitted, waived, until such conditions are satisfied or, to the extent permitted by the Merger Agreement, waived;

(ii) for any period required by any rule, regulation, interpretation or position of the U.S. Securities and Exchange Commission or the staff thereof applicable to the Offer or any period required by applicable law;

(iii) for up to 10 additional business days in increments of not more than two business days each (but in no event beyond the Termination Date (as defined in the Offer to Purchase)), if, immediately prior to the Expiration Date, the Shares tendered and not withdrawn pursuant to the Offer constitute more than 80% and less than 90% of the outstanding shares of common stock of the Company, notwithstanding that all conditions to the Offer are satisfied as of the Expiration Date; or

(iv) as contemplated in paragraph (c)(i) of "Termination" in Section 11 of the Offer to Purchase;

provided, that, in the case of any extension under clause (iii), CEMEX and Purchaser may not thereafter assert the failure of any of the conditions provided for in clauses (a)(iii), (a)(iv), (a)(v), and (b)(ii) of Section 15 of the Offer to Purchase, or for purposes of clause (b)(iii) or (c) of Section 15 of the Offer to Purchase, a Company Material Adverse Effect (as defined in the Offer to Purchase) or a material breach of a representation or warranty, in each such case, by reasons of an event other than a breach of a covenant by the Company occurring after the initial extension under clause (iii). As agreed in the Merger Agreement, if any condition to the Offer is not satisfied or waived on the Expiration Date, subject to the terms of the Merger Agreement, Purchaser must extend the Offer, if such condition or conditions could reasonably be expected to be satisfied, until such conditions are satisfied or waived. See Section 1 and "Termination" of Section 11 of the Offer to Purchase for more details on our ability to extend the Offer. The term "Expiration Date" means 12:01 A.M., New York City time, on Friday, November 3, 2000, unless Purchaser shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

Purchaser has the right to include a "subsequent offering period" in the event that the Minimum Condition has been satisfied but the Shares tendered and not withdrawn pursuant to the Offer constitute less than 90% of the outstanding common stock of the Company as of the Expiration Date. During a subsequent offering period, shareholders may tender, but not withdraw, their Shares and receive the Offer consideration. Under federal securities laws, Purchaser may not extend the Offer during the subsequent offering period for less than three business days or more than 20 business days (for all such extensions).

Any extension of the period during which the Offer is open will be followed, as promptly as practicable, by public announcement thereof, such announcement to be issued not later than 9:00 a.m., New York City time, on the same day as the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares (except during the subsequent offering period.)

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after December 3, 2000; however, Shares

tendered in a subsequent offering period may not be withdrawn. Except as otherwise provided in Section 4 of the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name,

address and taxpayer identification number of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such shares, if different from that of the person who tendered the Shares. If certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depository and, unless such Shares have been tendered for the account of an Eligible Institution (as defined in the Offer to Purchase), the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, and its determination will be final and binding on all parties.

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction for United States federal income tax purposes and possibly for state, local and foreign income tax purposes as well. In general, a shareholder who sells Shares pursuant to the Offer or receives cash in exchange for Shares pursuant to the Merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the shareholder's adjusted tax basis in the Shares sold pursuant to the Offer or exchanged for cash pursuant to the Merger. Provided that such Shares constitute capital assets in the hands of the shareholder, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the holder has held the Shares for more than one year at the time of sale. The maximum United States federal income tax rate applicable to individual taxpayers on long-term capital gains is generally 20%, and the deductibility of capital losses is subject to limitations. All shareholders should consult with their own tax advisors as to the particular tax consequences of the Offer and the Merger to them, including the applicability and effect of the alternative minimum tax and any state, local or foreign income and other tax laws and of changes in such tax laws. For a more complete description of certain United States federal income tax consequences of the Offer and the Merger, see Section 5 of the Offer to Purchase.

The information required to be disclosed by Paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided Purchaser with its list of shareholders and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal and other related materials are being mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent as set forth below and will be furnished promptly at Purchaser's expense. Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

MacKenzie Partners, Inc
156 Fifth Avenue
New York, New York 10010
Call Collect: (212) 929-5500
E-mail: proxy@mackenziepartners.com
or
Call Toll-Free (800) 322-2885

The Dealer Manager for the Offer is:

Salomon Smith Barney
388 Greenwich Street
New York, New York 10013
Call Toll Free: (877) 755-4456

October 5, 2000

CONSENT OF INDEPENDENT AUDITORS

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

We consent to the use of our reports included herein and to the reference to our firm in the Tender Offer Statement.

KPMG Cardenas Dosal S.C.

/s/ Rafael Gomez Eng
Rafael Gomez Eng

Monterrey, N.L., Mexico
October 3, 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We here consent to the use in the Tender Offer Statement on Schedule TO, to be filed by CENA Acquisition Corp., and CEMEX, S.A. de C.V., of our reports dated January 12, 2000, relating to the financial statements of Agregados y Triturales Monterrey, S.A. de C.V., Arenera del Oriente, S.A. de C.V., Autotransportes de Huichapan, S.A. de C.V., Cal Guadalajara, S.A. de C.V. (formerly Simifa, S.A. de C.V.) Cementos Anahuac, S.A. (formerly Inmobiliaria Angela Segovia, S.A.), Cementos del Noreste, S.A. de C.V. (formerly Polycemex, S.A. de C.V.), Cementos del Norte, S.A. de C.V. (formerly Inmobiliaria ZP Triangular, S.A. de C.V.), Cementos de Oriente, S.A. de C.V. (formerly Maquiladora y Distribuidora de Materiales para la Construccion, S.A. de C.V.), Cementos Guadalajara, S.A. de C.V. (formerly Inmobiliaria Industrial Mazatlan, S.A. de C.V.), Cementos Monterrey, S.A. de C.V. (formerly Polimeros Cemex, S.A. de C.V.), Cemex Concretos, S.A. de C.V. (formerly Concretos de Alta Calidad y Agregados, S.A. de C.V.), Cemtec, S.A. de C.V., Compania de Transporte del Mar de Cortes, S.A. de C.V., Compania Minera Atoyac, S.A. de C.V., Concreto Premezclado Nacional, S.A. de C.V., Concreto y Precolados, S.A. de C.V., Explotadora de Canteras, S.A. de C.V., Granos y Terrenos, S.A. de C.V., Pavimentos Mexicanos de Concreto, S.A. de C.V., Petrocemex, S.A. de C.V., Productora de Bolsas de Papel, S.A., Productos Calcareaos, S.A. de C.V. and Proveedora Mexicana de Materiales, S.A. de C.V.

PricewaterhouseCoopers

/s/ Hector Puente S.
Hector Puente S.

Monterrey, N.L.
Mexico
October 3, 2000

[CHASE LOGO]

[DEUTSCHE BANK AG LOGO]

28 September 2000

Cemex, S.A. de C.V. ("Green")
AV. Constitucion 444 Pte
Monterrey
Mexico 6400

Attention:Rodrigo Trevino
Chief Financial Officer

Dear Sirs,

Project Rey/Spur--Credit Facilities--Commitment Letter

1. Introduction

This Commitment Letter, together with the terms set out in the Term Sheet attached as the Appendix (the "Arrangement Terms") sets out terms and conditions of the facility (the "Facility"), which, respectively, The Chase Manhattan Bank and Deutsche Bank AG London (in such capacity, each a "Joint Underwriter" and together the "Joint Underwriters") are prepared to co-underwrite, and Chase Manhattan plc and Deutsche Bank Securities Inc. (in such capacity and as bookmanager, each a "Joint Lead Arranger" and together the "Joint Lead Arrangers") are prepared to co-arrange in connection with the offer (the "Offer") proposed to be made by Bidco for all the shares in the capital of the company identified by you to us as "Spur" (the "Target") and Bidco's acquisition of those shares (the "Acquisition").

Undefined capitalised terms used in this Commitment Letter have the meanings given to them in the Arrangement Terms. References to this Commitment Letter include its Appendix.

The Facility comprises an 18 month US\$1,500,000,000 term loan facility to be provided to the Bank Borrower Vehicle (the "Borrower"), a newly-formed special purpose company, to be incorporated in a jurisdiction acceptable to the Banks and owned by a charitable trust (or otherwise constituted in a manner acceptable to the Banks) in accordance with the Structure Paper, pursuant to facility documentation (the "Facility Documentation") to be entered into on the terms envisaged by the Arrangement Terms.

The proposal and underwriting commitment set out in this Commitment Letter is subject to the conditions set out in paragraph 16 below.

Our obligations under this Commitment Letter are subject to your signature of our letters to you (the "Fee Letters") dated the same date as this Commitment Letter and which set out details of certain fees payable in relation to the Facility.

This Commitment Letter regulates certain matters relating to the Facility and shall survive execution of the Facility Documentation.

2. Clear Market

It is agreed that (a) the Joint Lead Arrangers will together act as the sole and exclusive arrangers and bookmanagers of the Facility, (b) the Facility Agent will act as the sole and exclusive facility agent in respect of the Facility and (c) the Joint Underwriters will together initially act as the sole and exclusive underwriters of the Facility.

Except for the Facility and the US\$1,400,000,000 facility to be made available to Bidco (the "Bidco Facility"), for the purposes of or in connection with, the Offer and the Acquisition and except for the refinancing of the US\$400,000,000 bridge facility to Green by Chase and of certain other bridge and asset financings and except with the prior written consent of the Joint Lead Arrangers:

- (i) there will not at any time until the date syndication of the Facility has been successfully completed (the "Syndication Date") be (or be announced, arranged, underwritten, syndicated, attempted or solicited) any other public or private financing in the domestic (whether in the United Kingdom, the United States of America or elsewhere) or international money, debt, bank or capital markets (including, but not limited to, any public or private bond issue, private placement, note issuance, bilateral or syndicated credit) for (or guaranteed by) Green or any other member of the Group including (after the Target becomes a subsidiary of Bidco) the Target or any of its subsidiaries; and
- (ii) no amendment, waiver or consent shall be requested at any time prior to the Syndication Date in respect of anything referred to in (i) above,

but the restrictions in (i) and (ii) above shall not:

- (a) prohibit you, the Target and/or any of its subsidiaries from approaching existing lenders to the Target and/or any of its subsidiaries for any amendment, waiver or consent required to avoid the Acquisition triggering a default, event of default or the like in respect of any borrowed money (or any facility which may give rise to borrowed money) of the Target and/or any of its subsidiaries; or
- (b) prohibit Yellow from (i) making a capital markets issue; or (ii) the securitisation of Yellow receivables; and (iii) the refinancing of the Vencemos trade facility provided in each case provided the size, terms, structure and pricing thereof have been previously approved by the Joint Lead Arrangers (such approval not to be unreasonably withheld); or
- (c) prohibit Green from making a capital markets issue or continuing the syndication of the new USCP program in each case provided the size, terms, structure and pricing thereof have previously been approved by the Joint Lead Arrangers (such approval not to be unreasonably withheld).

3. Delegation

Each of the Joint Lead Arrangers and the Joint Underwriters may delegate any or all of its respective rights and/or obligations under any Underwriting Document to any of its affiliates (each a "Delegate") and may designate in writing to you any Delegate of its as responsible for the performance of any of its appointed functions under any Underwriting Document. Any Delegate must have the financial resources to honour obligations so delegated to it.

In this Commitment Letter "Underwriting Documents" means this Commitment Letter, the Fee Letters, the Facility Documentation and any documentary ancillary or supplemental to any of the foregoing.

4. Syndication Strategy

It is the intention of the Joint Lead Arrangers, prior to or after the execution of the Facility Documentation, to syndicate all or a portion of the commitment of the Joint Underwriters under the Facility Documentation to one or more Banks. You understand that the Joint Lead Arrangers intend to commence syndication efforts promptly following the date of your acceptance of this Commitment Letter. The Joint Lead Arrangers will, in consultation with you, manage all aspects of the syndication, including the selection of Banks, determination of when the Joint Lead Arrangers will approach prospective Banks,

any naming rights and the final allocation of the commitments among the Banks. It is also understood and agreed that the amount and distribution of participating fees among the Banks will be at the Joint Lead Arrangers' discretion, after consultation with you, and that no Bank will receive any compensation of any kind for its participation in the Facility, except as expressly provided for in the Fee Letter or in the Facility Documentation.

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You will actively assist the Joint Lead Arrangers in completing a timely and orderly syndication of the Facility in a manner satisfactory to the Joint Lead Arrangers and the Joint Underwriters. Such assistance shall include, but not be limited to (in addition to the obligations set out under the heading "Information Memorandum" below):

- (a) you using all reasonable efforts to ensure that the syndication efforts benefit from your existing lending relationships and those of Yellow and, so long as the Offer is recommended (and to the extent reasonably possible), those of the Target;
- (b) direct contact during the syndication process between senior management, senior representatives and advisers of you, Sunward, Yellow and, so long as the Offer is recommended (and to the extent reasonably possible), the Target, on the one hand, and the prospective Banks, on the other hand;
- (c) providing assistance in the preparation of a confidential Information Memorandum and other marketing materials to be used in connection with the syndication and providing all Information and Projections (each as defined below) reasonably deemed necessary by the Joint Lead Arrangers to successfully complete the syndication of the Facility;
- (d) the hosting, with the Joint Lead Arrangers, of one or more meetings of, and holding discussions with, prospective Banks;
- (e) agreeing to interest periods of one month's duration or less in respect of the Facility during syndication; and
- (f) ensuring that the syndication of the Facility is properly and satisfactorily coordinated with the syndication of the Bidco Facility.

5. Information Memorandum

In line with normal euromarket practice, the Joint Lead Arrangers may provide an Information Memorandum, on your behalf, to prospective Banks on a strictly confidential basis. Such an Information Memorandum would, subject to applicable law, contain all relevant information about the Group, the Yellow Group, the Target, the Target Group, the financing structure for the Acquisition and the Facility and the use to which the proceeds of the Facility will be applied.

We shall be pleased to help in the preparation of such an Information Memorandum. However, you will need to represent to the Joint Lead Arrangers in the terms set out below in respect of the Information Memorandum. In underwriting, arranging and syndicating the Facility, the Arranging Parties will be using and relying on such information without independent verification.

You will be asked to approve the final version of the Information Memorandum before its distribution to prospective Banks.

6. Supplied Information and Projections

You hereby represent, warrant and covenant to the Arranging Parties that (a) to the best of your knowledge, all information and data (excluding financial projections) concerning the Group, the Yellow Group, the Target, the Target Group, the financing structure for the Acquisition and the Facility and/or the use to which the proceeds of the Facility will be applied and the other

transactions contemplated by this letter (the "Information") that has been or will be prepared by or on behalf of you or any of your authorised representatives and that has been made available or will be made available to any of the Arranging Parties by you or any of your authorised representatives in connection with the transactions contemplated by this Commitment Letter is, or will at the time such information is made available be, when taken as a whole, accurate, correct and complete in all material respects and does not, and at the time such information is made available will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, taken as a whole, not misleading in any material respect in light of the

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circumstances under which such statements are made and (b) all financial projections concerning the Group, the Yellow Group, the Target, the Target Group, the financing structure for the Acquisition and the Facility and the use to which the proceeds of the Facility will be applied and the other transactions contemplated by this Commitment Letter that have been or will be prepared by or on behalf of you or any of your authorised representatives and that have been or will be made available to any of the Arranging Parties by you or any of your authorised representatives in connection with the transactions contemplated by this letter (the "Projections") have been and will be prepared in good faith based upon assumptions believed by you to be reasonable at the time made and at the time made available to any Arranging Party.

7. Updating of Information and Projections

You agree to supplement all Information concerning the Group, the Yellow Group, the Target and the Target Group that is or has been made available to the Arranging Parties and all the Projections which have been or are hereafter prepared by any of the Group, the Yellow Group, the Target or the Target Group from time to time until the sub-underwriting and general syndication of the Facility has been successfully completed so that all information provided remains, to the best of your knowledge, true and correct in all material respects and all projections remain based on assumptions believed by you to be reasonable.

8. Syndication

The Joint Lead Arrangers shall be entitled, following consultation with you, to change the existing structure (or to seek an alternative structure (including capital markets solutions)), amount, terms and/or pricing of the Facility, if the syndication has not been successfully completed following efforts by the Joint Lead Arrangers which are in their opinions reasonable and if the Joint Lead Arrangers determine that, in the light of the same, changes are advisable in order to ensure a successful syndication of the Facility.

9. Confidentiality

This underwriting commitment is intended for the Borrower's exclusive use and is made on the express understanding that it and its terms and conditions and that each of the Underwriting Documents will be treated as strictly confidential; provided that you may disclose this underwriting commitment (including its terms and conditions) (but not, in the case of (b) and (c) below, the Fee Letters) (a) to your accountants, attorneys and other advisers, in each case only in connection with the transactions contemplated by this Commitment Letter, (b) in any document in relation to the Offer or press release relating to the Offer, to the extent required by law or the rules of any competent regulatory authority, (c) to the directors of the Target in connection with the Offer or (d) as you may be compelled to do so in a judicial or administrative proceeding or as otherwise required by law.

10. Conflicts

Upon countersignature of this Commitment Letter you acknowledge that the Joint Underwriters and/or the Joint Lead Arrangers, their respective parent

undertakings, subsidiary undertakings and fellow subsidiary undertakings (collectively the "Arranging Groups") may be providing debt financing, equity capital or other services (including financial advisory services) to other persons with whom you may have conflicting interests.

No member of the Arranging Groups shall use confidential information obtained from you by virtue of the Facility or its relationship with you in connection with its performance of services for other persons. This shall not, however, affect any obligations that any member of the Arranging Groups may have as Facility Agent under the Facility Documentation. You also acknowledge that no member of the Arranging Groups has any obligation to use in connection with the transactions contemplated by this Commitment Letter, or furnish to you, confidential information obtained from other persons.

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The terms "parent undertaking", "subsidiary undertaking" and "fellow subsidiary undertaking" have the meanings given to them in Sections 258 and 259 of the Companies Act 1985.

The term "confidential information" means any information relating to the Group, the Yellow Group, the Target, the Target Group and/or their affiliates and/or their business excluding any information which (i) at the time of disclosure is in the public domain, (ii) comes into the public domain other than as a result of a breach of the confidentiality obligations contained in this Commitment Letter or (iii) became available to the disclosing party from a source other than the Group, the Yellow Group, the Target or the Target Group (or in each case, any of their affiliates).

11. Indemnity and Limitation

Upon countersignature of this Commitment Letter by you, you agree to indemnify, and hold harmless, each member of the Arranging Groups and their directors, officers, employees and agents (each an "Indemnified Person") against any loss, claim, damage, liability, cost or expense incurred in connection with any claim, litigation, investigation or proceeding relating to this Commitment Letter, the Fee Letters or the Facility or the use or proposed use of proceeds of the Facility (including the reasonable fees and expenses of counsel to the Indemnified Persons), and to reimburse each of such Indemnified Person upon demand for any reasonable legal or other expenses incurred in connection with investigating or defending any of the foregoing (except to the extent resulting from the gross negligence or wilful misconduct of such Indemnified Person).

You also agree that no Indemnified Person shall have any liability (whether direct or indirect in contract or tort or otherwise) to you or any other member of the Group (or your or its affiliates) for or in connection with the transactions contemplated by this Commitment Letter except following your acceptance of this Commitment Letter for (i) breach of the terms of this Commitment Letter or (ii) any such liability for loss or damages incurred to the extent that such losses or damages are found in a final judgment by a court of competent jurisdiction (against which no appeal is or can be made) to have resulted directly from the gross negligence or wilful misconduct of such Indemnified Person. No Indemnified Person shall be responsible or liable to you or any other person for consequential damages.

12. Expenses

By countersignature of this Commitment Letter you agree that you shall on demand pay, or procure that there is paid, to the Joint Lead Arrangers and the Joint Underwriters (who shall provide on request reasonable details of the relevant cost or expense) the amount of all reasonable costs and expenses (including, without limitation, legal fees, consultants fees, due diligence expenses, travel expenses and disbursements) incurred by the Joint Lead Arrangers and/or the Joint Underwriters in connection with:

(a) the syndication of the Facility and the negotiation, preparation,

printing and execution of the Underwriting Documents including the Facility Documentation and, establishing the Bank Borrower Vehicle and all other relevant corporate or other entities and carrying out the other steps envisaged by the Structure Paper; and

- (b) any signing and publicity expenses incurred in connection with the Facility and the Facility Documentation.

You shall reimburse, or procure that there is reimbursed, such expenses upon presentation to you by the Joint Lead Arrangers or the Joint Underwriters of a statement of account. You shall reimburse, or procure that there is reimbursed, such expenses in all circumstances and irrespective of whether or not (i) the transactions contemplated by this Commitment Letter are actually completed or (ii) the Facility Documentation is signed.

You confirm that, if such fees have not already been paid, the Joint Lead Arrangers are authorised to deduct all fees payable in relation to the Facility from the drawdown of the Facility by the Borrower.

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All payments to be made by you under any Underwriting Document shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

It is agreed that estimates of expenses accrued will be provided periodically as agreed during the course of the transaction.

13. Taxes

All amounts payable to any of the Arranging Parties under the Underwriting Documents are exclusive of Value Added Tax or any similar taxes ("VAT"). All amounts charged by any Arranging Party or any Bank or for which any Arranging Party or any Bank are to be reimbursed will be invoiced together with VAT, where appropriate.

14. Termination

The Joint Underwriters may terminate their underwriting commitments in respect of the Facility, and the Joint Lead Arrangers may terminate their proposal to arrange the Facility (in each case by written notice to each of the other parties to this Commitment Letter) if:

- (a) Facility Documentation acceptable to the Joint Underwriters and Joint Lead Arrangers is not signed on or before 30 November 2000 (or such later date as the Joint Arrangers may agree); or
- (b) you breach, in any material respect, any term of this Commitment Letter; or
- (c) any information provided by you, any other member of the Group or your or their advisers (either orally or in writing) to any Arranging Party or its advisers is materially inaccurate such that, if such information had been accurate when provided, it could reasonably be expected to be relevant to the decision of the Joint Lead Arrangers and the Joint Underwriters to arrange or underwrite the Facility; or
- (d) you or any member of the Group or your or its advisers fails to disclose material facts or material information to the Joint Lead Arrangers and the Joint Underwriters which could reasonably be expected to be relevant to their decision to arrange or underwrite the Facility; or
- (e) either (i) there occurs after the date of this Commitment Letter any material adverse change in the operations, condition or prospects (financial or otherwise) of the Group including the Target Group or (ii) there occurs a material disruption of or material adverse change

in the financial, banking or capital market conditions, in either case which may have an adverse effect on the successful syndication of the Facility.

The Facility Documentation will embody the commitment of each Bank (including the Joint Underwriters) to lend money to the Borrower under the Facility. The Joint Underwriters will not be obliged to provide the Borrower with any funds under the Facility until the Facility Documentation is signed by the Joint Underwriters and then only pursuant to its terms. No party will be obliged to sign the Facility Documentation unless it is satisfied in all respects with it.

Each of your obligations under the paragraphs headed "Expenses", "Indemnity and Limitation" and "Confidentiality" will survive the termination (for whatever reason) of the Joint Lead Arrangers' and the Joint Underwriters' obligations set out in this Commitment Letter.

15. Assignment

No Underwriting Document nor your rights under it may be assigned without our prior written consent. References in this Commitment Letter to any person shall include any permitted assignee or other successor in title of such person.

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16. Conditions

The proposal and underwriting commitment set out in this Commitment Letter is subject to:

- (a) Chase Manhattan plc being appointed as joint lead arranger and The Chase Manhattan Bank being appointed as joint underwriter in relation to the Bidco Facility on terms acceptable to them, as discussed with you previously;
- (b) finalising in detail the corporate and financing structure for the Offer; however, in this regard, we confirm that we are satisfied with the structure as set out in the draft Structure Paper in the form attached;
- (c) agreement acceptable to you and us on the arrangements for, and interrelationship of, the Facility with the Bidco Facility; and
- (d) the Offer being an all cash offer.

17. Execution and General

If you agree with the terms and conditions of this Commitment Letter, please confirm this by signing, dating and returning the two enclosed copies of this Commitment Letter together with two signed and dated copies of the relevant Fee Letters to Kristian Orssten of Chase Manhattan plc and Robert Gray of Deutsche Bank Securities Inc. on or before 5pm (London time) on 28 September 2000, failing which this proposal and underwriting commitment will terminate.

This proposal and underwriting commitment will take effect subject to the terms and conditions set out in this Commitment Letter once countersigned by you.

If this Commitment Letter is not so accepted, the Underwriting Documents (and any copies) shall be returned to the persons referred to above on behalf of the Arranging Parties promptly.

This Commitment Letter may be executed in counterparts, each of which shall be an original and all of which, taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed

counter-part.

This proposal and underwriting commitment supersedes any prior oral and/or written understandings and/or agreements relating to the Facility. It may not be amended except as agreed in writing by all parties to this Commitment Letter.

You acknowledge that you have not relied on any representation other than those set out in this Commitment Letter. We are not liable to you for any representation (other than any fraudulent one) that is not set out in this Commitment Letter.

Other than the Borrower a person who is not a party to this Commitment Letter shall have no rights under the Contract (Right of Third Parties) Act 1999 to enforce any of its terms.

18. Law and Jurisdiction

This Commitment Letter shall be governed by English law. You irrevocably and unconditionally submit to the exclusive jurisdiction of the High Court of Justice of England and Wales over any suit, action or proceeding arising out of or in relation to this Commitment Letter or any transaction contemplated by this Commitment Letter or the performance of any services under this Commitment Letter. You irrevocably and unconditionally waive any objection to the laying of venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

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You agree that a final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding against you and may be enforced in any other courts to which you are or may be subject, by suit upon judgment.

You irrevocably agree to waive trial by jury in any suit, action, proceeding, claim or counterclaim brought by or on behalf of any party related to or arising out of this Commitment Letter, the transactions contemplated by it or the performance of services under this Commitment Letter.

You hereby irrevocably appoint The Law Debenture Trust Corporation plc as your agent for service of process in England and Wales in respect of this Commitment Letter and the Fee Letters and agree to procure that The Law Debenture Trust Corporation plc promptly after the date of your acceptance of this Letter Commitment accepts such appointment.

We look forward to your favourable response to our proposal and to your mandate to us to proceed with this transaction.

Please confirm your agreement to the above terms by signing where indicated below.

Yours faithfully,

/s/ Kristian Orssten

/s/ Victoria T. Mursell

For and on behalf of
THE CHASE MANHATTAN BANK
Joint Underwriter

For and on behalf of
DEUTSCHE BANK AG LONDON

Joint Underwriter

/s/ Kristian Orssten

/s/ Victoria T. Mursell

For and on behalf of
CHASE MANHATTAN plc
Joint Lead Arranger

For and on behalf of
DEUTSCHE BANK SECURITIES INC.
Joint Lead Arranger

Accepted and agreed by:

CEMEX, S.A. de C.V.

/s/ Ramiro Villarreal

By: Ramiro Villarreal

Date: 28 September 2000

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[CHASE LOGO]

[DEUTSCHE BANK AG LOGO]

This is the Appendix to a Commitment Letter from Chase and Deutsche Bank to Green dated 28 September 2000

The Appendix

Project Rey/Spur

US\$1,500,000,000 SENIOR FACILITY

SUMMARY TERMS AND CONDITIONS

This Appendix should be read in conjunction with the Commitment Letter and the Fee Letter of the same date (together the "Letters"). Undefined capitalised terms used in this Appendix have the meanings given to them in the Letters.

The representations and warranties, events of default, covenants and mandatory-prepayment, yield protection and other commercial provisions will be subject where customary to exceptions, appropriate materiality (referring to the term Material Adverse Effect in provisions which customarily are qualified in this way) and other qualifications, grace periods, baskets and thresholds to be agreed ("Usual Exceptions").

The term "Material Adverse Effect" as used in this Appendix signifies a matter which is reasonably likely materially and adversely to affect:

- (a) the ability of the Borrower and the other relevant members of the Group to comply with their payment obligations and/or the financial covenants (provided that in this latter case such non compliance materially adversely affects or could affect the ability of relevant members of the Group to comply with its payment obligations) under the facility agreement to be made between the Borrower, the Joint Lead Arrangers and others (the "Facility Agreement"), the related fee letter, the Dutch Holdco Documentation, the Trigger Right Agreement and any related documentation, together being the "Facility Documents"; and/or
- (b) the validity or enforceability of any of the Facility Documents; and/or
- (c) the business, assets, financial or trading condition of the Borrower and/or Yellow and its subsidiaries from time to time taken as a whole on a consolidated basis and including the Target from the date (the "Unconditional Date") upon which the Offer becomes or is declared unconditional in all respects in accordance with this Appendix.

The term "material Yellow Group company" as used in this Appendix signifies any member of the Yellow Group accounting for at least 10% of the Yellow Group profit, cash flow or assets.

The Facility is to be made available to the Borrower on the condition that it is to be used in the manner envisaged by the structure we have discussed. A detailed paper (the "Structure Paper") setting out the tax, accounting, corporate and legal structure, consistent with those discussions and this

Appendix will be prepared and agreed between our respective advisers and the availability of the Facility is also conditional on each of the other steps set out in the Structure Paper being fulfilled in accordance with the terms of the Structure Paper.

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A Parties

Finance Parties

Joint Lead Arrangers and
Bookmanager

Chase Manhattan plc and Deutsche Bank Securities Inc. who shall together be joint lead arrangers and joint bookrunners on an equal basis

Joint Underwriters

The Chase Manhattan Bank and Deutsche Bank AG London who shall together be joint underwriters on an equal basis for US\$750,000,000 each

Banks

The Joint Underwriters and the other banks, financial institutions and other entities selected by the Joint Lead Arrangers in consultation with Green in the syndication of the Facility

Facility Agent

Chase Manhattan International Limited

Arranging Parties

The Joint Lead Arrangers, the Joint Underwriters and the Facility Agent

Finance Parties

The Arranging Parties and the Banks

Group Entities

Bidco

a US special purpose vehicle, being a 100% subsidiary of Yellow

Dutch Holdco

a Dutch BV company or other entity (which may be incorporated in another jurisdiction) as agreed between the Arranging Parties and Green; in either case to be majority owned by Sunward and owned as to the remainder by the Bank Borrower Vehicle

Green

Green S.A. de C.V.

Group

Green and all its subsidiary undertakings from time to time

Bank Borrower Vehicle

a company or companies (or other appropriate entities) newly established and owned by a charitable trust (or otherwise not owned by either the Banks or Green) established and structured in a way acceptable to the Joint Lead Arrangers and Green, and in accordance with the Structure Paper

Sunward

Sunward Acquisitions NV a Dutch company and a 100% subsidiary of Green

Target

Spur

Target Group

Target and all its subsidiary undertakings from time to time

Yellow

Yellow S.A.

Yellow Group

Yellow and all its subsidiary undertakings from time to time

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Obligors

Borrower

the top company or entity in the Bank Borrower Vehicle

Warrantors

all other companies or entities in the Bank Borrower Vehicle

As party to the Dutch Holdco Documentation

Sunward

B Description of Facility

Amount

US\$1,500,000,000

Type

Term Loan Facility

Tenor

18 months from signing of the Facility Agreement

Purpose

The Facility is to be used for the Offer Purposes, namely, following the bid for Target becoming unconditional, the financing indirectly of part of the payment by Bidco of (i) consideration due to shareholders in the Target pursuant to the Offer (the shares in the Target acquired by Bidco (whether pursuant to the Offer or otherwise) being "Target Shares"), (ii) consideration due to holders of share options (if any) in the Target in respect of the cancellation of those options and (iii) related fees and expenses, such financing to be provided to Bidco in accordance with the terms of the Structure Paper.

Availability

The Facility shall be available on and from satisfaction of the conditions precedent until 30 June 2001 (the "Availability Period"). Any undrawn amount of the Facility at the end of the Availability Period will be automatically cancelled.

C General Provisions

Repayment

The Facility shall be repaid:

(a) as to US\$300,000,000, in instalments of the following amounts on the following dates after first drawdown:

- . US\$100,000,000 on the ninth month;
- . US\$100,000,000 on the twelfth month; and
- . US\$100,000,000 on the fifteenth month; and

(b) as to the balance on the date falling 18

months after signature of the Facility Agreement

Interest Rate

The interest rate will be the London Interbank Offered Rate ("LIBOR") (determined by reference to the applicable screen page for US dollars) plus the applicable Margin and any applicable additional costs rate.

Interest shall be paid on the last day of each Interest Period and will be calculated on the basis of actual days elapsed and a year of 360 days.

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Margin

The applicable Margin will be determined by the ratio of Total Debt (as defined in "Financial Covenants" below) to EBITDA (as defined in "Financial Covenants" below) (tested quarterly), as follow:

Ratio	Martin (basis points)
-----	-----
3.75 and above	175
3.25-3.75	150
2.75-3.25	125
below 2.75	100

provided that the Margin during the first three months after the Facility is drawn down will be 150 basis points.

Interest Periods

The Facility shall have Interest Periods of 1, 2 or 3 months or such other period as may be agreed to by the Banks. During the syndication process, the Joint Lead Arrangers may require the Facility to have an Interest Period of one month to assist the syndication process.

Default Rate

All overdue amounts, whether of principal, interest, fees or otherwise, shall bear interest at 2% per annum over the rate otherwise applicable thereto.

Commitment Fees

0.375% per annum on the undrawn portion of the Facility from the date of signing the Facility Agreement and during the Availability Period. Such commitment fees shall accrue from signing of the Facility Agreement and be payable quarterly in arrears, and on the drawdown date of the Facility and shall be calculated on the basis of actual days elapsed and a year of 360 days.

Agency Fee

An agency fee in the amount agreed between the Facility Agent and Green in the Fee Letter shall be paid annually in advance to the Facility Agent.

Optional Prepayments

The Borrower may prepay all or, subject to an appropriate minimum amount and multiple, any part of the Facility upon 30 banking days' notice. No penalty, fee or premium will be payable unless the prepayment is otherwise than on the last day of an Interest Period in which

case prepayment shall be subject to an indemnity for broken funding costs.

Mandatory Prepayments

Mandatory prepayments shall be required:

- (a) in full, on an IPO of any member of the Yellow Group or on a change of control or sale of substantially all of the business or assets of any material member of the Yellow Group other than any IPO related to previous agreements with investors under joint venture agreements or similar agreements in connection with Cemex Asia Holdings or any sale of e-business activities of Green or the Group;
- (b) in full, on the Call Option (as defined below) being exercised;
- (c) in full, on the Trigger Right (as defined below) becoming exercisable;

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- (d) in full, on Green ceasing to be the owner, directly or indirectly, of 100% of the issued share capital of Sunward;
- (e) in full, if any debt is raised for the purpose of prepaying any of the Banks (in whole or in part); and
- (f) to the extent such application is legally permitted, from the proceeds of any disposal of assets or shares by any members of the Yellow Group (net of reasonable costs and expenses of disposal and tax incurred or provided for in connection with the disposal) in excess of an amount to be agreed provided this paragraph shall not apply to proceeds of disposals reinvested by any member of the Yellow Group in the ordinary course of business, or used to permanently repay borrowed money of the Yellow Group, within 3 months of receipt of such disposal proceeds.

Amounts prepaid shall not be available for redrawing.

Conditions Precedent

Availability of the Facility is subject to satisfactory legal documentation being agreed between all relevant parties including the Borrower, Sunward and the Banks and certain conditions precedent, each of which shall be in form, substance and in all respects satisfactory to the Facility Agent, including:

- (a) evidence that the corporate and capital structure of the Yellow Group and regarding the Bank Borrower Vehicle and Dutch Holdco, is in accordance with the Structure Paper (noting paragraph 16(b) of the Commitment Letter);
- (b) receipt of copies of constitutive documents and corporate authorities for each Obligor

and each other company entering into the Facility Documentation;

- (c) legal, accounting and tax opinions from counsel and other advisers to the Banks in all applicable jurisdictions;
- (d) copies of the tender offer document(s) and the agreement and plan of merger, in the agreed form (the "Offer Documents");
- (e) evidence that all regulatory and other approvals for the Acquisition have been given (whether formal notification of such approvals has been issued or not) and that the Acquisition is not liable to be prohibited by any relevant regulatory authority;
- (f) the payment of fees pursuant to the Fee Letter;
- (g) the Offer being unconditionally accepted and effective in respect of an aggregate purchase price of not more than an amount to be agreed (it being agreed that if the aggregate purchase price exceeds such amount the extra funding required will be provided by Green and that if the Offer consideration is not all cash, the Banks may reduce the amount of the Facility), with a minimum acceptance level of an amount to be agreed (on the basis it will be that percentage that will enable Bidco to acquire, and merge with, the Target);

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- (h) evidence that the amount advanced under the Facility will, on receipt by the Bank Borrower Vehicle be used to acquire the relevant number of first ranking preference shares of Dutch Holdco (or other suitable instruments as may be agreed which confer priority on the Bank Borrower Vehicle for income and capital of Dutch Holdco (together "Preference Shares")), in accordance with the Structure Paper;
- (i) evidence that Yellow on receipt of the moneys referred to in (h) above will remit such amount to Bidco on terms acceptable to the Banks and in accordance with the Structure Paper;
- (j) a copy of all documentation required to effect (i) above executed by all the parties thereto, in the agreed form;
- (k) evidence that Sunward has contributed 85.15% of Yellow to the Dutch Holdco in exchange for the relevant number of ordinary shares (or other relevant instruments which are subordinate to the Preference Shares in all respects (together the "Ordinary Shares"));

- (l) the Dutch Holdco Documentation (as defined below), in the agreed form, duly executed by all the parties thereto;
- (m) if not constituted by the Dutch Holdco Documentation, the agreement (the "Trigger Right Agreement") constituting the Trigger Right (as defined below), in the agreed form, duly executed by all the parties thereto;
- (n) evidence that the Bidco Facility has been, or will be on the date the Facility is advanced, advanced to Bidco (the Bidco Facility being on the terms and arranged/underwritten by the persons as discussed);
- (o) the Offer Documents having become effective containing an Offer price not exceeding the agreed maximum;
- (p) no material regulatory conditions or undertakings having been required of the Group (including any divestment obligation) and none of the conditions of the Offer relating to price, acceptances and regulatory matters having been waived without in any such case the prior written consent of the Majority Banks having been obtained; and
- (q) evidence that a Debt Service Reserve Account has been established and has been fully funded (with three months' interest).

Further conditions:

- (i) representations and warranties (other than those not to be repeated) are true and accurate on the date of drawdown of the Facility; and
- (ii) no event of default or Trigger Event or potential event of default or Trigger Event has occurred and is continuing or will occur as a result of drawdown of the Facility.

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Condition Subsequent

Green's Egyptian assets to be contributed to Yellow, as envisaged by the Structure Paper, as soon as practicable after the Facility Agreement being executed.

Dutch Holdco Documentation

As a condition precedent to the availability of the Facility, the Dutch Holdco, Sunward (whose obligations to act, or to omit to act, in certain ways as shareholder will be confirmed by Green) and the Bank Borrower Vehicle will enter into an agreement or agreements and will approve Articles of Dutch Holdco (together the "Dutch Holdco Documentation") regulating Sunward's and the Bank Borrower Vehicle's interests in the Dutch Holdco and their respective rights under Preference Shares and

Ordinary Shares held by them and, accordingly, their interests in, and the activities of, Yellow and the payment of dividends by Yellow. The principle point is that the Preference Shares held by the Bank Borrower Vehicle will rank for income and capital in all respects prior to those held by Sunward. No material decision may be made without the consent of holders of all the Preference Shares.

Dutch Holdco will have a corporate entity as its sole managing director and certain reserved matters may only be exercised with the consent of both the Bank Borrower Vehicle and, save as described below, Sunward

Additional Rights of the
Bank Borrower Vehicle

Under the Dutch Holdco Documentation the Bank Borrower Vehicle will have the right (the "Trigger Right"), on the occurrence of certain specified events (including an Event of Default under the Facility Agreement) (each a "Notice Event"), to give notice to Sunward. Sunward will continue to have the right, within a specified period after such notice, either to (i) exercise and complete the Call Option or (ii) place Dutch Holdco into liquidation.

If Sunward places Dutch Holdco into liquidation, the pre-agreed liquidator will be obliged to sell such number of Yellow shares as are required to be sold in order to effect a repayment of the Facility Outstanding Amount (as defined below), but such sale would be conducted through procedures which would be set out in the Dutch Holdco Documentation (the "Trigger Procedures"). The Trigger Procedures would require the appointment jointly by Dutch Holdco and the Facility Agent of agreed investment bank(s) (the "Investment Banks") to advise on and to market the Yellow shares with a view to obtaining the best price reasonably obtainable in the open market given a reasonable period (to be agreed) in which to achieve such sale. If the Facility Agent is advised by the Investment Banks that it is not necessary to sell all the Yellow shares in order to repay all amounts outstanding in respect of the Facility, the Investment Banks will market for sale such number of Yellow shares as the Facility Agent determines (on such advice) is required to be sold in order to repay all amounts outstanding or otherwise due in relation to the Facility.

The proceeds of sale would be used to repay/redeem the Preference Shares (together with accrued coupon, costs and expenses and any taxes or duties) and any surplus would be paid on the Ordinary Shares. To the extent it would be necessary to place Dutch Holdco into liquidation in order to make a lawful distribution on the Preference Shares, the Dutch Holdco Documentation will provide for all

necessary resolutions to that effect to be passed.

It is agreed that Sunward will retain the ability, pursuant to the Call Option described below, to avoid Yellow shares being sold to a third party. Sunward can do this at any time before such sale is effected. Under the terms of the Trigger Sale Procedures, Sunward will receive notice (of a reasonable period to be agreed) of any intended sale under the Trigger Right, to afford Sunward/Green the opportunity to use the Call Option.

If (a) a Notice Event occurs and Sunward does not take either of the actions in (i) or (ii) above within such specified period, or (b) Sunward fails to exercise and complete the Call Option by the maturity date of the Facility where the Facility has not otherwise been repaid in full, arrangements will apply under which the Bank Borrower Vehicle will be able to cause Dutch Holdco to sell Yellow shares to the extent required to repay the Facility Outstanding Amount.

Call Option

Sunward and the Bank Borrower Vehicle will enter into a call option (the "Call Option") pursuant to which Sunward will have the right, at any time during the term of the Facility, to purchase from the Bank Borrower Vehicle all its Preference Shares. The consideration payable by Sunward on exercise of this option will be that amount as is required to repay the Facility in full, together with all interest and all other amounts due under the Facility Documentation up to the date of such repayment (the "Facility Outstanding Amount").

Representations and Warranties

Subject to the Usual Exceptions, the representations and warranties to be given by each Obligor in respect of itself and Yellow Group will include representations and warranties as commonly found in a facility of this type including those representations and warranties as to:

- (a) status, due incorporation, power and authority to perform, no requirement to file the Facility Documentation, no event of default continuing, no breach of borrowing restrictions, consents and compliance with laws, non-conflict with law or other agreements and obligations under the Facility Documentation are binding;
- (b) no material litigation or labour disputes, no winding-up or other insolvency proceedings, no material adverse change, no encumbrances (other than as permitted), no material defaults;
- (c) no unpaid taxes or overdue filings in respect of any member of the Group;

- (d) Finance Parties' claims will rank pari passu;
- (e) Information supplied, accounts and projections;
- (f) (from the Borrower only) the Borrower is controlled by the trustees of the charitable trust;
- (g) compliance with environmental law and approvals;
- (h) key intellectual property representations;
- (i) each of (i) (from each Obligor other than Sunward) the Borrower and the Bank Borrower Vehicle and (ii) (from each Obligor) Dutch Holdco is a holding company and does not have any material assets or material liabilities other than shares (or other interest) in the other entities in the Bank Borrower Vehicle or Yellow (in accordance with the Structure Paper) and intercompany debt, in accordance with the Structure Paper;
- (j) no borrowed money, other than as permitted;
- (k) all shares in Target acquired by Bidco will be beneficially owned by Bidco free from encumbrances;
- (l) the transactions contemplated in the Structure Paper are and can be implemented in all material respects in accordance with the terms of the Structure Paper and all applicable laws and regulations;
- (m) original financial statements were properly prepared and give a true and fair view;
- (n) no material adverse change since original financial statements;
- (o) (after the expiry of a 120 day clean up period beginning on the date of the Acquisition) relevant representations about the Target and the Target Group as required by reference to the results of due diligence on the Target and the Target Group.

The representations and warranties will be repeated on the drawdown date of the Facility, the date upon which the Offer is made and on the first day of each Interest Period, subject to the Usual Exceptions.

Additionally, under the Facility Documents, Sunward will give certain representations regarding, amongst other things, its ownership of shares in Dutch Holdco, the injection of Yellow into Dutch Holdco and the arrangements set out in the Structure Paper.

Financial Covenants

The following financial covenants will apply, to be tested quarterly:

- (a) Total Debt: EBITDA at level(s) to be agreed; and
- (b) EBITDA: Total Interest, at level(s) to be agreed,

where:

"Total Debt" means the aggregate total debt of the Yellow Group and principal element of the consideration payable by

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Sunward under the Call Option (being the Facility Outstanding Amount from time to time) minus the amount standing to the credit of the Debt Service Reserve Account, but including any off-balance sheet financings. Note: Some exceptions to this definition will be agreed to carve out certain indebtedness of Yellow Group (i.e. non interest-paying subordinated intercompany loans, subordinated to the Preference Shares on terms satisfactory to the Banks, from members of Green group, financial derivatives and operating leases)

"EBITDA" means EBITDA of the Yellow Group, provided that if country risk for any country materialises, the contribution to EBITDA of any members of the Yellow Group in that jurisdiction shall be ignored; Note: Certain adjustments to reflect Spanish GAAP treatment to prior year figures and the way to incorporate EBITDA coming from acquired subsidiaries during calculation period, to be discussed; and

"Total Interest" means total interest on Total Debt plus preferred dividends (or similar) paid by members of the Yellow Group on puttable securities (or similar)

Information Covenants

Each of the Borrower and Yellow shall provide financial information including the following:

- (a) (from Yellow) annual audited accounts of it and audited consolidated accounts of the Yellow Group within 180 days of the financial year-end;
- (b) (from Yellow) the quarterly accounts of the Yellow Group within 60 days of the end of each quarter;
- (c) (from Yellow) together with each set of accounts delivered pursuant to (a) or (b) above, annual or, as the case may be, quarterly compliance certificates signed by two directors (one of whom is the Finance Director) and, in the case of compliance certificates delivered with the annual audited consolidated accounts, such compliance certificates are to be signed by the Yellow Group's auditor together with a

certificate, signed by two directors or Yellow's auditors as aforesaid, stating the amount of Total Debt; and

- (d) (from the Borrower or, as appropriate, Yellow) such other information in the possession of the Borrower and/or Yellow relating to the financial condition of it and the other parts of the Bank Borrower Vehicle, the Yellow Group or any member of the Group as the Facility Agent may reasonably request.

Negative undertakings

Negative undertakings, as commonly found in a facility of this type, including the following, will apply in relation to the Obligor and the Yellow Group, subject to the Usual Exceptions:

- (a) no encumbrances other than permitted encumbrances;

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- (b) no indebtedness save for indebtedness under the Facility Documentation and the Bidco Facility and an aggregate permitted amount for the Yellow Group to be agreed by Green and the Joint Lead Arrangers by reference to relevant financial parameters;
- (c) limitation on finance leasing arrangements, hire purchase, conditional sale or other agreements for the acquisition of any asset upon deferred payment terms other than trade credit incurred in the ordinary course of business and subject to limitations to be agreed, with all existing arrangements of this type disclosed to the Joint Lead Arrangers and further arrangements of this type up to an amount to be agreed to be permitted;
- (d) limitation on guarantees or indemnities and loans save for the ordinary course of trading activities and guarantees, indemnities and loans to other members of the Yellow Group;
- (e) no factoring of receivables and no sale and leaseback transaction, in the case of factoring, in excess of an aggregate limit for the Yellow Group to be agreed;
- (f) limitation on acquisition of any property or investments or subsidiaries and no entry into joint venture or similar arrangements above a certain value, to be agreed, without prior written consent of the Majority Banks;
- (g) other than in relation to the merger of Bidco and the Target pursuant to the agreement and plan of merger, a limitation on redemption, repurchase, retirement or acquisition of any share capital or warrants or repayment of shareholder or subordinated debt, if any;

- (h) prohibition on arrangements restricting implementation of the Acquisition or restricting implementation of the steps in the Structure Paper;
- (i) other than in relation to the merger of Bidco and the Target pursuant to the agreement and plan of merger, a restriction on changes from core business and no amalgamations or mergers without consent of the Majority Banks;
- (j) limitation on sale, transfer, lease or other disposal of assets subject to a threshold to be agreed, other than where such disposal is required by a relevant regulatory body or where the proceeds of such disposal are reinvested in assets compatible with the business of the Yellow Group, or used to permanently repay borrowed money of the Yellow Group, within a period to be agreed;
- (k) no arrangement or transactions other than on an arm's length basis in normal course of business;
- (l) no cashflow restrictions, other than under the Facility Agreement and any imposed by law or under the existing contractual arrangements of members of the Target Group;

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- (m) no issue or allotment to non-Yellow Group companies of any shares or relevant securities;
- (n) neither the Bank Borrower Vehicle nor Dutch Holdco shall carry on any business save for acting as a holding company, the making of loans envisaged by the Structure Paper, or own any material assets or (subject to a threshold to be agreed) have material liabilities, other than shares in other entities in the Bank Borrower Vehicle or, as appropriate, Yellow, in accordance with the Structure Paper or as otherwise required by the Structure Paper; and
- (o) neither the Bank Borrower Vehicle nor Dutch Holdco shall carry on any business save for acting as a holding company, the making of loans to or own any material assets (or subject to a threshold to be agreed) have material liabilities other than shares in other entities in the Bank Borrower Vehicle or, as appropriate, Yellow, in accordance with the Structure Paper.

Positive Undertakings

Positive undertakings, as commonly found in a facility of this type, including the following will apply in relation to the Obligor and the Yellow Group, subject to the Usual Exceptions:

- (a) use the proceeds of the Facility only as permitted by the Facility Agreement;
- (b) promptly obtain and renew all necessary consents, filings and authorisations;
- (c) maintain appropriate level of insurances over all assets and in compliance with all other relevant documentation (e.g. leases);
- (d) promptly pay all taxes imposed/file tax returns;
- (e) observe and comply with all obligations in respect of intellectual property, the failure to comply with which would have a Material Adverse Effect;
- (f) observe and comply with all obligations in respect of environmental laws and environmental approvals, the failure to comply with which would have a Material Adverse Effect;
- (g) (by the Borrower) ensure pari passu ranking of payment obligations of the Borrower under the Facility Agreement with other unsecured unsubordinated debt obligations of the Borrower;
- (h) maintenance of corporate existence, compliance with all laws and directives applicable to the relevant business;
- (i) comply in all respects with any prohibitions against financial assistance under laws of any applicable jurisdiction;
- (j) Yellow will procure that the Bidco Facility (that Facility being on the terms and arranged/underwritten by the persons as discussed) will be available to the Target on the date there is a change of control of the Target as a result of the Offer, and that on that date, Target will repay in full the outstandings, if

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any, under any existing credit facilities and will cancel the available commitments thereunder in full and will procure the release and discharge of any guarantees or security provided by it or its subsidiaries in respect of such facilities as soon as practicable thereafter and in any event within 30 days thereof save, in either case, where consents or waivers have been obtained which mean that facilities are not repayable as a result of the Offer/Acquisition;

- (k) ensure that at all times the Debt Service Reserve Account is funded with three months' interest; and
- (l) Yellow will use its best endeavours to agree extensions to the maturity of its

facilities.

Offer Covenants

The Facility Agreement will contain undertakings by the relevant Obligor concerning conduct of the Offer by Bidco typical for the financing of an Offer for a US target (subject to consent by the Majority Banks to the contrary), including:

- (a) no other public statement made in connection with the Offer which is inconsistent with the terms of the Offer Documents;
- (b) keep the Facility Agent informed as to status and the progress of the Offer, and promptly reply to requests by the Facility Agent to supply information in connection with the Offer;
- (c) making of the Offer within a period to be agreed;
- (d) no acquisition of shares in Target to a level that would trigger a mandatory offer;
- (e) compliance with the provisions of applicable law, regulations, codes and practices; and
- (f) the Offer to be in accordance with the Offer Documents provided as conditions precedent and not to include terms materially different or adverse to the Facility.

Events of Default

Events of default commonly found in a facility of this type including the following will apply, subject to the Usual Exceptions (which shall include grace/cure periods and materiality tests to be agreed and carve-outs will be agreed to exclude events relating to the Bank Borrower Vehicle which are attributable to the Finance Parties knowingly causing the Bank Borrower Vehicle to breach obligations under the Facility Documentation):

- (a) non-payment;
- (b) breach of covenant;
- (c) breach of representation or warranty;
- (d) invalidity or unlawfulness or repudiation of Finance Documents;
- (e) cross acceleration with any other financial indebtedness in excess of an amount to be agreed of any Obligor or any member of the Yellow Group (other than existing Target

Group debt capable of being declared due by reason solely of a change in control) or of Green;

- (f) insolvency and related matters affecting any Obligor or any material Yellow Group company;
- (g) litigation affecting any Obligor or material Yellow Group company;
- (h) any Obligor or a material Yellow Group company ceases or proposes to cease carrying on its business;
- (i) compulsory acquisition of all or any part of the property or assets of any Obligor or material Yellow Group Company;
- (j) the accounts are materially qualified by the auditors;
- (k) Sunward ceases to hold the requisite percentage of the entire issued share capital of Dutch Holdco;
- (l) the Bank Borrower Vehicle ceases to hold the requisite percentage of the entire issued share capital of Dutch Holdco (other than as a result of a default by the Banks);
- (m) Dutch Holdco ceases to hold directly the requisite percentage (85.15% plus any increased capital) of the entire issued share capital of Yellow;
- (n) Yellow ceases to hold directly 100% of the entire issued share capital of Bidco; and
- (o) material adverse change (by reference to Material Adverse Effect).

Assignments and Transfers

The Banks may assign or transfer their interests in the Facility to any bank or financial institution with the consent of Yellow (such consent not to be unreasonably withheld or delayed).

Majority Banks

51%

Other provisions

In addition to the above terms, the Facility Agreement will be drafted on terms which are usual for a facility of this type including indemnities protecting the Banks for broken funding and enforcement costs and for liabilities incurred due to the Borrower's (other than as a result of a default by the Banks) or any member of Yellow Group's default and terms relating to illegality, increased costs, market disruption, withholding tax, payments and to provide for changes in market practice as a result of EMU. These terms and conditions may be amended, as mutually agreed, to reflect issues needed for proper execution of the transaction.

Law

The Facility Agreement and other Facility Documentation will be governed by English law.

September 28, 2000

Cemex S.A. de C.V.
Av. Constitucion 444 Pte.
Monterey, N.L. 64000
Mexico

Attention: Rodrigo Trevino Muguerza
Chief Financial Officer

\$350,000,000 364-Day Revolving Credit Facility
\$500,000,000 364-Day Revolving Credit Facility
\$550,000,000 5-Year Term Loan

COMMITMENT LETTER

Ladies and Gentlemen:

Cemex S.A. de C.V. (the "Company") has advised Salomon Smith Barney Inc. ("SSB") and Citibank, N.A. ("Citibank"; collectively, with SSB, "Citi/SSB") that the Company intends to cause its majority-owned subsidiary, Cia. Valenciana De Cementos Portland S.A., to organize a single-purpose, wholly-owned acquisition vehicle ("Bid Co") that will offer to acquire through a tender offer all of the shares of the outstanding capital stock (the "Target Stock") of a publicly-held corporation code named "Spur" (the "Target"), but in any event not less than sufficient shares of Target Stock to enable Bid Co, voting without any other shareholders of the Target, to approve a merger (the "Merger") of Bid Co with the Target. As promptly as practicable after the closing of the Tender Offer, Bid Co will consummate a merger with the Target in which the Target will be the surviving corporation (the "Surviving Corporation"). The Company has further advised Citi/SSB that it desires to establish, for Bid Co and following the merger, the Surviving Corporation, a \$350,000,000 364-Day Revolving Credit Facility, a \$500,000,000 364-Day Revolving Credit Facility and a \$550,000,000 5-Year Term Loan (collectively the "Facilities"), which would be used for the purposes described in Annex 1. Subject to the terms and conditions of this letter and the attached Annex I (collectively, and together with the Fee Letter referred to below, this "Commitment Letter"), Citibank is pleased to inform the Company of Citibank's commitment to provide the entire amount of the Facilities.

Section 1. Conditions Precedent. Citibank's commitment hereunder is subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including, without limitation, a guarantee of the Facilities provided by Cia. Valenciana De Cementos Portland S.A.; (the "Operative Documents"); (ii) the accuracy and completeness of all representations that the Company, Bid Co and their affiliates make to Citi/SSB and all information that the Company, Bid Co and their affiliates furnish to Citi/SSB and the Company's compliance with the terms of this Commitment Letter; and (iii) the payment in full of all fees, expenses and other amounts payable under this Commitment Letter.

Section 2. Commitment Termination. Citibank's commitment hereunder will terminate on the earlier of (a) the date the Operative Documents have been executed, and (b) December 15, 2000. Before such date, Citibank may terminate its commitment hereunder if (i) the Company fails to comply with the provisions of the third paragraph of Section 3 hereof, (ii) any event occurs or information becomes available that, in its judgment, results or is likely to result in the failure to satisfy any condition set forth in Section 1 or (iii) any condition or event occurs that results in (A) a material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of (1) the Company or the Company and its subsidiaries; including the Target, taken as a whole since December 31, 1999, or (B) any change in loan syndication, financial or capital market conditions generally

that, in the judgment of SSB, would materially impair syndication of the Facilities. Once the Operative Documents have been executed, the commitments shall terminate on May 31, 2001 if the conditions to effectiveness of the Operative Documents have not been satisfied on or prior to such date.

Section 3. Syndication. Citibank reserves the right, before or after the execution of the Operative Documents, to syndicate all or a portion of its commitment to one or more other financial institutions reasonably acceptable to the Company that will become parties to the Operative Documents pursuant to a syndication to be managed by SSB (the financial institutions becoming parties to the Operative Documents being collectively referred to herein as the "Lenders"). SSB will manage all aspects of the syndication in consultation with the Company, including the timing of all offers to potential Lenders, the determination of the amounts offered to potential Lenders, the acceptance of commitments of the Lenders and the compensation to be provided to the Lenders.

The Company shall take all action as SSB may reasonably request to assist SSB in forming a syndicate acceptable to SSB and the Company. The Company's assistance in forming such a syndicate shall include but not be limited to (i) making senior management and representatives of the Company, and to the extent practicable, the Target available to participate in information meetings with potential Lenders at such times and places as SSB may reasonably request; (ii) using the Company's best efforts to ensure that the syndication efforts benefit from the Company's and the Target's lending relationships; and (iii) providing SSB with all information reasonably deemed necessary by it to successfully complete the syndication.

To ensure an effective syndication of the Facilities, the Company agrees that until the termination of the syndication (as determined by SSB), the Company will not, and will not permit any of its affiliates to, syndicate or issue, attempt to syndicate or issue, announce or authorize the announcement of the syndication or issuance of, or engage in discussions concerning the syndication or issuance of, any debt facility or debt security (including any renewals thereof) in the commercial bank market, without the prior written consent of SSB; provided, however, that the foregoing shall not limit the Company's ability to issue (i) commercial paper, (ii) other short-term debt programs currently in place, (iii) equity or public debt securities, (iv) a \$200 to \$300 million commercial paper program syndication for the Company., (v) a \$70 to \$100 million pre-export facility for the Company's Venezuela operations, (vi) a \$1 billion medium term note issue in euros or dollars for Cia. Valenciana De Cementos Portland S.A., (vii) a \$500 million syndicated credit facility or bond offering for the Company or (viii) the execution of the syndication to not more than eight financial institutions of the \$1.5 billion European Equity Swap facility in favor of Cia. Valenciana De Cementos Portland S.A.

Citibank will act as the sole Administrative Agent for the Facilities and SSB will act as sole lead arranger and syndication agent. No additional agents, co-agents or arrangers will be appointed, or other titles conferred, without the consent of SSB and Citibank; provided, however, to the extent that the Company identifies another financial institution satisfactory to SSB in its reasonable discretion that will commit \$700,000,000 to the Facilities, such financial institution will be designated as an arranger; provided further, however, to the extent that the Company identifies another financial institution satisfactory to SSB that will commit \$100,000,000 to the Facilities, such financial institution will be given an agent title.

SSB reserves the right at any time (whether prior to or after the execution and delivery of the Operative Documents and any borrowings thereunder) to change any or all of the terms, structure, tenor, or pricing (but not the aggregate amount) of the Facilities if SSB determines that such changes would be advisable in order to ensure a successful syndication of the Facilities (as determined by SSB). SSB's rights under this paragraph and the other provisions of this Section 3 will survive the execution and delivery of the Operative Documents and any borrowings thereunder and continue in effect until such syndication efforts shall be completed. The Company agrees that the Operative Documents shall grant Citi/SSB such rights, and, if such rights are exercised,

be amended if necessary in connection with the syndication to include any such changes deemed advisable by SSB.

Section 4. Fees. In addition to the fees described in Annex I, the Company shall pay the non-refundable fees set forth in that certain letter agreement dated the date hereof (the "Fee Letter") between the Company and Citi/SSB. The terms of the Fee Letter are an integral part of Citibank's commitment hereunder and constitute part of this Commitment Letter for all purposes hereof.

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Section 5. Indemnification. The Company shall indemnify and hold harmless Citi/SSB, each Lender and each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements of counsel), joint or several, that are incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), in each case arising out of or in connection with or by reason of this Commitment Letter or the Operative Documents or the transactions contemplated hereby or thereby or any actual or proposed use of the proceeds of the Facilities, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Company, the Target or any of their respective directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated.

No Indemnified Party shall have any liability (whether in contract, tort or otherwise) to the Company or any of its security holders or creditors for or in connection with the transactions contemplated hereby, except for direct damages (as opposed to special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings)) determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

Section 6. Costs and Expenses. The Company shall pay, or reimburse Citi/SSB on demand for, all reasonable out-of-pocket costs and expenses incurred by Citi/SSB (whether incurred before or after the date hereof) in connection with the Facilities and the preparation, negotiation, execution and delivery of this Commitment Letter, including, without limitation, the disclosed reasonable fees and expenses of counsel, regardless of whether any of the transactions contemplated hereby are consummated. The Company shall also pay all costs and expenses of Citi/SSB (including, without limitation, the reasonable fees and disbursements of counsel) incurred in connection with the enforcement of any of its rights and remedies hereunder.

Section 7. Confidentiality. By accepting delivery of this Commitment Letter, the Company agrees that this Commitment Letter is for the Company's confidential use only and that neither its existence nor the terms hereof will be disclosed by the Company to any person other than the Company's, Bid Co's their respective officers, directors, employees, accountants, attorneys and other advisors, and then only on a confidential and "need to know" basis in connection with the transactions contemplated hereby; provided, however, that the Company may make such other public disclosures of the terms and conditions hereof as the Company is required by law, in the opinion of the Company's counsel, to make.

Section 8. Representations and Warranties of the Company. The Company represents and warrants that (i) all information that has been or will

hereafter be made available to Citi/SSB, any Lender or any potential Lender by the Company, or the Target (after the acquisition thereof) or any of their representatives in connection with the transactions contemplated hereby is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial projections, if any, that have been or will be prepared by the Company, or the Target (after the acquisition thereof) and made available to Citi/SSB, any Lender or any potential Lender have been or will be prepared in good faith based upon reasonable assumptions (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the Company's, and the Target's control, and that no assurance can be given that the projections will be realized). The Company agrees to supplement the information and projections from time to time until the Operative Documents become effective so that the representations and warranties contained in this paragraph remain correct.

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In providing this Commitment Letter, Citi/SSB is relying on the accuracy of the information furnished to it by or on behalf of the Company and its affiliates without independent verification thereof.

Section 9. No Third Party Reliance, Etc. The agreements of Citi/SSB hereunder and of any Lender that issues a commitment to provide financing under the Facilities are made solely for the benefit of the Company and the Borrower and may not be relied upon or enforced by any other person. Please note that those matters that are not covered or made clear herein are subject to mutual agreement of the parties. The Company may not assign or delegate any of its rights or obligations hereunder without Citi/SSB's prior written consent. This Commitment Letter may not be amended or modified except in a written agreement signed by all parties hereto. This Commitment Letter is not intended to create a fiduciary relationship among the parties hereto.

The Company should be aware that Citi/SSB and/or one or more of its affiliates may be providing financing or other services to parties whose interests may conflict with the Company's interests. Consistent with Citi/SSB's longstanding policy to hold in confidence the affairs of its customers, neither Citi/SSB nor any of its affiliates will furnish confidential information obtained from the Company to any of Citi/SSB's other customers. Furthermore, neither Citi/SSB nor any of its affiliates will make available to the Company confidential information that Citi/SSB obtained or may obtain from any other customer.

Section 10. Governing Law, Etc. This Commitment Letter shall be governed by, and construed in accordance with, the law of the State of New York. This Commitment Letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral, with respect hereto. This Commitment Letter may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same Commitment Letter. Delivery of an executed counterpart of a signature page to this Commitment Letter by telecopier shall be as effective as delivery of an original executed counterpart of this Commitment Letter. Sections 3 through 8, 10 and 11 hereof shall survive the termination of Citibank's commitment hereunder.

Section 11. Waiver of Jury Trial. Each party hereto irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Commitment Letter or the transactions contemplated hereby or the actions of the parties hereto in the negotiation, performance or enforcement hereof.

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Please indicate the Company's acceptance of the provisions hereof by signing the enclosed copy of this Commitment Letter and the Fee Letter and returning them, together with the fees then payable under the Fee Letter, to Steven R. Victorin, Managing Director, Salomon Smith Barney Inc., 390 Greenwich Street, 1st Floor, New York, NY, 10013 (fax: 212 723 8692) at or before 5 p.m. (New York City time) on September 29, 2000, the time at which Citibank's commitment hereunder (if not so accepted prior thereto) will terminate. If the Company elects to deliver this Commitment Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

SALOMON SMITH BARNEY INC.

/s/ Steven R. Victorin

By _____
Steven R. Victorin
Managing Director

CITIBANK, N.A.

/s/ Candy Miller

By _____
Candy Miller
Vice President

ACCEPTED AND AGREED
on September 28, 2000:

Cemex S.A. de C.V.

/s/ Ramiro Villarreal

By _____
Ramiro Villarreal
General Counsel

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Summary of Terms and Conditions

US\$1,400,000,000 Senior Credit Facilities

Borrower:	Bid Co, a subsidiary of Cemex, and, following the consummation of the Merger, the Surviving Corporation.
Guarantors:	Cia. Valenciana De Cementos Portland S.A. (the "Parent Guarantor").
Facility Amount:	Tranche A: US\$500,000,000. Tranche B: US\$350,000,000. Tranche C: US\$550,000,000.
Type of Facility:	Tranche A: Senior Unsecured 364 Day Revolving Credit Facility Bridge. Tranche B: Senior Unsecured 364 Day Revolving

Credit Facility.

Tranche C: Senior Unsecured 5-Term Loan.

Purpose: To finance Bid Co's purchase of not less than a mutually agreed percentage of the issued and outstanding capital stock of the Target; refinance certain indebtedness of the Target; commercial paper backstop; and general corporate purposes.

Administrative Agent: Citibank, N.A. (the "Agent").

Lead Arranger: Salomon Smith Barney Inc.

Lenders: Financial institutions acceptable to the Lead Arranger and the Borrower.

Final Maturity Date: Tranche A: 364 days from the Closing Date.
Tranche B: 364 days from the Closing Date.
Tranche C: 5 Years from the Closing Date.

Amortization: None.

Closing Date: December 15, 2000.

Commitment Reduction: The Borrower will have the right, upon at least 3 business days' notice, to terminate or cancel, in whole or in part, the unused portion of the Facility Amount of any Tranche in excess of the aggregate outstanding Advances under such Tranche, provided that each partial reduction shall be in a minimum amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof. Once terminated, a commitment may not be reinstated.

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Facility Fee: Facility Fee will be based on the attached Pricing Grid, based on the long-term senior unsecured non credit enhanced debt ratings of the Parent Guarantor until the consummation of the Merger, and thereafter on the long-term unsecured non credit enhanced debt ratings of the Surviving Corporation. The Facility Fee will be payable from the Closing Date and will be calculated on a 360-day basis.

Interest Rates and Interest Periods:

At the Borrower's option, any Advance that is made to it will be available at the rates and for the Interest Periods stated below:

- . Base Rate: a fluctuating rate equal to Citibank's Base Rate plus the Applicable Margin.
- . Eurodollar Rate: a periodic fixed rate equal to LIBOR plus the Applicable Margin.

The Eurodollar Rate will be fixed for Interest Periods of 1, 2, 3, or 6 months or 9 or 12 months if available by all Lenders.

Upon the occurrence and during the continuance of any Event of Default, each Eurodollar Rate Advance will convert to a Base Rate Advance at the end of the Interest Period then in effect for such Eurodollar Rate Advance.

Applicable Margin:

The Applicable Margin means, for each of Tranches A, B and C:

- . for Base Rate Advances, zero basis points per annum; and
- . for Eurodollar Rate Advances, an amount which will vary as per the attached Pricing Grid, based on the long-term senior unsecured non-credit-enhanced debt ratings of the Parent Guarantor until the consummation of the Merger, and thereafter on the long-term unsecured non credit enhanced debt ratings of the Surviving Corporation.

Upon the occurrence and during the continuance of any Event of Default, the Applicable Margin will increase by 200 basis points per annum.

Utilization Fee:

Utilization Fee for Tranches A and B will be based on attached Pricing Grid, based on the long-term senior unsecured non-credit-enhanced debt ratings of the Parent Guarantor until the consummation of the Merger, and thereafter on the long-term unsecured non credit enhanced debt ratings of the Surviving Corporation. The Utilization Fee will be added to the Applicable Margin for any date where outstanding Advances under the applicable Tranche exceed 33% of commitments. The Utilization Fee will be calculated on a 360-day basis and will be payable on the same basis as interest.

Interest Payments:

At the end of each Interest Period for each Advance, but no less frequently than quarterly. Interest will be computed on a 365/366-day basis for Base Rate Advances and a 360-day basis for Eurodollar Rate Advances.

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Borrowings:

Borrowings will be in minimum principal amounts of \$10,000,000 and integral multiples of \$1,000,000 in excess thereof. All Advances (other than Competitive Bid Advances) will be made by the Lenders ratably in proportion to their respective commitments. Borrowings will be available on same day notice for Base Rate Advances and 3 business days' notice for Eurodollar Rate Advances. Tranche C will be fully drawn on the date that the conditions precedent to effectiveness have been satisfied.

Competitive Bid Option:

The Borrower may request the Agent to solicit competitive bids from the Lenders for Advances under Tranche A or Tranche B with requested maturities of 30 days or more. Each Lender will bid at its discretion. The Borrower's notice requesting such bids will be given to the Agent

at least 1 business day prior to the proposed Advance date for fixed rate bids and at least 4 business days prior to the proposed Advance date for LIBOR based bids, and will specify the proposed date of Advance, amount and maturity date of the proposed Advance, interest payment schedule, the interest rate basis to be used by the Lenders in bidding, and such other terms as the Borrower may specify. The Agent will advise the Lenders of the terms of the Borrower's notice, and such Lenders as elect may submit bids, which the Agent will provide to the Borrower.

The Borrower may accept one or more bids, provided that the aggregate outstanding Advances of all Lenders on the date of, and giving effect to, any Competitive Bid Advance may not exceed the aggregate commitments for the applicable Tranche at such time. Bids will be accepted in order of the lowest to the highest rates ("Bid Rates"). The Borrower may not accept bids in excess of the requested bid amount for any maturity. If two or more Lenders bid at the same Bid Rate, the amount to be borrowed at such Bid Rate will be allocated among such Lenders in proportion to the amount which each Lender bid at such Bid Rate.

Each Borrowing under the Competitive Bid Option will be in an amount of not less than \$10,000,000 and integral multiples of \$1,000,000 in excess thereof. While any such Borrowing is outstanding, it will be deemed usage of the applicable Tranche for the purposes of availability, and the commitment of each Lender under the applicable Tranche will be reduced and deemed used for all purposes by its pro rata share (based on its respective commitment) of an amount equal to the outstanding amount of such Borrowing. However, each Lender's Advance made under the Competitive Bid Option will not reduce such Lender's obligation to lend its pro rata share of the remaining undrawn commitment under the applicable Tranche.

Repayment:

The Borrower will repay (i) each Advance (other than a Competitive Bid Advance) under each Tranche no later than on the Final Maturity Date for such Tranche and (ii) each Competitive Bid Advance at the maturity date specified in the Borrower's notice requesting such Competitive Bid Advance.

Optional Prepayment:

Advances (other than Competitive Bid Advances) may be prepaid without penalty, on same day notice for Base Rate Advances and 2 business days' notice for Eurodollar Rate Advances, in minimum amounts of \$10,000,000 and increments of \$1,000,000 in excess thereof. The Borrower will bear all costs related to the prepayment of a Eurodollar Rate Advance prior to the last day of the Interest Period. Competitive Bid

Advances may not be prepaid.

Loan Documentation:

The commitments will be subject to preparation, execution and delivery of mutually acceptable loan documentation, which will contain conditions precedent, representations and warranties, covenants, events of default and other provisions customary for facilities of this nature, including, but not limited to, those noted below.

Conditions Precedent to Effectiveness:

Customary for facilities of this nature including, but not limited to:

1. Board resolutions.
2. Incumbency/specimen signature certificate.
3. Favorable legal opinion from counsel for the Agent.
4. Favorable legal opinion from counsel for the Borrower.
5. Accuracy of Representations and Warranties.
6. No Event of Default or event which, with the giving of notice or passage of time or both, would be an Event of Default, has occurred and is continuing, or would result from such Borrowing.
7. Disclosure of material agreements, if any, of the Target.
8. No law, regulation or decree that imposes materially adverse conditions upon the Borrower; and neither the Facilities nor the transactions contemplated by the Facilities will conflict with, violate or result in a default under any contract, agreement or instrument to which the Borrower is a party.
9. The Borrower shall have acquired sufficient shares of Target Stock to enable Bid Co, voting without any other shareholders of the Target, to approve a merger of Bid Co with the Target.
10. The Borrower shall have received no less than \$1.5 billion as a capital contribution from the Parent Guarantor from the proceeds of a European equity swap facility.

Conditions Precedent to all Borrowings:

Customary for facilities of this nature including, but not limited to:

1. All representations and warranties are true and correct in all material respects on and as of the date of the Borrowing, before and after giving effect to such

application of the proceeds therefrom, as though made on and as of such date; provided that the representation as to no material adverse change and no material adverse litigation shall be made only at the date of effectiveness.

2. No Event of Default or event which, with the giving of notice or passage of time or both, would be an Event of Default, has occurred and is continuing, or would result from such borrowing.

Representations and Warranties:

Customary for facilities of this nature including, but not limited to:

1. Confirmation of corporate status and authority.
2. Due authorization of the legal documentation.
3. Execution, delivery, and performance of the legal documentation do not violate law or existing agreements.
4. All required governmental and regulatory approvals have been obtained and remain in full force and effect.
5. No litigation which would have a material adverse effect on the business, condition (financial or otherwise) or operations or which would affect the legality, validity and enforceability of legal documentation.
6. No material adverse change in the business, condition (financial or otherwise) operations, performance, properties or prospects of the Parent Guarantor and the Target taken as a whole.
7. Accuracy of information, financial statements.
8. Material compliance with laws and regulations, including ERISA and applicable environmental laws and regulations.
9. Legality, validity, binding effect and enforceability of the legal documentation.
10. Margin regulation.
11. Not an investment company.
12. The termination of the commitment of the lenders and payment in full of all debt outstanding under the existing Target's \$250 million credit agreement at the Merger.

Financial Covenants:

To be agreed between the Borrower and the Lenders, will include:

1. Ratio of Total Debt to EBITDA to be determined at a later date.
2. Ratio of EBITDA to Interest to be determined at a later date.

Covenants:

Customary for facilities of this nature including, but not limited to:

1. Preservation and maintenance of corporate existence.
2. Material compliance with laws.

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3. Payment of taxes.
4. Payment of material obligations.
5. Visitation and inspection rights.
6. Maintenance of books and records.
7. Maintenance of properties necessary for the due course of business.
8. Maintenance of insurance as used in the industry.
9. Negative pledge and certain restrictions on liens.
10. Certain restrictions on change of business, consolidations, mergers, and sales of assets.
11. Certain reporting requirements.
12. Use of proceeds.
13. Prior to consummation of the Merger of the Target into BidCo (i) restriction on indebtedness of the Target other than in the ordinary course of business and (ii) the Parent Guarantor will use best efforts to cause the Target to become a guarantor.

Events of Default:

Customary for facilities of this nature including, but not limited to:

1. Failure to pay principal when due and failure to pay interest, fees and other amounts within 3 business days of when due.
2. Representations or warranties materially incorrect.
3. Failure to comply with covenants (with notice and cure periods as applicable).
4. Unenforceability of the loan documentation.

5. Bankruptcy/insolvency.
6. Change of control or ownership at any time.
7. ERISA.

Other:

Legal documentation will include:

1. Customary indemnification of the Agent and Lenders and their respective affiliates, officers, directors, employees, agents and advisors for any liabilities and expenses arising out of the Facility or the use or proposed use of proceeds.
2. Customary agency, set-off and sharing language.
3. Majority Lenders, as to each Tranche, defined as those holding greater than 50% of the outstanding committed Advances under such Facility or, if none, commitments. The consent of all the Lenders under each Facility will be required to increase the size of such Facility, to extend the maturity or to decrease interest rates or fees with respect to such Facility.

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Assignments and Participations:

Each Lender will have the right to assign to one or more eligible assignees all or a portion of its rights and obligations under the Legal documentation, with the consent, not to be unreasonably withheld, of the Agent and the Borrower. Minimum aggregate assignment level of \$10,000,000 and increments of \$1,000,000 in excess thereof. The parties to the assignment (other than the Borrower) will pay to the Agent an administrative fee of \$3,500.

Each Lender will also have the right, without the consent of the Borrower or the Agent, to assign (i) as security, all or part of its rights under the legal documentation to any Federal Reserve Bank and (ii) with notice to the Borrower and the Agent, all or part of its rights and obligations under the legal documentation to any of its affiliates.

Each Lender will have the right to sell participations in its rights and obligations under the legal documentation, subject to customary restrictions on the participants' voting rights.

Yield Protection, Taxes, and Other Deductions:

The legal documentation will contain yield protection provisions, customary for facilities of this nature, protecting the Lenders in the event of unavailability of funding, funding losses, and reserve and capital adequacy

requirements.

All payments to be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income taxes in the jurisdiction of the Lender's applicable lending office). The Lenders will use reasonable efforts to minimize to the extent possible any applicable taxes and the Borrower will indemnify the Lenders and the Agent for such taxes paid by the Lenders or the Agent.

The Borrower will have the right to replace any Lender which requests reimbursements for amounts owing under (1) and (2) above, provided that (i) no Event of Default, or event which with the giving of notice or lapse of time or both would be an Event of Default, has occurred and is continuing, (ii) the Borrower has satisfied all of its obligations under the applicable Facility relating to such Lender, and (iii) any replacement is acceptable to the Agent and the Borrower has paid the Agent a \$3,500 administrative fee if such replacement Lender is not an existing Lender.

Governing Law: New York.

Counsel to the Agent: Shearman & Sterling.

Expenses: The Borrower will reimburse the Lead Arranger and the Agent for all reasonable out-of-pocket expenses (including fees and expenses of counsel to the Agent) incurred by them in the negotiation, syndication and execution of these facilities. Such expenses will be reimbursed by the Borrower upon presentation of a statement of account, regardless of whether the transaction contemplated is actually completed or the loan documents are signed.