

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

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number __1-14946_____

CEMEX, S.A. de C.V.

(Exact name of the registrant as specified in its charter)

CEMEX MEXICO, S.A. de C.V.
EMPRESAS TOLTECA DE MEXICO, S.A. de C.V.

(Exact names of co-registrants and guarantors as specified in their
respective charters)

CEMEX CORPORATION

(Translation of registrant's name into English)

CEMEX MEXICO CORPORATION
EMPRESAS TOLTECA DE MEXICO CORPORATION

(Translation of co-registrants' and guarantors' names into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Av. Constitucion 444 Pte. Monterrey, Nuevo Leon, Mexico 64000

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
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American Depositary Shares ("ADSs"), each ADS representing five Ordinary Participation Certificates (Certificados de Participacion Ordinarios) ("CPOs"), Each CPO representing two Series A shares and one Series B share.	New York Stock Exchange
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American Depositary Warrants ("ADWs"), each ADW representing five Appreciation Warrants (Titulos Opcionales) ("Appreciation Warrants")	New York Stock Exchange
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Securities registered or to be registered pursuant to Section 12(g)
of the Act.

Not applicable

(Title of Class)

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

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

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

1,579,765,572 CPOs
 3,331,300,154 Series A shares (including Series A shares underlying CPOs)
 1,665,650,077 Series B shares (including Series B shares underlying CPOs)

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

Yes No

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

Item 17 Item 18

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INTRODUCTION

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

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Generally Accepted Accounting Principles in Mexico ("Mexican GAAP"), which differ in significant respects from U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this annual report are stated in constant Pesos as of December 31, 2002. See note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us. Non-Peso amounts included in those statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable. Those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Item 3 -- "Key Information -- Mexican Peso Exchange Rates" as of the relevant period or date, as applicable.

References in this annual report to "U.S.\$" and "Dollars" are to U.S. Dollars, references to "(euro)" are to Euros and, unless otherwise indicated, references to "Ps," "Mexican Pesos" and "Pesos" are to constant Mexican Pesos as of December 31, 2002. The Dollar amounts provided in the financial statements included in this annual report and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts, at an exchange rate of Ps10.38 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2002. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. See Item 3 -- "Key Information -- Selected Consolidated Financial Information."

The noon buying rate for Pesos on December 31, 2002 was Ps10.425 to U.S.\$1.00 and on March 31, 2003 was Ps10.782 to U.S.\$1.00.

EXPLANATORY NOTE

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

the guarantors other than the narrative disclosures and financial information set forth in note 23(x) to our consolidated financial statements have been presented in this annual report.

PART I

Item 1 - Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 - Offer Statistics and Expected Timetable

Not applicable.

Item 3 - Key Information

Risk Factors

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

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

We are a holding company with no significant assets other than the stock of our wholly-owned and non-wholly-owned subsidiaries and our holdings of cash and marketable securities. Our ability to pay dividends and repay debt depends on the continued transfer to us of dividends and other income from our wholly-owned and non-wholly-owned subsidiaries. The ability of our subsidiaries to pay dividends and make other transfers to us is limited by various regulatory, contractual and legal constraints that affect our subsidiaries.

We have incurred and will continue to incur debt, which debt could have an adverse effect on the price of our CPOs, ADSs, Appreciation Warrants and ADWs, result in us incurring increased interest costs and limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

We have incurred and will continue to incur significant amounts of debt, which could have an adverse effect on the price of our Ordinary Participation Certificates, or CPOs, and American Depositary Shares, or ADSs. Since the values of our Appreciation Warrants and American Depositary Warrants, or ADWs, are linked to the price of our CPOs and ADSs, their prices could also be adversely affected by our debt levels. Our indebtedness may have important consequences, including increased interest costs if we are unable to refinance existing indebtedness on satisfactory terms. In addition, the debt instruments governing a substantial portion of our indebtedness contain various covenants that require us to maintain financial ratios, restrict asset sales and restrict our ability to use the proceeds from a sale of assets. Consequently, our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities could be limited. As of December 31, 2002, we had outstanding debt equal to Ps59.9 billion (U.S.\$5.77 billion), not including obligations under preferred stock transactions and under equity derivative transactions in our own stock and in stock of our subsidiaries.

We have to service our Dollar and Yen denominated debt with revenues generated in Pesos or other currencies, as we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar and Yen

denominated debt. This could adversely affect our ability to service our debt in the event of a devaluation or depreciation in the value of the Peso, or any of the other currencies of the countries in which we operate.

A substantial portion of our outstanding debt is denominated in Dollars and Yen. This debt, however, must be serviced by funds generated from sales by our subsidiaries. Currently, we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar and Yen denominated debt. Consequently, we have to use revenues generated in Pesos or other currencies to service our Dollar and Yen denominated debt. See Item 5 "Operating and Financial Review and Prospects--Qualitative and Quantitative Market Disclosure -- Interest Rate

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Risk, Foreign Currency Risk and Equity Risk -- Foreign Currency Risk." A devaluation or depreciation in the value of the Peso, or any of the other currencies of the countries in which we operate, compared to the Dollar or the Yen could adversely affect our ability to service our debt. During 2002, Mexico and Spain, our main non-U.S. Dollar denominated operations, generated almost half of our sales (approximately 34% and 14%, respectively), before eliminations resulting from consolidation. In 2002, approximately 24% of our sales were generated in the United States with the remaining 28% of our sales being generated in several countries, with a number of currencies also having material depreciations against the Dollar and the Yen. During 2002, the Peso depreciated 13.2% against the Dollar and depreciated 20.2% against the Yen, while the Euro appreciated 16.1% against the Dollar and appreciated 7.6% against the Yen.

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

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

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

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

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

In recent years, we have entered into several derivative instruments and engaged in other financing transactions involving shares of our capital stock and shares of capital stock of some of our subsidiaries under equity

forward contracts as a source of financing and as a means of meeting our obligations that may require us to deliver significant numbers of shares of our own stock.

We have equity forward agreements in our own stock, which estimated fair value is linked to the market price of our CPOs or ADSs. As of December 31, 2002, the notional amount of our outstanding obligations under our equity forward contracts was approximately U.S.\$1.4 billion, with an estimated fair value loss of U.S.\$90.6 million. In addition to the estimated fair value loss of our equity forward agreements, a portion of which corresponds to the contracts designated as hedges of our stock option programs which are periodically recorded in our income statements, during 2002 we had losses amounting to approximately U.S.\$98.3 million (Ps1,020.3 million) resulting from the net settlement of prior forward contracts replaced by the new forward transactions entered to cover our obligations under the Appreciation Warrants. See note 16A to our consolidated financial statements included elsewhere in this annual report. The decline in the estimated fair value of our equity forward contracts is due to a decrease in the market price of our equity securities. Pursuant to the terms of our equity forward contracts, if the shares underlying our equity forward agreements suffer a substantial decrease in market value, we could be required to compensate for the decrease in market value. If we default in this obligation, the counterparties to our equity forward agreements have the option of either selling the underlying shares into the market or requiring us to repurchase the underlying shares.

As of December 31, 2002, U.S.\$650 million was outstanding under a preferred equity financing arrangement, which is payable in two tranches in February 2004 and August 2004. Under the terms of the preferred equity financing arrangement, our subsidiary New Sunward Holding B.V. may be liquidated if we do not repurchase

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the preferred equity, or if we do not make payments on the preferred equity and in other adverse circumstances. Any such liquidation would include the sale of its assets (mainly the CEMEX Espana shares it holds) at market prices in an amount sufficient to satisfy the liquidation preference of the preferred equity.

As stated above, if we default on the terms of our equity forward or preferred equity agreements, our counterparties may sell the shares underlying these agreements, which may:

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

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

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

Our Mexican operations are subject to anti-dumping rulings by the U.S. Commerce Department which may limit our ability to export cement to the United States. Since April 1990, our exports of gray Portland cement and clinker to the United States from Mexico, which represented 4.5% of total sales volume of our Mexican operations in 2002, have been subject to U.S. anti-dumping duties. In addition, importers of gray Portland cement and clinker from Mexico, including our U.S. operations, have been required to pay substantial cash deposits to the U.S. Customs Service to secure the eventual payment of those duties.

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

We have received notices from the Mexican tax authorities of tax claims in respect of the tax years from 1992 through 1996 for an aggregate amount of approximately Ps5.2 billion, including interest and penalties through December 31, 2002. An adverse resolution of these claims could materially reduce our net income. See Item 4 -- "Information on the Company -- Regulatory Matters and Legal Proceedings -- Tax Matters."

Our operations are subject to environmental laws and regulations.

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

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

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

In 2002, the largest percentage of our net sales (34%) and total assets (24%), at year-end, were in Mexico. If the Mexican economy experiences a continued recession or if Mexican inflation and interest rates increase significantly, our net income from our Mexican operations may decline materially because construction activity may decrease, which may lead to a decrease in sales of cement and ready-mix concrete. The Mexican government does not currently restrict the ability of Mexicans or others to convert Pesos to Dollars, or vice versa. The Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities, such as CEMEX, to meet their foreign currency obligations. Nevertheless, if renewed shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies, and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost.

We also have operations in the United States (24% of net sales and 19% of total assets in 2002), Spain (14% of net sales and 9% of total assets), Venezuela (4% of net sales and 3% of total assets), Central America and the Caribbean (7% of net sales and 5% of total assets), Colombia (3% of net sales

and 3% of total assets), the Philippines (2% of net sales and 4% of total assets), other Asian countries, including Thailand (2% of total assets), and Egypt (2% of net sales and 2% of total assets). As in the case of Mexico, adverse economic conditions in any of these countries may produce a negative impact on our net income from our operations in that country.

In recent years, Venezuela has experienced considerable volatility and depreciation of its currency, high interest rates, political instability and declining asset values. In February 2002 the government abandoned its policy of locking the Venezuelan Bolivar within an exchange rate band in favor of a free floating exchange rate system, resulting in an immediate 35% depreciation of the Venezuelan Bolivar. The April 2002 coup, which ousted President Chavez for two days, marked the climax of the political instability that continued throughout the remainder of 2002. In addition, an on-going nation-wide general strike that began in early December 2002 has caused a significant reduction in oil production in Venezuela, and has had a material adverse effect on Venezuela's oil-dependent economy. In 2002, inflation in Venezuela reached 31.2%, the Venezuelan Bolivar depreciated 85.1% against the Dollar and Venezuela's gross domestic product (GDP) decreased 8.9%. More recently, in response to the general strike and in an effort to shore up the economy and control inflation, in February 2003, Venezuelan authorities imposed foreign exchange and price controls on specified products, including cement. Further economic stagnation in the private sector is expected to result as a consequence of these market distortions. These developments have had and may continue to have an adverse effect on the construction sector in Venezuela, as a result of reduced demand for cement and ready-mix concrete, which has adversely affected our sales and net income.

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

We believe that Egypt also represents an important market for our future growth. Rising instability in the Middle East, however, has resulted from, among other things, civil unrest, extremism, the continued deterioration of Israeli-Palestinian relations and the current war in Iraq. There can be no assurance that political turbulence in the Middle East will abate at any time in the near future or that neighboring countries, including Egypt, will not be drawn into the conflict. In Egypt, extremists have engaged in a sometimes violent campaign against the government

in recent years. There can be no assurance that extremists will not escalate their opposition in Egypt or that the government will continue to be successful in maintaining the prevailing levels of domestic order and stability. Since 2000, the Egyptian government devalued the pound four times, and in January 2003, it decided to let the pound trade as a freely floating currency. Since then, the Egyptian pound has depreciated against the Dollar by approximately 25.3% through March 31, 2003. Future depreciation of the Egyptian pound relative to other currencies could create additional inflationary pressures in Egypt by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. On the other hand, appreciation of the Egyptian pound against other currencies may dampen export-driven growth. The potential impact of the floating exchange rate system and of measures by the Egyptian government aimed at improving Egypt's investment climate is uncertain. The Egyptian Central Bank continues to monitor the exchange rate and reserves the right to intervene without notice. Weakened investor confidence as a result of currency instability as well as any of the other foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and

consequently on our Egyptian operations.

The September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon temporarily disrupted the trading markets in the United States and caused declines in major stock markets around the world. Since those attacks, there have been terrorist attacks in Indonesia and ongoing threats of future terrorist attacks in the United States and abroad. In response to these terrorist attacks and threats, the United States has instituted several anti-terrorism measures, most notably, the formation of the Office of Homeland Security, a formal declaration of War Against Terrorism and the current war in Iraq. Although it is not possible at this time to determine the long-term effect of these terrorist threats and attacks and the consequent response by the United States, including the war in Iraq, there can be no assurance that there will not be other attacks or threats in the United States or abroad that will lead to a further economic contraction in the United States or any other of our major markets. In the short-term, however, terrorist activity against the United States and the consequent response by the United States has contributed to the uncertainty of the stability of the United States economy as well as global capital markets. The current weakness of the United States economy has had, and may continue to have, an adverse effect on the private construction sector. In addition, the projected United States budget deficits may have an adverse effect on the public construction sector. Further economic contraction in the United States or any of our major markets could affect domestic demand for cement and have a material adverse effect on our operations.

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

Since the attempt of the West Sumatra provincial administration in November 2001 to "take over" the management of Semen Padang, several interest groups opposed to any further sale of the Indonesian government's stock ownership in PT Semen Gresik to us have threatened strikes and other actions that would affect our Indonesian operations. We have discussed our concerns with the Indonesian government, which has demonstrated its willingness to carry out needed changes in management as a first step to re-attain normality in the Padang plant's operations. At an extraordinary general meeting of shareholders held in February 2002, the Indonesian government replaced three government-appointed commissioners and the President-Director of PT Semen Gresik. These replacements were implemented with our approval. Gresik, as the controlling shareholder of Semen Padang, has taken steps to convene a general meeting of shareholders to replace the management of Semen Padang. The management of Semen Padang has refused to convene such a meeting, and such refusal was upheld by the District Court in Padang in September 2002. In its ruling the District Court held that Gresik had not demonstrated that its application to convene the shareholders' meeting had received the necessary internal corporate approvals and that Gresik's reasons for changing management were improper. Gresik filed a request for cassation with the Indonesian Supreme Court on the grounds that, among other things, the District Court made an error of law in evaluating Gresik's reasons for the proposed corporate action, and committed a procedural error in concluding that Gresik had not obtained the requisite internal corporate approvals to convene the meeting.

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

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

Mexican Peso Exchange Rates

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

The Mexican Peso has floated freely in foreign exchange markets since December 1994, when the Mexican Central Bank abandoned its prior policy of having an official devaluation band. Since then, the Peso has been subject to substantial fluctuations in value. The Peso depreciated against the Dollar by 22.7% in 1998, appreciated against the Dollar by 3.9% in 1999, depreciated against the Dollar by 1.16% in 2000, appreciated against the Dollar by 4.68% in 2001 and depreciated against the Dollar by 13% in 2002. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. The CEMEX accounting rate represents the average of three different exchange rates that are provided to us by Banco Nacional de Mexico, S.A., Grupo Financiero, or Banamex. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Pesos in New York City published by the U.S. Federal Reserve Bank of New York. We cannot predict the value of the Peso or assure you that the Mexican government will not establish new exchange controls in the future.

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

Year ended December 31,	CEMEX Accounting Rate				Noon Buying Rate			
	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
1998.....	9.900	9.180	10.653	8.073	9.901	9.245	10.630	8.040
1999.....	9.510	9.547	10.607	9.263	9.480	9.562	10.600	9.240
2000.....	9.620	9.461	10.098	9.189	9.618	9.459	10.087	9.183
2001.....	9.170	9.332	9.988	8.954	9.156	9.337	9.972	8.946
2002.....	10.380	9.755	10.350	9.016	10.425	9.664	10.425	9.000
January 1, 2003 - March 31, 2003								
January.....	10.920	10.615	10.900	10.321	10.900	10.622	10.98	10.32
February.....	11.020	10.937	11.061	10.776	11.030	10.945	11.060	10.770
March.....	10.780	10.904	11.224	10.668	10.782	10.914	11.235	10.661

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

The noon buying rate for Pesos on March 31, 2003 was Ps10.782 to U.S.\$1.00.

The Mexican government does not currently restrict the ability of Mexicans or others to convert Pesos to Dollars, or vice versa. The Mexican Central Bank has consistently made foreign currency available to Mexican private sector entities, such as CEMEX, to meet their foreign currency obligations. Nevertheless, if renewed shortages of foreign currency occur, the Mexican Central Bank may not continue its practice of making foreign currency available to private sector companies and we may not be able to purchase the foreign currency we need to service our foreign currency obligations without substantial additional cost.

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

Selected Consolidated Financial Information

The financial data set forth below as of and for each of the five years ended December 31, 2002 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2001 and 2002 and for each of the three years ended December 31, 2002, have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included elsewhere in this annual report. These financial statements are subject to approval by our shareholders at the 2002 annual general meeting, scheduled to take place on April 24, 2003.

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican GAAP, which differs in significant respects from U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this annual report are stated in constant Pesos as of December 31, 2002. See note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

Non-Peso amounts included in the financial statements are first translated into Dollar amounts, in each case at a commercially available or an official government exchange rate for the relevant period or date, as applicable, and those Dollar amounts are then translated into Peso amounts at the CEMEX accounting rate, described under Item 3 - "Key Information - Mexican Peso Exchange Rates," as of the relevant period or date, as applicable.

Under Bulletin B-15 of the Mexican Institute of Public Accountants, each time we report results for the most recently completed period, the Pesos previously reported in prior periods should be adjusted to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index is calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion our assets in each country represent of our total assets. The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of December 31, 2002:

	Annual Weighted Average Factor	Cumulative Weighted Average Factor to December 31, 2002
1998.....	1.0145	1.1110
1999.....	1.0134	1.0952
2000.....	0.9900	1.0807
2001.....	1.0916	1.0916

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this annual report are translations of constant Peso amounts at an exchange rate of Ps10.38 to U.S.\$1.00, the CEMEX accounting rate as of December 31, 2002. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. The noon buying rate for Pesos on December 31, 2002 was Ps10.425 to U.S.\$1.00 and on March 31, 2003 was Ps10.782 to U.S.\$1.00. From December 31, 2002 through March 31, 2003, the Peso depreciated by approximately 3.42% against the Dollar, based on the noon buying rate for Pesos.

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

	As of and for the year ended December 31,					
	1998	1999	2000	2001	2002	2002
	(in millions of constant Pesos as of December 31, 2002 and Dollars, except ratios and share and per share amounts)					
Income Statement Information:						
Net sales.....	Ps47,308	Ps 50,790	Ps58,436	Ps 69,302	Ps 67,918	U.S.\$6,543
Cost of sales(1).....	27,354	28,297	32,653	38,981	37,944	3,656
Gross profit.....	19,955	22,492	25,783	30,321	29,974	2,887
Operating expenses.....	7,043	7,380	8,588	13,772	16,371	1,577
Operating income.....	12,911	15,112	17,195	16,549	13,603	1,310
Comprehensive financing income (cost), net(2).....	(1,449)	(304)	(1,807)	2,649	(3,419)	(329)
Other income (expense), net.....	(1,668)	(3,123)	(2,436)	(4,174)	(4,041)	(389)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates.....	9,794	11,685	12,952	15,024	6,143	592
Minority interest(3).....	433	593	811	1,535	385	37
Majority interest net income.....	8,806	10,231	10,389	11,790	5,400	520
Earnings per share(4) (5).....	2.32	2.71	2.52	2.76	1.20	0.12
Dividends per share(4) (6) (7).....	0.49	0.56	0.65	0.70	-	-
Number of shares outstanding(4) (8).....	3,774	4,098	4,169	4,379	4,562	4,562
Balance Sheet Information:						
Cash and temporary investments.....	4,460	3,434	3,203	4,288	3,749	361
Net working capital investment(9).....	6,999	7,350	9,627	9,336	7,260	699
Property, machinery and equipment, net..	67,336	72,815	93,920	89,493	93,037	8,963
Total assets.....	114,673	124,810	163,837	162,464	165,400	15,934
Short-term debt.....	12,124	10,836	30,791	10,286	14,463	1,393
Long-term debt.....	34,384	35,141	28,164	43,492	45,401	4,374
Minority interest(3) (10).....	13,715	13,177	24,927	19,774	12,526	1,207
Stockholders' equity (excluding minority interest) (11).....	42,618	54,515	54,591	61,828	59,626	5,744
Book value per share(4) (8).....	11.29	13.31	13.09	14.12	13.07	1.26
Other Financial Information:						
Operating margin.....	27.3%	29.8%	29.4%	23.9%	20.0%	20.0%
EBITDA(12).....	16,275	18,846	21,101	22,579	19,899	1,917
Ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends(13).....	2.96	3.50	4.00	4.39	5.23	5.23
Investment in property, machinery and equipment, net.....	3,574	2,796	4,141	5,113	4,401	424

Depreciation and amortization.....	4,307	4,561	5,084	7,935	7,943	765
Net resources provided by operating activities(14).....	13,346	16,218	18,092	23,626	17,269	1,664
Basic earnings per CPO(4) (5).....	6.96	8.13	7.56	8.28	3.60	0.36

As of and for the year ended December 31,

	2000	2001	2002	2002
	(in millions of constant Pesos as of December 31, 2002 and Dollars, except per share amounts)			

U.S. GAAP(15):

Income Statement Information:

Majority net sales.....	Ps 59,040	Ps 66,459	Ps 67,278	U.S.\$ 6,482
Operating income.....	14,370	10,623	10,874	1,048
Majority net income.....	9,169	10,633	5,648	544
Basic earnings per share.....	2.23	2.50	1.26	0.12
Diluted earnings per share.....	2.19	2.44	1.26	0.12

Balance Sheet Information:

Total assets.....	174,220	163,322	169,556	16,335
Total long-term debt.....	30,282	39,361	41,222	3,971
Minority interest.....	7,135	8,023	5,195	500
Other mezzanine items (16).....	24,541	17,001	13,091	1,261
Total majority stockholders' equity.....	46,073	49,135	51,696	4,980

(footnotes on next page)

- (1) Cost of sales includes depreciation.
- (2) Comprehensive financing income (cost), net, includes financial expenses, financial income, gain (loss) on marketable securities, foreign exchange result, net and monetary position result. See Item 5 -"Operating and Financial Review and Prospects."
- (3) In connection with an equity swap transaction involving 24.8% of the shares of our subsidiary, CEMEX Espana, S.A., the balance sheet item minority interest in 1998 and 1999 includes the value of these shares as if owned by a third party. In September 2000, we terminated this transaction and repurchased the shares of CEMEX Espana. See Item 5 -"Operating and Financial Review and Prospects -Derivatives and Other Hedging Instruments."
- (4) On September 15, 1999, we effected a stock split. For every one of our shares of any series we issued two Series A shares and one Series B share. All share and per share amounts have been adjusted to give retroactive effect to this stock split. Concurrently with the stock split, we also consummated an exchange offer to exchange ADSs and CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into CPOs. As of December 31, 2002, approximately 94.84% of our outstanding share capital was represented by CPOs.
- (5) Earnings per share are calculated based upon the weighted average number of shares outstanding during the year, as described in note 20 to the consolidated financial statements included elsewhere in this annual report. Basic earnings per CPO is determined by multiplying each year's basic earnings per share by three (the number of shares underlying each CPO). Basic earnings per CPO is presented solely for the convenience of the reader and does not represent a measure under Mexican GAAP.
- (6) Dividends declared at each year's annual shareholders' meeting are reflected as dividends of the preceding year. (7) In recent years, our board of directors has proposed, and our shareholders have approved, dividend proposals, whereby our shareholders have had a choice between stock dividends or cash dividends declared in respect of the prior year's results, with the stock issuable to shareholders who elect the stock dividend over the cash dividend being issued at a 20% discount from then current market prices. The dividends declared per share or per CPO in these years, expressed in constant Pesos as of December 31, 2002, were as follows: 1999, Ps.49 per share (or Ps1.47 per CPO); 2000, Ps1.66 per CPO (or Ps.56 per share); 2001 Ps1.96 per CPO (or Ps.65 per share); and 2002 Ps2.09 per CPO (or Ps.70 per share). As a result of dividend elections made by shareholders, in 1999, Ps288 million in cash was paid and 142 million additional shares were

issued in respect of dividends declared for the 1998 fiscal year; in 2000, Ps282 million in cash was paid and 59 million additional CPOs were issued in respect of dividends declared for the 1999 fiscal year; in 2001, Ps84 million in cash was paid and 70 million additional CPOs were issued in respect of dividends declared for the 2000 fiscal year; and in 2002, Ps233 million in cash was paid and 64.4 million additional CPOs were issued in respect of dividends declared for 2001. For purposes of the table, dividends declared at each year's annual shareholders' meeting for each period are reflected as dividends for the preceding year. Our 2002 annual shareholders' meeting is scheduled to take place on April 24, 2003. It is expected that our board of directors will recommend that the shareholders approve a dividend program, similar in structure and amount to those implemented over the last 5 years. Shareholders should be entitled to receive the dividend in either stock or cash consistent with our past practices.

- (8) Based upon the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.
- (9) Net working capital investment equals trade receivables plus inventories less trade payables.
- (10) In connection with the preferred equity transaction relating to the financing of our acquisition of Southdown, Inc., now named CEMEX, Inc., the balance sheet item minority interest at December 31, 2002 includes a notional amount of U.S.\$650 million (Ps6,747.0 million) of issued preferred equity. In addition, minority interest net income in 2002 includes preferred dividends in the amount of approximately U.S.\$23.2 million (Ps235.0 million). Of the U.S.\$650 million of preferred equity outstanding as of December 31, 2002, U.S.\$195 million is due in February 2004 and U.S.\$455 million is due in August 2004.
- (11) In December 1999, we entered into forward contracts with a number of banks covering 21,000,000 ADSs, which has increased to 24,008,313 as a result of stock dividends received in respect of such ADSs through June 2002. In December 2002, we agreed with the banks to settle those forward contracts for cash and simultaneously entered into new forward contracts, having a December 2003 maturity, with the same banks with respect to the underlying ADSs on similar terms to the original forward transactions. As a result of this net settlement, we recognized a decrease of approximately US\$98.3 million (Ps1,020.3 million) in our stockholders' equity, arising from changes in the valuation of the ADSs. These ADSs are considered to have been sold to the banks, and, therefore, future changes in the fair value of the ADSs will not be recorded until settlement of the new forward contracts. When we repurchase the ADSs upon settlement, the purchase price of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity.
- (12) EBITDA equals operating income before amortization expense and depreciation. Under Mexican GAAP, amortization of goodwill is not included in operating income, but instead is recorded in other income (expense). EBITDA and the ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends are presented herein because we believe that they are widely accepted as financial indicators of the our ability to internally fund capital expenditures and service or incur debt and preferred equity. EBITDA and such ratios should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies. EBITDA is reconciled below to operating income, which we consider to be the most comparable measure as determined under Mexican GAAP. We are not required to prepare a statement of cash flows under Mexican GAAP and, therefore do not have such Mexican GAAP cash flow measures to present as comparable to EBITDA.

For the year ended December 31,

1998	1999	2000	2001	2002	2002
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(in millions of constant Pesos as of December 31, 2002 and Dollars)

Reconciliation of EBITDA to operating income						
EBITDA	16,275	18,846	21,101	22,579	19,899	1,917
Less:						
Depreciation and amortization expense	3,364	3,734	3,906	6,030	6,296	607
Operating Income	12,911	15,112	17,195	16,549	13,603	1,310

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- (13) Capital securities dividends consist of accrued dividends on the 9.66% Putable Capital Securities issued by one of our subsidiaries in May 1998. These capital securities were initially issued in an aggregate liquidation amount of U.S.\$250 million. In April 2002, approximately U.S.\$184 million in aggregate liquidation amount of these capital securities were tendered to, and accepted by, us in a tender offer.
- (14) Net resources provided by operating activities equals majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions. In accordance with Mexican GAAP, operating activities include gain and loss from trading in marketable securities, including realized gain or loss from trading in our capital stock.
- (15) We have restated the information at and for the years ended December 31, 2001 and 2002 under U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico. See note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.
- (16) For financial reporting under U.S. GAAP, elements that do not meet either the definition of equity, or the definition of debt, are presented under a third group, commonly referred to as "mezzanine items." These elements, as they relate to us, include our U.S.\$650 million of preferred equity described in note 10 above, our U.S.\$66 million of 9.66% Putable Capital Securities described in note 13 above and our U.S.\$448.4 million obligation under the forward contracts described in note 11 above, in each case as of December 31, 2002. For a more detailed description of these elements, see notes 14(E), 14(F) and 23(O) to our consolidated financial statements included elsewhere in this annual report.

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Item 4 - Information on the Company

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

Business Overview

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

CEMEX was founded in 1906 and was registered with the Mercantile

Section of the Public Register of Property and Commerce in Monterrey, N.L., Mexico, on June 11, 1920 for a period of 99 years. At the 2002 annual shareholders' meeting, this period was extended to the year 2100.

CEMEX is the third largest cement company in the world, based on installed capacity as of December 31, 2002 of approximately 80.9 million tons. We are one of the world's largest traders of cement and clinker, having traded over 10.2 million tons of cement and clinker in 2002. We are a holding company engaged, through our operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. We are a global cement manufacturer with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. As of December 31, 2002, we had worldwide assets of Ps165.4 billion (U.S.\$15.9 billion). On March 31, 2003, we had an equity market capitalization of approximately Ps57.5 billion (U.S.\$5.3 billion).

As of December 31, 2002, our main cement production facilities were located in Mexico, Spain, Venezuela, Colombia, the United States, Egypt, the Philippines, Thailand, Costa Rica, the Dominican Republic, Panama, Nicaragua and Puerto Rico. As of December 31, 2002, our assets, cement plants and installed capacity, on an unconsolidated basis, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

As of December 31, 2002			
	Assets	Number	Installed
	(in billions of constant Pesos)	of Cement Plants	Capacity (millions of tons per annum)
North America			
Mexico.....	Ps 57.0	15	27.2
United States.....	44.7	12	13.6
Europe, Asia and Africa			
Spain.....	21.5	8	10.8
Asia.....	12.1	4	10.9
Egypt.....	5.7	1	4.9
South America, Central America and the Caribbean			
Venezuela.....	7.9	3	4.6
Colombia.....	6.0	5	4.8
Central America and the Caribbean.....	10.7	5	4.1
Cement and Clinker Trading Assets and Other Operations.....	71.9	--	--

In the above table, "Asia" includes our Asian subsidiaries, and, for purposes of the columns labeled "Assets" and "Installed Capacity," includes our 25.5% interest, as of December 31, 2002, in PT Semen Gresik, or Gresik, an Indonesian cement producer. In addition to the three cement plants owned by our Asian subsidiaries, Gresik operated four cement plants with an installed capacity of 17.2 million tons, as of December 31, 2002. In the above table, "Central America and the Caribbean" includes our subsidiaries in Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico and other assets in the Caribbean region. In the above table, "Cement and Clinker Trading Assets and Other Operations" includes in the column labeled "Assets" our 11.9% interest in Cementos Bio Bio, a Chilean cement producer having three cement plants with an installed capacity of approximately 2.2 million tons at December 31, 2002, and intercompany accounts receivable of CEMEX (the parent company only) in the amount of Ps33.9 billion, which would be eliminated if these assets were calculated on a consolidated basis.

During the last decade, we embarked on a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from that of Mexico and which offer long-term growth potential. We have built an extensive network

of marine and land-based distribution centers and terminals that give us marketing access around the world. The following have been our most significant acquisitions over the last five years:

- o In July and August 2002, through a tender offer and subsequent merger, we acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc., or PRCC. The aggregate value of the transaction was approximately U.S.\$180.2 million, not including the amount of net debt assumed of approximately U.S.\$100.8 million.
 - o On July 12, 2002, we purchased 25,429 shares of common stock (approximately 0.25% of the outstanding share capital) of CEMEX Asia Holdings, Ltd., or CAH, from a CAH investor for a purchase price of approximately U.S.\$2.3 million, increasing our equity interest in CAH to 77.67%. CAH is a subsidiary originally created to co-invest with institutional investors in Asian cement operations. At the same time, we entered into agreements to purchase an additional 1,483,365 shares of CAH common stock (approximately 14.58% of the outstanding share capital) from several other CAH investors in exchange for 28,195,213 CEMEX CPOs (subject to anti-dilution adjustments). The exchange of 84,763 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2003, and the exchange of the remaining 1,398,602 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2004. For accounting purposes, the CAH shares to be received by us in exchange for CEMEX CPOs are considered to be owned by us effective as of July 12, 2002. As a result of this transaction and pending its successful consummation, we will have increased our stake in CAH to 92.25%. For recent developments regarding the exchange of CAH shares for CEMEX CPOs, please see Item 5-- "Operating and Financial Review and Prospects-- Liquidity and Capital Resources-- Recent Developments."
 - o In May 2001, we acquired, through CAH, a 100% economic interest in Saraburi Cement Company Ltd., a cement company based in Thailand with an installed capacity of approximately 700 thousand metric tons, for a total consideration of approximately U.S.\$73 million. In July 2002, Saraburi Cement Company changed its legal name to CEMEX (Thailand) Co. Ltd., or CEMEX (Thailand).
 - o In November 2000, through a tender offer and subsequent merger, we acquired 100% of the outstanding shares of common stock of Southdown, Inc., or Southdown, a U.S. cement producer. The total cost of the acquisition of Southdown was approximately U.S.\$2.8 billion. In March 2001, through a corporate restructuring, we integrated the Southdown operations with our other U.S. operations and "Southdown" changed its legal name to CEMEX, Inc.
 - o In November 1999, we acquired a 77% interest in Assiut Cement Company, or Assiut, an Egyptian cement producer, and in 2000, we increased our interest to 92.9%. In January 2001, we further increased our interest in Assiut to 95.8%.
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- o In June 1999, we acquired an 11.9% interest in Cementos Bio Bio, Chile's largest cement producer.
 - o In April 1999, we acquired a 15.8% interest in Cementos del Pacifico, a Costa Rican cement producer. In September 1999,

we increased our interest in Cementos del Pacifico to 95.3%. As of December 31, 2002, we had increased our interest in Cementos del Pacifico to approximately 98.4%.

- o In February 1999, we acquired a 99.9% economic interest in APO Cement Corporation, or APO, a Philippine cement producer. In September 1999, we contributed our interest in APO to CAH.
- o In October 1998, we purchased from the Indonesian government a 14% interest in Gresik, Indonesia's largest cement producer. In 1999, we increased our interest in Gresik to approximately 25.5%. In October 2000, by means of capital contributions made by us and the minority investors, CAH acquired our interest in Gresik.
- o In 1998, we increased our economic interest in Rizal Cement Company, or Rizal (now, Solid Cement Corporation, or Solid, as a result of the merger of Rizal into Solid on December 23, 2002), a Philippine cement producer, from 30% to 70%. In September 1999, we contributed our interest in Rizal to CAH. On July 31, 2002, we purchased, through a wholly-owned subsidiary, the remaining 30% economic interest that was not previously acquired by CAH in Rizal (now, Solid), for approximately U.S.\$95 million. At December 31, 2002, as a consequence of this transaction and the increase of our stake in CAH, as described above, our proportionate economic interest in Solid (formerly, Rizal) was approximately 94.58%.
- o In 1998, we increased our equity interest in Cementos Diamante, S.A. (now, CEMEX Colombia, S.A., or CEMEX Colombia, as a result of a legal name change in August 2002), to approximately 78% and integrated the operations of CEMEX Colombia and Industrias e Inversiones Samper, S.A., into a single company, making CEMEX Colombia the second largest cement producer in Colombia. In 1999 and 2000, we increased our equity interest in CEMEX Colombia to approximately 98.2% of total shares and 99.3% of ordinary shares.

For the year ended December 31, 2002, our net sales, before eliminations resulting from consolidation, were divided among the countries in which we operate as follows:

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[GRAPHIC OMITTED]

For a description of a breakdown of total revenues by geographic markets for each of the years ended December 31, 2000, 2001 and 2002, please see Item 5 -- "Operating and Financial Review and Prospects."

Our Production Process

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

We manufacture cement through a closely controlled chemical process, which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay is then pre-homogenized, a process

which consists of combining different types of clay in different proportions in a large storage area. The clay is usually dried by the application of heat in order to remove humidity acquired in the quarry. The crushed raw

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

There are two primary processes used to manufacture cement, the dry process and the wet process. The dry process is more fuel efficient. As of December 31, 2002, 46 of our 53 operating production plants used the dry process, five used the wet process and two used both processes. Three of the seven production plants that use the wet process are located in Venezuela. The remaining four production plants that use the wet process are located in Colombia, Nicaragua, and the Philippines. In the wet process, the raw materials are mixed with water to form slurry which is fed into the kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this dry process technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker. Finally, clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

User Base

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

Our Business Strategy

We seek to continue to strengthen our leadership position in the cement industry and to maximize our overall performance by employing the following strategies:

Reduce overall costs related to cement production.

By continuing to produce cement at a low cost we believe that we will continue to generate the necessary cash flows to support our present and future growth. We strive to reduce our overall cement production related costs through strict cost management and a constant search for efficiencies. By taking actions such as the use of alternative energy sources and the incorporation of technological improvements at the plant level we have reduced and expect to continue to reduce costs.

We plan to continue to eliminate redundancies at all levels, streamline corporate structures and centralize administrative functions to increase our efficiency and lower costs. In addition, in the last few years, we have carried out various procedures to improve the environmental impact of

our activities as well as our overall product quality. With each international acquisition, we have refined the implementation of both the technological and managerial processes required to rapidly integrate acquisitions into our existing corporate structure.

We have implemented the "CEMEX Way" as part of this process. The CEMEX Way is a program designed to develop efficiencies and improved ways of working, which will further reduce our costs, streamline our processes and extract synergies from our global operations going forward. As a result, we have developed centralized management information systems, including administrative, accounting, purchasing, customer management, budget preparation and control systems, which have been implemented throughout our operations and that are expected to assist us in lowering costs.

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Develop new competitive advantages.

We continue to focus on developing new competitive advantages that will differentiate ourselves from our competitors, and we are strengthening our commercial and corporate brands in this highly competitive industry in an effort to further enhance the subjective value of our products in our final customers. Our lower cost combined with our higher quality service has allowed us to make significant inroads in these areas.

We believe our Construrama branding and our other marketing strategies in Mexico will strengthen our distribution network, foster greater loyalty among distributors and further fortify our commercial network. With Construrama, we are enhancing the operating and service standards of our distributors, providing them with training, a standard image and national publicity, while our other strategy, which we call "Multiproductos," helps our distributors offer a wider array of construction materials and reinforces the subjective value of our products in their customers. In Spain, we have implemented several initiatives to increase the value of our services to our clients such as mobile access to account information, 24-hour bulk cement dispatch capability, night delivery of ready-mix cement, and a customer loyalty incentive program.

Expand into selected new markets.

Subject to economic conditions that may affect our ability to consummate acquisitions, we intend to continue adding assets to our existing portfolio. By selectively participating in markets that have long-term growth potential, in most cases we have been able to increase our cash flow and return on equity. We evaluate potential acquisitions in light of our three primary investment principles:

? the potential for increasing the acquired entity's value should be principally driven by factors that we can influence, particularly the application of our management and turnaround expertise;

- o the acquisition should not compromise our financial strength; and
- o the acquisition should offer a higher long-term return on our investment than our cost of capital.

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

Strengthening our financial structure.

We believe our strategy of cost-cutting initiatives, increased value

proposition and geographic expansion will translate into growing operating cash flows. Our objective is to strengthen our financial structure by:

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

We intend to continue monitoring our credit risk while maintaining the flexibility to support our business strategy.

Optimize distribution of our products through global coordination.

Through a worldwide import and export strategy, we will continue to optimize capacity utilization and maximize profitability by directing our products from countries experiencing downturns in their respective economies to target export markets where demand may be greater. Our global trading system enables us to

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coordinate our export activities globally and to take advantage of demand opportunities and price movements worldwide.

Focusing on attracting, retaining and developing a diverse, experienced and motivated management team.

We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers.

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

The implementation of our business strategy demands effective dynamics within our organization. Our corporate infrastructure is based on internal collaboration and global management platforms. We will continue to strengthen and develop this infrastructure to effectively support our strategy.

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Our Corporate Structure

We are a holding company and operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart summarizes our corporate structure as of December 31, 2002. The chart also shows, for each company, our approximate direct or indirect percentage equity or economic ownership interest. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.

[OBJECT OMITTED]

North America

As of and for the year ended December 31, 2002, North America, which includes our operations in Mexico and the United States, represented approximately 58% of our net sales, 50% of our total installed capacity and 43% of our total assets.

Our Mexican Operations

Overview

Our Mexican operations represented approximately 34% of our net sales in 2002.

At December 31, 2002, we owned or had economic rights to 100% of the outstanding capital stock of CEMEX Mexico, including an approximate 0.6% interest held by a Mexican trust for our benefit. CEMEX Mexico is a direct subsidiary of CEMEX and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX Mexico, indirectly, is also the holding company for our international operations.

At December 31, 2002, CEMEX Mexico owned approximately 100% of the outstanding capital stock of Empresas Tolteca de Mexico. Empresas Tolteca de Mexico is a holding company for some of our operating companies in Mexico.

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

Since the early 1970s, we have pursued a growth strategy designed to strengthen our core operations and to expand our activities beyond our traditional market in northeastern Mexico. This strategy has transformed our Mexican operations from a regional participant into the leading Mexican cement manufacturer. The process was largely completed with our acquisition of Cementos Tolteca, S.A. de C.V. in 1989, which increased our installed capacity for cement production by 6.5 million tons. Since the Cementos Tolteca acquisition, we have added 5.5 million tons of installed capacity in Mexico through acquisitions, expansion, modernization and the construction of new plants. Our largest new construction project in Mexico in the 1990s was the Tepeaca plant, which began operations in 1995 and had an installed capacity as of December 31, 2002 of 3.3 million tons. During the second quarter of 2002, the production operations at our oldest plant (Hidalgo) were temporarily halted pending our review of the cost effectiveness of continued production operations at this plant. We do not presently foresee any significant capacity expansion in our Mexican operations in 2003.

In 2001, we launched the Construrama program, a registered brand name for construction material stores. Through the Construrama program, we offer to an exclusive group of our Mexican distributors the opportunity to sell a variety of products under the Construrama brand name, a concept that includes the standardization of stores, image, marketing, products and services. By the end of 2002, 740 independent concessionaries with more than 2,000 stores were integrated into the Construrama program in more than 100 cities throughout Mexico. During 2003, we expect to make the Construrama program available to more distributors.

The Mexican Cement Industry

Cement in Mexico is sold principally through distributors with the remaining balance sold through ready-mix concrete producers, manufacturers of contract products and construction contractors. Cement sold through

distributors is mixed with aggregates and water by the end user at the construction site to form concrete. Ready-mix concrete producers mix the ingredients of concrete in plants and deliver it to local construction sites in mixer trucks, which pour the concrete. Unlike more developed economies, where purchases of cement are concentrated in the commercial and industrial sectors, retail sales of cement through distributors typically account for around 75% of Mexico's private sector demand. Individuals who purchase bags of cement for their own housing and other basic construction are a significant component of the retail sector. We estimate that as much as 50% of house building in

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Mexico is performed by individuals who undertake their own construction. We believe that this large retail sales base is a factor that contributes significantly to the overall performance of the Mexican cement market.

Competition. As recently as the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 30 years, the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. As of December 31, 2002, according to publicly available information, the major cement producers in Mexico are CEMEX; Apasco, an affiliate of Holcim; Sociedad Cooperativa Cruz Azul, a Mexican operator; and Cementos Moctezuma, an associate of Ciments Molins, which is partially owned by Lafarge.

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

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

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

Our Mexican Operating Network

[GRAPHIC OMITTED]

(1) In 2002, production operations at the Hidalgo cement plant were temporarily halted pending our review of the cost effectiveness of continued production operations at this plant.

Currently, we operate 14 plants (not including Hidalgo) and 75 distribution centers (67 land terminals and 8 marine terminals) located throughout Mexico. We operate modern plants on Mexico's Atlantic and Pacific coasts, allowing us to take advantage of low-cost maritime transportation to the Asian, Caribbean, Central and South American and U.S. markets.

We believe that geographic diversification in Mexico is important because:

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- o it decreases the effect of regional cyclicalities on total demand for our Mexican operations' products;
- o it places our Mexican operations in physical proximity to customers in each major region of Mexico, allowing more cost-effective distribution; and
- o it allows us to optimize production processes by shifting output to those facilities better suited to service the areas with the highest demand and prices.

Products and Distribution Channels

Our domestic cement sales represented approximately 93% in 2000, 96% in 2001, and 97% in 2002 of our total Mexican cement sales revenues.

Cement. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 2002, our Mexican operations sold approximately 75% of their cement sales volume through more than 5,200 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 4% of our Mexican operations' total sales by volume for 2002.

The retail nature of the Mexican cement market also enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk in the commodity market. We own the registered trademarks for our major brands in Mexico, such as "Monterrey," "Tolteca" and "Anahuac." We believe that these brand names are important in Mexico since cement is principally sold in bags to retail customers who may develop brand loyalty based on differences in quality and service. Our domestic cement sales volumes grew 5% in 2000, declined 7% in 2001, and grew 4% in 2002. In addition, we own the registered trademark for the "Construrama" brand name for construction material stores. See "Our Mexican Operations - Overview" above for a description of our recently launched Construrama program.

Ready-Mix Concrete. Ready-mix concrete sales volumes by our Mexican operations grew 13% in 2000, decreased 3% in 2001 and increased 10% in 2002. Although traditionally ready-mix concrete has not been an important product in Mexico because of the availability of low-cost labor and the relatively small size of private sector construction projects, for the year ended December 31, 2002, ready-mix concrete sales represented 10% of our Mexican operations' total cement sales volume.

Demand for ready-mix concrete in Mexico depends on various factors over which we have no control. These include the overall rate of growth of the Mexican economy and plans of the Mexican government regarding major infrastructure and housing projects.

Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations decreased 2% in 2000, decreased 10% in 2001, and decreased 25% in 2002. In 2002, 36% of our exports from Mexico were to Central America and the Caribbean, 63% to the United States, and 1% to South America.

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

Production Costs

Our Mexican operations' cement plants primarily utilize residual fuel oil, but several are designed to switch to natural gas with minimum downtime. Pursuant to a 20-year contract entered into with Pemex, or Petroleos Mexicanos, Pemex has agreed to supply us with 900 thousand tons of petcoke per year, commencing in 2002.

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Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distillation of hydrocarbons in petroleum and that may be used as fuel in the production of cement. We expect the Pemex petcoke contract to reduce the volatility of our fuel costs and provide us with a consistent source of petcoke throughout its 20-year term. In addition, since 1992, our Mexican operations have begun to use alternate fuels, reducing the consumption of residual fuel oil and natural gas to 24% (based on a yearly average) of the total fuel consumption for our Mexican operations in 2002.

In 1999, CEMEX, through a subsidiary, reached an agreement with ABB Alstom Power and Sithe Energies, Inc., requiring that Alstom and Sithe finance, build and operate Termoelectrica del Golfo, a 230 megawatt energy plant in Tamuin, San Luis Potosi, Mexico and supply electricity to CEMEX for a period of 20 years. The total cost of the project is approximately U.S.\$360 million. CEMEX is obligated to supply Alstom with 650 thousand tons of petcoke per year over the same period and will buy all the electricity produced by the plant. We expect to meet our petcoke delivery requirements to Alstom through our petcoke supply contract with Pemex. CEMEX may also be obligated to purchase the power plant upon the occurrence of specified material defaults or events, such as failure to pay when due, bankruptcy or insolvency, and revocation of permits necessary to operate the facility. We expect this project to reduce the volatility of our energy costs and to provide approximately 100% of the electricity needs of 11 of our cement plants in Mexico once the plant is operational, which we currently anticipate will be during the first half of 2003.

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

Description of Properties, Plants and Equipment

As of December 31, 2002, we operated 14 wholly-owned cement plants (not including Hidalgo) located throughout Mexico, with a total installed capacity of 27.2 million tons per year. Our Mexican operations' most significant gray cement plants are the Huichapan, Tepeaca and Barrientos plants, which serve the central region of Mexico, the Monterrey, Valles and Torreon plants, which serve the northern region of Mexico, and the Guadalajara and Yaqui plants, which serve the Pacific region of Mexico. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that these limestone and clay reserves have an average life of more than 60 years, assuming 2002 production levels. As of December 31, 2002, all our production plants in Mexico utilized the dry process.

As of December 31, 2002, we had a network of 67 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities and eight marine terminals. In addition, we had 220 ready-mix concrete plants throughout 77 cities in Mexico and 1,211 ready-mix concrete delivery trucks.

Capital Investments

We made capital expenditures of approximately U.S.\$94.8 million in 2002 in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.\$115 million during 2003.

Our U.S. Operations

Overview

Our U.S. operations represented approximately 24% of our net sales in 2002. As of December 31, 2002, we had a cement manufacturing capacity of approximately 13.6 million metric tons per year in our United States operations, including nearly 600 thousand metric tons in proportional interests through minority holdings.

As of December 31, 2002, we operated a geographically diverse base of 12 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Michigan, Ohio, Pennsylvania, Tennessee and Texas. As of that date, we also had 51 rail or water served active distribution terminals in the United States and one in Canada. We also market ready-mix concrete products in four of our largest cement markets, California, Arizona, Texas, and Florida. In addition, we mine, process and sell construction aggregates in California, Arizona, Texas and Florida.

The Cement Industry in the United States

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

According to the Portland Cement Association's U.S. and Canadian Plant Information Summary as of December 31, 2001 (released fourth quarter 2002), we ranked first in total active cement manufacturing capacity among the 31 cement producers (including joint ventures) that comprise the U.S. market.

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

Aggregates are widely used throughout the U.S. for all types of construction because they are the most basic materials for building activity. The U.S. aggregates industry is highly fragmented and geographically dispersed. According to the U.S. Geological Survey, in 2002, approximately 4,000 companies operated approximately 6,300 quarries and pits.

Our United States Operating Network

[GRAPHIC OMITTED]

(1) In 2001, production operations at the Pittsburgh cement plant were shut down. It now operates as a distribution terminal.

Products and Distribution Channels

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

Cement. Our cement operations represented approximately 69% of our 2002 U.S. operations revenues. Our U.S. operations sales volumes increased 30% in 2000, 183% in 2001, mainly because of the Southdown, now named CEMEX, Inc., acquisition, and decreased 5.3% in 2002 due to the economic downturn in the United States, which has resulted in a decreased demand for cement in the commercial, industrial and infrastructure sectors. High levels of construction activity in most regions of the United States during the last several years resulted in favorable market dynamics for cement, which in turn resulted in higher prices.

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

Cement demand has recently been much less vulnerable to a downturn than in previous cycles due to increased public infrastructure spending. In 2002, according to our estimates, public infrastructure spending

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accounted for 54% of the total cement consumption in the U.S. Strong cement demand over the past decade has driven industry capacity utilization up to maximum levels. According to the Portland Cement Association, domestic capacity utilization reached 98.7% in 2000, 95.5% in 2001 and 93.3% in 2002.

Ready-Mix Concrete. Concrete operations represented approximately 24% of our 2002 revenues in the U.S. We have ready-mix operations in California, Arizona, Texas and Florida. Our concrete operations in those states purchase most of their cement requirements from our cement operations in the U.S.

Aggregates. Our construction aggregates operations include mining, processing and selling construction aggregates in California, Arizona, Texas and Florida. Aggregates operations represented approximately 6% of our 2002 U.S. revenues. At 2002 production levels, it is anticipated that 95% of our construction aggregates reserves in the U.S. will last from 10 years to more than 50 years.

Production Costs

The largest cost components of our plants are electricity and fuel, which accounted for approximately 35% of CEMEX, Inc.'s total production costs in 2002. The majority of our U.S. plants use coal as primary fuel, which has maintained a relatively stable price. CEMEX, Inc. has a limited exposure to coal price increases, as most of its coal requirements have been secured through long-term contracts that were executed prior to recent price increases. Therefore, increases in fuel prices have not had a material impact on CEMEX, Inc.'s production costs. In addition, CEMEX, Inc. is currently implementing an alternative fuels program to gradually replace coal with more economic fuels such as petcoke and tires, which will result in reduced energy costs. By retrofitting our cement plants to handle alternative fuels, we will gain more

flexibility in supplying our energy needs and become less vulnerable to potential price spikes. Power costs in 2002 represented approximately 19% of the cash manufacturing cost, which represents production cost before depreciation. We have improved the efficiency of CEMEX, Inc.'s electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plants and Equipment

As of December 31, 2002, we operated 12 cement manufacturing plants in the U.S., with a total installed capacity of 13.6 million metric tons per year, including 600 thousand metric tons in proportional interests through minority holdings. All our cement production facilities are wholly owned except for the Balcones plant, which is leased, and the Louisville plant and Pittsburgh terminal. The Louisville and Pittsburgh facilities are owned by Kosmos Cement Company, a joint venture in which CEMEX, Inc. owns 75% and a subsidiary of Dyckerhoff AG owns 25% of the interests.

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

As of December 31, 2002, we operated a concrete distribution network of 86 ready-mix concrete plants, 52 cement terminals, four of which are deep-water terminals, and 23 aggregate locations throughout the U.S.

Capital Investment

We made capital expenditures of approximately U.S.\$65 million in 2000, U.S.\$179.5 million in 2001 and U.S.\$95.9 million in 2002 in our U.S. operations. We currently expect to make capital expenditures in our U.S. operations of approximately U.S.\$103 million during 2003.

Europe, Asia and Africa

As of December 31, 2002, our business in Europe, Asia and Africa, which included our majority-owned operations in Spain, the Philippines, Thailand and Egypt, as well as our minority interests in Indonesia and other Asian investments, represented approximately 18% of our net sales, 33% of our total installed capacity and 17% of our total assets.

Our Spanish Operations

Overview

Our Spanish operations represented approximately 14% of our net sales in 2002. We conduct our Spanish operations through our operating subsidiary CEMEX Espana, S.A. or CEMEX Espana, formerly named Compania Valenciana de Cementos Portland, S.A. CEMEX Espana is also a holding company for most of our international operations. Our cement activities are conducted by CEMEX Espana itself and Cementos Especiales de las Islas, S.A. Our ready-mix concrete activities and our aggregates activities are conducted by Hormicemex, S.A. and Aricemex S.A., respectively.

The Spanish Cement Industry

In 2002, the construction sector of the Spanish economy grew 4.5%, primarily as a result of the growth of construction in the residential sector of the Spanish economy. Cement consumption in Spain increased approximately 11.1% 2000, 9.1% in 2001 and 4.6% in 2002. Our domestic cement and clinker

sales volumes in Spain increased 12.4% in 2000, 4.1% in 2001, and 2.5% in 2002.

During the past several years, the level of cement imports into Spain has been influenced by the strength of domestic demand and the relative weakness or strength of the Euro against the Dollar. Cement imports increased 9.5% in 2000, 22.2% in 2001 and 2.1% in 2002. Clinker imports increased 16.5% in 2000, 43.6% in 2001 and 6.9% in 2002. Imports primarily had an impact on coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets. Nonetheless, sales from imports have been increasing in the center of Spain in recent years.

In the past, Spain has traditionally been one of the leading exporters of cement in the world exporting up to 6 million tons per year. Nevertheless, exports of producers in Spain have been reduced in recent years to 1.4 million tons in 2002 to meet strong domestic demand. Our Spanish operations' cement and clinker export volumes decreased by 57% in 2000, and 42% in 2001, as a result of the strong domestic demand. In 2002, they increased 3.7%.

Competition. In 2002, the world's largest producer, the Lafarge group of France, sold two cement plants with an aggregate of 1.6 million tons of total cement capacity and a grinding mill in the south of Spain to Cimpor, a Portuguese company. According to the Asociacion de Fabricantes de Cemento de Espana, or OFICEMEN, the Spanish cement trade organization, as of December 31, 2002, approximately 60% of installed capacity for production of cement in Spain was owned by five multinational groups, including CEMEX.

Competition in the ready-mix concrete industry is particularly intense in large urban areas. Our subsidiary Hormicemex has achieved a sizable market presence in areas such as Baleares, Canarias, Levante and Aragon. In other areas, such as the central and Cataluna regions, our market share remains smaller due to greater competition in the relatively larger urban areas. The overall high degree of competition in the Spanish ready-mix concrete industry has led to weak pricing, which, in turn, has affected Hormicemex's profitability. Despite this fact, the distribution of ready-mix concrete remains a key component of CEMEX Espana's business strategy.

The Spanish ready-mix concrete industry is subject to increasingly stringent regulations regarding safety, environment, licenses and quality of products. Compliance, however, is not strongly enforced, which permits independent local ready-mix concrete producers to circumvent so-called production norms and offer low quality products at lower prices. Nevertheless, we expect that the more rigorous ready-mix concrete regulations of the

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European Union will have to be strictly complied with in Spain in the near future and that the operating costs of small independent ready-mix concrete producers will increase, thereby dampening their ability to compete as effectively as they do now.

Our Spanish Operating Network

OFICEMEN reported that, based on 2002 sales, CEMEX Espana had a market share of approximately 22% in gray and white cement, making us the leader in the Spanish cement industry. We believe that we maintain this leading market position because of our customer service and our geographic diversification, which includes extensive distribution channels that enable us to cope with downturns in demand more effectively than many of our competitors because we are able to shift our production to serve areas with the strongest demand and prices.

[GRAPHIC OMITTED]

Products and Distribution Channels. CEMEX Espana offers various types of cement, targeting specific products to specific markets and users. In 2002, approximately 20% of CEMEX Espana's domestic sales volumes consisted of bagged cement through distributors, and the remainder of CEMEX Espana's domestic sales volumes consisted of bulk cement, primarily to ready-mix concrete operators, which include CEMEX Espana's own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Exports. In general, despite increases in domestic demand in recent years, we have been able to export excess capacity through collaboration between CEMEX Espana and our trading network. Export prices, however, are usually lower than domestic market prices, and costs are usually higher for export sales. In 2002, 37% of our exports from Spain were to the United States, 20% to Europe and the Middle East, 39% to Africa and 4% to the Caribbean.

Production Costs

We have improved the profitability of our Spanish operations by introducing technological improvements that have significantly reduced our energy costs, including the use of alternative fuels, in accordance with our cost reduction policy. We reduced the clinker-cement ratio (the proportion of clinker used in the production of cement) by 4.8 percentage points over the last four years, including a 1.6 percentage point reduction in 2002 compared to 2001. Additionally, the increased capacity in 2002 of the San Vicente plant (approximately 400 thousand tons) has

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allowed us to reduce the clinker transportation costs between plants and the need for imported clinker. In 2002 we burned meal flour as fuel, achieving a 1% substitution rate for petcoke. During 2003, in addition to burning meal flour, we expect to initiate the burning of tires.

Description of Properties, Plants and Equipment

As of December 31, 2002, our Spanish operations operated eight plants located in Spain, with a cement equivalent capacity of 10.8 million tons, including 850 thousand tons of white cement (the equivalent of approximately 1.7 million tons of gray cement). We also operated 81 ready-mix concrete plants, including 16 aggregate and nine mortar plants. CEMEX Espana also owns two cement mills, one of which is operated through a joint venture 50%-owned by CEMEX Espana, and 27 distribution centers, including nine land and 18 marine terminals.

As of December 31, 2002, CEMEX Espana owned eight limestone quarries located in close proximity to its plants, which have useful lives ranging from 10 to 30 years, assuming 2002 production levels. Additionally, we have rights to expand those reserves to 50 years of limestone reserves, assuming 2002 production levels.

Capital Investments

We made capital expenditures of approximately U.S.\$61.1 million in 2002 in our Spanish operations. We currently expect to make capital expenditures in our Spanish operations of approximately U.S.\$58 million during 2003.

Our Asian Operations

As of December 31, 2002, our business in Asia, which includes our operations in the Philippines and Thailand, as well as our minority interests in Indonesia and other assets in Asia, represented approximately 2% of our net sales, 13.5% of our total installed capacity and 5% of our total assets.

Our Philippine Operations

The Philippine Cement Industry

During 2002, cement consumption in the Philippine market totaled 12.8 million tons. Since there is currently overcapacity in the Philippines, we intend to use our trading network to export a substantial amount of our Philippine cement production.

The primary nature of the Philippine cement market is retail, similar to Mexico. Approximately 85% of Philippine cement volume is typically sold in bags through distributors and retailers. The balance is sold through ready-mix concrete producers, large and small contractors and hollow block manufacturers.

After four years of continual decline since the 1997 Asian economic recession, cement demand in the Philippines started to recover during 2002 as the overall economy showed a slight improvement. As a result, the cement industry experienced growth of 7.4% in sales volume in 2002 compared to 2001. However, despite this improvement, demand growth is lagging when compared to other countries in the region and is below pre-crisis levels in Asia.

Competition. As of December 31, 2002, the Philippine cement industry had a total of 20 cement plants and three cement grinding mills with an annual installed capacity of 26.4 million tons, according to the Philippine Cement Manufacturers Corporation. Major global cement producers own nearly 87% of this capacity.

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

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Our Philippine Operating Network

[GRAPHIC OMITTED]

*Solid consists of two plants in Manila.

Our Philippine operations have three cement plants with a total of eight production lines, three utilizing the dry process (75% of our capacity) and five utilizing the wet process (25% of our capacity), as well as distribution centers in Batangas and Iloilo.

Production Costs

Costs of production include energy, labor, transportation, raw materials, maintenance and packaging. We estimate that we have mining rights for at least 15 years plus an option for another 15 years in Solid and 40 years in APO of limestone and clay reserves available to supply our Philippine operations at 2002 levels of production. Other raw materials, such as gypsum and iron ore, which are used in smaller quantities than limestone and clay, are purchased from outside suppliers.

Our three plants have their own electricity generating capacity,

which allows us to reduce our production costs since our self-generated electricity cost is usually cheaper than electricity supplied by either government-owned or privately-owned grids. However, one of our Manila plants can still avail itself of electricity from local suppliers when production reaches its peak or when rates are economically attractive.

Description of Properties, Plants and Equipment

Our Philippine operations include three plants with a total capacity of 5.8 million tons per year and two marine distribution terminals. Our cement plants include two Solid plants, with five wet process production lines and one dry process production line and an installed capacity of 2.6 million tons, serving the Manila metropolitan region; and the APO plant, with two dry process production lines and an installed capacity of 3.2 million tons, serving the Visayas, North Mindanao and South of Luzon regions.

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Capital Investments

We made approximately U.S.\$12.1 million of capital expenditures in 2002 in our Philippine operations. We currently expect to make capital expenditures of approximately U.S.\$5.0 million during 2003.

Our Indonesian Equity Investment

Overview

In October 1998, we purchased from the Indonesian government a 14% interest in Gresik, Indonesia's largest cement producer. In 1999, we increased our interest in Gresik to approximately 25.5%. The Indonesian government retains a 51% interest in Gresik. In October 2000, by means of capital contributions made by us and the minority investors, CAH acquired our interest in Gresik. As a result of this transaction and the increase of our stake in CAH, as described above, at December 31, 2002, our proportionate economic interest through CAH in Gresik was approximately 23.5%. Currently, we hold two seats on both the board of directors and the board of commissioners of Gresik, as well as the right to approve Gresik's business plan jointly with the Indonesian government.

Gresik owns (directly or indirectly through its subsidiaries) and operates four cement plants in Indonesia with a total installed capacity of 17.3 million tons.

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

Since the attempt of the West Sumatra provincial administration in November 2001 to "take over" the management of Semen Padang, several interest groups opposed to any further sale of the Indonesian government's stock ownership in PT Semen Gresik to us have threatened strikes and other actions that would affect our Indonesian operations. We have discussed our concerns with the Indonesian government, which has demonstrated its willingness to carry out needed changes in management as a first step to re-attain normality in the Padang plant's operations. At an extraordinary general meeting of shareholders held in February 2002, the Indonesian government replaced three

government-appointed commissioners and the President-Director of PT Semen Gresik. These replacements were implemented with our approval. Gresik, as the controlling shareholder of Semen Padang, has taken steps to convene a general meeting of shareholders to replace the management of Semen Padang. The management of Semen Padang has refused to convene such a meeting, and such refusal was upheld by the District Court in Padang in September 2002. In its ruling, the District Court held that Gresik had not demonstrated that its application to convene the shareholders' meeting had received the necessary internal corporate approvals and that Gresik's reasons for changing management were improper. Gresik filed a request for cassation with the Indonesian Supreme Court on the grounds that, among other things, the District Court made an error of law in evaluating Gresik's reasons for the proposed corporate action, and committed a procedural error in concluding that Gresik had not obtained the requisite internal corporate approvals to convene the meeting.

The Indonesian Cement Industry

The Indonesian cement industry is one of the two largest in South East Asia, accounting for about 30% of the approximately 90 million tons of cement consumed in South East Asia in 2002, according to our estimates. Despite the recent economic and political problems experienced by Indonesia, we believe the Indonesian cement market is important to our Asian expansion strategy due to its strategic location, size, potential as an anchor for our South East Asian trading network and the significant growth potential of the Indonesian economy.

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Indonesian cement domestic demand increased 14.2% in 2001 and increased 6.8% in 2002. However, as of December 31, 2002, the Indonesian cement industry still had an excess capacity of approximately 55%, which has required Indonesian producers to seek export markets.

Competition. Indonesia had 13 cement plants with a combined installed capacity of approximately 50 million tons as of December 31, 2002. Foreign companies continue their efforts to increase their participation in the industry. Lafarge holds a majority position in P.T. Semen Andalas, Heidelberger holds a majority interest in Indocement and Holcim holds a majority interest in Cibinong.

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Gresik's Indonesian Operating Network

[GRAPHIC OMITTED]

Gresik, with an installed capacity of 17.3 million tons, is Indonesia's largest cement producer. Gresik's production facilities include four plants with twelve dry production lines and one wet production line, with access to most of Indonesia's regions.

As of December 31, 2002, Gresik was operating at approximately 72% capacity utilization. In 1998, CEMEX reached an agreement in principle with Gresik to buy at least 1.5 million tons of cement from Gresik during each of the years 2000, 2001 and 2002. Gresik undertook an upgrade of its port infrastructure in order to increase its export capacity. However, in light of the growth in the domestic market during the last two years, Gresik's need for increased export capacity has diminished significantly.

Exports. During 2002, Gresik exported more than 18% of its cement production, mainly through its own efforts. Gresik exports mainly to Egypt, Bangladesh and Sri Lanka.

Description of Properties, Plants and Equipment

As of December 31, 2002, Gresik operated four cement plants with an installed capacity of 17.3 million tons, and 12 land distribution centers and 10 marine terminals. Gresik's cement plants include the Padang plant, with one production line that utilizes the wet process and four production lines that utilize the dry process and an installed capacity of 5.6 million tons; the Gresik plant, which has two production lines that utilize the dry process and an installed capacity of 1.3 million tons; the Tuban plant, which has three production lines that utilize the dry process and an installed capacity of 6.9 million tons; and the Tonasa plant, which has three production lines that utilize the dry process and an installed capacity of 3.5 million tons.

Our Thai Operations

Overview

In May 2001, through CAH, we acquired a 100% economic interest in Saraburi Cement Co. Ltd., a cement producer based in Thailand. The company was later renamed CEMEX (Thailand) Co., Ltd. Our proportionate economic interest in CEMEX (Thailand) through CAH is approximately 92.3% as of December 31, 2002.

The Thai Cement Industry

According to our estimates, at December 31, 2002, the cement industry in Thailand had a total of 13 cement plants, with an aggregate annual installed capacity of approximately 54.1 million tons. We estimate that

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there are five major cement producers in Thailand, four of which represent 99% of installed capacity and 97% of the market.

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

Our Thai Operating Network

[GRAPHIC OMITTED]

Description of Properties, Plant and Equipment

CEMEX (Thailand) owns one dry process cement plant located north of Bangkok and has been operating at full capacity. As of December 31, 2002, CEMEX (Thailand) had an installed capacity of approximately 720,000 metric tons.

Capital Investments

We made approximately U.S.\$7.1 million of capital expenditures in our Thai operations in 2002. We currently expect to make capital expenditures of

approximately U.S.\$2.1 million during 2003.

Other Asian Investments

As part of our strategy to strengthen our presence in South Asia, in May 2000, we committed to invest approximately U.S.\$34 million in the construction of a new grinding mill near Dhaka, Bangladesh. The grinding mill began operating in April 2001 and produced 174,000 tons during 2002. In addition, we sold an additional 175,000 tons of bagged cement in Bangladesh in 2002. We are supplying the mill with clinker from Gresik in Indonesia and from other countries in the region.

In March 2001, we acquired a cement terminal in Sukematsu Port, Izumiotsu City, near Osaka, Japan for U.S.\$2.8 million. The terminal is situated on land leased for a period of 30 years and has a storage capacity of 9,000 metric tons. Additional investments will be required to make the terminal operational. We have not yet made these investments pending our review of the Japanese cement industry. The terminal has potential annual throughput volume of approximately 300,000 tons.

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

Our Egyptian Operations

Overview

As of December 31, 2002, we had a 95.8% interest in Assiut, which has an installed capacity of approximately 4.9 million tons.

The Egyptian Cement Industry

The Egyptian cement market consumed approximately 27.0 million tons of cement during 2002. Cement consumption increased by 0.8% in 2002, despite a slowdown in the Egyptian economy and the diminishing availability of foreign currency in Egypt which has affected most sectors of the Egyptian economy, in particular the Egyptian construction sector.

Competition. As of December 31, 2002, the Egyptian cement industry had a total of ten cement producers, with an aggregate annual installed capacity of approximately 36 million tons. We estimate that, as of December 31, 2002, Holcim (Egyptian Cement Company), Lafarge (Alexandria Portland Cement and Beni Suef Cement) and CEMEX (Assiut Cement Company), the three largest cement producers in the world, were responsible for 45.6% of the total cement sales in Egypt. Other competitors in the Egyptian market are Suez and Tourah Cement Companies (Italcementi) and Helwan Portland Cement Company. In addition, cement prices in Egypt are controlled to a significant degree by the Egyptian government, which controls almost 50% of the industry's capacity

Our Egyptian Operating Network

[GRAPHIC OMITTED]

Distribution Channels

As a result of the retail nature of the Egyptian market, over 90% of our cement sales volumes are typically sold in bags. Through our commercial strategy we have been able to serve retail customers throughout the country directly without having to depend on wholesalers and distributors.

Description of Properties, Plant and Equipment

As of December 31, 2002, Assiut operated one cement plant with an installed capacity of approximately 4.9 million tons and three dry process production lines. Assiut's cement plant serves upper Egypt as well as Cairo and the Delta region, Egypt's main cement market.

Capital Investments

We made capital expenditures of approximately U.S.\$27.2 million in our Egyptian operations in 2002. We currently expect to make capital expenditures of approximately U.S.\$20 million during 2003.

South America, Central America and the Caribbean

As of December 31, 2002, our business in South America, Central America and the Caribbean, which includes our operations in Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua and Puerto Rico, as well as other assets in the Caribbean, represented approximately 14% of our net sales, 17% of our total installed capacity and 9% of our total assets.

Our Venezuelan Operations

Overview

Our Venezuelan operations represented approximately 4% of our net sales in 2002. As of December 31, 2002, we held a 75.7% interest in CEMEX Venezuela, S.A.C.A., or CEMEX Venezuela, a company listed on the Caracas Stock Exchange. CEMEX Venezuela also serves as the holding company for our interests in Chile, the Dominican Republic and Panama. CEMEX Venezuela is the largest cement producer in Venezuela, based on an installed capacity of 4.6 million tons as of December 31, 2002.

The Venezuelan Cement Industry

Cement consumption in Venezuela fell 19% in 2002 compared to 2001 according to our estimates, due to Venezuela's political and economic turmoil. During 2002 Venezuela experienced considerable volatility and depreciation of its currency, high interest rates, political instability and declining asset values in 2002. In February 2002, the government abandoned its policy of locking the Venezuelan Bolivar within an exchange rate band in favor of a free floating exchange rate system, resulting in an immediate 35% depreciation of the Venezuelan Bolivar. The April 2002 coup, which ousted President Chavez for two days, marked the climax of the political instability that continued throughout the remainder of 2002. In addition, an on-going nation-wide general strike that began in early December 2002 has caused significant reduction in oil production in Venezuela, and has had a material adverse effect on Venezuela's oil-dependent economy. As a consequence, in 2002, inflation in Venezuela reached 31.2%, the Venezuelan Bolivar depreciated 85.1% against the Dollar and Venezuela's gross domestic product (GDP) decreased 8.9%. More recently, in response to the general strike and in an effort to shore up the economy and control inflation, in February 2003, Venezuela authorities imposed

foreign exchange controls and are still implementing price controls, which are announced to include cement. Further economic stagnation in the private sector is expected to come as a consequence of these market distortions. The adverse economic situation in Venezuela has dampened the formal construction sector, as a result of reduced demand for cement and ready-mix concrete.

Competition. As of December 31, 2002, the Venezuelan cement industry included five cement producers, with a total installed capacity of approximately 9.5 million tons, according to our estimates. We estimate that CEMEX Venezuela's installed capacity in 2002 represented approximately 49% of that total, almost twice that of its next largest competitor.

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

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In 2002, the ready-mix concrete market accounted for only about 13% of cement consumption in Venezuela, according to our estimates. We believe that Venezuela's construction companies, which prefer to install their own ready-mix concrete plants on-site, are the most significant barrier to penetration of the ready-mix concrete sector, with the result that on-site ready-mix concrete mixing represents a high percentage of total ready-mix concrete production.

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

Our Venezuelan Operating Network

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

[GRAPHIC OMITTED]

As of December 31, 2002, CEMEX Venezuela was the leading Venezuelan domestic supplier of cement, based on our estimates of sales of gray and white cement in Venezuela. In addition, CEMEX Venezuela was also the leading domestic supplier of ready-mix concrete in 2002 with 30 ready-mix production plants throughout Venezuela. During 2002, CEMEX Venezuela achieved production of 3.4 million tons of clinker.

Distribution Channels

Transport by land is handled primarily by CEMEX Venezuela. During 2002, approximately 36% of CEMEX Venezuela's total domestic sales were transported through its own fleet of trucks. CEMEX Venezuela also serves a significant number of its retail customers directly through its wholly-owned distribution centers.

Exports

During 2002, exports from Venezuela represented approximately 17.2% of CEMEX Venezuela's net sales. CEMEX Venezuela's main export markets historically have been the Caribbean and the east coast of the United States. In 2002, 65% of our exports from Venezuela were to the United States, and 35% were to the Caribbean and South America.

Description of Properties, Plants and Equipment

As of December 31, 2002, CEMEX Venezuela operated three wholly-owned cement plants, Lara, Mara and Pertigalete, with a combined installed capacity of clinker production of approximately 4.3 million tons. CEMEX Venezuela also operates the Guayana grinding facility with a cement capacity of 360 thousand tons. All the plants are strategically located to serve both domestic areas with the highest levels of cement consumption and export markets. CEMEX Venezuela also owns 30 ready-mix concrete production facilities and 14 distribution centers. CEMEX Venezuela owns four limestone quarries with reserves sufficient for over 100 years at 2002 production levels.

The Lara and Mara plants and one production line at the Pertigalete plant utilize the wet process; the other production line at the Pertigalete plant utilizes the dry process. All the plants utilize natural gas as fuel. CEMEX Venezuela has its own electricity generating facilities, which are powered by natural gas and diesel fuel.

As of December 31, 2002, CEMEX Venezuela owned and operated four port facilities, three marine terminals and one river terminal. One port facility is located at the Pertigalete plant, one at the Mara plant, one at the Catia La Mar terminal on the Caribbean Sea near Caracas, and one at the Guayana Plant on the Orinoco River in the Guayana Region. CEMEX Venezuela's cement is transported either in bulk or in bags.

Capital Investments

We made capital expenditures of approximately U.S.\$13.6 million in 2002 in our Venezuelan operations. We currently expect to make capital expenditures of approximately U.S.\$19 million during 2003.

Our Colombian Operations

Overview

Our Colombian operations represented approximately 3% of our net sales in 2002.

As of December 31, 2002, CEMEX Colombia was the second-largest cement producer in Colombia, based on installed capacity of 4.8 million tons, according to the Colombian Institute of Cement Producers, or ICPC.

CEMEX Colombia has a significant market share in the cement and ready-mix concrete market in the so-called "Urban Triangle" of Colombia comprising the cities of Bogota, Medellin and Cali. During 2002, these three metropolitan areas accounted for approximately 70% of Colombia's cement consumption. CEMEX Colombia's Ibague plant, which uses the dry process and is strategically located between Bogota, Cali and Medellin, is Colombia's largest and had an installed capacity of 3.1 million tons as of December 31, 2002. CEMEX Colombia, through its Bucaramanga and Cucuta plants, is also an active participant in Colombia's northeastern market. CEMEX Colombia's strong position in the Bogota ready-mix concrete market is largely due to its access to a ready supply of aggregate deposits in the Bogota area.

The Colombian Cement Industry

Competition. The Colombian cement industry has been dominated by the Sindicato Antioqueno, or Argos, which either owns or has interests in nine of Colombia's twelve cement companies. Argos has established a leading position

in the Colombian coastal markets through Cementos Caribe in Barranquilla, Compania Colclinker in Cartagena and Tolcemento in Sincelejo. The other principal cement producer is Cementos Boyaca, an affiliate of Holcim.

Our Colombian Operating Network

[GRAPHIC OMITTED]

CEMEX Colombia owns quarries with minimum reserves sufficient for over 100 years at 2002 production levels. In addition to mining its own raw materials, CEMEX Colombia also purchases raw materials from third parties. The majority of CEMEX Colombia's cement is distributed through independent distributors.

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

CEMEX Colombia operates its ready-mix concrete business through 20 ready-mix plants. CEMEX Colombia also uses portable ready-mix plants, which allow concrete to be mixed at major building sites, reducing transportation costs and eliminating the need to acquire additional permanent ready-mix concrete sites.

Description of Properties, Plants and Equipment

As of December 31, 2002, CEMEX Colombia owned five cement plants having a total installed capacity of 4.8 million tons per year and one grinding mill. Two of these plants utilize the wet process and three utilize the dry process. The Ibague and Tolima plants serve the Urban Triangle, while Cucuta and Bucaramanga plants, located in the northeastern part of the country, serve local and coastal markets. The La Esperanza cement plant and the Santa Rosa clinker mill are close to Bogota. CEMEX Colombia also has an internal electricity generating capacity of 24.7 megawatts through a leased facility. In addition, CEMEX Colombia owns seven land distribution centers, one mortar plant, 20 ready-mix concrete plants, one concrete products plant and seven aggregate plants.

Capital Investments

We made capital expenditures of approximately U.S.\$5.2 million in 2002 in our Colombian operations. We currently expect to make capital investments of approximately U.S.\$9.7 million during 2003.

Other South American Investments

Our Equity Investment in Chile

We hold a 11.9% interest in Cementos Bio Bio, S.A., Chile's largest cement producer according to our estimates, with an installed capacity as of December 31, 2002 of approximately 2.25 million tons. Cementos Bio Bio owns and operates three cement plants. Two of the cement plants are located in the Santiago-Concepcion corridor, and the third plant is located in the northern Antofogasta region. Cementos Bio Bio's primary market is

the Concepcion market. In addition, Cementos Bio Bio has 1.05 million cubic meters of ready-mix concrete production capacity.

Central America and the Caribbean

As for the year ended December 31, 2002, Central America and the Caribbean, which includes our operations in Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico and other assets in the Caribbean, represented approximately 7% of our net sales, 5% of our total installed capacity and 5% of our total assets.

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

Our Costa Rican Operations

Overview. As of December 31, 2002, we held a 98.4% interest in Cementos del Pacifico.

The Costa Rican Cement Industry

Approximately 1.17 million tons of cement were sold in Costa Rica during 2002, according to Camara de la Construccion de Costa Rica, the Costa Rican construction industry association. The Costa Rican cement market is a predominantly retail market, and we estimate that over three quarters of cement sold is bagged cement.

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

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

[GRAPHIC OMITTED]

Products and Distribution Channels. Cementos del Pacifico has five strategically located distribution centers, two on the Pacific coast and three in the metropolitan areas, where 64% of total 2002 sales were made.

Exports. During 2002, exports of cement by our Costa Rican operations represented approximately 26% of our total cement production in Costa Rica. In 2002, 15% of our exports from Costa Rica were to Nicaragua, 18% to El Salvador and 67% to Guatemala.

Production Costs. In January 2001, we commenced using petcoke as fuel in the production of cement to reduce our production costs. During 2002, energy costs decreased approximately 30% in Costa Rica.

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

150 thousand tons.

Capital Investments. We made capital expenditures of approximately U.S.\$5.2 million in 2002 in our Costa Rican operations. We currently expect to make capital expenditures of approximately U.S.\$5.8 million during 2003.

Our Dominican Republic Operations

Overview. Our Dominican Republic operations represented approximately 2% of our net sales in 2002.

As of December 31, 2002, we owned 99.9% of Cementos Nacionales, a cement producer in the Dominican Republic with an installed capacity of 2.4 million tons of cement, 12 distribution centers, and a concrete, aggregate and gypsum operation through a 25 year lease with the Dominican Republic government, which enables us to supply all local and regional gypsum requirements.

The Dominican Republic Cement Industry

In 2002, Dominican Republic cement consumption reached 3.3 million metric tons, and some cement imports were necessary to fulfill domestic demand, according to our estimates.

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

Our Dominican Republic Operating Network. As of December 31, 2002, Cementos Nacionales was the leading cement producer in the Dominican Republic, based on installed capacity as reported by International Cement Review in the Global Cement Report. Cementos Nacionales' sales network covers the country's main consumption areas, which are Santo Domingo, Santiago de los Caballeros, La Vega, San Pedro de Macoris and Azua.

[GRAPHIC OMITTED]

Production Costs. Cementos Nacionales uses a dry production process. As of December 31, 2002, Cementos Nacionales had an internal electricity generating capacity of approximately 23.4 megawatts and obtained 17.7 megawatts of electricity from an external supplier (Bersal), which sells electric energy to us at competitive

rates. Our generating capacity combined with our ability to negotiate competitive prices for our remaining energy needs in the Dominican Republic affords Cementos Nacionales an inexpensive source of energy relative to its competition, which is critical to competitive production margins.

Cementos Nacionales maintains its own limestone and clay quarries, which we expect will provide sufficient reserves for up to 150 years at 2002 production levels. Sand and other auxiliary raw materials are purchased on the domestic market.

Description of Properties, Plant and Equipment. Cementos Nacionales currently owns one dry process cement plant in San Pedro de Macoris with an

installed capacity of 0.66 million tons per year of clinker, in addition to five ready-mix concrete production plants, three grinding mills with an installed capacity of 2.4 million tons per year, 12 distribution centers located throughout the country and two marine terminals. During 2002, our Dominican Republic clinker plant operated at full capacity and our Dominican Republic cement plant operated at 75% capacity. As the economy improves, we expect that our Dominican Republic cement plant will operate at increased capacity.

Capital Investments. We made capital expenditures of approximately U.S.\$9.0 million in 2002 in our Dominican Republic operations. We currently expect to make capital investments of approximately U.S.\$10.4 million during 2003.

Our Panamanian Operations

Overview. As of December 31, 2002, we owned a 99.2% interest in Cemento Bayano. The Panamanian Cement Industry

Approximately 508,390 cubic meters of cement were sold in Panama during 2002, according to the General Comptroller of the Republic of Panama (Contraloria General de la Republica de Panama). Cement consumption increased 3.6% in 2002, according to our estimates.

Competition. The Panamanian cement industry includes two cement producers, Cemento Bayano and Cemento Panama, S.A., an affiliate of Holcim.

Our Panamanian Operating Network. As of December 31, 2002, Cemento Bayano had an installed capacity for cement production of approximately 402 thousand tons per year. As of December 31, 2002, we operated a distribution network of six ready-mix concrete plants. In January 2003, we acquired an additional ready-mix facility. Our cement plant utilizes the dry process.

[GRAPHIC OMITTED]

Production Costs. Panama has one of the highest energy costs of any country in which CEMEX has operations. In response, Cemento Bayano has taken significant steps to reduce energy costs. Cemento Bayano now runs on a more cost-efficient mix of fuels (15% alternative fuels, which have completely replaced fuel oil, and 85% petcoke). Currently, fuel oil is just used in start up.

Cemento Bayano also reduced its energy cost per ton, a critical cost of our manufacturing process, by securing a consistent supply of electric energy and decreasing prices per kwh through negotiating the bulk purchase of electric energy in the "spot market" as a "great consumer." Cemento Bayano's efficiency improvements have been instrumental in increasing its exports of clinker to the Caribbean as part of CEMEX's Caribbean cement strategy.

Description of Properties, Plant and Equipment. Our operations in Panama include one dry production process cement plant, with an installed clinker capacity of 382 thousand tons per year. In addition, Cemento Bayano owns and operates five ready-mix concrete facilities; two in Panama City, one in Colon, one in Aguadulce and one in Chiriqui.

Capital Investments. We made capital expenditures of approximately U.S.\$3.9 million in 2002 in our Panamanian operations. We currently expect to make capital expenditures of approximately U.S.\$7.0 million during 2003.

Our Nicaragua Operations

Overview. Nicaraguan cement consumption during 2002 fell 16% compared to 2001, due to political turmoil, including the conviction of former President Aleman of corruption charges in 2002, which adversely affected the economy and both private and public investment. In order to offset local market contraction, 31,000 tons of cement produced by CEMEX Nicaragua, S.A. were exported to El Salvador during 2002, and a total of 86,500 tons of clinker were sold to other cement producers.

The Nicaraguan Cement Industry

Approximately 0.5 million tons of cement were sold in Nicaragua during 2002, according to our estimates.

Competition. The Nicaraguan cement industry includes two producers, CEMEX Nicaragua and a company related to Holcim. Our market share in Nicaragua in 2002 was 56% according to our estimates. Our competitive position relies on high brand recognition; our CANAL brand has been used to market cement in Nicaragua since 1942. Holcim started operations in Nicaragua in 1997.

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

[GRAPHIC OMITTED]

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Description of Properties, Plant and Equipment. Our Nicaraguan leased cement plant has five kilns utilizing the wet production process with an installed milling capacity of 0.47 million tons.

Capital Investments. During 2002, new burners were installed in three kilns to allow petcoke to be burned instead of bunker fuel. Since June, petcoke substitution reached 75%. We made capital expenditures of approximately U.S.\$3.9 million in 2002 in our Nicaraguan operations. We currently expect to make capital expenditures of approximately U.S.\$4.6 million during 2003.

Our Puerto Rico Operations

Overview. Our Puerto Rican operations, acquired in the third quarter of 2002, represented approximately 10% of our cement sales volumes in the Caribbean region in 2002.

As of December 31, 2002, we owned 100% of Puerto Rican Cement Company, Inc., or PRCC.

The Puerto Rican Cement Industry

In 2002, Puerto Rican cement consumption reached 1,850 tons.

Competition. PRCC serves the cement market throughout Puerto Rico. The Puerto Rican cement industry in 2002 includes two cement producers, PRCC, which we estimate has 51% market share, and San Juan Cement Co., an affiliate of Italcementi, which we estimate has 35% market share. In addition, we estimate an independent cement importer, Antilles Cement Co., has a 14% market share.

Our Puerto Rican Operating Network. As of December 31, 2002, PRCC had an installed capacity for cement production of approximately 1.1 million tons per year. PRCC utilizes the dry process. In addition, we operate a distribution network of ten ready-mix concrete plants and three distribution centers.

[GRAPHIC OMITTED]

Production Costs. At the time of acquisition, PRCC had one of the highest energy costs of any region in which CEMEX has operations. In response, we have taken significant steps to reduce energy cost.

PRCC has focused on reducing its energy cost per ton, a critical cost of our manufacturing process, by:

- o securing a consistent supply of electric energy and decreasing prices per kwh through negotiating the bulk purchase of electric energy,

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- o negotiating energy tariffs charged during both peak and off-peak hours, and
- o rationalizing the use of energy in accordance with CEMEX "best practices" standards for low average energy consumption.

PRCC has also committed to invest U.S.\$750,000 during 2003 in an electric sub-station.

Description of Properties, Plant and Equipment. Our operations in Puerto Rico include one 100%-owned cement plant utilizing the dry production process, with an installed clinker capacity of approximately 1.2 million tons per year. In addition, Puerto Rican Cement owns and operates ten ready-mix concrete facilities, mainly serving the sector of the Puerto Rican market located on the eastern part of the island.

Capital Investments. We made capital expenditures of approximately U.S.\$14.8 million in 2002 in our Puerto Rican operations. We currently expect to make capital investments of approximately U.S.\$17.4 million during 2003.

Our Other Caribbean Operations

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

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

Our Trading Operations

We traded more than 10.2 million tons of cement and clinker in 2002.

Approximately 41.5% of this amount consisted of exports from our operations in Mexico, Venezuela, Costa Rica, Spain, Colombia, Puerto Rico and the Philippines. Approximately 58.5% was purchased from third parties in countries such as Turkey, Thailand, Korea, the United States, Taiwan, Lebanon, China, Peru, Cyprus, Indonesia, Russia, Romania, Iran, Malaysia, Morocco, Colombia, Egypt and France. During 2002, we conducted trading activities in 69 countries.

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

Regulatory Matters and Legal Proceedings

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

Tariffs

Mexican tariffs on imported goods vary by product and have been as high as 40%. In recent years, import tariffs have been substantially reduced, and currently range from none at all for raw materials to 20% for finished products, with an average weighted tariff for Mexican industry of approximately 10%. As a result of the North American Free Trade Agreement, or NAFTA, as of January 1, 1998, the tariff on cement imported into Mexico from the United States or Canada was eliminated. However, a tariff that may range from 13% ad valorem will continue to be imposed on cement produced in all other countries unless tariff reduction treaties are implemented or the Mexican government unilaterally reduces that tariff. While the reduction in tariffs could lead to increased competition from imports in our Mexican markets, we anticipate that the cost of transportation from most producers outside Mexico to central Mexico, the region of highest demand, will remain an effective barrier to entry.

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

Environmental Matters

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

European Union directives imposing stricter environmental standards are expected to be implemented in Spain by 2007. For the purpose of adopting the directives, on July 3, 2002 Spain promulgated Law 16/2002 for the prevention and integrated control of pollution. This new law came into force on July 3, 2002 but will have a transitional period for existing industries until October 30, 2007. We already comply or believe that we would be able to comply with those standards, if necessary, without significant expenditures. We are not aware of any material environmental liabilities with respect to our Spanish operations.

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

We were one of the first industrial groups in Mexico to sign an agreement with the Secretaria del Medio Ambiente y Recursos Naturales, or SEMARNAT, the Mexican government's environmental ministry, to carry out voluntary environmental audits in our 15 Mexican cement plants, including our Hidalgo plant, under a government-run program. In 2001, the Mexican environmental agency in charge of the voluntary environmental auditing program, the Procuraduria Federal de Proteccion al Ambiente, or PROFEPA, which is part of SEMARNAT, completed auditing our 15 cement plants and awarded all our plants, including our Hidalgo plant, which temporarily halted operations in 2002, a Certificado de Industria Limpia, Clean Industry Certificate, certifying that our plants are in compliance with environmental laws. The Clean Industry Certificates are strictly renewed every two years. For over a decade, the technology for recycling used tires into an energy source has been employed in our Ensenada and Huichapan plants. Since September 2002, our Monterrey plant also started using tires as an energy source. Collection centers in Tijuana, Mexicali and Ensenada currently enable us to recycle an estimated one million tires per year. During 2002, approximately 8.5% of the total fuel consumed in the Ensenada plant was provided by this alternative fuel. The Huichapan plant also substituted approximately 0.3% of the total fuel used with this alternative fuel.

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Between 1998 and 2002, our Mexican operations have invested approximately U.S.\$14.3 million in the acquisition of environmental protection equipment and the implementation of the ISO 14001 environmental management standards of the International Organization for Standardization, or ISO. Currently, our 15 cement plants in Mexico, including our Hidalgo plant, have been awarded the ISO 14001 certification for environmental management systems.

As of December 31, 2002, our 8 cement plants in Spain have received the ISO 14001 certification for environmental management systems.

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

Several of CEMEX, Inc.'s previously owned and currently owned facilities have become the subject of various local, state or Federal environmental proceedings and inquiries in the past. While some of these matters have been settled, others are in their preliminary stages and may not be resolved for years. The information developed to date on these matters is not complete. CEMEX, Inc. does not believe it will be required to spend significantly more on these matters than the amounts already recorded in our consolidated financial statements included elsewhere in this annual report. However, it is impossible for CEMEX, Inc. to determine the ultimate cost that it might incur in connection with such environmental matters until all

environmental studies and investigations, remediation work, negotiations with other parties that may be responsible, and litigation against other potential sources of recovery have been completed. With respect to known environmental contingencies, CEMEX, Inc. has recorded provisions for estimated probable liabilities and does not believe that the ultimate resolution of such matters will have a material adverse effect on CEMEX's financial results.

U.S. Anti-Dumping Sunset Reviews

Under the U.S. anti-dumping and countervailing duty laws, the Commerce Department and the International Trade Commission are required to conduct "sunset reviews" of outstanding anti-dumping and countervailing duty orders and suspension agreements every five years. At the conclusion of these reviews, the Commerce Department is required to terminate the order or suspension agreement unless the agencies have found that termination is likely to lead to continuation or recurrence of dumping, or a subsidy in the case of countervailing duty orders, and material injury. Under special transition rules, the first sunset reviews commenced in August 1999 for cases involving gray Portland cement and clinker from Mexico and Venezuela (described below), which had orders and agreements issued before 1995, and were concluded by the Commerce Department in July 2000 and by the ITC in October 2000.

In July 2000, the Commerce Department determined not to revoke the anti-dumping order on imports from Mexico. On October 5, 2000, the ITC found likelihood of injury to the U.S. industry and determined not to revoke this anti-dumping order. Thus, the order remains in place. On September 19, 2001, CEMEX filed a petition for a "changed circumstances" review. The International Trade Commission decided in December 2001 not to initiate such a review. CEMEX has appealed the ITC's decision in the "sunset review" and the "changed circumstances" review to NAFTA.

On October 5, 2000, the ITC determined that terminating the Anti-Dumping Suspension Agreement involving imports from Venezuela would not likely lead to a continuation or recurrence of injury to the U.S. market, and voted to terminate the agreement. Consequently, on November 8, 2000, the Commerce Department issued a notice terminating the Anti-Dumping Suspension Agreement.

On March 13, 2002, the United States Court of International Trade scheduled oral arguments in the U.S. industry's challenge to the ITC's sunset decision in the Venezuela case. CEMEX Venezuela argued in defense of the ITC's decision. As of March 31, 2003, no further decisions had been rendered.

U.S. Anti-Dumping Rulings--Mexico

Our exports of Mexican gray cement from Mexico to the United States are subject to an anti-dumping order that was imposed by the Commerce Department on August 30, 1990. Pursuant to this order, firms that import gray Portland cement from us in the United States must make cash deposits with the U.S. Customs Service to guarantee the eventual payment of anti-dumping duties.

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

As of December 31, 2002, CEMEX Corp., as the parent company to our U.S. subsidiaries that import Mexican cement into the United States, had accrued liabilities of U.S.\$112 million, including accrued interest, for the

difference between the amount of anti-dumping duties paid on imports and the latest findings by the Commerce Department in its administrative reviews.

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

The latest final determination by the Commerce Department covering the eleventh review period, commencing on August 1, 2000 and ending on July 31, 2001, was issued on January 8, 2003. The Commerce Department determined that the antidumping margin was 73.74% ad valorem. The final results for the eleventh review establish the cash deposit rate for imports of gray Portland cement and cement clinker from Mexico made on or after May 14, 2003. The 73.74% cash deposit rate will remain in effect until the final results of the twelfth review are published.

The status of each period still under review or appeal is as follows:

Period	Cash Deposits	Status
8/1/94-7/31/95	42.74%, 61.85% (effective 5/19/95)	73.69% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/95-7/31/96	61.85%	37.49% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/96-7/31/97	61.85%, 73.69% (effective 5/5/97)	49.58% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/97-7/31/98	73.69%, 35.88% and 37.49% (effective 5/4/98)	45.98% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/98-7/31/99	37.49%, 49.58% (effective 3/17/99)	38.65% determined by the Commerce Department upon review. Liquidation suspended pending NAFTA panel review.
8/1/99-7/31/00	49.58%, 45.98% (effective 3/16/2000)	50.98% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/00-7/31/01	49.58%, 38.65% (effective 5/14/2001)	73.74% determined by the Commerce Department upon review. Liquidation suspended pending appeal to NAFTA panel review.
8/1/01-7/31/02	38.65%, 50.98% (effective 3/19/2002)	Currently under review by the Commerce Department.
8/1/02 - to date	50.98%, 73.74% (effective 1/14/2003)	Subject to review by the Commerce Department.

U.S. Anti-Dumping Rulings--Venezuela

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

The Commerce Department's preliminary determination regarding the dumping claim was published on November 4, 1991. The Commerce Department initially found that CEMEX Venezuela had a dumping margin of 49.2%. Rather than proceeding with the final Commerce Department and ITC determinations, CEMEX Venezuela and the Commerce Department entered into an Anti-Dumping Suspension Agreement on February 11, 1992. Under the Anti-Dumping Suspension

Agreement, CEMEX Venezuela agreed not to sell gray cement or clinker in the United States at a price less than the ``foreign market value.'' The foreign market value was determined by the Commerce Department based on information provided by CEMEX Venezuela each quarter. CEMEX Venezuela was required to report to the Commerce Department sales in the U.S. market, costs of production and related data.

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During its sunset review of the Anti-Dumping Suspension Agreement, the ITC determined that terminating the agreement would not likely lead to a continuation or recurrence of injury to the U.S. market, and voted to terminate the Anti-Dumping Suspension Agreement on October 5, 2000. Consequently, on November 8, 2000, the Commerce Department issued a notice terminating the Anti-Dumping Suspension Agreement.

On March 13, 2002, the United States Court of International Trade scheduled oral arguments in the U.S. industry's challenge to the ITC's sunset decision in the Venezuela case. CEMEX Venezuela argued in defense of the ITC's decision. As of March 31, 2003, no further decisions had been rendered.

Anti-Dumping in Taiwan

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

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

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

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

On October 12, 2001 and November 2, 2001, APO filed its replies to the MOF questionnaire to contest the allegation of "dumping" in the anti-dumping proceedings before the MOF. In a letter dated January 22, 2002, the MOF notified the petitioner and respondents that it adopted on January 15, 2002 a resolution preliminarily finding that there was "dumping" and resolving that investigation on the issue of "dumping" would continue, but that no provisional anti-dumping duty would be imposed.

In a letter dated June 26, 2002, the ITC-MOEA notified respondent producers that its final injury investigation concluded that the imports from South Korea and the Philippines have caused material injury to the domestic industry in Taiwan.

In a letter dated July 12, 2002, the MOF notified the respondent producers that a dumping duty would be imposed on Portland cement and clinker imports from the Philippines and South Korea commencing from July 19, 2002. The duty rate imposed on imports from APO, Rizal and Solid was 42%.

On September 17, 2002, APO, Rizal and Solid filed before the Taipei High Administrative Court an appeal in opposition to the anti-dumping duty imposed by the MOF. We are awaiting a final determination of the appeal.

Tax Matters

As of December 31, 2002, we and some of our Mexican subsidiaries have been notified of several tax assessments determined by the Mexican tax office with respect to the tax years from 1992 through 1996 in a total

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amount of Ps5,229.8 million. With respect to the tax years from 1993 through 1996, the tax assessments are based primarily on: (i) recalculations of the inflationary tax deduction, since the tax authorities claim that "Advance Payments to Suppliers" and "Guaranty Deposits" are not by their nature credits, (ii) disallowed restatement of tax loss carryforwards in the same period in which they occurred, (iii) disallowed determination of tax loss carryforwards, and (iv) disallowed amounts of business asset tax, commonly referred to as BAT, creditable against the controlling entity's income tax liability on the grounds that the creditable amount should be in proportion to the equity interest that the controlling entity has in its relevant controlled entities. We have filed an appeal for each of these tax claims before the Mexican federal tax court, and the appeals are pending resolution. With respect to the 1992 tax year, on October 24, 2002, the Mexican tax office notified us of a tax assessment in the amount of Ps613.5 million, included in the total tax assessment mentioned at the beginning of this paragraph, which is primarily based, according to the Mexican tax office, on an improper calculation of tax losses. Although we have not received an opinion of counsel, based on our experience with regard to the resolution of a number of similar claims, we believe that these claims will not have a material adverse effect on us. However, an adverse resolution of these claims could have a material adverse effect on our results of operations.

Other Legal Proceedings

In May 1999, several companies filed a civil liability suit in the civil court of the circuit of Ibague, Colombia, against two of our Colombian subsidiaries, alleging that these subsidiaries were responsible for deterioration in the rice production capacity of land of the plaintiffs, caused by pollution emanating from our cement plants located in Ibague, Colombia. The plaintiffs have asked for relief in an amount of Colombian Pesos equivalent to approximately U.S.\$8.8 million, based on the exchange rate prevailing as of December 31, 2002. This proceeding has reached the evidentiary stage. Typically, proceedings of this nature continue for several years before final resolution.

In March 2001, 42 transporters filed a civil liability suit in the civil court of Ibague, Colombia, against three of our Colombian subsidiaries. The plaintiffs contend that these subsidiaries are responsible for the alleged damages caused by breach of raw material transportation contracts. The plaintiffs asked for relief in the amount of approximately U.S.\$60 million; as of December 31, 2002, as a result of the depreciation of the Colombian Peso, this amount has decreased to approximately U.S.\$45.8 million. This proceeding has not yet reached the evidentiary stage, as our subsidiaries have filed a defense to plaintiffs' complaint. Upon resolution thereof, the evidentiary stage will begin. Typically, proceedings of this nature continue for several

years before final resolution.

As of December 31, 2002, CEMEX, Inc. had accrued liabilities specifically relating to environmental matters in the aggregate amount of U.S.\$23.9 million. The environmental matters relate to (i) the disposal of various materials in accordance with past industry practice, which might be categorized as hazardous substances or wastes, and (ii) the cleanup of sites used or operated by CEMEX, Inc., including discontinued operations, in regard to the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, CEMEX, Inc. considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, CEMEX, Inc. does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

In December 2002, an ex-maritime broker for Puerto Rican Cement Company, Inc. filed a civil liability lawsuit in Puerto Rico against CEMEX, S.A. de C.V., PRCC and other unaffiliated entities, including Puerto Rican authorities. The plaintiff contends that the defendants conspired to violate state and federal antitrust laws so that one of the defendants, who is not affiliated with us, could gain control of the maritime broker market in Port of Ponce, Puerto Rico. The plaintiff has asked for relief in the amount of approximately U.S.\$18 million. We are currently in the process of determining an appropriate legal strategy for responding to this lawsuit. Typically, proceedings of this nature continue for several years before a final resolution.

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

Item 5 - Operating and Financial Review and Prospects

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

Mexico experienced annual inflation rates of 9.03% in 2000, 4.56% in 2001 and 5.59% in 2002. Mexican GAAP requires that our consolidated financial statements recognize the effects of inflation. Consequently, financial data for all periods in our consolidated financial statements and throughout this annual report, except as otherwise noted, have been restated in constant Mexican Pesos as of December 31, 2002. See note 2B to our consolidated financial statements included elsewhere in this annual report.

The percentage changes in cement sales volumes described in this annual report for our operations in a particular country include the number of tons of cement sold to our operations in other countries. Likewise, unless

otherwise indicated, the net sales financial information presented in this annual report for our operations in each country include the Mexican Peso amount of sales derived from sales of cement to our operations in other countries, which have been eliminated in the preparation of our consolidated financial statements included elsewhere in this annual report.

The following table sets forth selected financial information for each of the three years ended December 31, 2000, 2001, and 2002 by principal geographic area expressed as an approximate percentage of our total consolidated group before eliminations resulting from consolidation. We operate in countries with economies in different stages of development and structural reform, some of which are subject to fluctuations in exchange rates, inflation and interest rates. These economic factors may affect our results of operations and financial condition depending upon the depreciation or appreciation of the exchange rate of each country in which we operate compared to the Mexican Peso and the rate of inflation of each these countries. The variations in (1) the exchange rates used in the translation of the local currency to Mexican Pesos, and (2) the rates of inflation used for the restatement of our financial information to constant Mexican Pesos, as of the latest balance sheet presented, may affect the comparability of our results of operations and consolidated financial position from period to period.

	% Mexico	% United States	% Spain	% Venezuela	% Colombia	% Egypt	% Philippines	% Central America and the Caribbean	% Others	Total	Elimination	Consolidated
(in millions of constant Mexican Pesos except percentages)												
Net Sales For the Period Ended:												
December 31, 2000	44%	13%	14%	8%	3%	3%	2%	8%	5%	64,192	(5,756)	58,436
December 31, 2001	35%	26%	10%	6%	3%	2%	2%	6%	10%	77,228	(7,926)	69,302
December 31, 2002	34%	24%	14%	4%	3%	2%	2%	7%	10%	75,294	(7,376)	67,918
Operating Income For the Period Ended:												
December 31, 2000	70%	7%	15%	8%	5%	4%	1%	5%	-15%	17,195	--	17,195
December 31, 2001	65%	19%	12%	9%	6%	2%	1%	4%	-18%	16,549	--	16,549
December 31, 2002	72%	21%	18%	8%	6%	1%	---	7%	-33%	13,603	---	13,603
Total Assets at:												
December 31, 2000	25%	23%	10%	6%	4%	3%	4%	3%	22%	203,115	(39,278)	163,837
December 31, 2001	22%	17%	7%	4%	3%	3%	3%	3%	38%	282,877	(120,413)	162,464
December 31, 2002	24%	19%	9%	3%	3%	2%	4%	5%	31%	237,568	(72,168)	165,400

Critical Accounting Policies

Our consolidated financial statements included elsewhere in this annual report have been prepared in accordance with Mexican GAAP, which differ in significant respects from U.S. GAAP. See note 23 to our consolidated financial statements, included elsewhere in this annual report, for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

We have identified below the accounting policies we have applied under Mexican GAAP that are critical to understanding the overall financial reporting of CEMEX.

Income Taxes

Our operations are subject to taxation in many different jurisdictions throughout the world. Under Mexican GAAP, we recognize deferred tax assets and liabilities using a balance sheet methodology which requires a determination of the permanent and temporary differences between the financial

statements carrying amounts and the tax basis of assets and liabilities. Our worldwide tax position is highly complex and subject to numerous laws which require interpretation and application and which are not consistent among the countries in which we operate. Our overall strategy is to structure our worldwide operations to take greatest advantage of opportunities provided under the tax laws of the various jurisdictions to minimize or defer the payment of income taxes on a consolidated basis.

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

Recognition of the effects of inflation

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

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

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

Foreign currency translation

As mentioned above, the financial statements of consolidated foreign subsidiaries are restated for inflation in their functional currency based on

the subsidiary country's inflation rate. Subsequently, the restated financial statements are translated into Mexican Pesos using the foreign exchange rate at the end of the corresponding reporting period for balance sheet and income statement accounts.

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

Derivative financial instruments

As mentioned in note 2N to our consolidated financial statements included elsewhere in this annual report, in compliance with the controls and procedures established by our departments or units associated with our financial risk management, we use derivative financial instruments such as interest rate and currency swaps, currency and stock forward contracts, options and futures, in order to reduce risks associated with changes in interest rates and foreign exchange rates of debt agreements and as a vehicle to reduce financing costs, as well as: (i) hedges of forecasted transactions to purchase fuels and electric power, (ii) hedges of CEMEX's net investments in foreign subsidiaries, (iii) hedges of the future exercise of options under our stock option programs, and (iv) as an alternative source of financing. These instruments have been negotiated with institutions and corporations with significant financial capacity; therefore, we consider that the risk of non-compliance with the obligations agreed to by such counterparties to be minimal. Some of these instruments have been designated as hedges of CEMEX's raw materials costs as well as debt or equity instruments.

Effective January 1, 2001, we adopted Bulletin C-2 Financial Instruments ("Bulletin C-2"), which requires the recognition of all derivative financial instruments in the balance sheet as assets or liabilities, at their estimated fair value, and the recognition of changes in such values in the income statement for the period in which they occurred. There are several exemptions to the general rule when derivatives are qualified as accounting hedges (see note 2N to our consolidated financial statements included elsewhere in this annual report). Premiums paid or received on hedge derivative instruments are deferred and amortized over the life of the underlying hedged instrument or immediately when they are settled; in other cases, premiums are recorded in the income statement, at the time that they are received or paid. See notes 11, 12 and 16 to our consolidated financial statements included elsewhere in this annual report.

Pursuant to the accounting principles established by Bulletin C-2, our balance sheets and income statements are subject to volatility arising from variations in interest rates, exchange rates, share prices and other conditions established in our derivative instruments. The estimated fair value represents a valuation effect at the reporting date, and the final cash inflows or outflows that we will receive or make to our counterparties will not be known until settlement of the derivative instruments occurs. The estimated fair values of derivative instruments, used by us for recognition and disclosure purposes in the financial statements and their notes, are supported by confirmations of these values received from the counterparties to these financial instruments; nonetheless, significant judgment is required to account appropriately for the effects of derivative financial instruments in the financial statements.

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

not a direct measure of CEMEX's exposure through its use of derivatives. The amounts exchanged are determined on the basis of the notional amounts and other items included in the derivative instruments.

Impairment of long-lived assets

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

Transactions in our own stock

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

Consolidation of Our Results of Operations

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

For the periods ended December 31, 2000, 2001 and 2002, our consolidated results reflect the following transactions:

- o In July and August 2002, through a tender offer and subsequent merger, we acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc., or PRCC. The aggregate value of the transaction was approximately U.S.\$180.2 million, not including the amount of net debt assumed of approximately U.S.\$100.8 million.
- o On July 12, 2002, we purchased 25,429 shares of common stock (approximately 0.25% of the outstanding share capital) of CAH, from a CAH investor for a purchase price of

approximately U.S.\$2.3 million, increasing our equity interest in CAH to 77.67%. CAH is a subsidiary originally created to co-invest with institutional investors in Asian cement operations. At the same time, we entered into agreements to purchase an additional 1,483,365 shares of CAH common stock (approximately 14.58% of the outstanding share capital) from several other CAH investors in exchange for 28,195,213 CEMEX CPOs (subject to anti-dilution adjustments). The exchange of 84,763 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2003, and the exchange of the remaining 1,398,602 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2004. For accounting purposes, the CAH shares to be received by us in exchange for CEMEX CPOs are considered to be owned by us effective as of July 12, 2002. As a result of this transaction and pending its successful consummation, we will have increased our stake in CAH to 92.25%. For recent developments regarding the exchange of CAH shares for CEMEX CPOs, please see Item 5

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-- "Operating and Financial Review and Prospects-- Liquidity and Capital Resources--Recent Developments."

- o On July 31, 2002, we purchased, through a wholly-owned indirect subsidiary, the remaining 30% economic interest that was not previously acquired by CAH in Solid, for approximately U.S.\$95 million. At December 31, 2002, as a consequence of this transaction and the increase of our stake in CAH, as described above, our diluted economic interest in Solid was approximately 94.58%.
- o In May 2001, we acquired through CAH a 100% economic interest in Saraburi Cement Company, now known as CEMEX (Thailand) Co. Ltd. or CEMEX (Thailand), a cement company based in Thailand with an installed capacity of approximately 700 thousand metric tons, for a total consideration of approximately U.S.\$73 million.
- o In November 2000, we acquired 100% of the outstanding shares of common stock of Southdown, now CEMEX, Inc., in the United States. Our consolidated financial statements for the year ended December 31, 2000 include the results of operations of CEMEX, Inc. for the two-month period ended December 31, 2000. See note 8A to our consolidated financial statements included elsewhere in this annual report.
- o In October 2000, CAH acquired our interest in Gresik. As a result of this transaction and the increase of our stake in CAH as described above, at December 31, 2002, our diluted economic interest in Gresik was 23.5%.
- o In May 2000, we committed to invest U.S.\$34 million to begin the construction of a new grinding mill near Dhaka, Bangladesh. The mill is being constructed with a production capacity of approximately 500 thousand metric tons per year. The facility began operations in April 2001. We are supplying this mill with clinker from Gresik in Indonesia and from other countries in the region.
- o In November 1999, we acquired a 77% interest in Assiut for approximately U.S.\$318.8 million. In 2000, we increased our

interest in Assiut to 92.9%. In March 2001, we further increased our interest in Assiut to 95.8%.

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Results of Operations

The following table sets forth selected consolidated income statement data for CEMEX for each of the three years ended December 31, 2000, 2001, and 2002 expressed as a percentage of net sales.

	Year Ended December 31,		
	2000	2001	2002
Net sales.....	100.0	100.0	100.0
Cost of sales.....	(55.9)	(56.2)	(55.9)
Gross profit.....	44.1	43.8	44.1
Operating expenses:			
Administrative.....	(11.1)	(11.4)	(12.6)
Selling.....	(3.6)	(8.5)	(11.5)
Total operating expenses.....	(14.7)	(19.9)	(24.1)
Operating income.....	29.4	23.9	20.0
Net comprehensive financing income (cost):			
Financial expense.....	(8.3)	(5.9)	(5.1)
Financial income.....	0.4	0.6	0.7
Foreign exchange gain (loss), net.....	(0.5)	2.2	(1.2)
Gain (loss) on valuation of marketable securities and other investments.....	(0.1)	2.9	(4.8)
Monetary position gain.....	5.4	4.0	5.4
Net comprehensive financing income (cost).....	(3.1)	3.8	(5.0)
Other expenses, net.....	4.2	(6.0)	(5.9)
Income before income tax, business assets tax, employees' statutory profit sharing and equity in income of affiliates..	22.1	21.7	9.0
Income tax and business assets tax, net.....	(2.8)	(2.4)	(0.8)
Employees' statutory profit sharing.....	(0.6)	(0.4)	(0.2)
Total income taxes, business assets tax and employees' statutory profit sharing.....	(3.4)	(2.8)	(1.0)
Income before equity in income of affiliates.....	18.7	18.9	8.0
Equity in income of affiliates.....	0.5	0.3	0.5
Consolidated net income.....	19.2	19.2	8.5
Minority interest net income (loss).....	1.4	2.2	0.6
Majority interest net income.....	17.8	17.0	8.0

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Overview

During 2002, we experienced significant declines in our consolidated results of operations as a consequence of unfavorable market conditions in several of the countries in which we have operations. In addition, as a result of the general decline in global capital markets as well as the volatility in the interest rate and currency markets, during 2002, we experienced significant valuation losses in our income statement, arising from our derivative financial instruments portfolio. These factors have had, and may continue to have, a direct negative impact on cement sales volumes and prices in the individual countries in which we have operations and could result in future valuation losses.

These unfavorable economic conditions have been partially offset by:

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- o our ability to enter into new markets in the Caribbean, through our acquisition of Puerto Rican Cement Company, Inc. in July 2002, and
- o favorable markets in several of the countries in which we operate, particularly in Spain, which experienced robust

spending in public works and strong residential construction activity.

Summarized in the table below are the percentage (%) increases (+) and decreases (-) in 2002 compared to 2001 in our net sales, before eliminations resulting from consolidation, sales volumes and prices for the major countries in which we have operations. Variations in net sales determined on the basis of constant Mexican Pesos include the appreciation or depreciation occurred during the period between the country's local currency vis-a-vis the Mexican Peso, as well as the effects of inflation as applied to the Mexican Peso amounts using CEMEX's weighted average inflation factor; therefore, such variations substantially differ from those based solely on the country's local currency:

Net Sales								
Country	Variations in local currency	Approximate currency fluctuations, net of inflation effects	Variations in constant Mexican Pesos	Domestic Sales Volumes		Export Sales Volumes	Average Domestic Prices in local currency	
				Cement	Ready-Mix	Cement	Cement	Ready-Mix
Mexico	-1.0%	-3.0%	-4.0%	+4%	+10%	-25%	-6%	-8%
United States	-7.7%	-2.0%	-9.7%	-5%	Flat	N/A	-1%	+1%
Spain	+3.5%	+25.8%	+29.3%	+2%	+6%	+5%	+1%	-1%
Venezuela	-7.8%	-24.4%	-32.2%	-17%	-23%	-15%	+12%	+5%
Colombia	+9.4%	-16.4%	-7.0%	+2%	-3%	N/A	+9%	+3%
Central America and the Caribbean	+16.5%	+0.8%	+17.3%	+14%	+152%	N/A	+5%	N/A
Philippines	-8.2%	+8.3%	+0.1%	+36%	-68%	-33%	-23%	Flat
Egypt	+10.1%	+1.0%	+11.1%	+18%	N/A	N/A	-8%	N/A

N/A = Not Applicable

On a consolidated basis, our cement sales volumes increased 1%, from 61.2 million tons in 2001 to 61.8 million tons in 2002, and our ready-mix concrete sales volumes increased 6%, from 18.2 million cubic meters in 2001 to 19.2 million cubic meters in 2002. However, our net sales decreased 2% from Ps69,302 million in 2001 to Ps67,918 million in 2002 in constant Peso terms, and our operating income decreased 18% from Ps16,549 million in 2001 to Ps13,603 million in 2002 in constant Peso terms.

Net Sales

Our net sales decrease of 2% in constant Peso terms during 2002 was primarily attributable to unfavorable economic conditions in many of our markets, which affected cement sales volumes and prices in those markets. A decrease in weighted average cement prices and weighted average ready-mix concrete prices in 2002 compared to 2001 accounted for approximately, 4% and 1%, respectively, of our various markets' negative impact on net sales. These decreases were partially offset by a 1% positive effect resulting from the increase in cement sales volumes, a 1% positive effect resulting from the increase in ready-mix concrete sales volumes and a 1% positive effect resulting from the consolidation of our newly acquired operations in Puerto Rico. Additionally, set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our net sales on a country-by-country basis.

Our Mexican operations' domestic gray cement sales volumes increased 4% in 2002 compared to 2001, and ready-mix concrete sales volumes increased 10% during the same period. The increase in sales volumes resulted primarily from increased demand in the public sector, while the self-construction sector remained stable during the year. However, lower cement prices and lower ready-mix concrete prices in Mexico offset the sales volumes increases. The average cement price in Mexico decreased 6% in constant Peso terms in 2002 compared to 2001, and the average ready-mix concrete price decreased 8% in constant Peso terms over the same period (1.5% and 3.5% in nominal Peso terms, respectively). The principal reason for the decrease in our average cement price and our average ready-mix concrete price, both in constant Peso terms and nominal Peso terms, is due to increased competition.

The increase in our domestic cement sales volumes was also offset by a significant decrease in cement export volumes. Our Mexican operations' cement export volumes, which represented 7% of our Mexican cement sales volumes in 2002, decreased 25% in 2002 compared to 2001 due mainly to the weakness of the U.S. market, our most important foreign consumer. Of our Mexican operations' cement export volumes during 2002, 36% was shipped to Central America and the Caribbean, 63% to the United States and 1% to South America.

As a result of the decline in average cement and ready-mix prices and the decline in cement export volumes, net sales in Mexico, in constant Peso terms using Mexican inflation, declined 1% in 2002 compared to 2001, despite increases in domestic cement sales volumes and ready-mix concrete sales volumes.

United States

Our United States operations' cement sales volumes, which include cement purchased from our other operations decreased 5% in 2002 compared to 2001. Ready-mix concrete sales volumes remained flat. The decrease in cement sales volumes is attributable to the general weakness of the United States economy. Industrial and commercial construction declined as a result of continued weakness in the manufacturing and commercial sectors of the economy, while the cement-intensive public works sector, in particular highway construction, our strongest source of cement demand, did not grow as much as in prior years. In addition, the average sales price of cement decreased 1% in Dollar terms during 2002 compared to 2001. This decrease was only partially offset by a corresponding 1% increase in the average price of ready-mix concrete.

As a result of the decline in cement sales volumes and average cement prices, net sales in the United States declined 7.7% in U.S. Dollar terms in 2002 compared to 2001.

Spain

Our Spanish operations' domestic cement sales volumes increased 2% in 2002 compared to 2001, and ready-mix concrete sales volumes increased 6% during the same period. The increase in sales volumes was primarily driven by increased spending in public works and strong residential construction activity, combined with the effects of a strong Euro. Our Spanish operations' cement export volumes, which represented 4% of our Spanish cement sales volumes in 2002, increased 5% in 2002 compared to 2001 (despite the strong Euro) due to our Spanish operations' expansion into new markets in Mauritania (Africa) and the Caribbean during the second half of 2002. Of our Spanish operations' total cement export volumes during 2002, 20% was shipped to Europe and the Middle East, 39% to Africa, 37% to the United States and 4% to the Caribbean region. In addition, the average sales price of cement increased 1% in Euro terms during 2002 compared to 2001. This increase was only partially offset by a corresponding 1% decrease in the average price of ready-mix concrete.

As a result of the increase in cement sales volumes and prices, net sales in Spain, in Euro terms, increased 3.5% in 2002 compared to 2001.

Venezuela

Our Venezuelan operations' domestic cement sales volumes decreased 17% in 2002 compared to 2001, while ready-mix concrete sales volumes decreased 23% during the same period. The decreases in sales volumes and ready-mix concrete sales volumes were mainly driven by the downturn in construction activity in Venezuela, which was the direct consequence of the political and economic turmoil in Venezuela during 2002. In addition, the on-going nation-wide general strike that began in early December 2002 caused significant reduction in oil production in Venezuela and brought Venezuela's oil-dependant economy virtually to a halt.

Our Venezuelan operations' cement export volumes, which represented 50% of our Venezuelan cement sales volumes in 2002, decreased 15% in 2002 compared to 2001. The decrease was due in part to the weakness of the economy in the United States, which is the main destination of Venezuelan exports. Of our Venezuelan operations' total cement export volumes during 2002, 65% was shipped to North America and 35% to the Caribbean and South America.

Our Venezuelan operations' average domestic sales price of cement increased 12% in constant Bolivar terms in 2002 compared to 2001, while the average domestic sales price of ready-mix concrete increased approximately 5% in constant Bolivar terms over the same period. However, these increases in average prices were not sufficient to offset the decrease in sales volumes; therefore, net sales in Venezuela, in constant Bolivar terms, declined 7.8% in 2002 compared to 2001.

During the end of the second and beginning of the third quarter of 2002, we experienced a 36 day labor strike in the Pertigalete plant, our major cement plant in Venezuela. However, local market supply was met by existing inventory, and our trading network covered volumes, which otherwise would have been exported from Venezuela.

Colombia

Our Colombian operations' domestic sales volumes increased 2% in 2002 compared to 2001. This increase was primarily attributable to a recovery in the public works sector, which increased toward the end of 2002, and our increased penetration in the residential construction sector. Ready-mix concrete sales volumes decreased 3% in 2002 compared to 2001, due primarily to reduced construction activity during the first half of 2002.

Our Colombian operations' average sales price of cement increased 9% in Colombian Peso terms in 2002 compared to 2001, while the average domestic sales price of ready-mix concrete increased 3% in Colombian Peso terms over the same period. As a result of the increases in cement sales volumes and average cement and ready-mix concrete prices, slightly offset by the decrease in ready-mix concrete volumes, our net sales in Colombia, in Colombian Peso terms, increased 9.4% in 2002 compared to 2001.

Central America and the Caribbean

Our Central American and Caribbean operations consist of our operations in Costa Rica, the Dominican Republic, Panama, Nicaragua and Puerto Rico, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement produced by our operations in Spain, Venezuela and Mexico. Our Central American and Caribbean operations' domestic cement sales volumes increased approximately 12% (or approximately 15%, excluding our trading operations in the Caribbean region) in 2002 compared to 2001, primarily as a result of our acquisition of Puerto Rican Cement Company, Inc. in August 2002, which represented 9% of our total cement sales volume in that region during 2002. Our Central American and Caribbean operations' ready-mix concrete sales volumes increased approximately 152% in 2002 compared to 2001, primarily due to the inclusion of our Puerto Rican operations, and the beginning of

ready-mix concrete sales in Costa Rica in the third quarter of 2002.

Our operations in Panama and in the Dominican Republic increased their ready-mix sales volumes by 23% and 7%, respectively, in 2002 compared to 2001, and our Caribbean region trading operations' cement sales volumes

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increased approximately 2% in 2002 compared to 2001, despite the political and economic turmoil in Venezuela because we were able to supply the Caribbean trading market with exports from Spain.

Lastly, our Central American and Caribbean operations' average domestic cement sales price increased 5% in Dollar terms in 2002 compared to 2001, primarily due to increases in the average sales prices of cement in Costa Rica, the Dominican Republic and Nicaragua of 5%, 9% and 12%, respectively, as a result of strong domestic demand, while the average sales price of cement decreased 5% in Panama.

As a result of the increase in cement sales volumes and prices, combined with the inclusion of our Puerto Rican operations, net sales in the Central American and Caribbean region, in U.S. Dollar terms, increased 16.5% in 2002 compared to 2001.

The Philippines

Our Philippines domestic cement sales volumes increased 36% in 2002 compared to 2001, which was partially offset by a 23% decrease in Philippine Peso terms in the average domestic sales price of cement during the same period. Our Philippine operations' domestic cement sales volumes increase was primarily a result of our commercial marketing programs and our increased market participation in the country due to fewer cement imports from our competitors. The construction sector of the economy, however, remained weak as a result of reductions in public spending and private investments. Our Philippines ready-mix concrete business, which began in 2001, is still under development. Our ready-mix sales volumes in the Philippines decreased 68% in 2002 compared to 2001, but, in contrast to sharply declining prices for cement, the average ready-mix concrete price remained flat. The decrease in ready-mix concrete sales volumes was also attributable to the weak economic environment in the country.

Principally as a result of the decrease in the average cement prices and the weak ready-mix concrete operations, which was partially offset by the increase in domestic cement sales volumes, our net sales in the Philippines, in Philippine Peso terms, decreased 8.2% in 2002 compared to 2001.

Thailand

Our Thai operations include Saraburi, now named CEMEX (Thailand), which we acquired in May 2001 through our 92.25%-owned subsidiary CEMEX Asia Holdings, Ltd. Accordingly, CEMEX (Thailand)'s results of operations are consolidated in our results of operations for all of 2002, but only for seven months in 2001. CEMEX (Thailand)'s net sales accounted for approximately 0.2% of our consolidated net sales for the seven-month period ended December 31, 2001 and approximately 0.3% of our consolidated net sales for the year ended December 31, 2002.

Egypt

Our Egyptian operations' domestic cement sales volumes increased 18% in 2002 compared to 2001, primarily as a result of our higher penetration in Lower Egypt and a strong self-construction sector. The increase in domestic sales volumes was partially offset by a 8% decrease, in Egyptian pound terms, in the average domestic sales price of cement, also the result of increased sales in Lower Egypt, where prices are lower due to the high concentration

of competitors in the region. In addition to being subject to market pressures, cement prices in Egypt are controlled to a significant degree by the Egyptian government as a result of the government's control of almost 50% of the industry's capacity.

In addition, the Egyptian pound has undergone four devaluations since late 2000 (most recently, in February 2003 when it began trading as a freely floating currency). Devaluations of the Egyptian pound relative to the U.S. dollar create inflationary pressures in Egypt by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand.

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As a result of the increase in cement sales volumes combined with the offsetting decline in domestic cement sales prices, net sales in Egypt, in Egyptian pound terms, increased 10.1% in 2002 compared to 2001.

Cost of Sales

Our cost of sales, including depreciation, decreased 3% from Ps38,981 million in 2001 to Ps37,944 million in 2002 in constant Peso terms, as a result of the reclassification of the expenses related to distribution of our products as operating expenses in the income statement for the full year in 2002 and partially in 2001. During 2001, approximately Ps1,561 million of such expenses were included in cost of sales. During 2002, the reclassification of expenses accounted for substantially all the 3% decrease in cost of sales. As a percentage of sales, cost of sales decreased from 56.2% in 2001 to 55.9% in 2002.

Gross Profit

Our gross profit decreased by 1% from Ps30,321 million in 2001 to Ps29,974 million in 2002 in constant Peso terms. Our gross margin increased slightly from 43.8% in 2001 to 44.1% in 2002, reflecting the reclassification of distribution expenses discussed above. The decrease in our gross profit is mainly attributable to the 2% decrease in net sales, partially offset by the 3% decrease in cost of sales from 2001 to 2002.

Operating Expenses

Our operating expenses increased 19% from Ps13,772 million in 2001 to Ps16,371 million in 2002 in constant Peso terms. This increase was primarily a result of our rollout expenses related to the implementation of the CEMEX Way, which included increased efforts to strengthen our commercial and distribution network worldwide in an effort to lower our costs in the future and make our business processes more efficient. Also affecting operating expenses was the reclassification of the expenses related to distribution of our products as operating expenses in the income statement for the full year in 2002 and partially in 2001; during 2001, approximately Ps1,561 million of such expenses were included in cost of sales, representing approximately 37% of the increase in operating expenses discussed above. As a percentage of sales, our administrative and selling expenses increased from 19.9% in 2001 to 24.1% in 2002.

Operating Income

The 18% decrease in our operating income in 2002 compared to 2001 is a result of a 2% decrease in net sales combined with a 19% increase in operating expenses, partially offset by a 3% decrease in our cost of sales from 2001 to 2002.

Comprehensive Financing Income (Expense)

Pursuant to Mexican GAAP, the comprehensive financing result should measure the real cost (gain) of an entity's financing, net of the foreign

currency fluctuations and the inflationary effects on monetary assets and liabilities. In periods of high inflation or currency depreciation, significant volatility may arise and is reflected under this caption. For presentation purposes, comprehensive financing income (expense) includes:

- o financial or interest expense on borrowed funds;
- o financial income on cash and temporary investments;
- o appreciation or depreciation resulting from the valuation of financial instruments, including derivative instruments and marketable securities, as well as the realized gain or loss from the sale or liquidation of such instruments or securities;
- o foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and
- o gains and losses resulting from having monetary liabilities or assets exposed to inflation (monetary position result).

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	Year Ended December 31,	
	2001	2002
	(in millions of constant Pesos)	
Net comprehensive financing income (expense):		
Financial expense.....	Ps (4,122)	Ps (3,452)
Financial income.....	408	463
Foreign exchange gain (loss), net.....	1,540	(800)
Gain (loss) on valuation and liquidation of financial instruments.....	1,999	(3,285)
Monetary position gain.....	2,824	3,655
	-----	-----
Net comprehensive financing income (expense).....	Ps 2,649	Ps (3,419)
	=====	=====

Our net comprehensive financing income (expense) decreased from income of Ps2,649 million in 2001 to an expense of Ps3,419 million in 2002. The components of the change are shown above. Our financial expense was Ps3,452 million for 2002, a decrease of 16% from Ps4,122 million in 2001. The decrease was primarily attributable to lower average interest rates as a result of market conditions. Our financial income increased 14% from Ps408 million in 2001 to Ps463 million in 2002 as a result of a higher level of investments in fixed rate instruments during the year. Our net foreign exchange results amounted to a loss of Ps800 million in 2002 compared to a gain of Ps1,540 million in 2001. The foreign exchange loss in 2002 is primarily attributable to the appreciation of the Japanese Yen and the Dollar against the Peso and the effect that such appreciation had in our Japanese Yen and Dollar denominated debt. Our gain (loss) from valuation and liquidation of financial instruments decreased from a gain of Ps1,999 million in 2001 to a loss of Ps3,285 million in 2002, primarily attributable to a non-recurring gain obtained in 2001 through the sale of marketable securities of approximately Ps1,333.7 million, combined with valuation losses in 2002 on our derivative financial instruments portfolio (discussed below). See notes 11, 12, and 16 to our consolidated financial statements included elsewhere in this annual report. Our monetary position gain (generated by the recognition of inflation effects over monetary assets and liabilities) increased from Ps2,824 million during 2001 to Ps3,655 million during 2002, as a result of the increase in the weighted average inflation index in 2002 compared to 2001.

Derivative Financial Instruments

Our derivative financial instruments that have a potential impact on our Comprehensive Financing Result consist of equity forward contracts designated as hedges of our executive stock option programs (see notes 15 and 16 to our consolidated financial statements included elsewhere in this annual report), foreign exchange derivative instruments, excluding our foreign exchange forward contracts designated as hedges of our net investment in foreign subsidiaries, interest rate swaps, cross currency swaps, interest rate swap options (swaptions), other interest rate derivatives, fuel and energy derivatives and third party equity forward contracts. We suffered valuation losses in most of these financial derivatives in 2002 compared to 2001, which accounted for substantially all the loss recorded in 2002 under the line item valuation and liquidation of financial instruments presented above. See "Qualitative and Quantitative Market Disclosure --Our Derivative Financial Instruments" and "Qualitative and Quantitative Market Disclosure -- Interest Rate Risk, Foreign Currency Risk and Equity Risk." See also note 16A to our consolidated financial statements included elsewhere in this annual report. The decline in the estimated fair value of our equity forward contracts that hedge the potential exercise of our executive stock option programs is primarily attributable to a decrease in the market price of our listed securities (ADSs and CPOs). The decline in the estimated fair market value of our interest rate derivatives is primarily attributable to the continuing decline in market interest rates, as CEMEX has fixed its interest rate profile in a level above current market rates. With respect to our cross currency swaps, the decrease in our estimated fair value is primarily attributable to the appreciation of the Yen against the Mexican Peso during 2002. During 2003, we cannot predict if the factors that led to the declines previously discussed will continue to affect our derivative financial instruments valuation.

Other Expenses, Net

Our other expenses for 2002 were Ps4,041 million, a 3% decrease from Ps4,174 million in 2001. The decrease was primarily attributable to expenses related to a voluntary exchange program of options under our stock

option program during 2001. See note 15C to our consolidated financial statements included elsewhere in this annual report. This decrease was partially offset by the expense incurred during 2002 as a result of the premium paid on our cash tender offer for our 12 3/4% notes due 2006, the consent fee paid in connection with our consent solicitation for our 9.625% notes due 2009 and a non-recurring expense related to the termination of our distribution agreement in Taiwan. See note 21F to our consolidated financial statements included elsewhere in this annual report.

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

Our effective tax rate was 9.3% in 2002 compared to 11.1% in 2001. Our tax expense, which primarily consists of income taxes and business assets tax, decreased 66% from Ps1,670 million in 2001 to Ps569 million in 2002. Approximately 32% of the decrease was attributable to lower taxable income in 2002 as compared to 2001, and 34% of the decrease resulted from the recognition of the deferred income taxes for the year that was an income of Ps393.5 million in 2002 as compared to an expense of Ps200.1 million in 2001 due mainly to the change in the enacted income tax ratio in Mexico which decreased to 34% in 2002 from 35% in 2001, and also to variations in temporary differences between book and taxable amounts that occurred during 2002. Our average statutory income tax rate was approximately 34% in 2002 and approximately 35% in 2001.

Employees' statutory profit sharing decreased from Ps236 million during 2001 to Ps107 million during 2002 due to lower taxable income for profit sharing purposes in Mexico and Venezuela. See note 17C to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

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

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2002 decreased 57%, from Ps13,325 million in 2001 to Ps5,785 million in 2002. The percentage of our consolidated net income allocable to minority interests decreased from 12% in 2001 to 7% in 2002, as a result of our prepayment of a portion of the preferred equity balance of the preferred equity transaction related to the financing of our acquisition of Southdown, now renamed CEMEX, Inc., in 2000. Majority interest net income decreased by 54%, from Ps11,790 million in 2001 to Ps5,400 million in 2002, mainly as a result of our decrease in net sales, the increase in operating expenses and the increase in our valuation losses on derivative financial instruments, partially offset by our reductions in cost of sales, interest expense and income taxes and the increase in our monetary position gain. As a percentage of net sales, majority interest net income decreased from 17% in 2001 to 8% in 2002.

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

Net Sales

Our net sales increased 18.6% from Ps58,436 million in 2000 to Ps69,302 million in 2001. The increase was attributable to stronger pricing, greater domestic cement demand in many of our markets and the consolidation of the results of operations of Southdown, now CEMEX, Inc., in the United States for the entire year in 2001 compared to just two months in 2000. Our cement sales volumes increased 17.9%, from 51.9 million tons in 2000 to 61.2 million tons in 2001. Ready-mix concrete sales volumes increased 15%, from 15.8 million cubic meters in 2000 to 18.2 million cubic meters in 2001.

Our Mexican operations' domestic cement sales volumes decreased 7% in 2001 compared to 2000, and ready-mix concrete sales volumes decreased 3% during the same period. These decreases in sales volumes were

primarily attributable to decreased demand from both the commercial and retail construction sectors as a result of the slowdown in economic growth during 2001. Our Mexican operations' cement export volumes, which represented 10% of our Mexican cement sales volumes in 2001, decreased 10% in 2001 compared to 2000 due mainly to a stronger Mexican Peso. Of our Mexican operations' cement export volumes during 2001, 36% was shipped to Central America and the Caribbean, 63% to the United States and 1% to South America. The average cement price in Mexico decreased 4% in constant Peso terms in 2001 compared to 2000, and the average ready-mix concrete price decreased 6% in constant Peso terms over the same period.

Our United States operations include CEMEX, Inc., formerly Southdown, which we acquired in November 2000. CEMEX, Inc.'s results of operations were consolidated into our results of operations for all of 2001, but only for the

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

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

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

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

Our Central American and Caribbean operations consist of our operations in the Dominican Republic, Panama, Costa Rica, Puerto Rico (acquired in 2002) and Nicaragua, as well as our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement produced by our operations in Mexico, Venezuela, Costa Rica, Colombia and Panama. Our Central American and Caribbean operations' domestic cement sales volumes increased 6% in 2001 compared to 2000. Excluding our trading operations in the Caribbean region, our Central American and Caribbean operations' domestic cement sales volumes increased 7% in 2001 compared to 2000 as a result of the inclusion of operations in Nicaragua, which accounted for approximately 11% of cement sales volumes in the region, and an increase in sales volume in Costa Rica. Our Central American and Caribbean operations' ready-mix concrete sales volumes decreased 22% in 2001 compared to 2000, primarily as a result of a 29% decrease in our Panamanian operations, and a 15% decrease in our Dominican Republic operations during the same period, which were primarily attributable to economic recession in both countries. In addition, our Caribbean region trading operations' cement sales volumes increased approximately 2% in 2001 compared to 2000 due to continued demand from public infrastructure projects, as well as private commercial and tourist development projects. Our Central American and Caribbean operations' average domestic sales price of cement decreased 8% in Dollar terms in 2001 compared to 2000, primarily as a result of decreased prices in the Dominican Republic.

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

Our Thai operations include CEMEX (Thailand), which we acquired in May 2001 through CAH, our 77.67%-owned subsidiary. CEMEX (Thailand)'s results of operations are consolidated into our results of operations for the last seven months of 2001 only. Our Thai operations had net sales of U.S.\$20.5 million and operating income of U.S.\$4.3 million in 2001. Cement prices in Thailand are indirectly controlled by the Thai government. According to the Thailand Fellowship of Cement Manufacturers (TCFM), cement domestic consumption increased 2.2%, from 17 million tons in 2000 to 17.3 million tons in 2001.

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

Cost of Sales

Our cost of sales, including depreciation, increased 19% from Ps32,653 million in 2000 to Ps38,981 million in 2001, primarily attributable to an increase in sales volumes and the consolidation of the results of operations of CEMEX, Inc. in the United States for the entire year in 2001 compared to just two months in 2000. These increases were partially offset by the reclassification, beginning in 2001, of the expenses related to distribution of our products as operating expenses in the income statement. During 2000, such expenses were accounted for on the income statement as cost of sales totaling approximately Ps2,371. As a percentage of sales, cost of sales increased from 55.9% in 2000 to 56.2% in 2001.

Gross Profit

For the reasons mentioned above, our gross profit increased by 18% from Ps25,783 million in 2000 to Ps30,321 million in 2001. Our gross margin decreased from 44.1% in 2000 to 43.8% in 2001. This decrease reflects the consolidation of CEMEX, Inc.'s results into our results of operations for the entire year in 2001

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compared to just two months in 2000. Historically, CEMEX, Inc.'s gross margins have been less than our company-wide average gross margins. The decrease also reflects changes in our product mix and higher energy costs.

Operating Expenses

Our operating expenses increased 60% from Ps8,588 million in 2000 to Ps13,772 million in 2001. This increase primarily results from the reclassification, beginning in 2001, of the expenses related to distribution of our products as selling expenses in the income statement. During 2000, such expenses were accounted for in the income statement as cost of sales for approximately Ps2,371 million. In addition, a portion of the increase is related to the consolidation of CEMEX, Inc.'s results into our results of operations for the entire year in 2001 compared to just two months in 2000. As a percentage of sales, our administrative and selling expenses increased from 14.7% in 2000 to 19.9% in 2001.

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

Operating Income

For the reasons described above, our operating income decreased 4% from Ps17,195 million in 2000 to Ps16,549 million in 2001.

Comprehensive Financing Income (Expense)

Pursuant to Mexican GAAP, the comprehensive financing result should measure the real cost (gain) of an entity's financing, net of the foreign currency fluctuations and the inflationary effects on monetary assets and liabilities. In periods of high inflation or currency depreciation, significant volatility may arise and is reflected under this caption. For presentation purposes, comprehensive financing income (expense) includes:

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

Year Ended December 31,	
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2000	2001
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(in millions of constant Pesos)

Net comprehensive financing income (expense):

Financial expense.....	Ps (4,854)	Ps (4,122)
Financial income.....	256	408
Foreign exchange gain (loss), net.....	(313)	1,540
Gain (loss) on valuation and liquidation of financial instruments.....	(80)	1,999
Monetary position gain.....	3,184	2,824
	-----	-----
Net comprehensive financing income (expense).....	Ps (1,807)	Ps 2,649
	=====	=====

Our net comprehensive financing income (expense) increased from a loss of Ps1,807 million in 2000 to a gain of Ps2,649 million in 2001. The components of the net increase are set forth below. Our financial expense was Ps4,122 million for 2001, a decrease of 15% from Ps4,854 million in 2000. The decrease was primarily attributable to lower average interest rates and debt reduction. Our financial income increased 60% from Ps256 million in 2000 to Ps408 million in 2001. Our net foreign exchange results increased to a gain of Ps1,540 million in 2001 from a

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loss of Ps313 million in 2000. The foreign exchange gain in 2001 is mainly attributable to an appreciation of the Peso against the Dollar in 2001 as compared to 2000 and the depreciation of the Yen during 2001. Our gain (loss) from valuation and liquidation of financial instruments increased from a loss of Ps80 million in 2000 to a gain of Ps1,999 million in 2001, primarily as a result of the recognition, beginning in 2001, of the estimated fair value of our derivative instruments portfolio (see notes 11, 12 and 16 to our consolidated financial statements included elsewhere in this annual report) and a one-time gain of approximately U.S.\$131 million from the sale of our shares of Grupo Financiero Banamex Accival. Our monetary position gain decreased 11% from Ps3,184 million during 2000 to Ps2,824 million during 2001, as a result of a lower average debt level and a lower weighted average inflation index in 2001 as compared to 2000.

Other Expenses, Net

Our other expenses for 2001 were Ps4,174 million, a 71% increase from Ps2,436 million in 2000. The increase was primarily attributable to higher amortization of goodwill from newly acquired operations, mainly CEMEX, Inc., which was consolidated for the full year 2001 as compared to two months in 2000, and to expenses related to a voluntary exchange program of options under our stock option program. See notes 15C and 23(m) to our consolidated financial statements included elsewhere in this annual report.

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

Our tax expense, consisting of income taxes and business assets tax, increased from Ps1,642 million in 2000 to Ps1,670 million in 2001. Our average statutory income tax rate in 2001 was approximately 35%. Our effective tax rate was 11.1% in 2001 compared to 12.7% in 2000. The decrease in the effective tax rate primarily resulted from a lower amount of non-deductible expenses in 2001 compared to 2000. Employees' statutory profit sharing decreased from Ps372 million during 2000 to Ps236 million during 2001. As in 2000, in 2001 we were able to benefit from the difference between book and tax inflation. As a result of tax law changes, we will not be able to take advantage of this benefit in future periods.

In 2000, we adopted the provisions of Bulletin D-4 "Income Tax, Business Assets Tax and Employees' Profit Sharing" issued by the Mexican Institute of Public Accountants. Beginning January 1, 2000, companies reporting under Mexican GAAP are required to provide for deferred taxes using the balance sheet methodology. Under this methodology, deferred tax assets or

liabilities are recognized by applying the statutory tax rate to the net amount of temporary differences between the book value of assets and liabilities as compared to the corresponding value for tax purposes, applying when available the tax loss carry-forwards, as well as the business asset tax balances or other tax credits to be recovered. See note 17C to our consolidated financial statements included elsewhere in this annual report.

Majority Interest Net Income

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

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for 2001 increased 19%, from Ps11,200 million in 2000 to Ps13,325 million in 2001. The percentage of our consolidated net income allocable to minority interests increased from 7% in 2000 to 12% in 2001, partially as a result of the preferred equity dividend from the financing of our acquisition of Southdown at the end of 2000. Majority interest net income increased by 13%, from Ps10,389 million in 2000 to Ps11,790 million in 2001. As a percentage of net sales, majority interest net income decreased from 17.8% in 2000 to 17.0% in 2001.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through operations of our subsidiaries and expect to continue to do so for both the short-term and long-term. Although cash flow from our operations has historically overall met our liquidity needs for operations, servicing debt and funding acquisitions, our subsidiaries are exposed to risks from changes in foreign currency exchange rates, price and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic or social developments in the countries in which they operate, any one of which may materially reduce our net income and cash from operations. Consequently, we also rely on cost-cutting and continual operating improvements to optimize capacity utilization and maximize profitability as well as to offset the risks associated with having worldwide operations. Our consolidated net resources provided by operating activities were Ps18.1 billion in 2000, Ps 23.6 billion in, 2001 and Ps17.3 billion in 2002. (See our Statement of Changes in the Financial Position included elsewhere in this annual report.)

Our Indebtedness

As of December 31, 2002, we had approximately U.S.\$5.8 billion (Ps59.9 billion) of total debt, of which approximately 24% was short-term and 76% was long-term. Approximately 42% of our long-term debt, or U.S.\$1.85 billion (Ps19.2 billion), is to be paid in 2004, unless extended. As of December 31, 2002, 68.7% of our consolidated debt was Dollar-denominated, 14.5% was Japanese Yen-denominated, 12.0% was Euro-denominated, 3.6% was Mexican peso-denominated, 1.2% was Egyptian Pound-denominated and immaterial amounts denominated in other currencies, after giving effect to our cross currency swap arrangements discussed elsewhere in this annual report. The

weighted average interest rates paid by us in 2002 in our main currencies were 4.8% on our Dollar-denominated debt, 3.98% on our Euro or Peseta-denominated debt and 2.98% on our Yen-denominated debt. The ratio of total indebtedness, including certain transactions that do not qualify as debt instruments under Mexican GAAP and that are used to calculate this ratio for financial covenant purposes, to total capitalization as of December 31, 2002 was approximately 47.5% and as of December 31, 2001 was approximately 42.8%.

From time to time, as part of our financing activities, we and our subsidiaries have entered into various financing agreements, including bank loans, credit facilities, sale-leaseback transactions, forward contracts, forward lending facilities and equity swap transactions. Additionally, we and our subsidiaries have issued notes, commercial paper, bonds, preferred equity and puttable capital securities.

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital investment programs. CEMEX Mexico and Empresas Tolteca de Mexico, two of our principal Mexican subsidiaries, have provided guarantees of our indebtedness in the amount of U.S.\$2.3 billion (Ps23.9 billion), as of December 31, 2002. See Item 3 -- "Key Information -- Risk Factors -- Our ability to pay dividends and repay debt depends on our ability to transfer income and dividends from our subsidiaries," "--We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, Appreciation Warrants and ADWs," and note 23 to our consolidated financial statements included elsewhere in this annual report.

As of December 31, 2002, we and our subsidiaries had lines of credit totaling Ps30.4 billion at annual rates of interest ranging from 1.45% to 15.6%, in accordance with the currency in which they were negotiated, which do not require compensating balances. The unused amounts of those lines of credit totaled approximately Ps12.7 billion as of December 31, 2002. In addition to these lines of credit, from time to time we borrow money from banks and other financial institutions.

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

Some of the debt instruments in respect of our and our subsidiaries' indebtedness contain various covenants, which, among other things, require us and them to maintain specific financial ratios, restrict asset sales

and dictate the use of proceeds from the sale of assets. These restrictions may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities, such as acquisitions, which may be in our interest. From time to time, we have sought and obtained waivers and amendments to some of our and our subsidiaries' debt agreements, principally in connection with acquisitions. Our failure to obtain any required waivers may result in the acceleration of the affected indebtedness and could trigger our obligations to make payments of principal, interest and other amounts under our other indebtedness, which could have a material adverse effect on our financial condition. We believe that we have good relations with our lenders and the lenders to our subsidiaries, and nothing has come to our attention that would lead us to believe that any future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested. As of December 31, 2002, we were in compliance with all the financial covenants in our own and our subsidiaries' debt instruments.

In addition, a considerable amount of our debt is subject to credit ratings triggers that require us to pay a step-up in the coupon rate of the affected notes in the event that certain minimum credit ratings are not

maintained. Significantly, the CEMEX, Inc. Note and Guarantee Agreement, dated March 15, 2001, described under Item 10 "-- Additional Information -- Material Contracts," requires us to make all reasonable efforts to ensure that the notes issued pursuant to that agreement maintain a private letter rating of at least BBB- by Standard & Poor's and Baa3 by Moody's. If the notes fail to maintain this required rating, we would have to pay a step-up in the coupon rate and, if, after a continuous period of two years, the notes have not re-attained these ratings, we would have to repay them or obtain a waiver of this requirement. As of December 31, 2002, the notes were rated BBB- by Standard & Poor's and Baa3 by Moody's.

Our Preferred Equity Arrangements

In November 2000, we formed a Dutch subsidiary which issued preferred equity for an amount of U.S.\$1.5 billion (Ps15.6 billion) to provide funds for our acquisition of Southdown on terms we believe are advantageous. This structure was designed to strengthen the capital structure of CEMEX Espana while providing financing on favorable terms. The preferred equity grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a preferred dividend. Under the terms of the preferred equity financing arrangements described under Item 10 "-- Additional Information -- Material Contracts," Sunward Acquisitions N.V., or Sunward Acquisitions, our indirect Dutch subsidiary, contributed its 85.15% interest in CEMEX Espana to New Sunward Holding B.V., or New Sunward Holding, our newly formed Dutch subsidiary, in exchange for all its ordinary shares. A special purpose entity, which is neither owned nor controlled by us, borrowed U.S.\$1.5 billion from a syndicate of banks and New Sunward Holding issued preferred equity to the special purpose entity in exchange for the U.S.\$1.5 billion, which was used to subscribe for further shares in CEMEX Espana. Repayments of the special purpose entity's borrowings under its loan are derived from payments made by New Sunward Holding to the special purpose entity by way of distribution of interim dividends on, and/or repayments of, the preferred equity. This special purpose entity uses the funds to repay its loan to its parent, which in turn uses the funds to repay the banks. Sunward Acquisitions has the option to purchase from the special purpose entity the remaining preferred equity in an aggregate amount not exceeding the outstanding balance of the entity's loan. Under the terms of this transaction, New Sunward Holding may be liquidated if we do not repurchase the preferred equity, if we do not make payments on the preferred equity and in other specified circumstances. Any such liquidation would include the sale of its assets (mainly the CEMEX Espana shares it holds) at market prices in an amount sufficient to satisfy the amount outstanding under the preferred equity. During 2001, we redeemed a portion of the then-outstanding preferred stock in the amount of U.S.\$600 million, and at year-end 2001, the balance outstanding was U.S.\$900 million. In February 2002, we refinanced this preferred equity transaction, the new terms of which allow, under certain circumstances, preferred equity to be issued by New Sunward Holding up to U.S.\$1.2 billion. Additionally, pursuant to the refinancing, we redeemed U.S.\$250 million of the outstanding preferred equity and extended the termination date on the remaining U.S.\$650 million with U.S.\$195 million, due in February 2004 and U.S.\$455 million due in August 2004.

For accounting purposes under Mexican GAAP, the preferred equity is recorded as a minority interest on our balance sheet. Any dividends paid on the preferred equity are recorded as a minority interest on our income statement. For the years ended December 31, 2000, 2001 and 2002, preferred equity dividends amounted to approximately U.S.\$17 million, U.S.\$76 million and U.S.\$23.2 million, respectively.

In May 1998, a subsidiary of CEMEX Espana issued U.S.\$250 million aggregate liquidation amount of 9.66% Putable Capital Securities. In April 2002, approximately U.S.\$184 million in aggregate liquidation amount of these capital securities were tendered to, and accepted by, us in a tender offer. The Putable Capital Securities are guaranteed on a subordinated basis by CEMEX

Espana. We have an option to repurchase the Putable Capital Securities from the holders on November 15, 2004, or on any subsequent dividend payment date. We are required to make an offer to purchase the Putable Capital Securities from their holders on May 15, 2005 and after the occurrence of specified put events, which include, among other things, a payment default or a deferral of dividends by the issuer of the Putable Capital Securities. Our obligation to purchase the Putable Capital Securities is guaranteed by CEMEX Mexico and Empresas Tolteca de Mexico. As of December 31, 2002, we had U.S.\$66 million of the Putable Capital Securities outstanding.

For accounting purposes under Mexican GAAP, the Putable Capital Securities are recorded as a minority interest on our balance sheet. Any dividends paid on the Putable Capital Securities are recorded as a minority interest on our income statement. For the years ended December 31, 2000, 2001 and 2002, Putable Capital Securities dividends amounted to approximately U.S.\$24.2 million, U.S.\$24.2 million and U.S.\$11.9 million, respectively.

Our Equity Arrangements

In December 1995, we entered into a financial transaction in which one of our Mexican subsidiaries transferred some of its cement assets to a trust, while simultaneously a third party purchased a beneficial interest in the trust for approximately U.S.\$123.5 million in exchange for notes issued by the trust. We have the right to reacquire these assets on various dates until 2007. As of December 31, 2002, U.S.\$90.6 million (Ps940.3 million) was outstanding under this transaction.

Since inception, the assets subject to this transaction have been considered as owned by third parties; therefore, for accounting purposes under Mexican GAAP, this transaction is included as minority interest in our balance sheet. For the years ended December 31, 2000, 2001 and 2002, the expense generated by retaining the option to re-acquire the assets amounted to approximately U.S.\$14.4 million, U.S.\$13.8 million and U.S.\$13.2 million, respectively, and was included as financial expense in our income statements.

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

In November 2001, we launched a voluntary public exchange offer of new Appreciation Warrants and new ADWs maturing on December 21, 2004, for our existing Appreciation Warrants and our existing ADWs on a one-for-one basis. Of the total 105 million Appreciation Warrants originally issued, 103,790,945, or 98.85%, were tendered in exchange for the new Appreciation Warrants. Both the old Appreciation Warrants and the new Appreciation Warrants were designed to allow the holder to benefit from future increases in the market price of our CPOs, with any appreciation value to be received in the form of our CPOs or ADSs, as applicable. The old Appreciation Warrants expired on December 13, 2002 in accordance with their terms without any payments to the holders. See note 14F to our consolidated financial statements included elsewhere in this annual report and "-- Our Equity Derivative Forward Arrangements."

Our Equity Derivative Forward Arrangements

In connection with our Appreciation Warrants transaction, during 1999, we entered into equity forward contracts with a number of banks and other financial institutions with an original maturity in December 2002, pursuant to which the banks purchased our ADSs and shares of common stock of CEMEX Espana (formerly Compania Valenciana de Cementos Portland, S.A.), our Spanish subsidiary. In December 2002, we agreed with the

banks to settle the forward transactions for cash and simultaneously enter into new forward transactions with the same banks on similar terms to the original forward transactions with respect to the underlying ADSs and CEMEX Espana shares, with a December 12, 2003 maturity. These ADSs are considered to have been sold to the banks, and, therefore, future changes in the fair value of the ADSs will not be recorded until settlement of the new forward contracts. In connection with the termination of the original forward contracts, we made a final advance payment of approximately U.S.\$20.9 million to the banks toward the forward settlement price, and as of the termination date, the adjusted forward settlement price of the original forward contracts was U.S.\$448.4 million. Under the new forward contracts, the banks retain the 24,008,313 ADSs and 33,751,566 CEMEX Espana shares underlying the original forward contracts, for which they agreed to pay us an aggregate price of approximately U.S.\$828.5 million, or the notional amount. We agreed with the banks that the purchase price payable to us under the new forward contracts would be netted against the adjusted forward settlement price of the original forward contracts and any advance payments made by us in connection with the closing of the new forward contracts. Upon closing of the new forward transactions, we made an advance payment to the banks of approximately U.S.\$380.1 million of the forward purchase price, U.S.\$285 million of which represented payment in full of the portion of the forward purchase price relating to the CEMEX Espana shares and U.S.\$95.1 million of which was an advance payment against the final forward purchase price. As of December 13, 2002, the adjusted forward settlement price of the new forward contracts was U.S.\$448.4 million. In December 2002, as a result of the net settlement and renegotiation of the forward contracts, we recognized, in accordance with Mexican GAAP, a decrease of approximately U.S.\$98.3 million (Ps1,020.3 million) in our stockholders' equity, arising from changes in the valuation of the underlying shares.

Absent a default under the forward contracts, the banks are required to deliver to us on December 12, 2003 a number of ADSs and CEMEX Espana shares equal to the number of ADSs and CEMEX Espana shares subject to the forward contracts against payment of the forward purchase price. The forward purchase price payable at any time under the forward contracts is the present value of the adjusted forward settlement price. The adjusted forward settlement price is the future value of the notional amount minus the future value of all prepayments under the forward contracts. The forward contracts provide for early delivery of ADSs and CEMEX Espana shares to us in specified circumstances. We are required to make periodic payments during the life of the forward contracts and upon the occurrence of specified events. During the life of the forward contracts, we are required to make additional periodic prepayments if the current market value of the ADSs and CEMEX Espana shares subject to the contracts is less than 120% of the mark-to-market of the discounted remaining forward purchase price.

For accounting purposes under Mexican GAAP, whether we settle the forward transactions for cash or physically by repurchasing the ADSs, the portion of the forward contracts relating to our ADSs are considered to be equity transactions. Therefore, changes in the fair value of the ADSs have not been and will not be recorded until settlement and the cost of the forward contracts relating to our ADSs will be recorded as a decrease in stockholders' equity. With respect to the portion of the forward contracts relating to CEMEX Espana shares, the sale of the CEMEX Espana shares to the banks was not considered to be a sale under Mexican GAAP, since we continue to retain the economic and voting rights associated with these shares and are obligated to repurchase them upon termination of the forward contracts, and in view of the fact that our obligations to the banks relating to those shares have been offset on our balance sheet against the portion of the forward purchase price that we prepaid to the banks. As a result, absent a default under the forward contracts, the transaction does not and will not have any effect on minority interests, in either our income statements or our balance sheets.

Although our obligations under the forward contracts are not treated as debt on our balance sheet under Mexican GAAP, our obligations under the forward contracts are included as debt in the calculation of our debt to total

capitalization ratio covenants contained in our principal financing agreements. The other forward contracts discussed below are not included as debt in the calculation of our debt to total capitalization ratio covenants contained in our principal financing agreements.

As of December 31, 2001 and 2002, we were also subject to equity forward contracts with different maturities until October 2006, for a notional amount of U.S.\$408.3 million and U.S.\$338.7 million, respectively, covering a total of 15,986,689 ADSs in 2001 and 12,379,377 ADSs in 2002, negotiated to hedge the future exercise of options granted under our executive stock option

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programs. See note 15 to our consolidated financial statements included elsewhere in this annual report. Starting in 2001, we recorded the changes in the estimated fair value of these contracts in the balance sheet as an asset or liability against the income statement, in addition to the costs originated by our option programs, which these forwards are hedging. As of December 31, 2001 and 2002, the estimated fair value of these contracts was a gain of approximately U.S.\$3.3 million (Ps33.1 million) and a loss of approximately U.S.\$32.8 million (Ps340.5 million), respectively.

Additionally, as of December 31, 2001 and 2002, we were subject to equity forward contracts with different maturities until May 2003, for a notional amount of U.S.\$101.8 million and U.S.\$97.4 million, respectively, covering a total of 4,699,061 ADSs in 2001 and 3,626,243 ADSs in 2002, negotiated to hedge the future exercise of options granted under our voluntary employee stock option programs. See note 15 to our consolidated financial statements included elsewhere in this annual report. Starting in 2001, we have recognized the changes in the estimated fair value of these contracts in the balance sheet as an asset or liability against the income statement, in addition to the costs originated by the options. As of December 31, 2001 and 2002, the estimated fair value was a gain of approximately U.S.\$25.4 million (Ps254.2 million) and a loss of approximately U.S.\$14.2 million (Ps147.4 million), respectively.

As of December 31, 2002, in relation to the acquisition of 1,483,365 shares of CAH common stock, we had forward contracts for a notional amount of U.S.\$95 million, covering 21,510,500 CPOs, maturing in August and September 2003 hedging the acquisition of CAH shares to be acquired in exchange for CEMEX CPOs, with the exchanges of CAH shares and CEMEX XPOs scheduled to take place in four equal quarterly tranches commencing on March 31, 2003 with respect to 84,763 of the CAH shares and in four equal quarterly tranches commencing on March 31, 2004 with respect to 1,398,602 of the CAH shares. The effects to be generated upon settlement of the forward contracts will be recognized as an adjustment to the acquisition cost of the CAH shares. As of December 31, 2002, the estimated fair value of these contracts, which is not periodically recorded, had an approximate loss of U.S.\$2.1 million (Ps21.8 million). See note 8A to our consolidated financial statements included elsewhere in this annual report.

Finally, as of December 31, 2001 and 2002, we had forward contracts with different maturities until February 2006, for an approximate notional amount of U.S.\$394.8 million and U.S.\$452.7 million, respectively, covering a total of 13,069,855 ADSs in 2001 and 15,316,818 ADSs in 2002. Based on our intention to settle these contracts physically at maturity, the estimated fair value of these contracts is not periodically recognized. The effects originated by these contracts will be recognized at maturity as an adjustment to our stockholders' equity. As of December 31, 2001 and 2002, the estimated fair value of these contracts represented losses of approximately U.S.\$46.5 million and U.S.\$110.6 million, respectively.

Our Receivables Financing Arrangements

We have established sales of trade accounts receivable programs with financial institutions, referred to as securitization programs. These programs

were negotiated by CEMEX Mexico and CEMEX Concretos, S.A. de C.V. during 2002, by CEMEX, Inc. in the United States during 2001 and by CEMEX Espana in 2000. Through the securitization programs, our subsidiaries effectively surrender control, risks and the benefits associated to the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the balance sheet at the moment of sale, except for the amounts that the counterparties have not paid, which are reclassified to other accounts receivable. See note 4 to our consolidated financial statements included elsewhere in this annual report. The balances of receivables sold pursuant these securitization programs as of December 31, 2001 and 2002 were Ps2,993.0 million (U.S.\$299.0 million) and Ps5,045.9 million (U.S.\$486.1 million), respectively. The accounts receivable qualifying for sale do not include amounts over certain days past due or concentrations over certain limit to any one customer, according to the terms of the programs. Expenses incurred under these programs, originated by the discount granted to the acquirers of the accounts receivable, are recognized in the income statements and were approximately Ps83.1 million (U.S.\$8.3 million) in 2001 and Ps108.5 million (U.S.\$10.5 million) in 2002. The proceeds obtained through these programs have been used primarily to reduce net debt.

Summary of our Material Contractual Obligations and Commercial Commitments

As of December 31, 2002, our subsidiaries have future commitments for the purchase of raw materials for an approximate amount of U.S.\$86.4 million.

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

In 1999, we, through a subsidiary, reached an agreement with ABB Alstom Power and Sithe Energies, Inc., requiring that Alstom and Sithe finance, build and operate Termoelectrica del Golfo, a 230 megawatt energy plant in Tamuin, San Luis Potosi, Mexico and supply electricity to us for a period of 20 years. In return, we will supply Alstom with 650 thousand tons of petcoke per year over the same period and will buy all the electricity produced by the plant. Our supply of petcoke will be derived from our contract with Pemex. We expect this project to reduce the volatility of our energy costs and to provide approximately 100% of the electricity needs of 11 of our cement plants in Mexico. We estimate the plant will begin operations by the first half of 2003.

For purposes of presenting the approximate cash flows that will be required to meet our other material contractual obligations, the following table presents a summary of those obligations, as of December 31, 2002:

Contractual Financing Obligations (1)	Total	Payments Due by Period			After 5 Years
		(In millions of U.S. Dollars)			
		Within 1 Year	2-3 Years	4-5 Years	
Bank Loans and Notes Payable.....	4,995	642	2,466	838	1,049
Capital Lease Obligations.....	30	9	5	6	10
Total Debt (2).....	5,025	651	2,471	844	1,059
Operating Leases (3).....	369	60	106	78	125
Preferred Equity (4).....	716	-	716	-	-
Other Equity Transactions (5).....	91	26	32	33	-
Equity forward contracts					

- (1) The data set forth in this table are expressed in nominal terms and do not include financing expenses, preferred dividends on Preferred Equity and Putable Capital Securities or the cost of retaining the option to reacquire our subsidiaries' cement assets included under "Other equity transactions."
- (2) Total long-term debt including maturities is presented in note 12 to our consolidated financial statements included elsewhere in this annual report. In addition, As of December 31, 2002, we had lines of credit totaling approximately U.S.\$2.9 billion, of which the available portion amounts to approximately U.S.\$1.2 billion.
- (3) Operating leases have not been calculated on the basis of net present value instead they are presented in the basis of nominal future cash flows. See note 21D to our consolidated financial statements included elsewhere in this annual report.
- (4) Refers to the preferred equity transaction issued in connection with the financing required for the Southdown (now named CEMEX, Inc.) acquisition and the putable capital securities issued by our subsidiary in Spain. See note 14E to our consolidated financial statements included elsewhere in this annual report.
- (5) Refers to the transaction pursuant to which in 1995 we contributed assets of our subsidiary to a trust in exchange of U.S.\$123.5 million. See note 14F to our consolidated financial statements included elsewhere in this annual report.
- (6) The scenario under which the amounts presented under this line item are determined assumes that, upon settlement of our equity forward contracts, we will repurchase all the underlying CPOs. Even when this scenario is possible, we consider that it is not probable considering that in order for such a repurchase to take place, all the underlying transactions to which the equity forward contracts are related, such as the warrants and our employee stock option programs, would expire unexercised (out of the money). Also, the scenario does not take into account that we may elect to make a net cash settlement at maturity of the equity forward contracts and permit our counterparties to sell the underlying CPOs into the market, in which case, the expected cash flow would be materially different. As of December 31, 2002, the aggregate estimated fair value of these contracts was a loss of approximately U.S.\$91 million.

Of the total amount of U.S.\$1,182 million due in the short-term, approximately U.S.\$461 million is related to the equity forwards that hedge the warrant transaction, approximately U.S.\$95.5 million is related to the contracts that hedge our forward exchange transaction of CAH shares, and approximately U.S.\$216 million is related to the contracts that hedge our employee stock option programs. We expect that these contracts will be refinanced from time to time relative to the underlying hedged items.

In addition, we have provided third party standby letters of credit for the benefit of our counterparties in the equity forward contracts and other financial transactions in the amount of U.S.\$175 million at December 31, 2002, in order to reduce their overall exposure.

For accounting purposes these letters of credit represent contingent obligations. See note 21A to our consolidated financial statements included elsewhere in this annual report.

Stock Repurchase Program

In September 2000, our board of directors approved a stock repurchase program in an amount of up to U.S.\$500 million which was implemented between October 2000 and December 2001. During 2001 and 2000, under this program, a total of 4,978,000 CPOs and 3,086,000 CPOs, respectively, were acquired and cancelled, resulting in a capital stock reduction of Ps0.2 million in 2001 and Ps0.1 million in 2000, and in the repurchase reserve of Ps222.1 million in 2001 and Ps130.9 million in 2000.

In connection with our 2001 annual stockholders' meeting held on April 25, 2002, our stockholders approved, among other resolutions, a stock repurchase program in an amount of up to Ps5 billion (approximately U.S.\$482 million) to be implemented between April 2002 and December 2003. See note 14A to our consolidated financial statements included elsewhere in this annual report. We intend to permanently cancel all CPOs repurchased under this program. During 2002, we purchased 7.6 million CPOs for a total of Ps355.0 million.

In connection with our 2002 annual stockholders' meeting scheduled on April 24, 2003, our shareholders will be asked to approve a stock repurchase program in an amount and on terms similar to previous years.

Recent Developments

In April 2003, we amended the terms of the July 12, 2002 agreements pursuant to which we had agreed to exchange 28,195,213 CEMEX CPOs for 1,483,365 shares of CAH common stock. The terms of the exchange have been modified with respect to 1,398,602 of the CAH shares. Instead of purchasing those CAH shares in four equal quarterly tranches commencing on March 31, 2003, we have now agreed to purchase those CAH shares in four equal quarterly tranches commencing on March 31, 2004. Notwithstanding the amendments, for accounting purposes, the CAH shares to be received by us pursuant to the exchanges are considered to be owned by us effective as of July 12, 2002. Pending the successful consummation of this transaction, we will have increased our stake in CAH to 92.25%.

On March 6, 2003, we issued an additional tranche under a Mexican domestic medium term promissory notes program established in August 2002. The tranche consists of Ps1,200 million in nominal pesos with a maturity of three years and a rate per annum equal to the TIIE (the Interbank Offering Rate in Mexico) plus 80 basis points. We used the proceeds of the transaction to repay debt.

On March 26, 2003 we prepaid U.S.\$225 million under the U.S.\$550 million credit agreement relating to the Southdown (now named CEMEX, Inc.) acquisition. Funds for the pre-payment were obtained from various existing lines of credit.

In March 2003, U.S.\$800 million of the U.S.\$1,000 million notional amount of interest rate swap options (swaptions) held by us as of December 31, 2002 matured, and we entered into interest rate swaps for a notional amount of U.S.\$800 million in connection with the counterparties' election under the swaptions to receive from us fixed interest rates and pay to us floating interest rates for a five-year period. See note 11 to our consolidated financial statements included elsewhere in this annual report. The remaining swaptions for a notional amount of U.S.\$200 million mature in October 2004.

Qualitative and Quantitative Market Disclosure

Our Derivative Financial Instruments

In compliance with the procedures and controls established by our departments or units associated with our financial risk management team, we

have entered into various derivative financial instrument transactions in order to manage our exposure to market risks resulting from changes in interest rates, foreign exchange rates and the price of our common stock. We actively evaluate the creditworthiness of the financial institutions and corporations that are

counterparties to our derivative financial instruments, and we believe that they have the financial capacity to meet their obligations in relation to these instruments.

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

(U.S.\$ millions)					
Derivative Instruments	At December 31, 2001		At December 31, 2002		Maturity Date
	Notional amount	Estimated fair value	Notional amount	Estimated fair value	
Equity forward contracts.....	1,395.9	81.0	1,445.1	(90.6)	Apr 2003 - Oct 2006
Foreign exchange forward contracts.....	424.0	4.4	1,325.7	(201.4)	Jan 2003 - Nov 2007
Interest rates swaps.....	2,583.0	4.6	1,106.0	(72.5)	Dec 2005 - Aug 2007
Cross currency swaps.....	1,205.8	251.8	1,847.9	234.6	Jan 2003 - Dec 2008
Interest rate swap options.....	1,506.0	(30.1)	1,000.0	(140.9)	Mar 2003 - Oct 2004
Other interest rate derivatives	800.0	(68.8)	1,361.0	(157.7)	Jan 2003 - Mar 2008
Fuel and energy derivatives....	177.0	(4.6)	177.0	(0.5)	May 2017
Third party equity forward contracts.....	--	--	7.1	(0.1)	Jun 2003

Our Equity Derivative Forward Contracts

Our equity derivative forward contracts, including the Appreciation Warrant-related forward contracts in the table above, are accounted for as equity instruments, and gains and losses are recognized as an adjustment to stockholders' equity upon settlement, with the exception of a portion of our equity forward contracts as of December 31, 2001 and 2002 with a notional amount of U.S.\$510.1 million and U.S.\$436.1 million, respectively, which, beginning in 2001, have been designed as hedges of a portion of our executive stock option plans, and for which changes in their estimated fair value have been recognized through the income statement, in addition to the costs generated by the stock option programs. The estimated fair value of these forwards represented a gain of approximately U.S.\$28.7 million and a loss of U.S.\$47.0 million, as of December 31, 2001 and 2002, respectively. See "-- Liquidity and Capital Resources -- Our Equity Derivative Forward Arrangements" and notes 15 and 16 to our consolidated financial statements included elsewhere in this annual report.

Our Foreign Exchange Forward Contracts

The foreign exchange forward contracts are accounted for at their estimated market value as hedge instruments for our net investments in foreign subsidiaries. Gains or losses are recognized as an adjustment to stockholders' equity within the related foreign currency translation adjustment. In addition, during 2002, we negotiated foreign exchange options for a notional amount of U.S.\$59.7 million maturing in November 2004 and recorded an estimated fair value loss as of December 31, 2002 of approximately U.S.\$44.4 million (Ps460.9 million) in the income statement. See note 16 to our consolidated financial

statements included elsewhere in this annual report.

Our Interest Rate Swaps

As of December 31, 2001 and 2002, we were parties to interest rate swaps for a notional amount of U.S.\$2,583 million and U.S.\$ 1,106 million, respectively, entered into in order to reduce the financial cost of debt negotiated at fixed rates and, in some cases, hedge contractual cash flows (interest payments) of underlying debt negotiated at floating rates. These interest rate swaps are accounted for as hedge instruments for the financing cost of the underlying short-term and long-term debt transactions, and periodic payments under the contracts are recognized in the income statements as an adjustment to the effective interest rate of the related debt. For the year ended December 31, 2002, changes in the estimated fair value of the interest rate swaps that hedge the contractual cash flows (interest payments) of the underlying short-term and long-term debt, amounting to a loss of approximately U.S.\$72.5 million, was recorded in the balance sheet as liabilities against stockholders' equity. This amount will be reversed through the income statement as the financial expense of the related financing debt is accrued. For the year ended December 31, 2001, the estimated fair value of the swaps outstanding as of such date, was neither recorded in the balance sheet

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nor in the income statement. See notes 11 and 12A to our consolidated financial statements included elsewhere in this annual report.

During 2002, in agreement with our financial counterparty, we settled all the interest rate swap contracts we held as of December 31, 2001. At settlement, the fair value of such instruments was received, representing income of approximately U.S.\$14.5 million (Ps150.5 million), which was recorded in our 2002 comprehensive financing result.

Our Cross Currency Swaps

As of December 31, 2001, related to our long-term financial debt portfolio, we held cross currency swap contracts for a notional amount of U.S.\$1,105.8 million. As of December 31, 2002, we held cross currency swap contracts related to our short-term and long-term financial debt portfolio for a notional amount of U.S.\$1,743.4 million. Through these contracts, we carried out the exchange of the originally contracted currencies and interest rates, over a determined amount of underlying debt. During the life of these contracts, the cash flows originated by the exchange of interest rates under the cross currency swap contracts match the interest payment dates and conditions of the underlying debt. Likewise, at maturity of the contracts and the underlying debt, we will exchange with the counterparty notional amounts provided by the contracts so that we will receive an amount of cash flow equal to cover our primary obligation under the underlying debt. In exchange, we will pay the notional amount in the exchanged currency. As a result, we have effectively exchanged the risks related to interest rates and foreign exchange variations of the underlying debt to the rates and currencies negotiated in the cross currency swap contracts. See notes 11 and 12B to our consolidated financial statements included elsewhere in this annual report.

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

In respect of the estimated fair value recognition of the cross currency swap contracts, as of December 31, 2001, we recorded a net asset of U.S.\$242.9 million (Ps2,431.4 million) against the Comprehensive Financing Result, of which a gain of approximately U.S.\$175.9 million (Ps1,760.7 million) directly related to variations in exchange rates between the inception of the cross currency swaps and the balance sheet date was offset for presentation purposes as part of the underlying debt carrying amount and a gain of approximately U.S.\$14.8 million (Ps148.1 million) related to periodic cash flow exchanges (interest payments) was recognized as an adjustment of the related financing interest payable. The remaining net asset of U.S.\$52.2 million (Ps522.5 million) was recognized in the consolidated balance sheet within other long-term receivables. See note 12B to our consolidated financial statements included elsewhere in this annual report.

As of December 31, 2002, we recognized a net asset of U.S.\$241.4 million (Ps2,505.7 million) related to the estimated fair value of the short-term and long-term cross currency swap contracts, of which,

- o U.S.\$194.2 million (Ps2,015.8 million) relates to a prepayment made to a Yen obligation under a cross currency swap, thereby decreasing the carrying amount of the related debt, and
- o U.S.\$47.2 million (Ps489.9 million) represents the contracts' estimated fair value before prepayment effects and includes:
 - o a loss of approximately U.S.\$20.0 million (Ps207.6 million), which is directly related to variations in exchange rates between the inception of the contracts and the balance sheet date, and which was offset for presentation purposes as part of the related debt carrying amount,

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- o a gain of approximately U.S.\$25.9 million (Ps268.8 million), identified with the periodic cash flows for the interest rates swap, and which was recognized as an adjustment of the related financing interest payable, and
- o a remaining net asset of U.S.\$41.3 million (Ps428.7 million), which was recognized within other short- and long-term receivables in the amount of U.S.\$11.0 million (Ps114.2 million) and U.S.\$30.3 million (Ps314.5 million), respectively. See notes 11 and 12B to our consolidated financial statements included elsewhere in this annual report.

As of December 31, 2001 and 2002, the effect on our balance sheet arising from the accounting assets and liabilities offset, was that the book value of the financial liabilities directly related to the cross currency swap contracts is presented as if such financial liabilities had been effectively negotiated in the exchange currency instead of in the originally contracted currency. For the years ended December 31, 2002 and 2001, the changes in the estimated fair value of our cross currency swap contracts, excluding prepayment effects in 2002, resulted in a loss of approximately U.S.\$192.2 million (Ps1,995.0 million) and a gain of approximately U.S.\$191.6 million (Ps1,917.9 million), respectively, which were recognized within the Comprehensive Financing Result.

Additionally, as of December 31, 2001 and 2002, we held other currency instruments with notional amounts of U.S.\$100 million and U.S.\$104.5 million, respectively, maturing in July and August 2003, related to financial debt expected to be negotiated in the near future. These contracts had an

estimated fair value gain of U.S.\$8.9 million (Ps89.1 million) in 2001 and a loss of U.S.\$6.8 million (Ps70.6 million) in 2002, recognized within the Comprehensive Financing Result.

Our Interest Rate Swap Options

As of December 31, 2001 and 2002, we held call option contracts negotiated with financial institutions to exchange floating for fixed interest rates (swaptions) for a notional amount of U.S.\$1,506 million and U.S.\$1,000 million, respectively. For the sale of these options, we received premiums of approximately U.S.\$12.2 million (Ps126.6 million) in 2001 and U.S.\$57.6 million (Ps597.9 million) in 2002. In March 2003, U.S.\$800 million of the U.S.\$1,000 million notional amount of the swaptions held by us as of December 31, 2002 matured, and we entered into interest rate swaps for a notional amount of U.S.\$800 million in connection with the counterparties' election under the swaptions to receive from us fixed interest rates and pay to us floating interest rates for a five-year period. The remaining swaptions for a notional amount of U.S.\$200 million mature in October 2004, and grant the counterparties the option to elect, at maturity of the options and at current market rates, to receive from CEMEX fixed rates and pay to CEMEX variable rates for a five-year period or request net settlement in cash. For recent developments relating to the swaptions, please see Item 5 -- "Operating and Financial Review and Prospects -- Liquidity and Capital Resources -- Recent Developments." As of December 31, 2001 and 2002, premiums received, as well as the changes in the estimated fair value of these contracts, which represented losses of approximately U.S.\$30.1 million (Ps312.4 million) and U.S.\$110.9 million (Ps1,151.1 million), respectively, were recognized in the comprehensive financing result. During 2001 and 2002, the call options that expired resulted in losses of approximately U.S.\$3.4 million (Ps35.3) and U.S.\$92.3 million (Ps958.1), respectively, which were recognized in the comprehensive financing result. See note 11 to our consolidated financial statements included elsewhere in this annual report.

Our Other Interest Rate Derivatives

As of December 31, 2001 and 2002, we held forward rate agreement contracts for a notional amount of U.S.\$800 million and U.S.\$650 million, respectively, entered into to fix the interest rate of debt that had not yet been obtained as of the balance sheet date, but was expected to be negotiated in the near future. As of December 31, 2001 and December 31, 2002, we also held floor and cap option contracts for a notional amount of U.S.\$711 million linked to an interest rate swap for the same notional amount. The forward rate agreement contracts have different maturities ranging up to June 2003, and the floor and cap option contracts mature in March 2008. The interest rate swap

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linked to the floor and cap option contracts was settled during 2002. The changes in the estimated fair value of the forward rate agreement contracts and the floor and cap option contracts represented losses of approximately U.S.\$68.8 million (Ps688.7 million) in 2001 and U.S.\$88.9 million (Ps922.8 million) in 2002, and were recognized in the balance sheet against the comprehensive financing result, except for a loss in 2002 of approximately U.S.\$42.4 million (Ps440.1 million) related solely to the forward rate agreement contracts, which was recognized in stockholders' equity given that it corresponded to the change in valuation after the forward rate agreement contracts were designated as an accounting hedge of forecasted cash flows (interest payments) related to new debt issuances. The U.S.\$42.4 million (Ps440.1 million), which was recognized in stockholders' equity in 2002, will be recognized in the income statement as the effects of the related forecasted debt have an impact on the financial expense through accrued interest or immediately when there is evidence that the new debt will not be contracted. See note 12A to our consolidated financial statements included elsewhere in this annual report.

Our Fuel and Energy Derivatives

As of December 31, 2001, we had fuel oil forward contracts for a notional amount of U.S.\$9.5 million (Ps95.0 million), with an estimated fair value of U.S.\$26 thousand (Ps0.3 million). During 2002, we settled these forward contracts with no material impact to our financial results.

As of December 31, 2001 and 2002, we had an interest rate swap maturing in May 2017, for a notional amount of U.S.\$177 million in both years, negotiated to exchange floating for fixed interest rates, in connection with agreements we entered into for the acquisition of electric energy for a 20-year period starting in 2003 See note 21F to our consolidated financial statements included elsewhere in this annual report. During the life of the derivative contract and over its notional amount, we will pay LIBOR rates and received a 7.33% fixed rate until February 2003 and will receive a 7.53% fixed rate from March 2003 to May 2017. In addition, during 2001 we sold a floor option for a notional amount of U.S.\$177 million, related to the interest rate swap contract, pursuant to which, starting in 2003 and until 2017, we will pay the difference between the 7.53% fixed rate and the LIBOR rates. Through the sale of this option, we received a premium of approximately U.S.\$22 million (Ps220.2 million) in 2001. As of December 31, 2001 and 2002, the premium received and the combined estimated fair value of the swap and floor contracts, amounting to approximate losses of U.S.\$4.6 million and U.S.\$0.5 million, respectively, were recorded in the comprehensive financing result for each period. As of December 31, 2001 and 2002, the notional amount of both contracts is not aggregated, considering that there is only one notional amount with exposure to changes in interest rates and the effects of one instrument are proportionally inverse to the changes in the other one. See note 16D to our consolidated financial statements included elsewhere in this annual report.

Our Third Party Equity Forwards

As of December 31, 2002, we had a third party equity forward contract for a notional amount of U.S.\$7.1 million, and the estimated fair value of this contract was an approximate loss of U.S.\$0.1 million (Ps1.1 million).

Interest Rate Risk, Foreign Currency Risk and Equity Risk

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term foreign currency-denominated debt as of December 31, 2002. It includes the effects generated by the interest rate swaps and the cross currency swap contracts that we have entered into, covering a portion of our financial debt originally negotiated in Mexican Pesos and U.S. Dollars. See notes 11 and 12 to our consolidated financial statements included elsewhere in this annual report. Average floating interest rates are calculated based on forward rates in the yield curve as of December 31, 2002. Future cash flows represent contractual principal payments. The fair value of our floating rate long-term debt is determined by discounting future cash flows using borrowing rates currently available to us as of December 31, 2002 and is summarized as follows:

Debt	Expected maturity dates as of December 31, 2002						Fair Value
	2003	2004	2005	2006	2007	After 2007	
							Total

(Millions of U.S. Dollars equivalents of debt denominated in foreign currencies)

Variable rate.....	637	1,412	131	130	189	305	2,804	2,804
Average interest rate.....	3.1%	4.1%	4.9%	5.5%	5.9%	6.5%	--	--
Fixed rate.....	14	442	486	474	51	754	2,221	2,333
Average interest rate.....	6.1%	6.4%	6.9%	7.3%	7.2%	6.1%	--	--

As of December 31, 2002, we were subject to the volatility of the floating interest rates, which, if such rates were to increase, may adversely affect our financing cost and our net income. As of December 31, 2002, 56% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 126 basis points, after giving effect to our interest rate swaps and cross currency swaps.

As previously mentioned, as of December 31, 2002, we had entered into interest rate swaps as part of a strategy intended to reduce our overall financing cost. See "-- Our Derivative Financial Instruments." At that date the estimated fair value of our interest rate swaps accounted for to hedge a portion of our financial debt was a loss of approximately U.S.\$72.6 million. The potential change in the fair value as of December 31, 2002 of these contracts that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a loss of approximately U.S.\$22.8 million (Ps236.7 million).

In addition, as mentioned above, we have entered into interest rate swap options. See "-- Our Derivative Financial Instruments." As of December 31, 2002, the estimated fair value of these instruments was a loss of approximately U.S.\$140.9 million. The potential change in the fair value as of December 31, 2002 of these contracts that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a loss of approximately U.S.\$24.0 million (Ps249.1 million).

Finally, as mentioned above, we have entered into forward rate agreement contracts. See "-- Our Derivative Financial Instruments." As of December 31, 2002, the estimated fair value of these instruments was a loss of approximately U.S.\$157.7 million. The potential change in the fair value as of December 31, 2002 of these contracts that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a loss of approximately U.S.\$28.5 million (Ps295.8 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel and energy, and some of our cement prices, are periodically adjusted to take into account fluctuations in the Dollar/Peso exchange rate. For the year ended December 31, 2002, approximately 34% of our sales, before eliminations resulting from consolidation, were generated in Mexico, 24% in the United States, 14% in Spain, 4% in Venezuela, 7% in Central America and the Caribbean, 3% in Colombia, 2% in the Philippines, 2% in Egypt and 10% from other regions and our cement and clinker trading activities. As of December 31, 2002, our debt, considering the effects in the original currencies generated by our cross currency swaps, amounted to Ps59.9 billion, of which approximately 68.7% was Dollar-denominated, 14.5% was Yen-denominated and 12.0% was Euro-denominated; therefore, we have a foreign currency exposure arising from the Dollar-denominated debt, the Yen-denominated debt and the Euro-denominated debt, versus the currencies in which our revenues are settled in most countries in which we operate. See "-- Liquidity and Capital Resources -- Our Indebtedness," Item 10 -- "Additional Information -- Material Contracts" and "Risk Factors -- We have to pay our Dollar and Yen denominated debt with revenues generated in Pesos or other currencies, as we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar and Yen denominated debt, which could adversely affect our ability to service our debt in the event of a devaluation or depreciation in the value of the Peso, or any of the other currencies of the countries in which we operate." Although we also have a small portion of our debt in other currencies, we have generated enough cash flow in those currencies to service that debt. Therefore, we believe there is no material foreign currency risk exposure with respect to that debt.

As previously mentioned, we have entered into cross currency swap contracts, designed to change the original profile of interest rates and currencies over a portion of our financial debt. See "-- Our Derivative Financial Instruments." As of December 31, 2002, the estimated fair value of these instruments was a gain of approximately U.S.\$ 241.4 million (Ps2,505.7 million), of which U.S.\$194.2 million (Ps2,015.8 million) relates to a prepayment made to a Yen obligation under a swap contract, thereby decreasing the carrying amount of the related

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debt. The potential change in the fair value of these contracts as of December 31, 2002 that would result from a hypothetical, instantaneous appreciation of 10% in the exchange rate of the Yen against the Dollar, combined with a depreciation of 10% of the Mexican Peso against the Dollar, would be a loss of approximately U.S.\$198.0 million (Ps2,055.2 million).

Additionally, as previously mentioned, we have entered into foreign exchange forward contracts designed to hedge our net investment in foreign subsidiaries, as well as other currency derivative instruments. See "-- Our Derivative Financial Instruments." The combined estimated fair value of our foreign exchange forwards and our other currency derivatives as of December 31, 2002 was a loss of approximately U.S.\$201.4 million. The potential change in the fair value as of December 31, 2002 that would result from a hypothetical, instantaneous depreciation of 10% in the exchange rate of the Peso against the Dollar would be a loss of approximately U.S.\$139.3 million (Ps1,445.9 million), which would be offset by a corresponding foreign translation gain as a result of our net investment in foreign subsidiaries.

Equity Risk

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

As previously discussed, we have entered into equity forward contracts on our own stock, pursuing different goals such as hedging our old and new Appreciation Warrants program and our several stock option plans. See "-- Liquidity and Capital Resources." As of December 31, 2002, the estimated fair market value of our equity forward contracts was a loss of approximately U.S.\$90.6 million. The potential change in the fair value as of December 31, 2002 that would result from a hypothetical, instantaneous decrease of 10% in the market value of our stock would be a loss of approximately U.S.\$128.3 million (Ps1,331.8 million).

Investments, Acquisitions and Divestitures

The transactions described below represent our principal investments, acquisitions and divestitures completed during 2000, 2001, and 2002.

Investments and Acquisitions

In July and August 2002, through a tender offer and subsequent

merger, we acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc., or PRCC. The aggregate value of the transaction was approximately U.S.\$180.2 million, not including the amount of net debt assumed of approximately U.S.\$100.8 million.

On July 12, 2002, we purchased 25,429 shares of common stock (approximately 0.25% of the outstanding share capital) of CAH, from a CAH investor for a purchase price of approximately U.S.\$2.3 million, increasing our equity interest in CAH to 77.67%. CAH is a subsidiary originally created to co-invest with institutional investors in Asian cement operations. At the same time, we entered into agreements to purchase an additional 1,483,365 shares of CAH common stock (approximately 14.58% of the outstanding share capital) from several other CAH investors in exchange for 28,195,213 CEMEX CPOs (subject to anti-dilution adjustments). The exchange of 84,763 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2003, and the exchange of the remaining 1,398,602 of the CAH shares for CEMEX CPOs is scheduled to take place in four equal quarterly tranches commencing on March 31, 2004. For accounting purposes, the CAH shares to be received by us in exchange for CEMEX CPOs are considered to be owned by us effective as of July 12, 2002. As a result of this transaction and pending its successful consummation, we will have increased our stake in CAH to 92.25%. For recent developments regarding

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the exchange of CAH shares for CEMEX CPOs, please see Item 5 -- "Operating and Financial Review and Prospects -- Liquidity and Capital Resources -- Recent Developments" and note 8A to our consolidated financial statements included elsewhere in this annual report.

On July 31, 2002, we purchased, through a wholly-owned subsidiary, the remaining 30% economic interest that was not previously acquired by CAH in Solid, for approximately U.S.\$95 million. At December 31, 2002, as a consequence of this transaction and the increase of our stake in CAH, as described above, our proportionate economic interest in Solid was approximately 94.58%.

In May 2001, we acquired through CAH a 100% economic interest in Saraburi Cement Company, now known as CEMEX (Thailand) Co. Ltd. or CEMEX (Thailand), a cement company based in Thailand with an installed capacity of approximately 700 thousand metric tons, for a total consideration of approximately U.S.\$73 million. As a result of the increase of our stake in CAH, as described above, at December 31, 2002, our proportionate economic interest in CEMEX (Thailand) through CAH was approximately 92.3%.

In November 2000, we acquired 100% of the outstanding shares of common stock of Southdown, now CEMEX, Inc., in the United States.

In October 2000, CAH acquired our interest in Gresik. As a result of this transaction and the increase of our stake in CAH as described above, at December 31, 2002, our proportionate economic interest in Gresik was 23.5%.

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

In 2000, we increased our interest in Assiut from 77% to 92.9%. In March 2001, we further increased our interest in Assiut to 95.8%.

In addition to the above-mentioned acquisitions, our net investment in property, machinery and equipment, as reflected in our consolidated statements of changes in financial position included elsewhere in this annual report, excluding acquisitions of equity interests in subsidiaries and

affiliates, was approximately Ps4,141 million (U.S.\$399 million) in 2000, Ps5,113 million (U.S.\$493 million) in 2001 and Ps4,401 million (U.S.\$424 million) in 2002. This net investment in property, machinery and equipment has been applied to the construction and upgrade of plants and equipment, to the maintenance of plants and equipment, including environmental controls and technology updates.

Divestitures

During 2001 CEMEX, Inc., our subsidiary in the United States, sold its Eastern aggregates business, composed of several quarries in Kentucky and one in Missouri, and other related assets for approximately U.S.\$42 million. During 2002, CEMEX, Inc. sold its specialty mineral products business, composed of one quarry in each of Virginia, New Jersey and Massachusetts and two quarries in Pennsylvania, and other related assets for approximately U.S.\$49 million.

In June 2000, we sold to Marriott International for U.S.\$113 million, properties in the tourism industry, including our 100% equity interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta. As of December 31, 2000, our consolidated income statements include the hotels' operating results for the five-month period ended May 31, 2000.

See note 8A to our consolidated financial statements included elsewhere in this annual report for additional information regarding our acquisitions and divestitures that occurred during 2000, 2001 and 2002.

The Euro Conversion

We have operations in Spain, which adopted the common Euro currency on January 1, 1999. Since January 1, 2002, the Euro is the official currency of all Euro zone countries.

We have examined the risks of the Euro for our Spanish operations' business and markets. We do not believe that the Euro conversion has had a material short-term impact on our business, our Spanish operations' exposure to currency risk, or our market position, although we believe that the Euro will contribute to the ongoing convergence of prices in Europe over the longer term. In 2002, our Spanish sales amounted to 14% of our net sales. As of December 31, 2002, 12% of our consolidated debt was Euro-denominated.

U.S. GAAP Reconciliation

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

Majority net income under U.S. GAAP for the years ended December 31, 2000, 2001, and 2002 amounted to Ps9,169.4 million, Ps10,632.4 million and Ps5,647.6 million, respectively, compared to majority net income under Mexican GAAP for the years ended December 31, 2000, 2001 and 2002 of Ps10,389.1 million, Ps11,789.8 million and Ps5,400.4 million, respectively. See note 23 to our consolidated financial statements included elsewhere in this annual report for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us and the effects that newly issued accounting pronouncements have had in our financial position.

Newly issued accounting pronouncements under U.S. GAAP

Effective January 1, 2002, for purposes of the reconciliation to U.S. GAAP, CEMEX adopted SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 142 eliminates the amortization of goodwill and indefinite-lived intangible assets, and addresses the amortization of intangible assets with finite lives and impairment testing and recognition for goodwill and intangible assets. SFAS 144 establishes a single model for the impairment of long-lived assets and broadens the presentation of discontinued operations to include disposal of an individual business. As a result of such adoption, beginning January 1, 2002, amortization ceased for goodwill under U.S. GAAP.

In connection with SFAS 142's transitional goodwill impairment evaluation, the statement requires a company to perform an assessment of whether there was an indication that goodwill is impaired as of the date of adoption. To accomplish this, we were required to identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of January 1, 2002. We were required to determine the fair value of each reporting unit and compare it into the carrying amount of the reporting unit within six months of January 1, 2002. To the extent the fair value of the reporting unit exceeds its corresponding carrying amount there is no requirement to recognize an impairment loss. No impairment charges were required as a result of the transitional goodwill impairment evaluation performed for the recorded goodwill as of January 1, 2002.

In compliance with the new accounting rules set forth by SFAS, we assess goodwill and indefinite-lived intangibles for impairment annually unless events occur that require more frequent reviews. Long-lived assets, including amortizable intangibles, are tested for impairment if impairment triggers occur. Discounted cash flow analyses are used to assess the possible impairment of non-amortizable intangible assets, while undiscounted cash flow analyses are used to assess long-lived asset impairment. If an assessment indicates impairment, the impaired asset is written down to its fair market value based on the best information available. Estimated fair market value is generally measured with discounted estimated future cash flows. The useful lives of amortizable intangibles are evaluated periodically, and subsequent to impairment reviews, to determine whether revision is warranted. If cash flows related to a non-amortizable intangible are not expected to continue for the foreseeable future, a useful life would be assigned. Considerable management judgment is necessary to estimate undiscounted and discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts and industry practices. In addition, during 2002, there were no impairment charges other than the impairment expense disclosed in note 2U to our consolidated financial statements included elsewhere in this annual report for approximately Ps93.1 million (U.S.\$9.0 million), which was generated by the reporting unit engaged in our software development projects for both Mexican and U.S. GAAP.

In June 2001, the FASB issued SFAS 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 requires an entity to record the fair value of an asset retirement obligation as a liability in the period in which

it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. Such liability would be recorded against a corresponding asset that is depreciated over the life of the long-lived asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. We are required to adopt SFAS 143 on January 1, 2003. The adoption of SFAS 143 is not expected to have a material effect on our financial statements.

In April 2002, the FASB issued SFAS 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of the statement related to the rescission of Statement No. 4 are applied in fiscal years beginning after May 15, 2002. Earlier application of these provisions is encouraged. The provisions of the statement related to Statement No. 13 were effective for transactions occurring after May 15, 2002, with early application encouraged. The adoption of SFAS No. 145 is not expected to have a material effect on our financial statements.

In June 2002, the FASB issued SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS 146 is not expected to have a material effect on our financial statements.

In November 2002, the FASB issued Interpretation 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements 5, 57 and 107 and a rescission of FASB Interpretation 34." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on our financial statements. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002.

In connection with the disclosure requirements of Interpretation 45, related to the energy generating plant agreement discussed in note 21F, we may also be obligated to purchase the power plant upon the occurrence of specified material defaults or events, such as failure to pay when due, bankruptcy or insolvency, and revocation of

permits necessary to operate the facility. Through December 31, 2002, for accounting purposes under Mexican and U.S. GAAP, we have considered this agreement in a manner similar to an operating lease, based on the contingent characteristics of our obligation and given that, absent a default under the agreement, our obligations are limited to the purchase of energy from, and the supply of fuel to, the plant. Currently, in light of interpretations 45 and 46,

we are reviewing the accounting treatment. A final assessment is expected no later than June 30, 2003.

In December 2002, the FASB issued SFAS 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." This statement amends FASB Statement 123 "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to our consolidated financial statements included elsewhere in this annual report.

In January 2003, the FASB issued Interpretation 46 "Consolidation of Variable Interest Entities, an interpretation of ARB 51". This interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the interpretation. The interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. Currently, we are performing a review of our transactions for which the accounting treatment under U.S. GAAP could be affected by this interpretation, in order to determine the effect of this interpretation on our financial statements. Our final assessment is expected no later than June 30, 2003. The interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that we will consolidate or disclose information about variable interest entities when the interpretation becomes effective.

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Item 6 - Directors, Senior Management and Employees

Senior Management and Directors

Senior Management

Set forth below is the name and position of each of our executive officers as of December 31, 2002. Where applicable, we have indicated recently announced appointments and retirements that will become effective as of May 1, 2003. The terms of office of the executive officers are indefinite.

Lorenzo H. Zambrano,
Chief Executive Officer

Joined CEMEX in 1968. During his career with CEMEX, Mr. Zambrano has been involved in all operational aspects of our business. He held several positions in CEMEX prior to his appointment as chief executive officer in 1985. Mr. Zambrano is a graduate of Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C., or ITESM, with a degree in mechanical engineering and administration and holds an M.B.A. from Stanford University. Lorenzo H.

Zambrano is a first cousin of Lorenzo Milmo Zambrano and Rogelio Zambrano Lozano, both members of our board of directors, as well as of Rodrigo Trevino, our chief financial officer. He is also the second cousin of Roberto Zambrano Villareal and Mauricio Zambrano Villareal, both members of our board of directors.

Mr. Zambrano has been a member of our board of directors since 1979 and chairman of our board of directors since 1995. He is also a member of the board of directors of Fomento Economico Mexicano, S.A. de C.V., Empresas ICA, S.A. de C.V., Alfa, S.A. de C.V., Grupo Financiero Banamex, Cydsa, S.A., Vitro, S.A. and Grupo Televisa, S.A. He is chairman of the board of directors of Consejo de Ensenanza 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 International Advisory Board of Salomon Smith Barney, Inc. and of the Chairman's Council of Daimler Chrysler AG. In addition, he is member of the board of directors of The Museum of Modern Art, Americas Society, Inc. and Museo de Arte Contemporaneo de Monterrey A.C.

Hector Medina,
Executive Vice President of
Planning and Finance

Joined CEMEX in 1988. He has held several positions in CEMEX, including director of strategic planning from 1991 to 1994, president of CEMEX Mexico from 1994 to 1996, and has served as executive vice president of planning and finance since 1996. He is a graduate of ITESM with a degree in chemical engineering and administration. He also received a Masters of Science degree in management studies from the management Center of the University of Bradford in England and a Masters of Science diploma in Operations Research from the Escuela de Organizacion Industrial in Spain in 1975. Among the positions he

previously held are those of Project Director at Grupo Protexa, S.A. de C.V., Administrative Director at Grupo Xesa, S.A. de C.V., Commercial Director at Direcplan, S.A. and Industrial Relations Sub-Director at Hylsa, S.A. de C.V. Mr. Medina is a member of the board of Cementos Chihuahua, Cia Minera Autlan, Mexifrutas, S.A. de C.V. and Chocota Productos del Mar, S.A. de C.V. and member of the ("consejo de vigilancia") of Ensenanza e Investigacion Superior A.C. and ITESM A.C

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Armando J. Garcia Segovia,
Executive Vice President of
Development

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

Armando J. Garcia Segovia has been a member of our board of directors since 1983. He also serves as a member of the board of directors of Materiales Industriales de Chihuahua, S.A. de C.V., Calhidra y Mortero de Chihuahua, S.A. de C.V., Cementos de Chihuahua, S.A.

de C.V., Construcentro de Chihuahua, S.A. de C.V., Control Administrativo Mexicano, S.A. de C.V., 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 chairman of the board of Centro de Estudios del Sector Privado para el Desarrollo Sostenible and member of the board of the World Environmental Center.

Victor Romo,
Executive Vice President of Administration,
Effective May 1, 2003

Joined CEMEX in 1985 and has served as director of administration of CEMEX Espana from 1992 to 1994, general director of administration and finance of CEMEX Espana from 1994 to 1996, president of CEMEX Venezuela from 1996 to 1998, and president of the South American and Caribbean region since 1998. Effective May 1, 2003, he will serve as Executive Vice President of Administration. He is a graduate in public accounting and holds a master's degree in administration and finance from ITESM. Previously, he worked for Grupo Industrial Alfa, S.A. de C.V. from 1979 to 1985.

Mario de la Garza,
Vice President of
Administration

Joined CEMEX in 1965 and has held several positions in CEMEX, including director of accounting from 1985 to 1989, director of affiliates from 1989 to 1994, and director of administration from 1994 to 1996, when he was named vice president of administration. Effective May 1, 2003, he will retire from CEMEX. He is a graduate in philosophy and C.P.A. from Universidad Autonoma de Nuevo Leon and attended the "Programa de Alta Direccion de Empresas, AD2" IPADE (Instituto Panamericano de Alta Direccion de Empresas).

Francisco Garza,
President of CEMEX
North America Region and

Joined CEMEX in 1988 and has served as director of trading from 1988 to 1992, president

Trading

of CEMEX Corp. from 1992 to 1994, president of CEMEX Venezuela and Cemento Bayano from 1994 to 1996, president of CEMEX Mexico and CEMEX Corp. from 1996 to 1998, when he was appointed president of the North American region and trading. He is a graduate in business administration of

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Jose Luis Saenz de Miera,
President of CEMEX
Europe,
Africa and Asia

ITESM and holds an M.B.A. from the Johnson School of Management at Cornell University.

Joined CEMEX Espana in 1993 as general manager of administration and finance, and in 1994 he was appointed president of CEMEX Espana. Mr. Saenz de Miera has served as president of the Europe, Africa and Asia region since October 1998. He studied economic sciences in Universidad Complutense de Madrid and is a certified public accountant from Instituto de Censores Jurados de Cuentas in Spain. Previously, he was employed from 1973 to 1993 at KPMG Peat Marwick, since 1982 as partner and between 1988 and 1993 as deputy senior partner.

Fernando Gonzalez,
President of CEMEX South America and
the Caribbean, Effective May 1, 2003

Joined CEMEX in 1989 and has served as vice-president-human resources from 1992 to 1994, vice-president-strategic planning from 1994 to 1998, president of CEMEX Venezuela from 1998 to 2000, and president of CEMEX Asia since then. He is a graduate in business administration and holds a master's degree in administration from ITESM. Previously, he worked for Grupo Industrial Alfa, S.A. de C.V. from 1976 to 1989.

Rodrigo Trevino,
Chief Financial Officer

Joined CEMEX in 1997 and has served as chief financial officer since then. He holds both bachelor and master of science degrees in industrial

engineering from Stanford University. Prior to joining CEMEX, he served as the country corporate officer for Citicorp/Citibank Chile from 1995 to 1996, and prior to that, he worked at Citibank, N.A. from 1979 to 1994. Rodrigo Trevino is a first cousin of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors.

Ramiro G. Villarreal,
General Counsel

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

Board of Directors

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

Lorenzo H. Zambrano,
Chairman

See "--Senior Management."

Lorenzo Milmo Zambrano

Has been a member of our board of directors since 1977. He also serves as general director of Inmobiliaria Ermiza, S.A. de C.V. and as a member of the board of directors of Seguros La Comercial, S.A., Banco Santander Mexicano, S.A. (Regional), Nacional Financiera S.N.C. and Bancomer, S.A. (Regional). He is a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and a first cousin of Rogelio Zambrano

Lozano, a member of our board of directors.

Armando J. Garcia Segovia

See "--Senior Management."

Rodolfo Garcia Muriel

Has been a member of our board of directors since 1985. He is also the chief executive officer of Compania Industrial de Parras, S.A. de C.V. and Parras Cone de Mexico, S.A. de C.V. He is member of the board of directors of Parras Williamson, S.A. de C.V., Telas de Parras, S.A. de C.V., Sinkro, S.A. de C.V., IUSA-GE, S. de R.L., Industrias Unidas, S.A., Apolo Operadora de Sociedades de Inversion, S.A. de C.V. and Cambridge Lee Industries, Inc. Mr. Garcia Muriel is also vice president of Camara Nacional de la Industria Textil. Rodolfo Garcia Muriel is a first cousin of Armando J. Garcia Segovia, executive vice president of development of CEMEX and a member of our board of directors, and Jorge Garcia Segovia, an alternate member of our board of directors.

Rogelio Zambrano Lozano

Has been a member of our board of directors since 1987. He is also a member of the consultive board of Grupo Financiero Banamex Accival, S.A. de C.V. Zona Norte. Rogelio Zambrano Lozano is a first cousin of Lorenzo H. Zambrano, chairman of our board of directors and our chief executive officer, and of Lorenzo Milmo Zambrano, a member of our board of directors.

Roberto Zambrano Villarreal

Has been a member of our board of directors since 1987. He is chairman of the board of directors of Desarrollo Integrado, S.A. de C.V., Administracion Ficap, S.A. de C.V., Aero Zano, S.A. de C.V., Villamonte, S.A. de C.V., Focos, S.A. de C.V., C & I Capital, S.A. de C.V., Industrias Diza, S.A. de C.V., Inmobiliaria Sanni, S.A. de C.V., Inmuebles

Trevisa, S.A. de C.V.,
Servicios Tecnicos
Hidraulicos, S.A. de C.V.,
Mantenimiento Integrado,
S.A. de C.V., Execujet
Mexico, Pilatus PC-12 Center
de Mexico, S.A. de C.V., and
Pronatura, A.C. He is a
member of the board of
directors of S.L.I. de
Mexico, S.A. de C.V., and
Compania de Vidrio
Industrial, S.A. de C.V. He
is a brother of Mauricio
Zambrano Villarreal, a
member of our board of
directors.

Bernardo Quintana Isaac

Has been a member of our
board of directors since
1990. He is chief executive
officer and chairman of the
board of directors of
Empresas ICA Sociedad
Controladora, S.A. de C.V.,
and a member of the board of
directors of Telefonos 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 Consejo Mexicano de
Hombres de Negocios,
Fundacion UNAM, Fundacion
ICA and Patronato UNAM. He
is a founding associate of
Fundacion Octavio Paz.

Dionisio Garza Medina

Has been a member of our
board of directors since
1995. He is also chairman of
the board and chief
executive officer of Alfa,
S.A. de C.V. and chairman of
the board of Hylsamex, S.A.
de C.V. He is a member of
the board of directors of
Vitro, S.A., Cydsa, S.A.,
ING Mexico, and Autoliv. He
is also a member of Consejo
Mexicano de Hombres de
Negocios, the consultive
committee of the School of

American Studies of Harvard University and the consultive committee of the New York Stock Exchange. He is also chairman of the executive board of the Universidad de Monterrey, A.C.

Alfonso Romo Garza

Has been a member of our board of directors since 1995. He is chairman of the board and chief executive officer of Savia, S.A. de C.V. and Seminis, Inc., and chairman of the board of ING Mexico. He is also a member of the board of Nacional de Drogas, S.A. de C.V., Grupo Maseca, S.A. de C.V., and Grupo Comercial Chedraui, S.A. de C.V. He is an external advisor of the World Bank Board for Latin America and the Caribbean, and a member of the board of The Donald Danforth Plant Science Center.

Mauricio Zambrano Villarreal

Has been a member of our board of directors since 2001. Mr. Zambrano Villarreal served as an alternate member of our board of directors from 1995 to 2001. He is also general vice-president of Desarrollo Integrado, S.A. de C.V., chairman of the board of directors of Empresas 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 Tecnicos 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. He is a brother of Roberto Zambrano Villarreal, a member of our board of directors.

Tomas Brittingham Longoria

Has been a member of our board of directors since 2002. Previously served as an alternate member of our board of directors from 1987 until 2002. He is also the chief executive officer of Laredo Autos, S.A. de C.V. He is a son of Eduardo Brittingham Sumner, an alternate member of our board of directors.

Alternate Directors

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

Eduardo Brittingham Sumner

Has been an alternate member of our board of directors since 2002. Previously served as a regular member of our board of directors from 1967 until 2002. He is also general director of Laredo Autos, S.A. de C.V., Auto Express Rapido Nuevo Laredo, S.A. de C.V., Consorcio Industrial de Exportacion, S.A. de C.V., and an alternate member of the board of directors of Vitro, S.A. He is father of Tomas Brittingham Longoria, a member of our board of directors.

Tomas Milmo Santos

Has been an alternate member of our board of directors since 2001. He is Chief Executive Officer and member of the board of directors of Axtel, S.A. de C.V., a telecommunications company that operates in the local, long distance and data transfer market. He is also

a member of the board of directors of Coparmex, Cemex

Mexico and the Universidad de Monterrey. Mr. Milmo Santos is nephew of Lorenzo H. Zambrano, our chief executive officer and chairman of our board of directors, and a nephew of Lorenzo Milmo Zambrano, a member of our board of directors.

Jorge Garcia Segovia

Has been an alternate member of our board of directors since 1985. He is also a member of the board of directors of Compania Industrial de Parras, S.A. de C.V. and director of Vector Casa de Bolsa, S.A. de C.V. He is a brother of Armando J. Garcia Segovia and a first cousin of Rodolfo Garcia Muriel, both members of our board of directors.

Examiner

Luis Santos de la Garza

Was an alternate director of our board from 1987 to 1988, and has been our examiner since 1989. He is a member of the board of directors of Grupo Industrial Ramirez, S.A. de C.V. and Productora de Papel, S.A. de C.V., and founding partner of Bufete de Abogados Santos-Elizondo-Cantu-Rivera-Gonzalez-De la Garza, S.C. From 1997 to 2000 he served as Senator from the State of Nuevo Leon. He is also an advisor to the Mexican President's legal counsel.

Alternate Examiner

Fernando Ruiz Arredondo

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

Board Practices

In compliance with amendments to Mexican securities laws enacted in 2001, our shareholders approved, at a general extraordinary meeting of shareholders held on April 25, 2002, a proposal to amend various articles of CEMEX's by-laws, or estatutos sociales, in order to improve our standards of corporate governance and transparency, among other matters. The amendments require that at least 25% of our directors qualify as independent directors; that our board of directors, at its first meeting after the adoption of the amendments, establish an audit committee; and that shareholders representing at least 10% of our shares have the right to designate an examiner and an

alternate examiner. The audit committee shall be responsible for reviewing related party transactions and is required to submit an annual report of its activities to our board of directors. The audit committee is also responsible for the appointment, compensation and oversight of our auditors. The audit committee also must establish procedures for handling complaints regarding our accounting or internal control matters, including confidential methods for addressing concerns raised by employees. Under our articles and by-laws, the majority of the members of the audit committee, including its president, are required to be independent directors.

At a meeting of the audit committee held on January 30, 2002, the members unanimously voted to elect Jose Manuel Rincon Gallardo as an independent financial expert to advise and assist the audit committee. Mr. Rincon Gallardo may not vote at meetings of the audit committee.

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Audit Committee Members

Set forth below are the names of the members of the CEMEX's audit committee. The terms of the members of our audit committee are indefinite, and they may only be removed by a resolution of the board of directors.

Roberto Zambrano Villarreal President	See "--Board of Directors."
Lorenzo H. Zambrano, Chief Executive Officer	See "--Senior Management."
Lorenzo Milmo Zambrano	See "--Board of Directors."
Alfonso Romo Garza	See "--Board of Directors."
Tomas Brittingham Longoria	See "--Board of Directors."

Compensation of Our Directors and Members of Our Senior Management

For the year ended December 31, 2002, the aggregate amount of compensation we paid, or our subsidiaries paid, to all members of our board of directors, alternate members of our board of directors, statutory auditors and senior managers, as a group, was approximately U.S.\$17,966,515. Approximately U.S.\$3,925,921 of this amount was paid pursuant to a bonus plan based on our performance. During 2002, as part of the compensation, the members of our board of directors, alternate members of our board of directors, statutory auditors and senior managers, as a group, received options to acquire 4,272,266 CPOs at a weighted average nominal exercise price of U.S.\$5.2055 per CPO. These options expire in 2011 and 2012. As of December 31, 2002, anti-dilution provisions embedded in these options increased the number of underlying CPOs to 4,349,546 and the adjusted weighted average exercise price per CPO was U.S.\$5.3676.

In addition, approximately U.S.\$197,882 was set aside or accrued to provide pension, retirement or similar benefits.

Employee Stock Option Plan (ESOP)

In 1995, we adopted an employee stock option program, or ESOP, under which we are authorized to grant members of our board of directors, members of our senior management and other eligible employees options to acquire our CPOs. Our obligations under the plan are covered by shares held in a trust created for such purpose (initially 216,300,000 shares). As of December 31, 2002, after giving effect to the exchange program implemented in November 2001 described below, a total of 6,575,525 options to acquire 7,722,915 CPOs remain outstanding under this program, with a weighted average nominal exercise price

of approximately Ps30.19 per CPO. As of December 31, 2002, the outstanding options under this program had a weighted average remaining tenure of approximately 4.2 years.

In November 2001, we implemented a voluntary exchange program to offer participants in our ESOP new options intended to better align employee interests with those of shareholders in exchange for their existing options. The 2001 options have an escalating strike price in U.S. Dollars and are fully hedged, while the old options have a fixed strike price in Pesos. The executives who participated in this program exchanged their options to purchase CPOs at a weighted average strike price of Ps34.11 per CPO, for cash equivalent to the intrinsic value on the exchange date and 2001 options to purchase CPOs with an escalating dollar strike price set at U.S.\$4.93 per CPO as of December 31, 2001, growing by 7% per annum less dividends on the CPOs. Of the old options, 57,448,219 (approximately 90.1%) were exchanged for 2001 options in the voluntary exchange program and 8,695,396 were not exchanged. In the context of the program, 81,630,766 of the 2001 options were issued, in addition to 7,307,039 of the 2001 options that were purchased by participants under a voluntary purchase option that was also part of the exchange. As of December 31, 2002, considering the options granted as a result of the exchange program

implemented in November 2001 and the options granted thereunder, a total of 98,592,824 options to acquire 102,043,077 CPOs remain outstanding under this program, with a weighted average nominal exercise price of approximately U.S.\$5.14 (Ps53.35) per CPO. As of December 31, 2002, the outstanding options under this program had a weighted average remaining tenure of approximately 9.1 years.

Stock options activity during 2001 and 2002, the balance of options outstanding as of December 31, 2001 and 2002 and other general information regarding our stock option programs is presented in note 15 to our consolidated financial statements included elsewhere in this annual report.

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

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

Title of security underlying options -----	Number of securities underlying options -----	Expiration Date -----	Exercise price per security -----
CPOs (Pesos)	7,722,915	2005-2011	Ps16.52 - 41.78
CPOs (Dollars)	102,043,077	2011-2012	U.S.\$5.08 - 5.61
ADSs	992,755	2011-2012	U.S.\$22.62 - 27.22

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

Title of security underlying options	Number of securities underlying options	Expiration Date	Exercise price per security
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CPOs	2,191,817	2005-2011	Ps16.52 - 41.78
CPOs	35,163,883	2011-2012	U.S.\$5.08 - 5.61
ADSSs	0	2011-2012	U.S.\$22.62 - 27.22

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

Title of security underlying options	Number of securities underlying options	Expiration Date	Exercise price per security
CPOs	5,531,098	2005-2011	Ps16.52 - 41.78
CPOs	66,879,193	2011-2012	U.S.\$5.08 - 5.61
ADSSs	992,755	2011-2012	U.S.\$22.62 - 27.22

Voluntary Employee Stock Option Plan (VESOP)

During 1998 and 1999, we established voluntary employee stock option plans, or VESOPs, pursuant to which managers and senior executives elected to purchase options to acquire up to 36,468,375 CPOs. These VESOP options, exercisable quarterly over a period of five years, have a predefined exercise price which increases

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quarterly in U.S. Dollars, thereby taking into account the funding cost in the market. As of December 31, 2002, options to acquire 13,928,910 CPOs were outstanding.

During 2002, we established an additional VESOP, pursuant to which managers and senior executives elected to purchase, on a monthly basis, new options for up to a number equivalent to those exercised in the same period within the new program initiated in November 2001. During 2002, we sold 2,120,395 options and received a premium equivalent to a percentage of the CPO price, which amounted to U.S.\$1.5 million (Ps15.6 million). As of December 31, 2002, anti-dilution provisions in these options increased the number of underlying CPOs to 2,204,574 CPOs.

The options under this program maintain the remaining tenure as those being exercised and have an exercise price equivalent to the price of the CPO on the issuance date plus half the intrinsic value of the options exercised.

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

Title of security underlying options	Number of CPOs underlying options	Expiration Date	Purchase Price	Per CPO exercise price of options
CPOs	463,730	2003	U.S.\$0.31	U.S.\$ 5.57
CPOs	9,236,550	2003	U.S.\$0.29	U.S.\$ 5.07
CPOs	4,228,630	2004	U.S.\$0.19	U.S.\$ 3.16

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

Title of security underlying options -----	Number of CPOs underlying options -----	Expiration Date -----	Purchase Price -----	Per CPO exercise price of options -----
CPOs	0	2003	U.S.\$0.31	U.S.\$ 5.57
CPOs	4,150,476	2003	U.S.\$0.29	U.S.\$ 5.07
CPOs	3,280,886	2004	U.S.\$0.19	U.S.\$ 3.16
CPOs	1,159,681	2011	U.S.\$0.63 - 0.76	U.S.\$5.48 - 5.71

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

Title of security underlying options -----	Number of CPOs underlying options -----	Expiration Date -----	Purchase Price -----	Per CPO exercise price of options -----
CPOs	463,730	2003	U.S.\$0.31	U.S.\$ 5.57
CPOs	5,085,804	2003	U.S.\$0.29	U.S.\$ 5.07
CPOs	947,744	2004	U.S.\$0.19	U.S.\$ 3.16
CPOs	1,044,893	2011	U.S.\$0.63 - 0.76	U.S.\$5.48 - 5.71

In January 2003, we established a new VESOP and offered new options under this VESOP to those of our employees who held options under our old VESOPs, as well as to members of our senior management and other eligible executives. Through this offer, employees and directors elected to purchase options to acquire up to

38,583,989 CPOs. These new VESOP options are exercisable monthly over a period of five years and have a predefined exercise price which increases monthly in U.S. Dollars, thereby taking into account the funding cost to CEMEX of hedging these options in the market. Employees and directors who exercise their options under the new VESOP will receive the corresponding gain in CPOs, which they will be obligated to hold in their entirety for a period of two years after exercise. Following the second anniversary of the exercise date, one half of the CPOs acquired under the VESOP may be sold by the holder, and the remaining CPOs may be sold following the third anniversary of the exercise date.

In connection with the new VESOP program, in March 2003, we repurchased 29,001,358 Appreciation Warrants from several of the eligible executives, at a price per Appreciation Warrant of Ps3.70, the market price for our Appreciation Warrants on February 6, 2003, the date of the offer to purchase Appreciation Warrants from the executives. Executives with outstanding loans from CEMEX used the proceeds from the repurchase of 5,942,724 Appreciation Warrants to repay these loans. The remaining proceeds were used to partially pay for the subscription for options under our new

VESOP program. Also, as part of the new VESOP program, in March 2003, we repurchased from some of the eligible employees and directors 294,074 options under our old VESOPs at a price per option of U.S.\$ 0.0096, and 8,158,574 options under our old VESOPs at a price per option of U.S.\$0.1164. These prices represented a fraction of the theoretical value of the options on January 6, 2003, the date of the offer to purchase the options from the employees and directors. The proceeds from the repurchase of the options under the old VESOPs were used to subscribe for options under our new VESOP, as mandated by the new VESOP program.

As a result of these transactions, as well as the expiration of some options under our old VESOPs, at March 31, 2003, the aggregate amount of options under our old VESOPs held by our directors and members of our senior management was reduced to 3,317,870; the aggregate amount of options under our old VESOPs held by our employees, other than senior management and directors, was reduced to 1,988,735; the aggregate amount of options under our new VESOP held by our directors and members of our senior management was 25,450,683; and the aggregate amount of options under our new VESOP held by our employees, other than senior management and directors, was 13,133,306.

Employees

As of December 31, 2002, we had approximately 26,452 employees worldwide, which represented an increase of 2.06% from year-end 2001.

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

	Mexico	United States	Spain	Venezuela	Colombia	Egypt	Philippines	Thailand	Central America And the Caribbean	Others	Total
2000	9,436	5,273	2,805	2,936	1,116	997	1,056	-	1,132	1,133	25,884
2001	8,740	5,056	3,114	2,576	932	749	734	221	1,512	2,285	25,919
2002	9,184	4,608	3,035	2,334	858	891	692	220	2,569	2,361	26,452

Employees in Mexico have collective bargaining agreements on a plant-by-plant renewable on an annual basis in respect of salaries and on a biannual basis in respect of benefits basis. Approximately one fourth of our employees in the United States are represented by unions, with the largest number being members of the International Brotherhood of Boilermakers. With the exception of the non-union facility located in Florida, collective bargaining agreements are in effect at all our U.S. cement plants and have various expiration dates ending in 2005. Our Spanish union employees have contracts that are renewable every two to three years on a company-by-company basis. During 2002, each of our subsidiary companies operating CEMEX Venezuela's plants negotiated three-year labor contracts with the union employees of the relevant plants. There are separate unions at each of

CEMEX Venezuela's plants, and each plant individually negotiates the labor contracts. After a 36-day labor strike in 2002 at the Pertigalete plant, one of CEMEX Venezuela's main plants, a three-year labor agreement was reached with the union employees of the Pertigalete plant. A single union represents the union employees of all of CEMEX Colombia's plants and negotiates labor contracts on their behalf. Our Panamanian union employees have one labor contract that is renewable every four years. Our Philippine union employees are represented by three unions and have collective bargaining agreements that have a term of five years and are typically renegotiated in the third and fifth years of the term. Our Egyptian union employees are represented by one

union. Assiut has adopted new internal regulations that govern the labor union arrangements. We consider labor relations with our employees to be satisfactory, but we have experienced minor disruptions of our operations in a few plants in Mexico and internationally as a result of labor disagreements from time to time. Currently, approximately 1,800 former union employees in Egypt are parties to a lawsuit against Assiut claiming unfair employment practices relating to the implementation of an employee early retirement program. We do not consider the amount sought by the plaintiffs, approximately U.S.\$550,000, material to our operations in Egypt.

Share Ownership

As of December 31, 2002, our senior management and directors and their immediate families owned, collectively, approximately 5.8% of our outstanding shares, including shares underlying CPOs. This percentage does not include shares held by the extended families of members of our senior management and directors, since to the best of our knowledge, no voting arrangements or other agreements exist with respect to those shares.

As of December 31, 2002, Fernando Ruiz Arredondo, our alternate examiner, beneficially owned 29,657,481 CPOs, which represented 1.88% of our outstanding CPOs, and 602,000 Appreciation Warrants. Other than Mr. Ruiz Arredondo, no individual director or member of our senior management beneficially owned one percent or more of any class of our outstanding capital stock.

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Item 7 - Major Shareholders and Related Party Transactions

Major Shareholders

Other than the CPO trust and the shares and CPOs owned by our subsidiaries, we are not aware of any person that is the beneficial owner of five percent or more of any class of our voting securities.

As of March 31, 2003, our outstanding capital stock consisted of 3,331,308,318 Series A shares and 1,665,654,159 Series B shares, in each case including shares held by our subsidiaries.

As of March 31, 2003, a total of 3,144,318,442 Series A shares and 1,572,159,221 Series B shares were held by the CPO trust. Each CPO represents two Series A shares and one Series B share. A portion of the CPOs is represented by ADSs. Under the terms of the CPO trust agreement, non-Mexican holders of CPOs and ADSs have no voting rights with respect to the A shares underlying those CPOs and ADSs. All ADSs are deemed to be held by non-Mexican nationals. At every shareholders' meeting, the A shares held in the CPO trust are voted in accordance with the vote cast by holders of the majority of A shares held by Mexican nationals and B shares voted at that meeting of shareholders.

As of March 31, 2003, through our subsidiaries, we owned approximately 145 million CPOs, representing approximately 9.21% of our outstanding CPOs and 8.70% of our outstanding voting stock. An additional 318 million CPOs, representing approximately 20.22% of our outstanding CPOs and 19.09% of our outstanding voting stock, were held subject to equity derivative and other transactions. These CPOs are voted at the direction of our management. From time to time, our subsidiaries are active participants in the trading market for our capital stock; as a result, the levels of our CPO and share ownership by those subsidiaries are likely to fluctuate. Our voting rights over those CPOs are the same as those of any other CPO holder.

Our by-laws, or estatutos sociales, provide that our board of

directors must authorize in advance any transfer of voting shares of our capital stock that would result in any person, or group acting in concert, becoming a holder of 2% or more of our voting shares.

In addition, as of March 31, 2003, through our subsidiaries, we owned approximately 5.79% of our outstanding Appreciation Warrants. If the average price of our CPOs reaches specified levels on or prior to December 21, 2004, the Appreciation Warrants will be redeemed for CPOs or ADSs at specified appreciation values. See Item 5 -- "Operating and Financial Review and Prospects -- Qualitative and Quantitative Market Disclosure -- Equity Derivative Financing Transactions" for a description of the Appreciation Warrants.

Mexican securities authority regulations provide that our majority-owned subsidiaries may neither directly or indirectly invest in our CPOs nor other securities representing our capital stock. The Mexican securities authority could require any disposition of the CPOs or of other securities representing our capital stock so owned and/or impose fines on us if it were to determine that the ownership of our CPOs or of other securities representing our capital stock by our subsidiaries, in most cases, negatively affects the interests of our shareholders. The Mexican securities authority has not instituted any proceedings nor, to the best of our knowledge, threatened to levy any fines or to take any action that would require disposition of the CPOs or of any other securities representing our capital stock. Notwithstanding the foregoing, the exercise of all rights pertaining to our CPOs or to other securities representing our capital stock in accordance with the instructions of our subsidiaries does not violate any provisions of our bylaws or the bylaws of our subsidiaries. The holders of these CPOs or of other securities representing our capital stock are entitled to exercise the same rights relating to their CPOs or their other securities representing our capital stock, including all voting rights, as any other holder of the same series.

As of March 31, 2003, we had 249 ADS holders and 18 ADW holders of record in the United States, holding approximately 60.6% of our outstanding CPOs and 26.6% of our outstanding Appreciation Warrants. Since a substantial number of ADSs and ADWs are held in nominee form, including the nominee of the Depository Trust Company, the number of beneficial owners of our ADSs and ADWs is substantially greater than the number of record holders of these securities.

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Related Party Transactions

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

We have extended loans to our directors and executives in the past for varying amounts at market rates. During 2002 the largest aggregate amount of outstanding loans that we had vis-a-vis our directors and members of our senior management was approximately Ps15,080,447, and as of March 15, 2003, the amount outstanding was Ps606,497 with an average interest rate of 6.26% per annum. See "Compensation of Our Directors and Members of Our Senior Management - Voluntary Employee Stock Option Plan (VESOP)."

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Consolidated Financial Statements and Other Financial Information

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

Legal Proceedings

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

CEMEX Dividends

A declaration of any dividend by CEMEX is made by our shareholders at a general ordinary meeting. Any dividend declaration is usually based upon the recommendation of our board of directors. However, the shareholders are not obligated to approve the board's recommendation. We may only pay dividends from retained earnings included in financial statements that have been approved by our shareholders and after all losses have been paid for, a legal reserve equal to 5% of our paid-in capital has been created and our shareholders have approved the relevant dividend payment. According to 1999 Mexican tax reforms, all shareholders, excluding Mexican corporations, that receive a dividend in cash or in any other form are subject to a withholding tax. See Item 10 -- "Additional Information -- Taxation -- Mexican Tax Considerations." Since we conduct our operations through our subsidiaries, we have no significant assets of our own except for our investments in those subsidiaries. Consequently, our ability to pay dividends to our shareholders is dependent upon our ability to receive funds from our subsidiaries in the form of dividends, management fees, or otherwise. Some of our credit agreements and debt instruments and some of those of our subsidiaries contain provisions restricting our ability, and that of our subsidiaries, as the case may be, to pay dividends if financial covenants are not maintained. As of December 31, 2002, we and our subsidiaries were in compliance with, or had obtained waivers in connection with, those covenants. See Item 3 -- "Key Information -- Risk Factors -- We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs, ADSs, Appreciation Warrants and ADWs" and "-- Our use of equity derivative financing may have adverse effects on the market for our securities and our subsidiaries' securities and may adversely affect our ability to achieve operating efficiencies as a combined group."

Although our board of directors currently intends to continue to recommend an annual dividend on the common stock, the recommendation whether to pay and the amount of those dividends will continue to be based upon, among other things, earnings, cash flow, capital requirements and our financial condition and other relevant factors.

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

The following table sets forth the amounts of annual cash dividends paid in Pesos, on a per share basis, and a convenience translation of those

amounts into Dollars based on the CEMEX accounting rate as of December 31, 2002.

	Dividends Per Share	
	Constant Pesos	Dollars
1998.....	0.40	0.04
1999.....	0.49	0.05
2000.....	0.56	0.05
2001.....	0.65	0.06
2002.....	0.70	0.07

Dividends declared at each year's annual shareholders' meeting are in respect of dividends for the preceding year. In recent years, our board of directors has proposed, and our shareholders have approved, dividend proposals, whereby our shareholders have had a choice between stock dividends or cash dividends declared in respect of the prior year's results, with the stock issuable to shareholders who elect the stock dividend over the cash dividend being issued at a 20% discount from then current market prices. The dividends declared per share or per CPO in recent years, expressed in constant Pesos as of December 31, 2002, were as follows: 1998, Ps.40 per share (or Ps1.20 per CPO); 1999, Ps.49 per share (or Ps1.47 per CPO); 2000, Ps1.66 per CPO (or Ps.56 per share); 2001 Ps1.96 per CPO (or Ps.65 per share); and 2002 Ps2.09 per CPO (or Ps.70 per share). As a result of dividend elections made by shareholders, in 1998, Ps343 million was paid in cash and 98.6 million additional shares were issued in respect of dividends declared for the 1997 fiscal year; in 1999, Ps288 million in cash was paid and 142 million additional shares were issued in respect of dividends declared for the 1998 fiscal year; in 2000, Ps282 million in cash was paid and 59 million additional CPOs were issued in respect of dividends declared for the 1999 fiscal year; in 2001, Ps84 million in cash was paid and 70 million additional CPOs were issued in respect of dividends declared for the 2000 fiscal year; and in 2002, Ps233 million in cash was paid and 64.4 million additional CPOs were issued in respect of dividends declared for 2001.

In connection with our 2002 annual shareholders' meeting, which is scheduled to take place on April 24, 2003, we expect that our board of directors will recommend that the stockholders approve a dividend program similar in structure and amount to those implemented over the last five years. Shareholders should be entitled to receive the dividend in either stock or cash consistent with our past practices.

Significant Changes

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

Item 9 - Offer and Listing

Market Price Information

Our CPOs and Appreciation Warrants are listed on the Mexican Stock Exchange. Our CPOs trade under the symbol "CEMEX.CPO," and our Appreciation Warrants trade under the symbol "CMX412E-DC062." As a result of the 1999 exchange offer of CPOs for A shares and B shares, the trading of our A shares and B shares substantially declined and were last traded on the Mexican Stock Exchange on December 28, 1999, under the symbols "CEMEX.A" and "CEMEX.B," respectively. On September 28, 2001, the A shares and B shares were delisted from the Mexican Stock Exchange due to the lack of trading volume. Our ADSs, each of which represents five CPOs, and our ADWs, each of which represents five Appreciation Warrants, are listed on the NYSE. Our ADSs trade under the symbol

"CX" and our ADWs trade under the symbol "CX.WSB." Following our November 2001 exchange offer of new Appreciation Warrants and new ADWs for our old Appreciation Warrants and old ADWs, the trading of our old Appreciation Warrants and old ADWs substantially declined and formally ceased upon their expiration on December 13, 2002. The following table sets forth, for the periods indicated, the reported highest and lowest market quotations in nominal Pesos for CPOs, old Appreciation Warrants and new Appreciation Warrants on the Mexican Stock Exchange and the high and low sales prices in Dollars for ADSs, old ADWs and new ADWs on the NYSE.

Calendar Period	A Shares(1)		B Shares(1)		CPOs(1)	
-----	-----	-----	-----	-----	-----	-----
1998.....	14.27	5.31	17.13	6.10	43.40	16.00
1999.....	16.60	5.97	16.77	6.63	53.10	17.90
2000	--	--	--	--	53.80	32.50
2001						
First						
quarter.....	--	--	--	--	45.34	34.50
Second						
quarter.....	--	--	--	--	49.90	39.25
Third						
quarter.....	--	--	--	--	51.65	37.58
Fourth						
quarter.....	--	--	--	--	49.00	38.61
2002						
First						
quarter.....	--	--	--	--	55.01	43.90
Second						
quarter.....	--	--	--	--	61.82	51.50
Third						
quarter.....	--	--	--	--	53.80	40.25
Fourth						
quarter.....	--	--	--	--	48.64	39.10
October..	--	--	--	--	44.20	39.10
November.	--	--	--	--	47.32	41.24
December.	--	--	--	--	48.64	43.81
2003						
First						
quarter.....	--	--	--	--	48.66	35.65
January.....	--	--	--	--	48.66	36.90
February....	--	--	--	--	48.66	39.75
March.....	--	--	--	--	39.80	35.65

(Continued)

Calendar Period	ADSs (2)		Old appreciation warrants (3)		Old ADWs (4)		New appreciation warrants		New ADWs (6)	
1998.....	--	--	--	--	--	--	--	--	--	--
1999.....	U.S.\$28.13	U.S.\$19.2	Ps8.26	Ps5.00	U.S.\$4.13	U.S.\$2.56	--	--	--	--
2000	28.75	17.19	8.50	2.00	--	--	4.75	1.00	--	--
2001										
First quarter.....	23.48	17.63	4.20	2.00	--	--	2.15	1.00	--	--
Second quarter.....	27.75	20.67	4.80	2.80	--	--	2.60	1.50	--	--
Third quarter.....	28.30	19.80	4.85	2.30	--	--	2.85	-	--	--
Fourth quarter.....	26.85	20.35	4.50	2.00	4.50	4.00	2.40	1.20	--	--
2002										
First quarter.....	30.37	24.00	6.00	3.00	7.60	3.80	2.50	1.00	4.40	2.35
Second quarter.....	33.00	25.70	5.00	5.00	8.50	6.50	3.88	2.52	4.60	3.30
Third quarter.....	27.27	19.71	4.60	4.50	6.50	3.00	2.60	0.20	3.30	1.35
Fourth quarter.....	24.07	19.25	--	--	4.20	3.00	0.25	0.01	2.05	1.22
October..	21.90	19.25	--	--	3.62	3.00	0.25	0.20	1.80	1.22
November.	23.36	19.95	--	--	4.20	3.11	0.25	0.05	1.82	1.50
December.	24.07	21.41	--	--	4.20	3.80	0.02	0.01	2.05	1.55
2003										
First quarter.....	23.35	16.31	--	--	4.00	2.50	--	--	1.80	0.95
January.....	23.35	16.73	--	--	4.00	3.42	--	--	1.80	1.10
February....	23.35	18.10	--	--	4.00	3.50	--	--	1.80	1.30
March.....	18.35	16.31	--	--	2.50	2.50	--	--	1.14	0.95

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

- (1) As of December 31, 2002, approximately 93.57% of our outstanding share capital was represented by CPOs.
- (2) The ADSs began trading on the NYSE on September 15, 1999.
- (3) The old Appreciation Warrants began trading on the Mexican Stock Exchange on December 13, 1999 and expired on December 13, 2002.
- (4) The old ADWs began trading on the NYSE on December 13, 1999 and expired on December 13, 2002.
- (5) The new Appreciation Warrants began trading on the Mexican Stock Exchange on December 24, 2001.
- (6) The new ADWs began trading on the NYSE on December 24, 2001.

The last reported closing price for CPOs on March 31, 2003 was Ps37.78 per CPO on the Mexican Stock Exchange and U.S.\$17.44 per ADS on the NYSE. The last reported closing price for Appreciation Warrants on March 31, 2003 was Ps2.50 per Appreciation Warrant and U.S.\$0.95 per ADW on the NYSE.

General

Pursuant to the requirements of Mexican corporation law, our articles of association and by-laws, or estatutos sociales, have been registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, Mexico, under the entry number 21 since June 11, 1920. We are a holding company engaged, through our operating subsidiaries, primarily in the production, distribution, marketing and sale of cement, ready-mix concrete and clinker. Our objectives and purposes can be found in article 2 of our by-laws. We are a global cement manufacturer, with operations in North, Central and South America, Europe, the Caribbean, Asia and Africa. We plan to continue focusing on the production and sale of cement and ready-mix concrete, as we believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

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

In 1994, we changed from a fixed capital corporation to a variable capital corporation in accordance with Mexican corporation law and effected a three-for-one split of all our outstanding capital stock. As a result, we changed our corporate name from CEMEX, S.A. to CEMEX, S.A. de C.V., established a fixed capital account and a variable capital account and issued one share of variable capital stock of the same series for each eight shares of fixed capital stock held by any shareholder, after giving effect to the stock split.

Each of our fixed and variable capital accounts are comprised of A shares and B shares. Any holder of shares representing variable capital is entitled to have those shares redeemed at that holder's option for a price equal to the lower of:

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

If a shareholder exercises its redemption option during the first three quarters of a fiscal year, that exercise is effective at the end of that fiscal year, but if a shareholder exercises its redemption option during the fourth quarter, that exercise is effective at the end of the next succeeding fiscal year. The redemption price is payable as of the day following the annual ordinary meeting of shareholders at which the relevant annual financial statements were approved. Shareholder authorization is required to increase or decrease either the fixed capital account or the variable capital account. Shareholder authorization to increase or decrease the fixed capital account must be obtained at an extraordinary meeting of shareholders. Shareholder authorization to increase or decrease the variable capital account must be obtained at an ordinary general meeting of shareholders.

On September 15, 1999, we effected a further stock split. For every one of our shares of any series we issued two series A shares and one series B

share. Concurrently with this stock split, we also consummated an exchange offer to exchange new CPOs and new ADSs representing the new CPOs for our then existing A shares, B shares and ADSs and converted our then existing CPOs into the new CPOs. As of December 31, 2002, approximately 94.84% of our outstanding share capital was represented by CPOs, a portion of which is represented by ADSs.

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As of December 31, 2002, our capital stock consisted of 5,421,340,089 issued shares. Series A shares represented 66.6% of our capital stock, or 3,614,226,726 shares, of which 3,331,300,154 shares were subscribed and paid, 151,182,076 shares were treasury shares, 15,218,400 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 116,526,096 were authorized for issuance pursuant to our stock option plans, but which had not yet been paid. B shares represented 33.4% of our capital stock, or 1,807,113,363 shares, of which 1,665,650,077 were subscribed and paid, 75,591,038 shares were treasury shares, 7,609,200 were repurchased shares which have been subscribed and paid but have not yet been cancelled and 58,263,048 were authorized for issuance pursuant to our employee stock option plans, but which had not yet been paid. Of the total of our A shares and B shares, 3,267,000,000 shares correspond to the fixed portion of our capital stock and 2,154,340,089 shares correspond to the variable portion of our capital stock.

As of June 1, 2001, the Mexican securities law (Ley de Mercado de Valores) was amended in order to increase the protection granted to minority shareholders of Mexican listed companies and to bring corporate governance procedures of Mexican listed companies in line with international standards.

On February 6, 2002, the Mexican securities authority (Comision Nacional Bancaria y de Valores) issued an official notice numbered DGA-13813138, authorizing the amendment of our by-laws to incorporate additional provisions in order to comply with the new provisions of the Mexican securities law. Following approval from our shareholders at our 2002 annual shareholders meeting, we amended and restated our by-laws to incorporate these additional provisions, which consist of, among other things, protective measures to prevent share acquisitions, hostile takeovers, and direct or indirect changes of control. As a result of the amendment and restatement of our by-laws, the expiration of our corporate term of existence was extended from 2019 to 2100.

Changes in Capital Stock and Preemptive Rights

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

Our by-laws provide that shareholders have preemptive rights in proportion to the number of shares of our capital stock they possess, before any increase in the number of outstanding A shares, B shares, or any other existing series of shares, as the case may be, except in the case of common stock issued in connection with mergers or upon the conversion of convertible notes and debentures or as set forth in Article 81 of the Mexican Securities law. Preemptive rights give shareholders the right, upon any issuance of shares by CEMEX, to purchase a sufficient number of shares to maintain their existing ownership percentages. Preemptive rights must be exercised within the period and under the conditions established for that purpose by the shareholders, and the by-laws provide that this period must be within 15 days following the publication of the notice of the capital increase in the Periodico Oficial del Estado. With the prior approval of the Mexican

securities authority, an extraordinary shareholders' meeting may approve the issuance of common stock to be issued in connection with a public offering. At that meeting, holders of our common stock may waive preemptive rights by the affirmative vote of 50% of the capital stock, and the resolution duly adopted in this manner will be effective for all shareholders. If holders of at least 25% of our capital stock vote against the resolution, an increase cannot be effected.

Pursuant to Article 7 and Article 10 of our by-laws, significant acquisitions of shares of our capital stock and changes of control of CEMEX require

- o prior approval from our board of directors for any acquisition of shares of our capital stock representing 20% or more of our capital stock and, in the event approval is granted, the acquirer has an obligation to make a public offer to purchase all of the outstanding shares of that class of capital stock being purchased;
- o the establishment of formulas to determine how shares of our capital stock are grouped in order to determine if specified thresholds are met; and

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- o the establishment of penalties for failure to comply with the above requirements, as regards the shares of stock which are the subject matter of the transaction in question, namely:
 1. the deprivation of shareholder rights;
 2. the disqualification of shares of our capital stock for the purposes of determining voting quorums; and
 3. the invalidation of transfers in our shareholders' ledger.

There is a general exemption from the provisions of the foregoing Article 7 and Article 10 for the purposes of issuing CPOs to the public.

In accordance with our by-laws, our board of directors must authorize in advance any transfer of voting shares of our capital stock that would result in any person or group becoming a holder of 2% or more of our shares. If our board of directors denies that authorization, it must designate an alternative buyer for those shares, at a price equal to the price quoted on the Mexican Stock Exchange. Our by-laws require the stock certificates representing shares of our capital stock to make reference to the provisions in our charter documents relating to the prior approval or the board of directors for share transfers and the requirements for recording share transfers in our corporate ledger. In addition, shareholders are responsible for informing us whenever their shareholdings exceeds 5%, 10%, 15% and 20% of the outstanding shares of a particular class of securities. We are required to maintain a transactions ledger, and whoever should meet or exceed these thresholds must be recorded in this ledger if the shareholder is to be recognized or represented at any shareholders' meeting.

Failure to inform us as indicated above or to make the appropriate log entry in the referred ledger may result in the following:

- o the shares of capital stock which is the subject matter of the transaction will not be represented at any shareholders' meeting; and
- o the transactions made, or which otherwise cause such thresholds to be met or exceeded, will be of no effect

whatsoever and will not be binding before on us.

Repurchase Obligation

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

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

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

Shareholders' Meetings and Voting Rights

Shareholders' meetings may be called by:

- o our board of directors or statutory auditors;
- o shareholders representing at least 10% of the then outstanding shares of our capital stock by requesting our board of directors or the statutory auditors to call a meeting;

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- o any shareholder if no meeting has been held for two consecutive years or when the matters referred to in Article 181 of the General Law of Commercial Companies (Ley General de Sociedades Mercantiles) have not been dealt with; or
- o a Mexican court in the event our board of directors or the statutory auditors do not comply with the valid request of the shareholders indicated above.

Notice of shareholders' meetings must be published in the official gazette for the state of Nuevo Leon, Mexico or any major newspaper located in the City of Monterrey, Nuevo Leon, Mexico. That notice must be published at least 15 days prior to the date of any shareholders' meeting. Consistent with Mexican law, our by-laws further require that all information and documents relating to the shareholders meeting be available to shareholders from the date the summons is published.

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

An annual general ordinary shareholders' meeting must be held during the first four months after the end of each of our fiscal years to consider the approval of a report of our board of directors regarding our performance and our financial statements for the preceding fiscal year and to determine the allocation of the profits for the preceding year. At the annual general

shareholders' meeting, any shareholder or group of shareholders representing 10% or more of our outstanding voting stock has the right to appoint one regular and one alternate director in addition to the directors elected by the majority. The alternate director appointed by the minority holders may only substitute for the director appointed by that minority.

Extraordinary shareholders' meetings may be called at any time to deal with any of the matters specified by Article 182 of the General Law of Commercial Companies, which include, among other things:

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

The above-mentioned matters may only be dealt with at extraordinary shareholders' meetings.

In order to vote at a meeting of shareholders, shareholders must appear on the list that Indeval, and the Indeval participants holding shares on behalf of the shareholders, prepare prior to the meeting or must deposit prior to that meeting the certificates representing their shares at our offices or in a Mexican credit institution or brokerage house, or foreign bank approved by our board of directors to serve this function. The certificate of deposit with respect to the share certificates must be presented to our company secretary at least 48 hours before a meeting of

shareholders. Our company secretary verifies that the person in whose favor any certificate of deposit was issued is named in our share registry and issues an admission pass authorizing that person's attendance at the meeting of shareholders.

Our by-laws provide that a shareholder may only be represented by proxy in a shareholders' meeting with a duly completed form provided by us authorizing the proxy's presence. In addition, our by-laws require that the secretary presiding at the shareholders' meeting publicly affirm the compliance by all proxies of this new requirement.

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

amending Article 45 of our by-laws (which requires that in the case of cancellation of the registration of our shares in the national securities registry (Registro Nacional de Valores) of the Mexican securities authority (Comision Nacional Bancaria y de Valores), the controlling shareholders of CEMEX are required to buy the outstanding shares through a public offering, unless they have the consent of all the shareholders), the previous consent of the Mexican securities authority is needed together with the affirmative vote of at least 95% of the voting stock and when amending Article 22 of our by-laws (which provides for the list of persons who are not eligible to be appointed as a director or an examiner) the affirmative vote of at least 75% of the voting stock is needed. Our by-laws also require the approval of 75% of the voting shares of our capital stock to amend the provisions in our by-laws relating to the prior approval of the board of directors for share transfers and the requirements for recording share transfers in our corporate ledger.

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

Our by-laws provide that holders of at least 10% of our capital stock are entitled to demand the postponement of the voting on any resolution for which they deem they have not been adequately informed.

Under Mexican law, holders of at least 20% of our outstanding capital stock entitled to vote on a particular matter may seek to have any shareholder action with respect to that matter set aside, by filing a complaint with a court of law within 15 days after the close of the meeting at which that action was taken and showing that the challenged action violates Mexican law or our by-laws. Relief under these provisions is only available to holders who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, voted against it.

Under Mexican law, an action for civil liabilities against directors may be initiated by a shareholders' resolution. In the event shareholders decide to bring an action of this type, the persons against whom that action is brought will immediately cease to be directors. Additionally, shareholders representing not less than 20% of the outstanding shares may directly exercise that action against the directors; provided that:

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

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

Registration and Transfer

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

Redemption

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

Directors' and Shareholders' Conflict of Interest

Under Mexican law, any shareholder that has a conflict of interest with CEMEX with respect to any transaction is prohibited from voting on that transaction. A shareholder who violates this prohibition may be liable for damages if the relevant transaction would not have been approved without that shareholder's vote.

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

Withdrawal Rights

Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one form of corporate organization to another, the General Law of Commercial Companies provides that any shareholder entitled to vote on that change that has voted against it may withdraw from CEMEX and receive the amount calculated as specified in the General Law of Commercial Companies attributable to its shares, provided that it exercises that right within 15 days following the adjournment of the meeting at which the change was approved. For further details on the calculation of the withdrawal right, see "- General."

Dividends

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

Liquidation Rights

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

Repurchase Option

If our shareholders decide at a general shareholders' meeting that we should do so, we may purchase our outstanding shares for cancellation. We may also repurchase our equity securities on the Mexican Stock Exchange at the then prevailing market prices in accordance with the Mexican securities law. Our by-laws provide for the possibility of share redemptions, where approved by our board of directors. When we make a share repurchase, our capital stock

must be reduced accordingly. The requirements described in this paragraph do not apply to purchases of our equity securities by our subsidiaries and affiliates.

Material Contracts

On August 26, 2002, in connection with our U.S.\$275 million commercial paper program for the sale and issuance of commercial paper promissory notes in the United States, we entered into a Reimbursement and Credit Agreement and a related Depositary Agreement with several lenders. Under the Reimbursement and Credit Agreement, the issuing bank agreed to issue an irrevocable direct-pay letter of credit in the amount of U.S.\$275 million to provide credit support for the commercial paper program, and the other lenders committed to make loans to us in the event of certain market disruptions of up to the same amount. In addition, under the Reimbursement and Credit Agreement we obtained a standby letter of credit facility with a sub-limit of U.S.\$100 million for the issuance of standby letters of credit in support of certain of our and any of our subsidiaries' obligations, including in support of contingent liabilities arising in connection with forward sale contracts, leases, insurance contracts and arrangements, service contracts, equipment contracts, financing transactions and other payment obligations. The total amount available under the commercial paper program, the letters of credit and any loans under the Reimbursement and Credit Agreement cannot exceed U.S.\$275 million. CEMEX Mexico and Empresas Tolteca de Mexico acted as guarantors.

On July 11, 2002, we entered into an Agreement and Plan of Merger with Puerto Rican Cement Company, Inc., or PRCC, pursuant to which we acquired, through a tender offer and subsequent merger, 100% of the outstanding shares of PRCC. The aggregate value of the transaction was approximately U.S.\$180.2 million, not including the amount of net debt assumed of approximately U.S.\$100.8 million.

On October 29, 2001, CEMEX Espana signed a three-year revolving credit facility arranged by Banco Bilbao Vizcaya Argentaria, S.A., Salomon Brothers International Limited, and Deutsche Bank AG as mandated lead arrangers. The facility amounts to (euro)800 million. A total of 38 banks participated in this transaction. The proceeds of the facility must be used for general corporate purposes.

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

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

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

Valenciana de Cementos Portland, and its subsidiaries Hormicemex, S.A. and Aricemex, S.A., entered into a receivables assignment agreement. Under this transaction, CEMEX Espana and its subsidiaries, are committed to sell by assignment of credits, on a monthly basis, all their Eligible Receivables (as defined in the assignment agreement) to Compass Traderec V L.L.C., a commercial paper conduit sponsored by Westdeutsche Landesbank Girozentrale. The receivables are removed from our consolidated balance sheet at the time they are sold to Compass Traderec V L.L.C. CEMEX Espana and its subsidiaries continue to act as collection agents for the receivables purchased by Compass Traderec V L.L.C., although they can be removed upon the occurrence of certain events of default. This agreement is scheduled to terminate in November 2005.

On November 6, 2000, we established U.S.\$1.5 billion in preferred equity financing arrangements to provide funds for our acquisition of Southdown, of which U.S.\$650 million remained outstanding as of December 31, 2002. The preferred equity financing arrangements were amended and restated on February 6, 2002. The preferred equity financing arrangements consist of:

- o a framework agreement among CEMEX, Sunward Acquisitions, New Sunward Holding, CEMEX Espana, Stichting Administratiekantoor Aandelen New Sunward Holding B.V., Rey Holdings (Jersey) Limited, a newly formed special purpose company in which CEMEX does not have any interest, Rey Holdings (Luxembourg) S.A., a special purpose company in which CEMEX does not have any interest and a subsidiary of Rey Holdings (Jersey), and JP Morgan Limited (formerly Chase Manhattan International Limited), as investor agent;
- o a 30-month U.S.\$650 million term loan facility agreement among Rey Holdings (Jersey), as borrower, Rey Holdings (Luxembourg), the banks and financial institutions referred to therein, as lenders and JP Morgan Europe Limited (formerly Chase Manhattan International Limited), as facility agent and as the security trustee; and
- o an approximately U.S.\$530 million intercompany loan agreement between Rey Holdings (Jersey), as lender, and Rey Holdings (Luxembourg), as borrower.

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

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

Sunward Acquisitions and Rey Holdings (Luxembourg) are bound by the provisions of the framework agreement, New Sunward Holding's Articles of Association regulating Sunward Acquisitions' and Rey Holdings

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

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

- o U.S.\$600 million in July 2001;
- o U.S.\$250 million in February 2002; and

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

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

The interest rate payable on Rey Holdings (Jersey)'s borrowing under the existing tranche of the facility agreement and on Rey Holdings (Luxembourg)'s borrowing under the intercompany loan agreement is the aggregate of the London Interbank Offered Rate, or LIBOR, plus the applicable margin referred to below, plus applicable regulatory capital costs. The applicable margin set at 125 basis points from February 2002, and, absent a

notice event, it will fluctuate quarterly between 100 basis points and 175 basis points depending on CEMEX Espana's Total Debt to EBITDA ratio. Corresponding payments are to be made by New Sunward Holding to Rey Holdings (Luxembourg) in respect of the preferred equity. Additional future tranches of the facility agreement may have different margins applicable.

Sunward Acquisitions has the option to purchase from Rey Holdings (Luxembourg) preferred equity in an aggregate amount not exceeding the outstanding balance of any loan made by Rey Holdings (Jersey) to Rey Holdings (Luxembourg) or all the loans made pursuant to the intercompany loan agreement. Any payment received by Rey Holdings (Luxembourg) upon exercise of this option is to be used by it to repay an equal amount of its borrowings under the intercompany loan agreement, and, in turn, by Rey Holdings (Jersey) to repay an equal amount of its borrowings under the facility agreement. The framework agreement requires New Sunward Holding to make mandatory payments on the preferred equity from the net proceeds of any disposal of assets or shares by

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CEMEX Espana or any of its subsidiaries in excess of U.S.\$25 million to the extent that such net proceeds are not used to acquire fixed assets to replace the assets disposed of or used to repay borrowed money.

Exchange Controls

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

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Taxation

Mexican Tax Considerations

General

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

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

For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 calendar days during the calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a resident of Mexico if it is organized under the laws of Mexico or if it maintains the principal

administration of its business or the effective location of its management in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person or entity can demonstrate otherwise. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, such individual or entity shall be required to pay taxes in Mexico on income attributable to such permanent establishment, in accordance with relevant tax provisions. A non-resident of Mexico is a legal entity or individual that does not satisfy the requirements to be considered a resident of Mexico for Mexican federal income tax purposes. The term U.S. Shareholder shall have the same meaning ascribed below under the section "-- U.S. Federal Income Tax Considerations."

Taxation of Dividends

Dividends, either in cash or in any other form, paid to non-residents of Mexico with respect to A shares or B shares represented by the CPOs (or in the case of holders who hold CPOs represented by ADSs), will not be subject to withholding tax in Mexico.

Disposition of CPOs or ADSs

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

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

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

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If the exemption is not applicable, the non-resident of Mexico will be subject to a 5% withholding tax on the gross proceeds. As an alternative to the 5% withholding tax on the gross proceeds, the non-resident of Mexico may elect a 20% withholding tax on the gain upon the sale or disposition of the CPOs, provided that the applicable rules and regulations promulgated under Mexican law are followed.

Notwithstanding the above, under the Convention Between the United States and Mexico for Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Income Taxes, and a Protocol thereto, the U.S.-Mexico Income Tax Treaty, a U.S. Shareholder who owns less than 25% of our stock and is otherwise eligible for benefits under such tax treaty will not be subject to Mexican tax on any gain derived from the disposition of ADSs or CPOs. In the case of non-residents of Mexico, other than U.S. Shareholders, gains derived from the disposition of ADSs or CPOs may also be exempt, in whole or in part, from Mexican taxation under a treaty to which Mexico is a party.

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

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

Estate and Gift Taxes

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

Disposition of Appreciation Warrants or ADWs

Because the Appreciation Warrants have been registered for trading on the Mexican Stock Exchange, gains on the sale or other disposition of Appreciation Warrants by non-residents of Mexico will, under the Mexican Income Tax Law, generally be subject to a 25% withholding tax on the gross sale price. Alternative to the 25% withholding tax, the seller, resident of a qualifying country, including, among others, the United States, who appoints a representative in Mexico for income tax purposes related to the sale may elect to pay Mexican federal income tax at a rate of 34% of the gain on the sale, provided that certain conditions are met.

Notwithstanding the preceding paragraph, the general rules issued by the Mexican Ministry of Finance and Public Credit currently effectively exempt the gain upon the sale or other disposition of Appreciation Warrants by non-residents of Mexico to the same extent the exemption described above under "Disposition of CPOs or ADSs" is available, i.e., the sale or disposition of the Appreciation Warrants is executed on the Mexican Stock Exchange.

It is important to mention that the general rules issued by the Mexican Ministry of Finance and Public Credit are renewed on a yearly basis and, therefore, it is important to confirm on a yearly basis whether such rules continue to be in force.

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

Mandatory redemption, maturity and purchase of Appreciation Warrants or ADWs

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

U.S. Federal Income Tax Considerations

General

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

This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated under the Code, and administrative rulings, and judicial interpretations of the Code, all as in effect on the date of this annual report and all of which are

subject to change, possibly retroactively. This summary is limited to U.S. Shareholders (as defined below) who hold our ADSs, CPOs, Appreciation Warrants, or ADWs, as the case may be, as capital assets. This summary does not discuss all aspects of U.S. Federal income taxation which may be important to an investor in light of its individual circumstances, for example, an investor subject to special tax rules (e.g., banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, expatriates, tax-exempt investors, or holders whose functional currency is not the Dollar or U.S. Shareholders who hold a CPO or an ADS, or Appreciation Warrants or an ADW as a position in a "straddle," as part of a "synthetic security" or "hedge," as part of a "conversion transaction" or other integrated investment, or as other than a capital asset). In addition, this summary does not address any aspect of state, local or foreign taxation.

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

- o an individual who is a citizen or resident of the United States for U.S. Federal income tax purposes;
- o a corporation, or other entity taxable as a corporation that is created or organized in the United States or under the laws of the United States or any state thereof (including the District of Columbia);
- o an estate the income of which is includible in gross income for U.S. Federal income tax purposes regardless of its source; or
- o a trust if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust.

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

Ownership of CPOs or ADSs in general

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

Taxation of dividends with respect to CPOs and ADSs

Distributions of cash or property with respect to the A shares or B shares represented by CPOs, including CPOs represented by ADSs, generally will be includible in the gross income of a U.S. Shareholder as foreign source

dividend income on the date the distributions are received by the CPO trustee or successor thereof, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. Federal income tax principles. These dividends will not be eligible for the dividends-received deduction allowed to corporate U.S. Shareholders. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and

profits as determined under U.S. Federal income tax principles, it will be treated first as a tax-free return of the U.S. Shareholder's adjusted tax basis in the CPOs or ADSs and thereafter as capital gain.

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

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

Taxation of capital gains on disposition of CPOs or ADSs

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

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

In general, for U.S. Federal income tax purposes, a U.S. Shareholder will be treated as the beneficial owner of the Appreciation Warrants represented by the ADWs.

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

A U.S. Shareholder generally should not recognize taxable income on receipt of CPOs or ADSs upon the mandatory redemption or maturity of the Appreciation Warrants or ADWs, except to the extent cash is received in lieu of a fractional CPO or ADS. Such U.S. Shareholder's tax basis in the CPOs or ADSs so acquired should be equal to the tax basis of the Appreciation Warrants or ADWs redeemed, as applicable, less the portion of such tax basis, if any, allocable to any fractional CPO or ADS for which cash is received. The holding period of the CPOs and ADSs so acquired generally should include the holding period of the Appreciation Warrants or ADWs redeemed therefor. The use of the word "should" in this paragraph is intended to convey that the likelihood that the receipt of CPOs or ADWs will be tax-free to participating U.S. Shareholders is stronger than "more likely than not" but less than the degree

of certainty typically associated with a "will" opinion.

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There can be no assurance that the U.S. Internal Revenue Service, or IRS, will not take, and a court would not sustain the IRS in taking, the position that the receipt of CPOs or ADSs upon a mandatory redemption or maturity of Appreciation Warrants or ADWs results in the recognition of taxable gain or loss. If a U.S. Shareholder is required to recognize gain or loss upon a mandatory redemption or maturity of the Appreciation Warrants or ADWs, the determination of the amount of gain or loss is uncertain, and such U.S. Shareholder should consult its tax advisor for such determination.

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

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

Adjustments to the Strike Price

Certain adjustments to the strike price of the Appreciation Warrants or ADWs may result in a deemed distribution taxable to U.S. Shareholders of Appreciation Warrants or ADWs pursuant to Section 305 of the Code if the Adjustments have the effect of increasing the U.S. Shareholder's proportionate interest in the earnings and profits or assets of CEMEX. U.S. Shareholders should consult their tax advisors with respect to the potential application of Section 305 of the Code.

United States Backup Withholding and Information Reporting

A U.S. Shareholder may, under certain circumstances, be subject to information reporting with respect to some payments to that U.S. Shareholder such as dividends or the proceeds of a sale or other disposition of the CPOs, Appreciation Warrants, ADSs or ADWs. Backup withholding also may apply to amounts paid to such holder unless such holder (i) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the U.S. Shareholder's Federal income tax liability.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance with these requirements, file reports and information statements and other information with the Securities and Exchange Commission. These reports and information statements and other information filed by us with the Securities and Exchange Commission can be inspected and copied at the Public Reference Section of the Securities and

Item 11 - Quantitative and Qualitative Disclosures About Market Risk

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

Item 12 - Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13 - Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15 - Controls and Procedures

CEMEX, S.A. de C.V.

(a) Evaluation of Disclosure Controls and Procedures. The Chief Executive Officer and Executive Vice President of Planning and Finance of CEMEX, S.A. de C.V. ("CEMEX") have evaluated the effectiveness of CEMEX's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, CEMEX's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to CEMEX (including its consolidated subsidiaries) required to be included in CEMEX's reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in CEMEX's internal controls or in other factors that could significantly affect such controls.

CEMEX Mexico, S.A. de C.V.

(a) Evaluation of Disclosure Controls and Procedures. The Chief Executive Officer and Executive Vice President of Planning and Finance of CEMEX Mexico, S.A. de C.V. ("CEMEX Mexico") have evaluated the effectiveness of CEMEX Mexico's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, CEMEX Mexico's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to CEMEX Mexico (including its consolidated subsidiaries) required to be included in CEMEX Mexico's reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there

have not been any significant changes in CEMEX Mexico's internal controls or in other factors that could significantly affect such controls.

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

(a) Evaluation of Disclosure Controls and Procedures. The Chief Executive Officer and Executive Vice President of Planning and Finance of Empresas Tolteca de Mexico, S.A. de C.V. ("CEMEX Tolteca") have evaluated the effectiveness of CEMEX Tolteca's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, CEMEX Tolteca's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to CEMEX Tolteca (including its consolidated subsidiaries) required to be included in CEMEX Tolteca's reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in CEMEX Tolteca's internal controls or in other factors that could significantly affect such controls.

Item 16 - [Reserved]

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PART III

Item 13 - Financial Statements

Not applicable.

Item 14 - Financial Statements

See pages F-1 through F-80, incorporated herein by reference.

Item 15 - Exhibits

- 1.1 Amended and Restated By-laws of CEMEX, S.A. de C.V. (a)
- 2.1 Form of Trust Agreement between CEMEX, S.A. de C.V., as founder of the trust, and Banco Nacional de Mexico, S.A. regarding the CPOs (b)
- 2.2 Amendment Agreement, dated as of November 21, 2002, amending the Trust Agreement between CEMEX, S.A. de C.V., as founder of the trust, and Banco Nacional de Mexico, S.A. regarding the CPOs (b)
- 2.3 Form of CPO Certificate (b)
- 2.4 Form of Second Amended and Restated Deposit Agreement (A and B share CPOs), dated as of August 10, 1999, among CEMEX, S.A. de C.V., Citibank, N.A. and holders and beneficial owners of American Depositary Shares (b)
- 2.5 Form of American Depositary Receipt (included in Exhibit 2.3) evidencing American Depositary Shares. (b)
- 2.6 Form of Certificate for shares of Series A Common Stock of CEMEX, S.A. de C.V. (b)
- 2.7 Form of Certificate for shares of Series B Common Stock of CEMEX, S.A. de C.V. (b)
- 2.8 Form of appreciation warrant deed (b)
- 2.9 Form of CPO Purchasing and Disbursing Agreement (c)
- 2.10 Form of appreciation warrant certificate (c)
- 2.11 Form of Warrant Deposit Agreement among CEMEX, S.A. de C.V., Depositary and holders and beneficial owners of American Depositary Warrants (c)
- 2.12 Form of American Depositary Warrant Receipt (included in Exhibit 2.10) (c)

- 4.1 Indenture, dated as of July 18, 2000 by and among CEMEX, S.A. de C.V. as Issuer, CEMEX Mexico, S.A. de C.V. and Empresas Tolteca de Mexico, S.A. de C.V. as guarantors, and U.S. Bank Trust National Association, as trustee, relating to the issuance of U.S.\$500,000,000 principal amount of 8.625% Notes due 2003. (d)
- 4.2 Agreement and Plan of Merger, dated as of September 28, 2000, among CEMEX, S.A. de C.V., CENA Acquisition Corp. and Southdown, Inc. (e)
- 4.3 Amended and restated U.S.\$550,000,000 Credit Agreement, dated as of December 21, 2000, by and among Southdown, Inc., as borrower, Citibank, N.A., as administrative agent, The Chase Manhattan Bank, as syndication agent, Banco Bilbao Vizcaya Argentaria, S.A., Deutsche Bank Securities Inc., and Bank of America, N.A. as documentation agents, and Salomon Smith Barney Inc., and Chase Securities Inc. as joint lead arrangers and the lenders named therein. (d)
- 4.4 Note and Guarantee Agreement dated as of March 15, 2001, by and among CEMEX, Inc., as issuer, Valenciana, as parent guarantor and Sandworth Plaza Holding B.V., Cemex Caracas Investments B.V., Cemex Caribe Investments B.V., Cemex Manila Investments B.V., Valcem International B.V., as subsidiary guarantors, and the several purchasers named therein, in connection with the offering and issuance by CEMEX, Inc. of U.S.\$315,000,000 aggregate principal amount of Series A Guaranteed Senior Notes due 2006, (euro)50,000,000 aggregate principal amount of Series B Guaranteed Senior Notes due 2006 and U.S.\$396,000,000 aggregate principal amount of Series C Guaranteed Senior Notes due 2008. (f)
- 4.5 Credit Agreement dated as of June 11, 2001, by and among, CEMEX, S.A. de C.V., as borrower, Bank of America, N.A., as administrative agent, J.P. Morgan Securities Inc., as documentation agent, Bank of America Securities LLC and J.P. Morgan Securities Inc., as co-syndication agents, joint lead arrangers and joint bookrunners, and the several banks and other financial institutions named therein, as lenders, for an aggregate principal amount of U.S.\$600,000,000. (d)

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- 4.6 Credit facility dated as of October 29, 2001, by and among Compania Valenciana de Cementos Portland, S.A., as borrower, Banco Bilbao Vizcaya Argentaria, S.A., Salomon Brothers International Limited, and Deutsche Bank AG as mandated lead arrangers and the several banks and other financial institutions named therein, as lenders, for an aggregate amount of (euro)800 million. (g)
- 4.7 Amended and Restated Framework Agreement, dated as of February 15, 2002, by and among CEMEX, S.A. de C.V., Sunward Acquisitions N.V., Sunward Holdings B.V., Stichting Administratie Kantoor Aandelen New Sunward Holding B.V., New Sunward Holding B.V., Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., Compania Valenciana de Cementos Portland, S.A., and J.P. Morgan Europe Limited (formerly Chase Manhattan International Limited). (g)
- 4.11 Amended and Restated Facility Agreement, dated as of February 15, 2002, by and among Rey Holdings (Jersey) Limited, Rey Holdings (Luxembourg) S.A., the Banks and Financial Institutions referenced therein as Lenders, the Lead Arrangers, and J.P. Morgan Europe Limited (formerly Chase Manhattan International Limited) as Facility Agent and Security Trustee, relating to credit facilities for up to U.S.\$1,200,000,000 provided to Rey Holdings (Jersey) Limited. (g)
- 4.9 Agreement and Plan of Merger, dated as of June 11, 2002, among CEMEX, S.A. de C.V., Tricem Acquisition, Corp. and the Puerto Rican Cement Company, Inc. (h)
- 4.10 Reimbursement and Credit Agreement dated as of August 26, 2002, by and among, CEMEX, S.A. de C.V., as Issuer, CEMEX Mexico, S.A. de C.V. and Empresas Tolteca de Mexico, S.A. de C.V., as Guarantors, Barclays Bank PLC, New York Branch, as Issuing Bank, Documentation Agent and Administrative Agent, the several lenders party thereto and Barclays Capital, The Investment Banking Division of Barclays Bank PLC, as Joint Arranger and Banc of America Securities LLC, as Joint Arranger and Syndication Agent., for an aggregate principal amount of

- U.S.\$275,000,000. (a)
- 4.11 ABN AMRO Special Corporate Services B.V. Forward Contract, dated as of December 13, 2002 (a)
- 4.12 Citibank, N.A. Forward Contract, dated as of December 13, 2002 (a)
- 4.13 Credit Suisse First Boston International Forward Contract, dated as of December 13, 2002 (a)
- 4.14 Deutsche Bank AG, London Branch, Forward Contract, dated as of December 13, 2002 (a)
- 4.15 ING Bank, N.V. Forward Contract, dated as of December 13, 2002 (a)
- 4.16 JPMorgan Chase Bank Forward Contract, dated as of December 13, 2002 (a)
- 4.17 Societe Generale Forward Contract, dated as of December 13, 2002 (a)
- 8.1 List of subsidiaries of CEMEX, S.A. de C.V.. (a)
- 10.1 Certification of Principal Executive and Financial Officers of CEMEX, S.A. de C.V. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (a)
- 10.2 Certification of Principal Executive and Financial Officers of CEMEX Mexico, S.A. de C.V. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (a)
- 10.3 Certification of Principal Executive and Financial Officers of Empresas Tolteca de Mexico, S.A. de C.V. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (a)
- 10.4 Consent of KPMG Cardenas Dosal, S.C. to the incorporation by reference into the effective registration statements of CEMEX, S.A. de C.V. under the Securities Act of 1933 of their report with respect to the consolidated financial statements of CEMEX, S.A. de C.V., which appears in this Annual Report on Form 20-F. (a)
- 10.5 Consent of PricewaterhouseCoopers to the incorporation by reference into the effective registration statements of CEMEX, S.A. de C.V. under the Securities Act of 1933 of their reports with respect to the financial statements of certain consolidated subsidiaries of CEMEX, S.A. de C.V., which appear in this Annual Report on Form 20-F. (a)

-
- (a) Filed herewith.
- (b) Incorporated by reference to the Registration Statement on Form F-4 of CEMEX, S.A. de C.V. (Registration No. 333-10682), filed with the Securities and Exchange Commission on August 10, 1999.
- (c) Incorporated by reference to Amendment No. 2 to the Registration Statement on Form F-4 of CEMEX, S.A. de C.V. (Registration No. 333-13956), filed with the Securities and Exchange Commission on November 19, 2001.

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- (d) Incorporated by reference to the annual report on Form 20-F of CEMEX, S.A. de C.V. filed with the Securities and Exchange Commission on June 29, 2001.
- (e) Incorporated by reference to Exhibit 2.1 to Southdown Inc.'s Current Report on Form 8-K (Commission File No. 1-6117), filed with the Securities and Exchange Commission on September 29, 2000.
- (f) Incorporated by reference to Amendment No. 1 to the annual report on Form 20-F/A of CEMEX, S.A. de C.V. filed with the Securities and Exchange Commission on November 19, 2001.
- (g) Incorporated by reference to the annual report on Form 20-F of CEMEX, S.A. de C.V. filed with the Securities and Exchange Commission on April 8, 2002.
- (h) Incorporated by reference to the Tender Offer Statement on Schedule TO of Tricem Acquisition, Corp. and CEMEX, S.A. de C.V. filed with the Securities and Exchange Commission on July 1, 2002.

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SIGNATURES

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

CEMEX, S.A. de C.V.

By: /s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer

Date: April 8, 2003.

CERTIFICATIONS

I, Lorenzo H. Zambrano, certify that:

1. I have reviewed this annual report on Form 20-F of CEMEX, S.A. de C.V.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal

- controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Lorenzo H. Zambrano

Lorenzo H. Zambrano
Chief Executive Officer

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CERTIFICATIONS

I, Hector Medina, certify that:

1. I have reviewed this annual report on Form 20-F of CEMEX, S.A. de C.V.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record,

- process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Hector Medina

Hector Medina
Executive Vice President of
Planning and Finance

SIGNATURES

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

CEMEX Mexico, S.A. de C.V.

By: /s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer

Date: April 8, 2003

CERTIFICATIONS

I, Lorenzo H. Zambrano, certify that:

1. I have reviewed this annual report on Form 20-F of CEMEX Mexico, S.A. de C.V.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Lorenzo H. Zambrano

Lorenzo H. Zambrano
Chief Executive Officer

CERTIFICATIONS

I, Hector Medina, certify that:

1. I have reviewed this annual report on Form 20-F of CEMEX Mexico, S.A. de C.V.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Hector Medina

Hector Medina
Executive Vice President of
Planning and Finance

SIGNATURES

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

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

By: /s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer

Date: April 8, 2003

CERTIFICATIONS

I, Lorenzo H. Zambrano, certify that:

7. I have reviewed this annual report on Form 20-F of Empresas Tolteca de Mexico, S.A. de C.V.;
8. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
9. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
10. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
11. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
12. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Lorenzo H. Zambrano

Lorenzo H. Zambrano

CERTIFICATIONS

I, Hector Medina, certify that:

7. I have reviewed this annual report on Form 20-F of Empresas Tolteca de Mexico, S.A. de C.V.;
8. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
9. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
10. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
11. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
12. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Hector Medina

Hector Medina

Executive Vice President of
Planning and Finance

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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, 2001 and 2002, 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, 2002. 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. As of December 31, 2000, we did not audit the consolidated financial statements of certain consolidated subsidiaries, which statements reflect total assets and revenues of 2% and 0%, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally

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

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CEMEX, S.A. de C.V. and subsidiaries at December 31, 2001 and 2002, 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, 2002, in accordance with accounting principles generally accepted in Mexico.

Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected results of operations for each of the years in the three-year period ended December 31, 2002, and stockholders' equity as of December 31, 2001 and 2002, to the extent summarized in note 23 to the consolidated financial statements.

KPMG Cardenas Dosal, S.C.

/s/Rafael Gomez Eng

Rafael Gomez Eng

Monterrey, N.L., Mexico
January 15, 2003, except for note 23,
which is as of March 24, 2003

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CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Balance Sheets
(Millions of constant Mexican pesos as of December 31, 2002)

Assets	December 31,	
Current Assets	2001	2002
Cash and investments (note 3).....	Ps 4,288.1	3,748.8
Trade accounts receivable, less allowance for doubtful accounts (note 4).....	6,127.2	4,160.9
Other receivables (note 5).....	5,006.2	4,194.2
Inventories (note 6).....	6,815.5	7,336.0
Other current assets (note 7).....	979.2	828.9
Total current assets.....	23,216.2	20,268.8
Investments and Noncurrent Receivables (note 8)		
Investments in affiliated companies.....	5,172.9	5,809.8
Other noncurrent accounts receivable.....	1,941.1	1,552.7
Total investments and noncurrent receivables.....	7,114.0	7,362.5
Properties, Machinery and Equipment (note 9)		
Land and buildings	39,698.2	45,687.1
Machinery and equipment	116,763.0	126,267.2
Accumulated depreciation	(71,981.4)	(83,198.1)
Construction in progress.....	5,013.2	4,281.1
Net properties, machinery and equipment.....	89,493.0	93,037.3

Deferred Charges (notes 10 and 13).....		42,640.4	44,731.3
Total Assets.....	Ps	162,463.6	165,399.9
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 11).....	Ps	1,678.4	4,487.6
Notes payable (note 11).....		2,151.7	3,222.0
Current maturities of long-term debt (notes 11 and 12)		6,455.6	6,753.2
Trade accounts payable.....		3,606.8	4,236.8
Other accounts payable and accrued expenses (note 5).....		9,597.1	11,963.6
Total current liabilities		23,489.6	30,663.2
Long-Term Debt (note 12)			
Bank loans		24,531.1	25,692.1
Notes payable		25,416.5	26,462.1
Current maturities of long-term debt		(6,455.6)	(6,753.2)
Total long-term debt		43,492.0	45,401.0
Other Noncurrent Liabilities			
Deferred income taxes (note 17).....		11,259.7	11,317.4
Other noncurrent liabilities		2,620.7	5,865.9
Total other noncurrent liabilities		13,880.4	17,183.3
Total Liabilities.....		80,862.0	93,247.5
Stockholders' Equity (note 14)			
Majority interest:			
Common stock-historical cost basis.....		53.5	55.5
Common stock-accumulated inflation adjustments		3,305.8	3,305.8
Additional paid-in capital.....		27,742.3	30,897.4
Deficit in equity restatement		(54,858.5)	(61,861.3)
Cumulative initial deferred income tax effects (notes 2K and 17).....		(5,196.8)	(5,196.8)
Retained earnings		78,991.5	87,025.0
Net income.....		11,789.8	5,400.4
Total majority interest		61,827.6	59,626.0
Minority interest (note 14E).....		19,774.0	12,526.4
Total stockholders' equity		81,601.6	72,152.4
Total Liabilities and Stockholders' Equity.....	Ps	162,463.6	165,399.9
See accompanying notes to consolidated financial statements.			

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CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Income
(Millions of constant Mexican pesos as of December 31, 2002, except for earnings per share)

	Ps	Years ended December 31,		
		2000	2001	2002
Net sales.....		58,435.1	69,302.3	67,917.5
Cost of sales.....		(32,652.8)	(38,981.4)	(37,944.2)
Gross profit.....		25,782.3	30,320.9	29,973.3
Operating expenses:				
Administrative		(6,461.3)	(7,906.0)	(8,538.1)
Selling.....		(2,127.5)	(5,865.0)	(7,833.2)
Total operating expenses.....		(8,588.8)	(13,771.0)	(16,371.3)
Operating income.....		17,193.5	16,549.9	13,602.0
Comprehensive financing result:				
Financial expense.....		(4,853.6)	(4,121.6)	(3,451.6)
Financial income.....		255.7	407.7	463.0
Results from valuation and liquidation of financial instruments.....		(80.0)	1,999.2	(3,285.1)
Foreign exchange result, net.....		(312.9)	1,539.6	(800.3)
Monetary position result.....		3,183.9	2,824.5	3,655.2
Net comprehensive financing result.....		(1,806.9)	2,649.4	(3,418.8)
Other expense, net.....		(2,435.8)	(4,173.8)	(4,040.7)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates.....		12,950.8	15,025.5	6,142.5
Income tax and business assets tax, net (note 17).....		(1,642.0)	(1,669.8)	(569.2)
Employees' statutory profit sharing (note 17).....		(372.2)	(236.4)	(106.9)
Total income tax, business assets tax and employees' statutory profit sharing.....		(2,014.2)	(1,906.2)	(676.1)
Income before equity in income of affiliates		10,936.6	13,119.3	5,466.4

Equity in income of affiliates		263.0	205.2	318.7
Consolidated net income.....		11,199.6	13,324.5	5,785.1
Minority interest net income.....		810.5	1,534.7	384.7
Majority interest net income	Ps	10,389.1	11,789.8	5,400.4
Basic earnings per share (see notes 2A and 20).....	Ps	2.52	2.76	1.20
Diluted earnings per share (see notes 2A and 20).....	Ps	2.51	2.74	1.20

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
(Millions of constant Mexican pesos as of December 31, 2002)

	Common stock	Additional paid-in capital	Deficit in equity restatement	Cumulative initial deferred income tax effects	Retained earnings
Balances at December 31, 1999.....Ps	3,354.7	22,553.2	(45,783.9)	-	74,390.8
Dividends (Ps0.56 pesos per share).....	2.2	2,188.7	-	-	(2,386.2)
Issuance of common stock (note 14A)	0.1	52.1	-	-	-
Issuance of appreciation warrants (note 14F). Share repurchase program (note 14A)	- (0.1)	(63.2) -	- -	52.2 -	- (130.9)
Restatement of investments and other transactions relating to minority interest.	-	-	-	-	-
Investment by subsidiaries (note 8)	-	-	(1,876.0)	-	-
Comprehensive net income (loss) (note 14G)...	-	-	(2,903.1)	(5,196.8)	10,389.1
Balances at December 31, 2000.....	3,356.9	24,730.8	(50,563.0)	(5,196.8)	82,262.8
Dividends (Ps0.65 pesos per share)	2.5	2,900.5	-	-	(3,049.2)
Issuance of common stock (note 14A)	0.1	111.0	-	-	-
Share repurchase program (note 14A)	(0.2)	-	-	-	(222.1)
Restatement of investments and other transactions relating to minority interest.	-	-	-	-	-
Investment by subsidiaries (note 8)	-	-	63.6	-	-
Comprehensive net income (loss) (note 14G)...	-	-	(4,359.1)	-	11,789.8
Balances at December 31, 2001.....	3,359.3	27,742.3	(54,858.5)	(5,196.8)	90,781.3
Dividends (Ps0.70 pesos per share)	2.2	3,082.2	-	-	(3,394.1)
Issuance of common stock (note 14A)	0.1	72.9	-	-	-
Share repurchase program (note 14A).....	(0.3)	-	-	-	(362.2)
Restatement of investments and other transactions relating to minority interest.	-	-	-	-	-
Investment by subsidiaries (note 8)	-	-	246.3	-	-
Comprehensive net income (loss) (note 14G)...	-	-	(7,249.1)	-	5,400.4
Balances at December 31, 2002.....Ps	3,361.3	30,897.4	(61,861.3)	(5,196.8)	92,425.4

(Continued)

	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 1999.....Ps	54,514.8	13,176.6	67,691.4
Dividends (Ps0.56 pesos per share).....	(195.3)	-	(195.3)
Issuance of common stock (note 14A)	-	-	52.2
Issuance of appreciation warrants (note 14F). Share repurchase program (note 14A)	(63.2) (131.0)	- -	(63.2) (131.0)
Restatement of investments and other transactions relating to minority interest.	-	10,939.8	10,939.8
Investment by subsidiaries (note 8)	(1,876.0)	-	(1,876.0)
Comprehensive net income (loss) (note 14G)...	2,289.2	810.5	3,099.7
Balances at December 31, 2000.....	54,590.7	24,926.9	79,517.6
Dividends (Ps0.65 pesos per share)	(146.2)	-	(146.2)
Issuance of common stock (note 14A)	111.1	-	111.1

Share repurchase program (note 14A)	(222.3)	-	(222.3)
Restatement of investments and other transactions relating to minority interest.	-	(6,687.6)	(6,687.6)
Investment by subsidiaries (note 8)	63.6	-	63.6
Comprehensive net income (loss) (note 14G)...	7,430.7	1,534.7	8,965.4
<hr/>			
Balances at December 31, 2001.....	61,827.6	19,774.0	81,601.6
Dividends (Ps0.70 pesos per share)	(309.7)	-	(309.7)
Issuance of common stock (note 14A)	73.0	-	73.0
Share repurchase program (note 14A).....	(362.5)	-	(362.5)
Restatement of investments and other transactions relating to minority interest.	-	(7,632.3)	(7,632.3)
Investment by subsidiaries (note 8)	246.3	-	246.3
Comprehensive net income (loss) (note 14G)...	(1,848.7)	384.7	(1,464.0)
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Balances at December 31, 2002.....Ps	59,626.0	12,526.4	72,152.4
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See accompanying notes to consolidated financial statements.

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CEMEX, S.A. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Changes in Financial Position
(Millions of constant Mexican pesos as of December 31, 2002)

	Years ended December 31,		
	2000	2001	2002
<hr/>			
Operating activities			
Majority interest net income	10,389.1	11,789.8	5,400.4
Charges to operations which did not require resources:			
Depreciation of properties, machinery and equipment.....	3,862.0	5,386.6	5,420.7
Amortization of deferred charges and credits, net.....	1,221.6	2,548.7	2,522.5
Impairment of assets.....	-	-	93.1
Pensions, seniority premium and other postretirement benefits....	312.6	315.8	206.4
Deferred income tax charged to results.....	650.8	213.3	(412.0)
Equity in income of affiliates.....	(263.0)	(205.2)	(318.7)
Minority interest.....	810.5	1,534.7	384.7
<hr/>			
Resources provided by operating activities.....	16,983.6	21,583.7	13,297.1
Changes in working capital, excluding acquisition effects:			
Trade accounts receivable, net.....	673.0	765.9	2,225.3
Other accounts receivable and other assets.....	(72.7)	(2,267.0)	1,078.4
Inventories.....	178.7	578.9	(328.9)
Trade accounts payable.....	942.3	(1,100.2)	527.6
Other accounts payable and accrued expenses.....	(613.0)	4,064.9	469.2
<hr/>			
Net change in working capital.....	1,108.3	2,042.5	3,971.6
Net resources provided by operating activities.....	18,091.9	23,626.2	17,268.7
<hr/>			
Financing activities			
Proceeds from bank loans (repayments), net.....	8,238.0	(8,600.6)	2,604.5
Notes payable, net, excluding foreign exchange effect (note 2D)....	2,790.6	3,863.5	(309.4)
Investment by subsidiaries.....	(1,767.3)	(229.2)	(4.5)
Dividends paid.....	(2,386.2)	(3,049.2)	(3,394.1)
Issuance of common stock from reinvestment of dividends.....	2,190.9	2,903.0	3,084.4
Issuance of common stock under stock option programs.....	52.2	111.1	73.0
Issuance (repurchase) of preferred stock by subsidiaries.....	15,730.9	(6,585.3)	(4,191.5)
Acquisition of common stock under repurchase program.....	(131.0)	(222.3)	(362.5)
Other financing activities, net.....	(2,923.9)	(2,164.4)	3,062.2
<hr/>			
Resources provided by (used in) financing activities.....	21,794.2	(13,973.4)	562.1
<hr/>			
Investing activities			
Properties, machinery and equipment, net.....	(4,140.5)	(5,112.7)	(4,401.1)
Acquisition of subsidiaries and affiliates.....	(27,107.2)	(2,013.1)	(2,735.4)
Disposal of assets.....	1,448.3	732.1	557.0
Minority interest.....	(5,508.5)	(102.2)	(2,959.9)
Deferred charges.....	(346.9)	(4,060.3)	(1,928.4)
Other investments and monetary foreign currency effect.....	(4,462.0)	1,988.6	(6,902.3)
<hr/>			
Resources used in investing activities.....	(40,116.8)	(8,567.6)	(18,370.1)
Increase (decrease) in cash and investments	(230.7)	1,085.2	(539.3)
Cash and investments at beginning of year.....	3,433.6	3,202.9	4,288.1
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Cash and investments at end of year.....Ps	3,202.9	4,288.1	3,748.8
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See accompanying notes to consolidated financial statements.

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
 December 31, 2000, 2001 and 2002
 (Millions of constant Mexican Pesos as of December 31, 2002)

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

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

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

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

Certain amounts reported in the notes to the consolidated financial statements as of December 31, 2000 and 2001 have been reclassified to conform to the 2002 presentation.

In 2002 and partially during 2001, the expenses related to the Company's products distribution were classified as selling expenses in the income statement. Fully during 2000 and partially during 2001, such expenses were recognized as part of cost of sales for an approximate amount of Ps3,889.7 and Ps1,560.6, respectively. This reclassification has no effect on operating income, net income and/or earnings per share for the years ended December 31, 2000 and 2001, if the mentioned expenses had been recognized consistently with the 2002 classification.

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

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

	2000	2001	2002
	-----	-----	-----
Restatement factor using weighted average inflation.....	1.0236	0.9900	1.0916
Restatement factor using Mexican inflation.....	1.0903	1.0456	1.0559
	-----	-----	-----

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

C) PRINCIPLES OF CONSOLIDATION

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

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

Subsidiary	Country	% Equity interest
CEMEX Mexico, S.A. de C.V.....1	Mexico	100.0
CEMEX Espana, S.A.2	Spain	99.5
CEMEX Venezuela, S.A.C.A.....3	Venezuela	75.7
CEMEX, Inc.....3	United States	100.0
Cementos del Pacifico, S.A.4	Costa Rica	98.4
Assiut Cement Company.....4	Egypt	95.8
CEMEX Colombia, S.A.5	Colombia	98.2
Cemento Bayano, S.A.	Panama	99.2
Cementos Nacionales, S.A.....	Dominican Republic	99.9
Puerto Rican Cement Company, Inc.....	Puerto Rico	100.0
CEMEX Asia Holdings Ltd.....6	Singapore	92.3
Solid Cement Corporation.....7	Philippines	94.6
APO Cement Corporation.....7	Philippines	99.9
CEMEX Thailand Co. Ltd.....7	Thailand	100.0
Latin Networks Holdings, B.V.....8	Netherlands	100.0

- As of December 31, 2002, includes an approximately 0.6% equity interest held by a trust in benefit of the Company (see note 14F). CEMEX Mexico, S.A. de C.V. ("CEMEX Mexico"), an entity created during 1999 as a result of a merger of most of the cement subsidiaries in Mexico, holds 100% of the shares of Empresas Tolteca de Mexico, S.A. de C.V. ("ETM") and Centro Distribuidor de Cemento, S.A. de C.V. ("CEDICE"). In January 2001, CEMEX Mexico acquired from the Company a majority interest in CEDICE, which indirectly holds the Company's operations in foreign countries. As a result, as of December 31, 2001 and 2002, CEMEX Mexico indirectly holds CEMEX Espana, S.A. and subsidiaries.
- In June 2002, Compania Valenciana de Cementos Portland, S.A. ("Valenciana") changed its legal name to CEMEX Espana, S.A. ("CEMEX Espana"). CEMEX Espana is a subsidiary of New Sunward Holdings, B.V., a holding company in which the Company holds a 90% equity interest. In addition, the Company's ownership includes a 6.82% equity interest of CEMEX Espana, related to a financial transaction, pursuant to which the Company retains 100% of the economic benefits related to such 6.82% interest (see note 16A).
- CEMEX, Inc. was created as a result of a merger between Southdown, Inc. and CEMEX USA, Inc. (see note 8A).
- In October 2001, CEMEX Espana made a capital contribution to Assiut Cement Company in exchange for 79.87% of the common stock of such entity, becoming its indirect parent company.
- In August 2002, Cementos Diamante, S.A. changed its legal name to CEMEX Colombia, S.A. ("CEMEX Colombia"). The 98.2% equity interest includes the Company's ownership of 99.3% of the total ordinary shares.
- In July 2002, as a result of a shares exchange transaction (see note 8A), for accounting purposes beginning in July 2002, the Company's equity

interest in CEMEX Asia Holdings Ltd. ("CAH") increased to 92.25%.

7. Represents the Company's indirect economic benefits held through CAH. As a result of a shares acquisition in July 2002, the indirect economic benefits of the Company in Rizal Cement Company ("Rizal") increased to 94.58% (see note 8A). On December 23, 2002, Rizal was merged with its subsidiary Solid Cement Corporation ("Solid"), where the surviving corporation was Solid. In July 2002, Saraburi Cement Company Ltd. changed its legal name to CEMEX (Thailand) Co. Ltd.
8. Latin Networks Holdings B.V. is the holding company of entities engaged in the development of the Company's Internet strategy.

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

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

The financial statements of consolidated foreign subsidiaries are restated for inflation in their functional currency based on the subsidiary country's inflation rate and subsequently translated into 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 peso against the U.S. dollar used by the Company is based on a weighted average of the free market rates available to settle its foreign currency transactions.

E) CASH AND INVESTMENTS (note 3)

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

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

F) INVENTORIES AND COST OF SALES (note 6)

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

G) INVESTMENTS AND NONCURRENT RECEIVABLES (note 8)

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

In May 2001, an available for sale investment recorded under the caption other investments was sold. As a result, the income statement for the year ended December 31, 2001, presents the reversal of the valuation effects that were accrued in equity (see note 8B).

H) PROPERTIES, MACHINERY AND EQUIPMENT (note 9)

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

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

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

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

I) DEFERRED CHARGES AND AMORTIZATION (note 10)

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

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

	Years
Goodwill from acquisitions in years before 1992.....	40
Goodwill from acquisitions since January 1, 1992.....	20

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

Likewise, the Company capitalizes the direct costs incurred in the development stage of computer software for internal use. The capitalized amounts are adjusted to reflect constant values and are amortized to the results of operations during the estimated useful life of the software, which is estimated as approximately 4 years.

J) PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS (note 13)

The costs related to benefits to which employees are entitled by pension plans, seniority premiums and other postretirement benefits, legally or by Company grant, are recognized in the results of operations on the basis of the present value of the benefits determined under actuarial estimations, as services are rendered. The amortization of unrecognized prior service cost, changes in assumptions and adjustments based on experience that have not been recognized, is based on the employee's estimated active service life. Other

benefits to which employees may be entitled, principally severance benefits and vacations, are recognized as an expense in the year in which they are paid. In some circumstances, however, provisions have been made for these benefits.

As part of the established pension plans, in some cases, certain irrevocable trust funds have been created to cover future benefit payments under these plans. The actuarial assumptions upon which the Company's employee benefit liabilities are determined consider the use of real rates (nominal rates discounted by inflation).

K) INCOME TAX ("IT"), BUSINESS ASSETS TAX ("BAT"), EMPLOYEES' STATUTORY PROFIT SHARING ("ESPS") AND DEFERRED INCOME TAXES (note 17)

IT, BAT and ESPS expense recognizes the amounts incurred during the period, and the effects of deferred IT and ESPS, in accordance with Bulletin D-4, Accounting treatment of income tax, business assets tax and employees' profit sharing ("Bulletin D-4"), effective January 1, 2000. Bulletin D-4 requires the determination of deferred IT by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of the assets and liabilities, considering when available, and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. Bulletin D-4 also requires a determination of the effect of deferred ESPS for those temporary differences, which are of non-recurring nature, arising from the reconciliation of the net income of the period and the taxable income of the period for ESPS.

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

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

L) MONETARY POSITION RESULT

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

M) DEFICIT IN EQUITY RESTATEMENT (note 14)

The deficit in equity restatement includes: i) the accumulated effect from holding non-monetary assets; ii) the foreign currency translation effects from foreign subsidiaries' financial statements, considering the exchange fluctuations arising from foreign currency indebtedness directly related with the acquisition of foreign subsidiaries, and the related parties foreign currency balances that are of a long-term investment nature (see notes 2D and 14D) ; and iii) valuation and liquidation effects of certain derivative financial instruments that qualify as hedge instruments, which are recorded temporarily or permanently in stockholders' equity (see note 2N).

N) DERIVATIVE FINANCIAL INSTRUMENTS (notes 11, 12 and 16)

In compliance with the controls and procedures established by the units associated with the financial risk management, the Company uses derivative financial instruments such as interest rate and currency swaps, currency and stock forward contracts, options and futures, in order to reduce risks associated with changes in interest rates and foreign exchange rates of debt agreements and as a vehicle to reduce financing costs (see notes 12A and B), as well as hedges of: (i) forecasted transactions to purchase fuels and electric power, (ii) the Company's net assets in foreign subsidiaries, (iii) the future exercise of options under the Company's stock option programs, and (iv) as an alternative source of financing (see note 16). These instruments have been negotiated with institutions and corporations with significant financial capacity; therefore, the Company considers that the risk of non-compliance with the obligations agreed to by such counterparties to be minimal. Some of these instruments have been designated as hedges of raw materials costs as well as debt or equity instruments.

Effective January 1, 2001, the Company adopted Bulletin C-2 Financial Instruments ("Bulletin C-2"), which requires the recognition of all derivative financial instruments as assets and/or liabilities at their estimated fair value, and the recognition of changes in such values in the income statement for the period in which they occurred. The exceptions to the rule, as they relate to the Company, are the following:

- a) Beginning in 2002, changes in the estimated fair value of interest rate derivative instruments, designated as accounting hedges of contractual cash flows associated with debt reported on the balance sheet, as well as those instruments negotiated to hedge the interest rate at which certain forecasted or existing indebtedness is expected to be contracted or renegotiated, are recognized in stockholders' equity (see note 14G) and are reclassified to the income statement as the financial expense of the hedged financing items is accrued. For the year ended December 31, 2001, the effects of hedge-like instruments were recognized according to the following paragraph. See notes 11 and 12.
- b) In 2002 and 2001, derivative instruments negotiated to exchange fixed for floating interest rates were accounted for using the same valuation criteria applied to the hedged liabilities; therefore, the derivative instruments' effects were recognized in the income statement, net of the interest expense generated by the hedged liabilities, based on their accrued amounts.
- c) The estimated fair value, and changes in such value, of the foreign currency forwards designated as hedges of the Company's net investments in foreign subsidiaries are recorded in the balance sheet as assets or liabilities against stockholders' equity, as part of the foreign currency translation result (see notes 2D and 14D). The accumulated effect on stockholder's equity will be reversed through the income statement upon disposition of the foreign investment.
- d) The results derived from equity forward contracts on the Company's own shares, as well as from other equity derivative instruments, such as the appreciation warrants, are recognized in stockholders' equity upon settlement. Beginning in 2001, changes in the estimated fair value of those equity forward contracts that cover the executive stock option programs are recorded through the income statement, in addition to the costs related to such programs. See notes 15 and 16.

As of December 31, 2001 and 2002, for balance sheet presentation purposes, the portion of the assets or liabilities resulting from the recognition of the estimated fair value of the derivative instruments of interest rates and currency (Cross Currency Swaps) negotiated to change the profile of interest rate and currency of existing financing debt,

required to present the indebtedness as if it had been originally negotiated

in the exchanged interest rates and currencies, is reclassified as part of the carrying amount of the underlying debt instruments, thereby reflecting the cash flows expected to be received or paid upon liquidation of such instruments. The non-reclassified portion, resulting from the difference between the forward exchange rates implicit in the contracts and those in effect as of the balance sheet date, is recognized as other assets or other liabilities, both short and long term, depending on the maturity of the contracts.

Until December 31, 2000, the results of the derivative financial instruments described above were recorded in the income statement at the moment cash flows were incurred or at settlement, except for foreign currency forwards designated as accounting hedges of the net investment in foreign subsidiaries and the equity forward contracts on the Company's own shares that were treated equally as of December 31, 2001 and 2002.

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

Premiums paid or received on hedge derivative instruments are deferred and amortized over the life of the underlying hedged instrument or immediately when they are settled; in other cases, premiums are recorded in the income statement at the moment in which they are received or paid.

O) REVENUE RECOGNITION

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

P) CONTINGENCIES AND COMMITMENTS

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

Q) COMPREHENSIVE NET INCOME (note 14G)

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

R) USE OF ESTIMATES

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

S) CONCENTRATION OF CREDIT RISK

The Company sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in

which the Company operates. No single customer accounted for a significant amount of the Company's sales in 2000, 2001 and 2002, and there were no significant accounts receivable from a single customer for the same periods. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

T) OTHER INCOME AND EXPENSE

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Other income and expense consists primarily of goodwill amortization, anti-dumping duties, results from the sales of fixed assets, impairment charges of long-lived assets, results from the early extinguishment of debt and, in 2001, the costs related to the restructuring of the executive stock option programs (see note 15).

U) IMPAIRMENT OF LONG LIVED ASSETS

The Company periodically evaluates the physical state and performance of its machinery and equipment, and analyzes the impact that its sales and production forecasts may have over the expected future cash flows, in order to determine if there are elements indicating that the restated book values of these assets need to be adjusted for impairment. The provision for impairment is recorded in the income statement during the period when it is determined. The adjustment is determined by the excess of the carrying amount of the assets or group of assets over the net present value of estimated cash flows expected to be generated by such assets.

Likewise, the Company continually evaluates the balances of goodwill and other investments to establish if factors such as the occurrence of significant adverse events, changes in the environment in which the business operates and expectations of operating results for each business unit or affiliated entities, provide, in the judgment of the Company, elements indicating that the book value of goodwill or the investments may not be recovered, in which case an impairment loss is recorded in the period when such determination is made, resulting from the excess of the carrying amount of goodwill or the investments over net present value of estimated cash flows. For the year ended December 31, 2002, the Company recognized in the income statement within other expenses, net, an impairment loss of U.S.\$9.0 million (Ps93.1) from goodwill related to the business unit engaged in the software development projects.

3. CASH AND INVESTMENTS

Consolidated cash and investments as of December 31, 2001 and 2002 consists of:

		2001	2002
		-----	-----
Cash and bank accounts.....	Ps	2,808.1	1,760.1
Fixed-income securities.....		1,457.0	1,987.8
Investments in marketable securities.....		23.0	0.9
		-----	-----
	Ps	4,288.1	3,748.8
		-----	-----

4. TRADE ACCOUNTS RECEIVABLE

The Company evaluates each of its customers' credit and risk profiles in order to establish the required allowance for doubtful accounts. Trade accounts receivable as of December 31, 2001 and 2002 include allowances for doubtful accounts of Ps503.0 and Ps478.5, respectively.

The Company has established sales of trade accounts receivable programs with financial institutions ("securitization programs"). These programs were

negotiated in Mexico during 2002, in the United States during 2001 and in Spain in 2000. Through the securitization programs, the Company effectively surrenders control, risks and the benefits associated to the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the balance sheet at the moment of sale, except for the amounts that the counterparties have not paid, which are reclassified to other accounts receivable (see note 5). The balances of receivables sold pursuant the securitization programs as of December 31, 2001 and 2002 were Ps2,993.0 (U.S.\$299.0 million) and Ps5,045.9 (U.S.\$486.1 million), respectively. The accounts receivable qualifying for sale do not include amounts over certain days past due or concentrations over certain limits to any one customer, according to the terms of the programs. Expenses incurred under these programs, originated by the discount granted to the acquirers of the accounts receivable, are recognized in the income statements and were approximately Ps83.1 (U.S.\$8.3 million) in 2001 and Ps108.5 (U.S.\$10.5 million) in 2002.

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

Other accounts receivable consist of:

	December 31,	
	2001	2002
Non-trade receivables.....	Ps 1,430.4	1,122.4
Prepayments and valuation of derivative financial instruments.....	1,649.5	1,305.3
Interest and notes receivable.....	348.3	898.3
Advances for travel expenses and loans to employees.....	428.8	379.0
Refundable income tax.....	992.9	-
Other refundable taxes.....	156.3	489.2
	-----	-----
Ps	5,006.2	4,194.2
	=====	=====

As of December 31, 2001 and 2002, non-trade receivables primarily consist of accounts receivable from the sale of fixed assets. Included in prepayments and valuation of derivative financial instruments as of December 31, 2001 and 2002, are advanced payments toward the final price of forward contracts and that will be settled at maturity of approximately Ps1,519.5 and Ps989.2 (see note 16A), respectively. Included in interest and notes receivables are amounts collectible by financial institutions, arising from the securitization programs (see note 4) for approximately Ps179.5 (U.S.\$17.9 million) and Ps872.3 (U.S.\$84.0 million) as of December 31, 2001 and 2002, respectively. Additionally, other refundable taxes as of December 31, 2002 includes Ps273.9 corresponding to a final resolution related to a business assets tax lawsuit.

Other accounts payable and accrued expenses consist of:

	December 31,	
	2001	2002
	-----	-----
Other accounts payable and accrued expenses.....	Ps 3,473.4	2,981.6
Interest payable.....	1,065.4	992.2
Tax payable.....	2,065.9	1,157.8
Dividends payable.....	56.1	60.2
Provisions.....	1,787.5	2,368.7
Advances from customers.....	584.3	704.4
Prepayments and valuation of derivative financial instruments.....	564.5	3,698.7
	-----	-----
Ps	9,597.1	11,963.6
	=====	=====

6. INVENTORIES

Inventories are summarized as follows:

		December 31,	
		2001	2002
Finished goods.....	Ps	1,945.9	1,452.0
Work-in-process.....		796.1	1,558.0
Raw materials.....		678.4	623.9
Supplies and spare parts.....		2,891.3	3,150.4
Advances to suppliers.....		333.8	341.8
Inventory in transit.....		170.0	209.9
	Ps	6,815.5	7,336.0

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7. OTHER CURRENT ASSETS

Other current assets consist of:

		December 31,	
		2001	2002
Advanced payments.....	Ps	631.9	466.7
Non-cement related assets.....		347.3	362.2
	Ps	979.2	828.9

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

During 2000, the Company recognized in other expenses net, an approximate loss of Ps27.6 from the sale of real estate in Puerto Vallarta, Mexico.

8. INVESTMENTS AND NONCURRENT RECEIVABLES

A) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in affiliated companies accounted for by the equity method are summarized as follows:

		December 31,	
		2001	2002
Book value at acquisition date.....	Ps	2,919.8	3,254.1
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies.....		2,253.1	2,555.7
	Ps	5,172.9	5,809.8

Investments held by subsidiaries in the Company's shares, amounting to Ps7,383.6 (146,868,013 CPOs and 1,791,695 appreciation warrants) and Ps6,517.6 (144,870,296 CPOs and 1,793,725 appreciation warrants) as of December 31, 2001 and 2002, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements.

The Company's principal acquisitions and divestitures during 2000, 2001 and 2002, are the following:

I. On July 30, 2002, through a public tender offer and subsequent merger, a

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

- II. On July 12, 2002, a subsidiary of CEMEX acquired 1,508,794 common shares (approximately 15.1%) of CEMEX Asia Holdings Ltd. ("CAH"). Of this total, 25,429 shares were acquired for cash of approximately U.S.\$2.3 million, while the remaining 1,483,365 shares were acquired through a forward contract requiring delivery of 28,195,213 CEMEX CPOs in four equal quarterly transactions beginning on March 31, 2003. For accounting purposes, the CAH shares to be received under the forward are considered as owned by the Company and are consolidated effective July 12, 2002, generating an account payable for approximately U.S.\$140 million, the price of 28,195,213 CPOs on the date of the exchange agreements. The consolidation of the CAH shares was deemed appropriate since the exchange price was fixed, the physical delivery is a firm commitment and the CAH shareholders relinquished their risks of ownership of the CAH shares. As a result of these transactions, including the forward exchange, the indirect equity interest of the Company in CAH increased to 92.25%. Before these transactions, the indirect equity interest of CEMEX in CAH was 77.4%. CAH is a subsidiary created in 1999 by CEMEX and institutional investors in Asia to jointly invest in the region.

During 2000, the CAH investors and CEMEX contributed capital of approximately U.S.\$73 million and U.S.\$251 million, respectively, in order for CAH to acquire from a subsidiary of the Company its 25.5% equity interest in

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PT Semen Gresik, Tbk. ("Gresik"), an Indonesian cement company, as well as other cement assets in Asia. In 1999, the minority investors contributed capital to CAH of approximately U.S.\$142.9 million, and the Company, through its subsidiaries, contributed to CAH the economic benefit interest it held in its Philippines subsidiaries, Solid (formerly Rizal) and APO Cement Corporation ("APO"), amounting 70.0% and 99.9%, respectively. As a result, as of December 31, 2001 and 2000, the indirect participation of the Company in Solid and APO decreased to 54.2% and 77.3%, respectively.

- III. In July 2002, a Company's subsidiary acquired the 30% remaining economic interest of Solid from third parties for approximately U.S.\$95 million. As a result of this acquisition and the increase in CAH's equity interest previously detailed, as of December 31, 2002, the approximate indirect economic interest of CEMEX in Solid is 94.58%. Prior to this acquisition, the Company had a 70% economic interest in Solid through CAH.
- IV. During 2001 and 2002, CEMEX, Inc., a subsidiary of the Company in the United States, sold aggregate quarries and other equipment for approximately U.S.\$42 million and U.S.\$49 million, respectively. In March 2001, CEMEX, Inc. was formed as a result of the merger of Southdown, Inc. ("Southdown") and CEMEX USA, Inc. In November 2000, through a public tender offer and subsequent merger, a subsidiary of the Company acquired 100% of Southdown's outstanding shares at a price of U.S.\$73 per share. The total amount paid for the shares was approximately U.S.\$2,628.3 million (Ps27,281.8). For the year ended December 31, 2000, the consolidated income statements included Southdown's results of operations for the two-month period ended December 31, 2000.
- V. In May 2001, CAH acquired a 100% economic interest in CEMEX (Thailand) Co. Ltd. ("CEMEX Thailand") (formerly Saraburi Cement Company Ltd.), a

Thai cement producer, for approximately U.S.\$73 million, of which U.S.\$13.7 million was contributed by the CAH minority investors. At December 31, 2001, the consolidated financial statements include CEMEX Thailand's balance sheet and the results of operations for the eight-month period.

- VI. In addition, during 2001, the Company acquired majority interests in companies in diverse locations, for an approximate amount of U.S.\$141.5 million, including real estate entities whose principal assets are land and buildings. The consolidated financial statements as of December 31, 2001, include the balance sheets of the acquired companies at the same date and the operating results of such companies for the periods from the acquisition date to year-end.
- VII. In January 2001, the Company increased to 95.8% its equity interest in Assiut Cement, Co. ("Assiut"), its subsidiary in Egypt. Previously, in November and June 2000, a 2.9% equity interest was acquired from Assiut's employees and a 13% interest from the Egyptian government, respectively, for an aggregate of U.S.\$66.8 million, increasing the Company's equity interest to 92.9%. In November 1999, the Company acquired from the Egyptian government 77% of Assiut's outstanding stock for approximately U.S.\$318.8 million.
- VIII. In June 2000, the Company sold to Marriott International, for U.S.\$113 million, properties in the tourism industry, including its 100% equity interest in the Marriott Casa Magna hotels in Cancun and Puerto Vallarta, resulting a net loss of approximately Ps68.7, which was recorded in other expenses, net. In the year ended December 31, 2000, the consolidated income statements of the Company include the hotels' operating results for the five-month period ended May 31, 2000.

Certain condensed financial information of the companies acquired during 2001 and 2002, and that were consolidated in the Company's financial statements in the year of acquisition, is presented below:

	2001		2002	
	Saraburi	Others	PRCC	Others
Total assets.....	Ps 353.1	2,337.1	3,782.6	216.4
Total liabilities.....	131.0	932.2	3,495.5	25.5
Stockholders' equity.....	222.1	1,404.9	287.1	190.9
Sales.....	Ps 141.3	284.0	641.2	2.2
Operating income (loss).....	24.0	(8.2)	25.2	(5.7)
Net income (loss).....	(9.8)	127.7	25.1	(70.3)

As of December 31, 2001 and 2002, the information of the main affiliated companies, and the restated investment recognized in the consolidated balance sheet are as follows:

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	Activity	Country	Equity interest %	2001	2002
PT Semen Gresik, Tbk.....	Cement	Indonesia	25.5	Ps 2,064.2	2,415.4
Control Administrativo Mexicano, S.A. de C.V.....	Cement	Mexico	49.0	1,420.0	1,640.4
Trinidad Cement Limited.....	Cement	Trinidad	20.0	311.9	307.9
Cementos Bio Bio, S.A.....	Cement	Chile	11.9	257.6	300.5
Cancem, S.A. de C.V.....	Cement	Mexico	10.0	141.9	158.3
Lehigh White Cement Company.....	Cement	U.S.	24.5	125.8	128.4
Societe des Ciments Antillais.....	Cement	Antilles	26.1	86.9	108.5
Caribbean Cement Company Limited.....	Cement	Jamaica	5.0	68.3	70.9
Others.....	-	-	-	696.3	679.5
				Ps 5,172.9	5,809.8

B) NONCURRENT ACCOUNTS RECEIVABLE

As of December 31, 2001 and 2002, approximately U.S.\$105.3 million (Ps1,093.0) and U.S.\$71.4 million (Ps741.3), respectively, was recognized in the balance sheet, representing the estimated fair value of the Company's long-term derivative financial instruments (see notes 12B and 16).

In May 2001, CEMEX sold to Citigroup, in accordance with the terms and conditions of a public tender offer launched in Mexico, its Banacci shares that were held in its long-term investments portfolio. The sale amount was approximately U.S.\$162.4 million (Ps1,685.7) and generated a gain of approximately U.S.\$131 million (Ps1,333.7) recognized in the Comprehensive Financing Result at December 31, 2001. Of this gain, approximately Ps794.1 corresponds to the reversal of unrealized valuation gains previously recorded in stockholders' equity.

9. PROPERTIES, MACHINERY AND EQUIPMENT

As of December 31, 2001 and 2002, the Company has assets in Mexico and Colombia that were adjusted for impairment during 1999. The assets subject to impairment are valued at their estimated realizable value, net of the expenses estimated for their disposal, and their depreciation has been suspended. As of December 31, 2002, the remaining book value of these assets is approximately Ps312.0, and it is the Company's intention to dispose of those that were completely closed. The impact of having suspended depreciation of these assets on 2000, 2001 and 2002 results was approximately Ps36.8, Ps38.2 and Ps36.9, respectively.

10. DEFERRED CHARGES

Deferred charges are summarized as follows:

	December 31,	
	2001	2002
Goodwill.....	Ps 41,405.6	43,570.9
Cost of internally developed software.....	1,455.3	2,454.7
Prepaid pension costs (note 13).....	723.5	385.9
Additional minimum liability (note 13).....	349.2	600.0
Deferred financing costs.....	722.2	1,039.8
Deferred income taxes.....	1,517.8	2,328.3
Others.....	4,732.1	4,772.2
Accumulated amortization.....	(8,265.3)	(10,420.5)
	-----	-----
	Ps 42,640.4	44,731.3
	-----	-----

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11. SHORT-TERM BANK LOANS AND NOTES PAYABLE

As of December 31, 2001 and 2002, consolidated short-term debt by type of financing and currency, as well as the weighted-average interest rates, which include the effects of derivative financial instruments negotiated to exchange interest rates as well as interest rates and currencies (see note 12), are summarized as follows:

	2001		2002	
		2001		2002
Current maturities of Euro medium-term notes	Ps	2,702.7		4,754.0
Revolving lines of credit.....		2,002.0		4,475.2
Commercial paper programs.....		1,801.8		3,107.8
Current maturities of other notes payable.....		1,329.0		102.9
Syndicated loans.....		851.9		703.8
Other loans and notes payable.....		1,598.3		1,319.1
		-----		-----
	Ps	10,285.7		14,462.8

	2001	Weighted average interest rate	2002	Weighted average interest rate
Dollar.....Ps	8,929.6	4.56%	6,586.6	3.10%
Japanese Yen.....	-	-	6,279.9	3.15%
Euros.....	880.4	4.07%	593.5	3.66%
Mexican Pesos.....	-	-	675.0	8.79%
Egyptian Pounds.....	354.7	11.42%	319.5	11.01%
Other currencies.....	121.0	12.99%	8.3	8.72%
Ps	10,285.7		14,462.8	

As of December 31, 2001 and 2002, in order to: i) hedge contractual cash flows of certain financial debt with floating rates or, exchange floating for fixed interest rates of a portion of debt, and ii) reduce the financial cost of a portion of financial debt originally contracted in dollars or pesos, the Company has contracted derivative financial instruments related to short-term debt, which are listed below:

As of December 31, 2001, related to short-term debt, there were interest rate swaps to exchange fixed for floating interest rates, with a notional amount of U.S.\$300 million and an estimated fair value gain of U.S.\$0.2 million (Ps2.1), which was not recognized in the balance sheet or in the income statement pursuant to their hedging characteristics (see note 2N). These instruments were settled during 2002, realizing an approximate loss of U.S.\$0.3 million (Ps3.1), recognized as part of the Comprehensive Financing Result. Likewise, as of December 31, 2002, the Company held interest rate swaps to exchange floating for fixed interest rates, negotiated and designated as accounting hedges of contractual cash flows (interest payments) of the related debt, with a notional amount of U.S.\$306 million and an estimated fair value loss of U.S.\$24.4 million (Ps253.3), recognized in other short-term accounts payable against stockholders' equity. This amount will be reversed through the income statement as the financial expense of the related financing debt is accrued. Periodic cash flows generated by interest rate swaps are recorded in financial expense as an adjustment to the effective interest rate of the related debt. As of December 31, 2001 and 2002, outstanding interest rate swaps covered approximately 34% and 48%, respectively, of the short-term debt denominated in dollars.

As of December 31, 2002, there are Cross Currency Swaps ("CCS"), through which the Company exchanges the originally contracted interest rates and currencies on certain notional amounts of short-term debt, and are described below:

(Amounts in millions) Related debt	Maturity dates	Currencies		Interest rates			Estimated fair value
		Notional amount	Amount in new currency	CEMEX receives*	CEMEX pays	Effective interest rate	
Mexican peso to dollar Short-term notes.....	Jan 03 - Jun 03	Ps1,500	U.S.\$145	TIIE+5bps	L +29bps	2.25%	U.S.\$ (9.6)
Dollar to Yen Short-term notes.....	Jun 03 - Jun 05	U.S.\$180	Yen 20,459	L + 183bps	3.16%	3.16%	6.1
							U.S.\$ (3.5)

* TIIE refers to Interbank Offering Rate in Mexico. LIBOR ("L") represents the London Interbank Offering Rate. Basis points ("bps") are decimals of interest rate, i.e., 1% = 100 basis points.

The periodic cash flows of CCS, arising from the exchange of interest rates as

determined over the notional amounts in the new currencies, are recorded in financial expense as part of the effective interest rate of the related debt. The CCS have not been designated as accounting hedges; therefore, the Company recognizes the estimated fair value of the CCS as either assets or liabilities in the balance sheet and the changes in fair value through the income statement. Likewise, all financial assets and liabilities with the same maturity and that are intended to be settled simultaneously, have been offset for presentation purposes, in order to reflect the cash flows that the Company expects to receive or pay upon settlement of these financial instruments.

In respect to the estimated fair value of the short-term CCS as of December 31, 2002, a net liability of U.S.\$3.5 million (Ps36.3) was recognized, of which a loss of approximately U.S.\$2.9 million (Ps30.1), directly related to variations in exchange rates between the inception of the CCS and the balance sheet date, was offset for presentation purposes as part of the carrying amount of the underlying debt, and income of U.S.\$0.5 million (Ps5.2), identified with the periodic cash flows for the interest rate swaps, was recognized as an adjustment of the related financing interest payable. The remaining liability of U.S.\$1.1 million (Ps11.4) is presented in the consolidated balance sheet, decreasing other short-term receivables.

In addition, as of December 31, 2001 and 2002, there are call option contracts negotiated with financial institutions to exchange floating for fixed interest rates (swaptions) for a notional amount of U.S.\$1,506 million and U.S.\$1,000 million, respectively. For the sale of these options, the Company received premiums of approximately U.S.\$12.2 million (Ps126.6) in 2001 and U.S.\$57.6 million (Ps597.9) in 2002. These options have varying maturities until March 2003, and grant the counterparties the option to elect, at maturity of the options and on market conditions, to receive from CEMEX fixed rates and pay to CEMEX variable rates for a five-year period or request net settlement in cash. As of December 31, 2001 and 2002, premiums received, as well as the changes in the estimated fair value of these contracts, which represented losses of approximately U.S.\$30.1 million (Ps312.4) and U.S.\$110.9 million (Ps1,151.1), respectively, were recognized in the Comprehensive Financing Result. During 2001 and 2002, the call options that expired resulted in losses of approximately U.S.\$3.4 million (Ps35.3) and U.S.\$92.3 million (Ps958.1), respectively, which were recognized in the Comprehensive Financing Result. Currently, the Company cannot predict if market conditions prevailing at maturity of these options would cause the counterparties to exercise them or to elect for a cash settlement.

12. LONG-TERM BANK LOANS AND NOTES PAYABLE

As of December 31, 2001 and 2002, the consolidated long-term debt and interest rates, including the effects of derivative financial instruments negotiated to exchange interest rates as well as interest rates and currencies, is summarized as follows (note 12A and B):

	2001	Original rate	Weighted- average interest rate	Determination of weighted-average rate
Bank loans				
Syndicated loans, 2002 to 2005.....Ps	14,973.4	Floating	3.75%	A LIBOR + 103 bps
Bank loans, 2002 to 2006.....	9,259.0	Floating	3.54%	LIBOR + 87 bps
Bank loans, 2002 to 2005.....	298.7	Fixed	7.30%	-
	24,531.1			
Notes payable				
Euro medium-term notes, 2002 to 2009.....	11,611.5	B Fixed	7.30%	-
Medium-term notes, 2002 to 2008.....	9,058.6	B Floating	3.65%	A LIBOR + 204 bps
Medium-term notes, 2002 to 2008.....	3,495.0	B Fixed	1.81%	-
Other notes, 2002 to 2011.....	647.1	Floating	2.04%	LIBOR + 11 bps
Other notes, 2002 to 2011.....	604.3	Fixed	8.56%	-
	25,416.5			
	49,947.6			
Current maturities.....	(6,455.6)			
	Ps 43,492.0			

	2001	Original rate	Weighted-average interest rate	Determination of weighted-average rate
Bank loans				
Syndicated loans, 2003 to 2007..... Ps	9,207.6	Floating	2.31%	A LIBOR + 86 bps
Syndicated loans, 2003 to 2005.....	8,304.0	Fixed	4.13%	-
Bank loans, 2003 to 2007.....	7,919.0	Floating	2.59%	A LIBOR + 120 bps
Bank loans, 2003 to 2009.....	261.5	Fixed	6.50%	-

	25,692.1			
Notes payable				
Euro medium-term notes, 2003 to 2009.....	7,535.8	B Fixed	10.61%	-
Medium-term notes, 2003 to 2009.....	7,424.9	B Floating	2.19%	LIBOR + 80 bps
Medium-term notes, 2003 to 2008.....	10,489.5	B Fixed	4.00%	-
Other notes, 2003 to 2006.....	52.8	Floating	2.45%	LIBOR + 96 bps
Other notes, 2003 to 2009.....	959.1	Fixed	4.20%	-

	26,462.1			

	52,154.2			
Current maturities.....	(6,753.2)			

Ps	45,401.0			
	=====			

In April 2002, the Company completed a tender offer for the early redemption of the Company's 12.7% U.S.\$300 million notes, maturing in 2006, pursuant to which approximately U.S.\$208.4 million principal amount was redeemed. As of December 31, 2002, the outstanding balance of these notes is U.S.\$91.6 million. In 2002, related to the early redemption, an expense of approximately U.S.\$54 million (Ps560.5) was recognized in other expenses, net.

As of December 31, 2001 and 2002, consolidated long-term debt by currency, including the CCS effects, is summarized as follows (note 12B):

		2001	2002
Dollars..... Ps		31,701.8	34,562.4
Euros.....		3,479.8	6,580.1
Japanese Yen.....		7,547.9	2,387.4
Mexican Pesos..... -		-	1,499.9
Egyptian Pounds.....		680.7	367.9
Other currencies.....		81.8	3.3
		-----	-----
	Ps	43,492.0	45,401.0
		=====	=====

As of December 31, 2001 and 2002, the Yen to Dollar exchange rates were 131.57 and 118.80, respectively, and the Euro to Dollar exchange rates were 1.135 and 0.952, respectively.

The maturities of long-term debt as of December 31, 2002 are as follows:

	Consolidated
2004..... Ps	19,244.4
2005.....	6,408.5
2006.....	6,272.5
2007.....	2,485.5
2008 and thereafter	10,990.1

	Ps 45,401.0

As of December 31, 2002, the Company and its subsidiaries have the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging from 1.45% to 15.6%, depending on the negotiated currency:

	Line of Credit	Available
	-----	-----
European commercial paper (U.S.\$600 million).....	Ps 6,228.0	5,013.5
U.S. commercial paper (U.S.\$275 million).....	2,854.5	934.2
Mexican commercial paper (Ps2,500 million).....	2,500.0	650.0
Syndicated loan (U.S.\$400 million).....	4,152.0	-
Promissory notes (Ps5,000 million).....	5,000.0	3,346.0
Lines of credit of foreign subsidiaries.....	4,407.6	2,102.3
Other lines of credit from Mexican banks.....	830.4	-
Other lines of credit from foreign banks.....	4,463.4	721.4
	-----	-----
	Ps 30,435.9	12,767.4
	=====	=====

In the consolidated balance sheet at December 31, 2001 and 2002, there were short-term debt transactions amounting to U.S.\$546 million (Ps5,465.4) and U.S.\$450 million (Ps4,671.0), classified as long-term debt due to the Company's ability and the intention to refinance such indebtedness with the available amounts of the committed long-term lines of credit.

As of December 31, 2001 and 2002, in order to: i) hedge contractual cash flows of certain financial debt with floating rates or exchange floating for fixed interest rate of a portion of debt (see note 12A), and ii) reduce the financial cost of debt originally contracted in dollars or pesos (see note 12B), the Company has negotiated derivative financial instruments related to long-term debt, which are described below:

A) Interest Rate Swap Contracts.

The information of interest rate swaps related to long-term financial debt is summarized as follows:

(U.S. dollars millions)							
Related debt	Notional amounts	Debt currency	Maturity date	CEMEX receives*	CEMEX pays	Effective interest rate	Estimated fair value

Interest rate swaps in 2001							
Medium-term notes.....	711	Dollar	Mar 06 - Mar 08	7.80%	L + 249 bps	4.18%	U.S.\$ 5.7
Bank loans.....	850	Dollar	Oct 2002	L + 33.5 bps	2.71%	4.52%	(1.2)
Syndicated loans.....	722	Euro	Dec 2004	E + 77 bps	L + 24 bps	2.06%	(0.1)
	-----						-----
	2,283						U.S.\$ 4.4
	=====						=====
Interest rate swaps in 2002							
Bank loans.....	300	Dollar	Jul 2007	LIBOR	4.15%	5.53%	U.S.\$(20.1)
Syndicated loans.....	500	Dollar	Aug 2007	LIBOR	4.07%	4.07%	(28.0)
	-----						-----
	800						U.S.\$(48.1)
	=====						=====

* EURIBOR ("E") represents the Euro Interbank Offering Rate. LIBOR ("L") represents the London Interbank Offering Rate. Basis points ("bps") are decimals of interest rate, i.e., 1% = 100 basis points.

Periodic cash flows generated by these instruments are recorded in interest expense, as part of the effective interest rate of the related debt. As of December 31, 2001, the estimated fair value gain of the interest rate swaps was not recognized for accounting purposes given their hedge characteristics (see note 2N), except for a portion of the estimated fair value loss of the swap related to the Euro, given that the line of credit in Euros equivalent to U.S.\$722 million was not entirely withdrawn. As of December 31, 2002, the estimated fair value of the interest rate swaps to exchange floating for fixed rates, designated as accounting hedges to the contractual cash flows of the related debt (interest payments), had an approximate loss of U.S.\$48.1 million (Ps499.3) that was recognized in other long-term accounts payables against stockholders' equity, and will be reversed through the income statement as the financial expense of the related financing debt is accrued. During 2001 and 2002, in agreement with the financial counterparties, the Company settled the

The periodic cash flows on these instruments arising from the exchange of interest rates, as determined over the new currency amounts, are recorded in interest expense as part of the effective interest rate of the related debt. The CCS have not been designated as accounting hedges; therefore, the Company recognizes the estimated fair values of the CCS as assets or liabilities in the balance sheet, and the changes in such estimated fair values through the income statement. All financial assets and liabilities with the same maturity and that are intended to be settled simultaneously have been offset for presentation purposes in order to reflect the cash flows that the Company expects to receive or pay upon settlement of the financial instruments.

As of December 31, 2001, in respect of the estimated fair value recognition of the CCS, the Company recorded a net asset of U.S.\$242.9 million (Ps2,431.4) against the Comprehensive Financing Result, of which a gain of approximately U.S.\$175.9 million (Ps1,760.7) directly related to variations in exchange rates between the inception of the CCS and the balance sheet date was offset for presentation purposes as part of the underlying debt carrying amount and a gain of approximately U.S.\$14.8 million (Ps148.1) related to periodic cash flow exchanges (interest payments) was recognized

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as an adjustment of the related financing interest payable. The remaining net asset of U.S.\$52.2 million (Ps522.5) was recognized in the consolidated balance sheet within other long-term receivables.

As of December 31, 2002, related to the estimated fair value of the CCS, the Company recognized a net asset of U.S.\$244.9 million (Ps2,542.1), of which U.S.\$194.2 million (Ps2,015.8) relates to a prepayment made to a yen obligation and is presented decreasing the carrying amount of the related debt, while U.S.\$50.7 million (Ps526.3), which represents the CCS' estimated fair value before prepayment effects, includes a loss of approximately U.S.\$17.1 million (Ps177.5), which is directly related to variations in exchange rates between the inception of the CCS and the balance sheet date, and was offset for presentation purposes as part of the related debt carrying amount, and a gain of approximately U.S.\$25.4 million (Ps263.6), identified with the periodic cash flows for the interest rates swap, was recognized as an adjustment of the related financing interest payable. The remaining net asset of U.S.\$42.4 million (Ps440.1) was recognized within other short and long-term receivables for U.S.\$12.1 million (Ps125.6) and U.S.\$30.3 million (Ps314.5), respectively. For the years ended December 31, 2001 and 2002, the changes in the CCS' estimated fair value, excluding prepayment effects in 2002, resulted in a gain of approximately U.S.\$191.6 million (Ps1,917.9) and a loss of approximately U.S.\$192.2 million (Ps1,995.0), respectively, which were recognized within the Comprehensive Financing Result.

As of December 31, 2001 and 2002, the effect of having made the accounting assets and liabilities offset, mentioned above, is that the book value of the financial indebtedness directly related to the CCS is presented as if it had been effectively negotiated in the exchanged currencies instead of in the originally negotiated currencies. Assuming the early liquidation of the CCS, the financial liabilities and related financial expense in respect of the underlying financial indebtedness, would be established beginning as of the settlement, in the rates and currencies originally contracted.

Additionally, as of December 31, 2001 and 2002, there are other currency instruments with notional amounts of U.S.\$100 million and U.S.\$104.5 million, respectively, maturing in July and August 2003, related to financial debt expected to be negotiated in the near future. These contracts had an estimated fair value gain of U.S.\$8.9 million (Ps89.1) in 2001 and a loss of U.S.\$6.8 million (Ps70.6) in 2002, recognized within the Comprehensive Financing Result.

The estimated fair values of derivative instruments used for the exchange of interest rates and/or currencies fluctuate over time and will be determined by future interest rates and currency prices. These values should be viewed in

relation to the fair values of the underlying transactions and as part of the overall Company's exposure to fluctuations in interest rates and foreign exchange rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties and consequently, there is no direct measure of the Company's exposure to the use of these derivatives. The amounts exchanged in cash are determined based on the basis of the notional amounts and other terms included in the derivative financial instruments.

C) Guaranteed Debt.

As of December 31, 2001 and 2002, CEMEX Mexico and ETM jointly, fully and unconditionally guarantee indebtedness of the Company for an aggregate amount of U.S.\$2,196 million and U.S.\$2,339 million, respectively. The combined summarized financial information of these guarantors as of December 31, 2001 and 2002 is as follows:

		2001	2002
		-----	-----
Assets.....	Ps	120,912.8	114,023.5
Liabilities.....		101,124.6	54,378.2
Stockholders' equity.....		19,788.2	59,645.3
		-----	-----
Net sales.....	Ps	22,604.3	21,753.3
Operating income.....		1,616.6	3,405.4
		-----	-----
Net income.....		10,357.6	434.2
		-----	-----

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

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13. PENSION PLANS, SENIORITY PREMIUM AND OTHER POSTRETIREMENT BENEFITS

The net periodic cost of pension plans, seniority premium and other postretirement benefits, for the years ended December 31, 2000, 2001 and 2002 (see note 2J), are as follows:

Components of net periodic cost:		2000	2001	2002
		-----	-----	-----
Service cost.....	Ps	230.2	325.0	274.4
Interest cost.....		162.6	289.3	282.7
Actuarial return on plan assets.....		(109.2)	(348.0)	(362.0)
Amortization of prior service cost, changes in assumptions and experience adjustments.....		0	5	4
Results from extinguishment obligations.....		29.	49.	55.
		-	-	(44.1)
		-----	-----	-----
	Ps	312.6	315.8	206.4
		-----	-----	-----

The following table presents the reconciliation of the actuarial value of postretirement benefit obligations and the funded status (see note 2J), as of December 31, 2001 and 2002:

		2001	2002
		-----	-----
Change in benefit obligation:			
Projected benefit obligation ("PBO") at beginning of year.....	Ps	4,840.7	5,219.8

Service cost.....	325.0	274.5
Interest cost.....	289.3	282.7
Actuarial result.....	15.5	195.9
Acquisitions.....	-	397.5
Initial valuation of other postretirement benefits.....	155.6	10.8
Foreign exchange fluctuations and inflation adjustments.....	(15.3)	63.0
Extinguishment of obligations.....	-	(159.4)
Benefits paid.....	(391.0)	(326.7)
	-----	-----
Projected benefit obligation ("PBO") at end of year.....	5,219.8	5,958.1
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year.....	4,008.2	4,770.9
Real return on plan assets.....	389.7	(281.1)
Acquisitions.....	-	292.8
Foreign exchange fluctuations and inflation adjustments.....	(65.6)	68.4
Employer contributions.....	636.5	101.4
Extinguishment of obligations.....	-	(177.7)
Benefits paid from the funds.....	(197.9)	(192.1)
	-----	-----
Fair value of plan assets at end of year.....	4,770.9	4,582.6
	-----	-----
Amounts recognized in the balance sheets consist of:		
Funded status.....	448.9	1,375.5
Unrecognized prior service cost.....	(858.1)	(782.7)
Unrecognized net actuarial results.....	(663.5)	(1,578.7)
	-----	-----
Accrued benefit liability (prepayment).....	(1,072.7)	(985.9)
Additional minimum liability.....	349.2	600.0
	-----	-----
Net liability (prepayment) recognized in the balance sheet.....	Ps (723.5)	(385.9)
	=====	=====

As of December 31, 2001 and 2002, the actual benefit obligation ("ABO"), equivalent to the PBO not considering salaries increases, amounted to Ps4,442.6 and Ps4,603.7, respectively, of which the vested portion was Ps1,101.3 as of December 31, 2001 and Ps1,168.6 in 2002.

The Company recognizes an additional minimum liability and an intangible asset or charge to stockholders' equity in those individual cases when the net projected liability (funded status less amortizing items) exceeds the net actual liability (ABO less plan assets). As of December 31, 2001 and 2002, the Company recognized a minimum liability and an intangible asset of Ps349.2 and Ps600.0, respectively.

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As of December 31, 2001 and 2002, the net periodic cost and the actuarial value of postretirement benefits, include the cost and obligations of postretirement benefits other than pensions, such as seniority premiums granted by law, as well as health care and life insurance benefits that the Company has granted to retirees. For the years ended December 31, 2001 and 2002, the net periodic cost includes Ps49.1 and Ps75.3, representing the approximate cost corresponding to postretirement benefits other than pensions, respectively.

Prior service cost and net actuarial results are amortized over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is 18 years and for other postretirement benefits is 13 years.

As of December 31, 2001 and 2002, the plan assets are mainly composed of fixed return instruments and stock of companies traded in formal stock exchanges.

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

	2000	2001	2002
	-----	-----	-----
Range of discount rates used to reflect the obligations' present value	3.5 % - 7.8%	3.5 % - 7.1%	3.0% - 7.0%
Weighted average rate of return on plan assets.....	8%	8%	7.8%
	-----	-----	-----

During 2002, the subsidiary of CEMEX in Spain, in agreement with its

employees, changed the structure of most of its defined benefit plans, replacing them with defined contribution structures. In connection to this change, the subsidiary contributed, on behalf of its employees covered by the new plans, assets for an amount equivalent to the obligation value as of the date of the exchange. These assets were already restricted within the previous plans. As a result of writing off the projected benefit obligations and the non-amortized items, net of the assets contributed, as of December 31, 2002, for the change in the plans' structure, no significant effect was reflected in the income statement.

14. STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

The authorized capital stock of the Company as of December 31, 2002 is as follows:

	Series A (1)	Series B (2)
	-----	-----
Subscribed and paid shares.....	3,331,300,154	1,665,650,077
Treasury shares (3).....	166,400,476	83,200,238
Unissued shares authorized for Executive Stock Option Plans.....	116,526,096	58,263,048
	-----	-----
	3,614,226,726	1,807,113,363
	-----	-----

- (1) Series "A" or Mexican shares must represent at least 64% of capital stock.
- (2) Series "B" or free subscription shares must represent at most 36% of capital stock.
- (3) Includes the shares acquired under the share repurchase program, and those shares authorized by the Ordinary Stockholders' Meeting of April 25, 2002, which have not been subscribed.

Of the total number of shares, 3,267,000,000 correspond to the fixed portion and 2,154,340,089 correspond to the variable portion.

On April 25, 2002, the Annual Stockholders' Meeting approved: (i) a reserve for share repurchase of up to Ps5,000.0 (nominal amount), under which, as of December 31, 2002, shares equivalent to 7,609,200 CPOs have been repurchased, representing a reduction in the repurchase reserve of Ps362.2; (ii) an increase in the variable capital stock through the capitalization of retained earnings for up to Ps3,213.1 (nominal amount), by the issuance of shares, as a stock dividend, equivalent to up to 140,000,000 CPOs, at a subscription value of Ps46.336 (nominal amount) per CPO, or instead, stockholders could have chosen to receive Ps2.00 (nominal amount) in cash for each CPO. As a result, shares equivalent to 64,408,962 CPOs were subscribed and paid, representing an increase in common stock of Ps2.2 and in additional paid-in capital of Ps3,082.2, while a cash payment of approximately Ps232.5 was made during 2002; and (iii) the cancellation of 169,206,112 Series "A" shares and 84,603,056 Series "B" shares that were held in the Company's treasury.

In September 2000, the Company established a share repurchase program through the Mexican Stock Exchange ("MSE"), approved by its board of directors, for up to U.S.\$500 million. This program was effective from October 2000 to December

2001. During 2000 and 2001, under this program, a total of 3,086,000 CPOs and 4,978,000 CPOs, respectively, were acquired, resulting in a common stock reduction of Ps0.1 in 2000 and Ps0.2 in 2001, and in the repurchase reserve of Ps130.9 in 2000 and Ps222.1 in 2001. On April 26, 2001, at the Annual Stockholders' Meeting, shares equivalent to 3,086,000 CPOs were cancelled. The 4,978,000 remaining CPOs were acquired in 2001 after the meeting.

B) RETAINED EARNINGS

Retained earnings as of December 31, 2002, include Ps69,885.4 of earnings generated by subsidiaries and affiliated companies that are not available to be paid as dividends by CEMEX until these entities distribute such amounts to CEMEX. Additionally, retained earnings include a share repurchase reserve in the amount of Ps5,137.5. Net income for the year is subject to a 5% allocation toward a legal reserve until such reserve equals one fifth (20%) of the common stock. As of December 31, 2002, the legal reserve amounted to Ps1,249.6.

Earnings distributed as dividends in excess of tax earnings will be subject to tax payment at a 34% rate, in which case, only 66% of retained earnings may be distributed to the shareholders.

C) EFFECTS OF INFLATION

The effects of inflation on majority interest stockholders' equity as of December 31, 2002 are as follows:

		Historical cost	Inflation adjustment	Total
		-----	-----	-----
Common stock.....	Ps	55.5	3,305.8	3,361.3
Additional paid-in capital.....		16,983.8	13,913.6	30,897.4
Deficit in equity restatement.....		-	(61,861.3)	(61,861.3)
Cumulative initial deferred income tax effects.....		(4,697.9)	(498.9)	(5,196.8)
Retained earnings.....		50,097.8	36,927.2	87,025.0
Net income.....	Ps	5,339.9	60.5	5,400.4
		=====	=====	=====

D) FOREIGN CURRENCY TRANSLATION

The foreign currency translation results recorded in stockholders' equity for the years ended December 31, are summarized as follows:

		2000	2001	2002
		-----	-----	-----
Foreign currency translation adjustment.....	Ps	(872.4)	(2,438.5)	6,370.2
Foreign exchange gain (loss) (1)		(181.8)	751.3	(2,576.7)
	Ps	(1,054.2)	(1,687.2)	3,793.5
		=====	=====	=====

(1) Foreign exchange results from the financing identified with the acquisitions of foreign subsidiaries.

The foreign currency translation adjustment includes foreign exchange results of financing related to the acquisition of foreign subsidiaries made by the Company's subsidiary in Spain of expenses of Ps659.9 in 2000 and Ps44.8 in 2001 and income of Ps151.4 in 2002.

E) PREFERRED STOCK

In February 2002, the Company renegotiated the preferred stock issued in November 2000 by a Dutch subsidiary for U.S.\$1,500 million with an original maturity in May 2002; as a result, preferred stock in the amount of U.S.\$250 million was redeemed and the maturity of the balance outstanding as of December 31, 2002 of U.S.\$650 million (Ps6,747) was extended, of which U.S.\$195 million will mature in February 2004 and U.S.\$455 million will mature in August 2004. The Company also negotiated the possibility of increasing the program up to U.S.\$1,200 million. During 2001, the Company redeemed a portion of the then outstanding preferred stock in the amount of U.S.\$600 million, and at year-end 2001, the balance outstanding was U.S.\$900 million (Ps9,834.2).

The preferred stock, which is mandatorily redeemable upon maturity, grants its holders 10% of the subsidiary's voting rights, as well as the right to receive a guaranteed variable preferred dividend. Holders of the preferred stock have the option, in certain circumstances, to subscribe for additional preferred stock or common shares for up to 51% of the subsidiary's voting rights. This transaction is included as minority interest. Preferred dividends declared during 2000, 2001 and 2002 of approximately U.S.\$17 million (Ps174.6), U.S.\$76 million (Ps778.5) and U.S.\$23.2 million (Ps235.0), respectively, were recognized as part of minority interest in the consolidated income statements.

Related to the capital securities issued in 1998 by a subsidiary of CEMEX in Spain for U.S.\$250 million with an annual dividend rate of 9.66%, in April 2002, through a tender offer, U.S.\$184 million of capital securities were redeemed. The amount paid to the holders in excess of the nominal amount of the capital securities pursuant the early redemption of approximately U.S.\$20 million (Ps207.6) was recorded against stockholders' equity. The balance outstanding at December 31, 2001 and 2002 was U.S.\$250 million (Ps2,502.5) and U.S.\$66 million (Ps685.1), respectively. The Company has an option to repurchase the remaining securities on November 15, 2004, or on any subsequent dividend payment date. Additionally, the holders have the right to sell them to the Company on May 15, 2005. This transaction is recorded as minority interest. Preferred dividends declared on the capital securities during 2000, 2001 and 2002 of approximately U.S.\$24.2 million (Ps253.1), U.S.\$24.2 million (Ps245.6) and U.S.\$11.9 million (Ps120.0), respectively, were recognized as part of the minority interest in the consolidated income statements.

F) OTHER EQUITY TRANSACTIONS

In December 2001, the Company concluded a simultaneous and voluntary public purchase and sale offer for its warrants and an exchange offer for its ADWs, outstanding as of the offer date, in exchange for new warrants and new ADWs maturing in December 2004, under a one for one exchange ratio. Of the total 105 million warrants and ADWs, originally issued in December 1999 by means of a public offer in the MSE and the NYSE for a term of three years maturing in December 2002, 103,790,945, representing 98.85% of the total warrants under this program, were presented and exchanged for new warrants and ADWs. The new warrants and new ADWs trade on the MSE and the NYSE, respectively, meeting the distribution requirements of both exchanges, while the old warrants and old ADWs that were not exchanged expired in December 2002. During 2001, except for the normal fees required to carry out the previously mentioned public offer, the Company did not incur any gain or loss on this transaction. The warrants permit the holders to benefit from the future increases in the market price of the Company's CPO above the strike price, which originally was 6.20 dollars per warrant, within certain limits and subject to technical adjustments. The benefit, should any exist, will be paid in CPOs of the Company. The warrants were subscribed as American Depositary Warrants ("ADWs") listed on the NYSE; each ADW is equivalent to 5 warrants. All the CPOs and ADSs required to cover the warrants future exercises, for the old program and the new warrants, are available through equity forward contracts with financial institutions (see note 16A).

As of December 31, 2001 and 2002, there is a transaction totaling U.S.\$96.3 million (Ps964.0) and U.S.\$90.6 million (Ps940.3), respectively, through which, in December 1995, the Company transferred financial assets to a trust, while simultaneously investors contributed U.S.\$123.5 million in exchange for notes representing a beneficial interest in the trust. The Company has the option to reacquire the related assets at different dates until maturity in 2007. This transaction is included as minority interest. The Company's cost of retaining its option to reacquire the related assets during 2000, 2001 and 2002 was approximately U.S.\$14.4 million (Ps149.7), U.S.\$13.8 million (Ps138.1) and U.S.\$13.2 million (Ps136.8), respectively, and was recorded as part of the financial expense in the consolidated income statements.

G) COMPREHENSIVE NET INCOME (LOSS)

The main items included in the comprehensive net income (loss) for the years ended December 31, 2000, 2001 and 2002 are as follows:

	2000	2001	2002
Majority interest net income.....	Ps 10,389.1	11,789.8	5,400.4
Deficit in equity restatement:			
Effects from holding non-monetary assets.....	(2,958.5)	(2,629.4)	(9,680.7)
Foreign currency translation adjustment.....	(872.4)	(2,438.5)	6,370.2
Capitalized foreign exchange result (note 14D).....	(181.8)	751.3	(2,576.7)
Additional minimum liability.....	(208.4)	208.4	-
Valuation of investments available for sale (note 8B).....	215.2	(794.1)	-
Hedge derivative instruments (notes 11,12 and 16).....	92.3	-	(2,171.0)
Deferred income tax of the year charged directly to stockholders' equity (note 17).....	1,016.9	439.9	1,016.7
Equity instruments' early redemption results.....	-	-	(207.6)
Inflation effect on equity 1.....	(6.4)	103.8	-
Deficit in equity restatement.....	(2,903.1)	(4,359.1)	(7,249.1)
Cumulative initial deferred income tax effects.....	(5,196.8)	-	-
Other comprehensive income (loss).....	(8,099.9)	(4,359.1)	(7,249.1)
Majority comprehensive net income (loss).....	2,289.2	7,430.7	(1,848.7)
Minority interest.....	810.5	1,534.7	384.7
Total comprehensive net income (loss).....	Ps 3,099.7	8,965.4	(1,464.0)

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

15. EXECUTIVE STOCK OPTION PROGRAMS

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

Options	Fixed program (A)	Special program (B)	Variable program (C)	Voluntary programs (D)
As of December 31, 2000.....	56,468,650	-	-	22,077,878
Changes in 2001:				
Granted.....	13,040,992	-	88,937,805	-
Redeemed.....	(57,448,219)	-	-	-
Canceled.....	(237,538)	-	-	-
Exercised.....	(3,128,489)	-	-	(1,861,918)
As of December 31, 2001.....	8,695,396	-	88,937,805	20,215,960
Changes in 2002:				
Granted.....	-	4,963,775	16,949,800	2,120,395
Exercised.....	(2,119,871)	-	(7,294,781)	(6,287,050)
As of December 31, 2002.....	6,575,525	4,963,775	98,592,824	16,049,305
Exercise prices in 2002:				
Exercise price in pesos *.....	28.86	-	-	-
Exercise price in dollars *.....	-	5.01	5.04	4.78
At December 31, 2002:				
Exercise price in pesos *.....	30.19	-	-	-
Exercise price in dollars *.....	-	5.01	5.14	4.65
Exercise price.....	Fixed	Fixed	Floating	Floating
Remaining average life.....	4.2 years	9.0 years	9.1 years	1.8 years

* Weighted average exercise price per CPO.

A) Fixed program

Through October 31, 2001, the Company had granted to its executives a stock option program ("fixed program") for the acquisition of the Company's common stock in the form of CPOs. This program was replaced in November 2001 through

a voluntary exchange program (see "variable program"). In 1995, the Company was authorized to grant to eligible executives, stock option rights, for a 10 year tenure after issuance, to subscribe for up to 72,100,000 CPOs, which would be issued through the exercise of the options, increasing the balance of common stock, additional paid-in capital and the outstanding number of shares. The exercise price of the options granted, established in Mexican pesos and fixed throughout the life of the program, was equivalent to the market price of the CPO at the grant date. Exercise prices reflect technical antidilution adjustments for stock dividends. The executives' option rights may be exercised up to 25% annually during the first four years after having been granted. The CPOs issued upon the exercise of options were paid at their assigned exercise prices, generating additional paid-in capital of Ps111.0 and Ps72.9 during 2001 and 2002, respectively.

B) Special program

During 2002, as part of the agreements resulting from the acquisition of CEMEX, Inc. (formerly Southdown), a stock option program to purchase CEMEX ADSs ("special program"), was established for CEMEX, Inc.'s executives. The options granted have a fixed exercise price in dollars, equivalent to the market price of the ADS as of the grant date, and have a 10 year tenure. The executives' option rights may be exercised up to 25% annually during the first four years after having been granted. The options exercises are hedged with shares currently owned by subsidiaries, potentially increasing the stockholders' equity balance and the outstanding number of shares.

C) Variable program

In order to better align the executives' interests with those of the shareholders, in November 2001, the Company implemented a voluntary options exchange to establish a stock option program with exercise prices denominated in U.S. dollars with annual increases during the option's life ("variable program"), reflecting the funding cost in the market, and with a 10 year tenure. The participating executives in the options exchange, representing 57,448,219 options, resigned their rights to subscribe and/or acquire shares of the Company's common stock, by the issuance of new CPOs, in exchange for cash equivalent to the intrinsic value of their options at the exchange date and the issuance of new options, equivalent in number to the time value of their redeemed options, determined by the appropriate valuation model for each particular executive, which resulted in 2001 in the issuance of 88,937,805 options under the variable program. Except for the options issued through the exchange, where 50% of the option's exercise rights were vested, with an additional 25% annual vesting over the next two anniversaries, for subsequent option grants, executives' option rights may be exercised up to 25% annually during the first four years after having been granted. During 2001, by means of the exchange program, a compensatory cost of approximately Ps659.9 was recognized in other expenses, net.

D) Voluntary programs

During 1998 and 1999, the Company established voluntary stock option programs ("voluntary programs"), through which the executives elected to purchase options covering a total of 36,468,375 CPOs (7,293,675 ADSs). These options are exercisable quarterly over a 5-year period and have a predefined exercise price which increases quarterly in dollars, taking into account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the CPO price.

Likewise, during 2002, a voluntary stock option program was established, through which the executives elect to purchase, on a monthly basis, new options for up to a number equivalent to those exercised in the same period within the variable program and that were originated by the exchange. During 2002, the Company sold 2,120,395 options and received a premium equivalent to a percentage of the CPO price, which amounted to U.S.\$1.5 million (Ps15.6). The options under this program begin with the same characteristics, regarding remaining tenure, as those exercised within the variable program and with an exercise price equivalent to the price of the CPO on the issuance date of the options.

E) Options hedging activities

The potential exercise of options under the variable and voluntary programs require the Company to have availability of the CPOs or ADSs underlying the options; therefore, the Company has negotiated equity forward contracts in its own stock (see note 16A) in order to guarantee that shares would be available at prices equivalent to those established in the options, without the necessity of issuing new CPOs into the market; therefore, these programs do not increase the number of shares outstanding and consequently do not result in dilution in basic earnings per share.

Beginning in 2001, the Company recognizes the appreciation of the options under the variable and voluntary programs, resulting from the difference between the market price of the CPOs and the exercise prices established in the options, as

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a compensation cost in the income statement, which for the years ended December 31, 2001 and 2002 was U.S.\$14.7 million (Ps147.7) and U.S.\$5.0 million (Ps51.9), respectively. Likewise, the Company recognizes through the income statement, the changes in the estimated fair value of the equity forward contracts designated as hedges of these plans (see note 16A), which resulted in a gain of approximately U.S.\$28.7 million (Ps287.3) and a loss of approximately U.S.\$47.1 million (Ps488.9) as of December 31, 2001 and 2002, respectively.

16. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2001 and 2002, the derivative financial instruments negotiated by the Company, other than those related to financial debt (see notes 11 and 12), are summarized as follows:

	2001		2002	
	Notional amount	Estimated fair value	Notional amount	Estimated fair value
A) Equity forward contracts.....	1,395.9	81.0	1,445.1	(90.6)
B) Foreign exchange instruments	424.0	4.4	1,325.7	(201.4)
C) Derivatives on fuel oil.....	9.5	-	-	-
D) Derivatives related to energy projects....	177.0	(4.6)	177.0	(0.5)

Upon liquidation and at the Company's option, the equity forward contracts provide for physical settlement or net cash settlement of the estimated fair value, and the effects at settlement are recognized in the income statement or as part of stockholders' equity, according to their designation and the underlying instrument or program being hedged. At maturity, if these forward contracts are not settled or replaced, or if the Company defaults on the agreements established with the financial counterparties, such counterparties may sell the shares underlying the contracts. If any such sale were to occur, it may have an adverse effect on CEMEX and/or its subsidiaries' stock market price, may reduce the amount of dividends and other distributions that the Company would receive from its subsidiaries, and/or may create public minority interests that may adversely affect the Company's ability to realize operating efficiencies as a combined group.

A) As of December 31, 2001 and 2002, CEMEX had forward contracts for notional amounts of U.S.\$491.0 million and U.S.\$461.1 million, respectively, with an original maturity in December 2002 that was extended until December 2003, covering 21,000,000 ADSs (105,000,000 CPOs) in 2001 and 24,008,392 ADSs (120,041,960 CPOs) in 2002 as well as 33.8 million of CEMEX Spain's shares in both years. These contracts were negotiated to hedge future

exercises under the 105 million warrants program, which maturity was extended to December 2004 (see note 14F). The shares underlying these forward contracts were sold by the Company during 1999 for approximately U.S.\$905.7 million, and simultaneously approximately U.S.\$439.9 million toward the forwards' final price was prepaid. Until December 2002, when the contracts were renegotiated to extend their maturity, prepayments toward the forwards final price of approximately U.S.\$193.6 million were made. In December 2002, in order to conclude the renegotiation, the estimated fair value of the forwards was settled resulting in the recognition in stockholders' equity of a loss of approximately U.S.\$98.3 million (Ps1,020.3), arising from changes in the value of the underlying shares. In the financial statements as of December 31, 2001 and 2002, anticipated effect has been given to the liquidation of the forwards for the portion corresponding to CEMEX Spain's shares, due to the prepayment on the forwards and the withholding of all economic and voting rights over such shares. All additional effects arising from these contracts will be recognized at maturity as an adjustment to stockholders' equity. As of December 31, 2001 and 2002, the estimated fair value of these contracts was a gain of approximately U.S.\$98.8 million and U.S.\$69.1 million, respectively. As of the same dates, considering the renegotiation adjustments in 2002, prepayments of approximately U.S.\$151.8 million (Ps1,519.5) and U.S.\$95.3 million (Ps989.2), respectively, have been made and are included in other short-term accounts receivable (see note 5).

As of December 31, 2001 and 2002, there are forward contracts with different maturities until October 2006, for notional amounts of U.S.\$408.3 million and U.S.\$338.7 million, respectively, covering 15,986,689 ADSs in 2001 and 12,379,377 ADSs in 2002 negotiated to hedge the future exercise of the options under the variable stock option programs (see note 15). Starting in 2001 the estimated fair value of these contracts is recognized in the balance sheet as assets or liabilities against the income statement, in addition to the costs generated by the option programs, which the forwards are hedging. As of December 31, 2001 and 2002, the estimated fair value of these contracts was a gain of approximately U.S.\$3.3 million (Ps33.1) and a loss of approximately U.S.\$32.8 million (Ps340.5), respectively.

As of December 31, 2001 and 2002, there are forward contracts with different maturities until May 2003, for a notional amount of U.S.\$101.8 million and U.S.\$97.4 million, respectively, covering a total of 4,699,061 ADSs in 2001 and 3,626,243 ADSs in 2002 negotiated to hedge the future exercise of the options granted under the voluntary stock option programs (see note 15). Starting in 2001, the estimated fair value of these contracts is recognized in the

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balance sheet as assets or liabilities against the income statement, in addition to the costs generated by the option programs. As of December 31, 2001 and 2002, the estimated fair value was a gain of approximately U.S.\$25.4 million (Ps254.2) and a loss of approximately U.S.\$14.2 million (Ps147.4), respectively.

As of December 31, 2002, there are forward contracts maturing in August and September 2003, for a notional amount of U.S.\$95.5 million covering 21,510,500 CPOs, negotiated to hedge the purchase of CAH shares through the exchange for CEMEX CPOs that will be liquidated during 2003 (see note 8A). The effects to be generated upon settlement of the forward contracts will be recognized as an adjustment to the purchase price for the CAH shares. As of December 31, 2002, the estimated fair value of these contracts, which is not periodically recorded, had an approximate loss of U.S.\$2.1 million (Ps21.8).

As of December 31, 2001 and 2002, there are forward contracts for notional amounts of U.S.\$394.8 million and U.S.\$452.4 million, respectively, with different maturities until February 2006, covering a total of 13,069,855

ADSS in 2001 and 15,316,818 ADSS in 2002. Based on the Company's intention at maturity, which is to physically settle these contracts, the estimated fair value of these contracts is not periodically recognized. The effects of these contracts will be recognized at maturity as an adjustment to stockholders' equity. As of December 31, 2001 and 2002, the estimated fair value of these contracts reflected losses of approximately U.S.\$46.5 million and U.S.\$110.6 million, respectively. In addition, as of December 31, 2002, the Company had a third party equity forward contract for a notional amount of U.S.\$7.1 million, with an estimated fair value loss of approximately U.S.\$0.1 million (Ps1.1).

- B) In order to protect itself from variations in foreign exchange rates, the Company has entered into foreign exchange forward contracts for an approximate amount of U.S.\$424.0 million and U.S.\$1,266.0 million as of December 31, 2001 and 2002, respectively, with different maturities until July 2006. These contracts have been designated as hedges of the Company's net investment in foreign subsidiaries. The estimated fair value of these instruments is recorded in stockholders' equity as part of the foreign currency translation effect (see note 14D). In addition, during 2002, the Company negotiated foreign exchange options for a notional amount of U.S.\$59.7 million with maturity in November 2004, and an estimated fair value loss as of December 31, 2002 of approximately U.S.\$44.4 million (Ps460.9), which was recorded in the Comprehensive Financing Result.
- C) As of December 31, 2001, there were fuel oil forward contracts for a notional amount of U.S.\$9.5 million (Ps98.6), with an estimated fair value of U.S.\$26 thousand (Ps0.3).
- D) As of December 31, 2001 and 2002, the Company had an interest rate swap maturing in May 2017, for a notional amount of U.S.\$177 million in both years, negotiated to exchange floating for fixed interest rates, in connection with agreements entered into by the Company for the acquisition of electric energy for a 20-year period starting in 2003 (see note 21F). During the life of the derivative contract and over its notional amount, the Company will pay LIBOR rates and will receive a 7.33% fixed rate until February 2003 and a 7.53% fixed rate from March 2003 to May 2017. In addition, during 2001 the Company sold a floor option for a notional amount of U.S.\$177 million, related to the interest rate swap contract, pursuant to which, starting in 2003 and until 2017, the Company will pay the difference between the 7.53% fixed rate and the LIBOR rates. Through the sale of this option, the Company received a premium of approximately U.S.\$22 million (Ps220.2). As of December 31, 2001 and 2002, the premium received and the combined estimated fair value of the swap and floor contracts, amounting to approximate losses of U.S.\$4.6 million and U.S.\$0.5 million, respectively, were recorded in the Comprehensive Financing Result for each period. As of December 31, 2001 and 2002, for purposes of the table above, the notional amount of both contracts is not aggregated, considering that there is only one notional amount with exposure to changes in interest rates and the effects of one instrument are proportionally inverse to the changes in the other one.

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

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

In accordance with the effective tax legislation in Mexico, corporations must pay either income tax ("IT") or business assets tax ("BAT") depending on which amount is greater for their operations in Mexico. Both taxes recognize the

effects of inflation, though in a manner different from Mexican GAAP. ESPS is calculated on similar basis as IT, but without recognizing the effects of inflation.

A) IT, BAT AND ESPS

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

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

	For the years ended December 31,		
	2000	2001	2002
Current income tax.....	Ps (1,063.3)	(1,421.7)	(962.7)
Deferred IT.....	(601.3)	(200.1)	393.5
Effects of inflation (note 2B).....	22.6	(48.0)	-
	Ps (1,642.0)	(1,669.8)	(569.2)

Total consolidated IT includes Ps1,238.2, Ps1,380.5 and Ps778.7 from foreign subsidiaries, and Ps403.8, Ps289.3 and (Ps209.5) from Mexican subsidiaries, for 2000, 2001 and 2002, respectively. In addition, the Company recognized a consolidated tax benefit, without including deferred taxes, of Ps310.3 in 2000, Ps677.7 in 2001 and Ps931.7 in 2002.

For its operations in Mexico, the Company has accumulated IT loss carryforwards which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to Income Tax Law. The Company and its subsidiaries in Mexico must generate taxable income to preserve the benefit of the tax loss carryforwards generated beginning in 1999.

The tax loss carryforwards at December 31, 2002 are as follows:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
1995.....	Ps 1,754.4	2005
2000.....	623.9	2010
2001.....	4,110.8	2011
2002.....	3,260.0	2012
	Ps 9,749.1	

The BAT Law establishes a 1.8% tax levy on assets, restated for inflation in

the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period. The recoverable BAT as of December 31, 2002 is as follows:

Year in which BAT exceeded IT	Amount of carryforwards	Year of expiration
1997.....	Ps 160.5	2007
1999.....	57.9	2009
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		----- Ps 218.4 =====

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

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

	2001	2002
Deferred tax assets:		
Tax loss carryforwards and other tax credits.....	Ps 1,662.6	4,350.8
Accounts payable and accrued expenses.....	208.8	243.1
Trade accounts receivable.....	46.7	24.0
Properties, plant and equipment.....	(29.8)	(38.3)
Others.....	41.4	69.8
Total deferred tax assets.....	1,929.7	4,649.4
Less - Valuation allowance.....	(412.0)	(2,321.1)
Net deferred tax assets.....	1,517.7	2,328.3
Deferred tax liabilities:		
Tax loss carryforwards and other tax credits.....	3,106.4	6,151.2
Accounts payable and accrued expenses.....	886.1	4,259.6
Trade accounts receivable.....	13.4	85.9
Properties, plant and equipment.....	(12,605.8)	(17,410.7)
Inventories.....	(1,399.5)	(1,227.2)
Others.....	(546.7)	(916.4)
Total deferred tax liabilities.....	(10,546.1)	(9,057.6)
Less - Valuation allowance.....	(713.6)	(2,259.8)
Net deferred tax liabilities.....	(11,259.7)	(11,317.4)
Net deferred tax.....	(9,742.0)	(8,989.1)
Less - Deferred IT of acquired subsidiaries at the acquisition date.....	(3,626.3)	(4,044.3)
Total effect of deferred income tax in stockholders' equity.....	(6,115.7)	(4,944.8)
Less - Deferred IT recognized as of December 31, 1999.....	(1,158.2)	(1,158.2)
Less - Accumulated initial effect of deferred IT in equity.....	(5,196.8)	(5,196.8)
Change in deferred IT for the period.....	Ps 239.3	1,410.2

The components of consolidated deferred income tax for the period are as follows:

	2001	2002
Deferred income tax charged (credited) to the income statement.....	Ps (200.1)	393.5
Deferred income tax applied directly to stockholders' equity.....	439.4	1,016.7
	-----	-----
	Ps 239.3	1,410.2
	=====	=====

c

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

Management considers that there is existing evidence that in the future, the Company will generate sufficient taxable income to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the deferred tax assets' valuation allowance would be increased against the income statement.

Additionally, for the years ended December 31, 2001 and 2002, temporary differences between the net income of the period and taxable income for ESPS generated a deferred ESPS expense of Ps13.2 and Ps18.5, respectively, reflected in the income statement.

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C) EFFECTIVE TAX RATE

The effects of inflation are not recognized for income tax purposes in some countries in which the Company operates or are recognized differently from the methodology used for financial reporting. These effects, as well as other differences between the book and the income tax basis, arising from the several income tax rates and laws to which the Company is subject in the countries in which it has operations, give rise to permanent differences between the approximated statutory tax rate and the effective tax rate presented in the consolidated income statement, as follows:

	December 31,		
	2000	2001	2002
	%	%	%
Approximated consolidated statutory tax rate.....	35.0	35.0	34.0
Additional deductions and tax credits.....	(1.9)	(1.8)	(6.6)
Expenses and other non deductible items.....	3.4	0.8	1.0
Non-taxable sale of marketable securities and fixed assets.....	0.2	-	(10.2)
Difference between book and tax inflation.....	(15.0)	(15.8)	(5.6)
Minimum taxes.....	(0.1)	0.2	-
Depreciation.....	0.3	(0.6)	-
Inventories.....	0.2	-	-
IT effect on stockholders' equity.....	(5.0)	(1.4)	(5.3)
Others (1).....	(4.4)	(5.3)	2.0
Effective consolidated tax rate.....	12.7	11.1	9.3

(1) Includes the effects generated by differences among income tax rates and laws to which the Company is subject in the countries in which it has operations.

18. FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the dollar as of December 31, 2000, 2001 and 2002 was Ps9.62, Ps9.17 and Ps10.38 pesos per dollar, respectively. As of January 15, 2003, the exchange rate was Ps10.51 pesos per dollar.

As of December 31, 2002, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin, are presented as follows:

In millions of U.S. dollars		
Mexico	Foreign	Total

Current assets.....	560.0	2,133.2	2,693.2
Noncurrent assets.....	816.3	(1) 9,051.3	9,867.6
Total assets.....	1,376.3	11,184.5	12,560.8
Current liabilities.....	1,376.4	1,221.2	2,597.6
Long-term liabilities.....	2,216.7	3,278.8	5,495.5
Total liabilities.....	3,593.1	4,500.0	8,093.1

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

Additionally, transactions of the Company's Mexican operations denominated in foreign currencies during 2000, 2001 and 2002, are summarized as follows:

In millions of U.S. dollars	2000	2001	2002
Export sales.....	105.1	83.2	72.1
Import purchases.....	18.6	41.8	92.5
Financial income.....	17.4	105.1	11.1
Financial expense.....	191.3	302.1	275.6

19. GEOGRAPHIC SEGMENT DATA

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The Company is engaged principally in the construction industry segment through the production and marketing of cement and ready-mix concrete. The following tables present in accordance with the information analyzed for decision-making by the Company's management, selected condensed financial information of the Company by geographic area for the years ended December 31, 2000, 2001 and 2002:

	Net Sales			Operating Income		
	2000	2001	2002	2000	2001	2002
Mexico..... Ps	28,093.2	26,843.6	25,774.2	12,042.9	10,728.7	9,842.8
Spain.....	8,934.0	7,896.1	10,211.8	2,519.8	1,923.1	2,381.7
United States.....	8,096.5	20,122.6	18,167.6	1,220.7	3,203.2	2,800.0
Venezuela.....	4,885.1	4,651.2	3,151.4	1,356.5	1,550.4	1,020.2
Colombia.....	2,186.3	2,164.1	2,013.0	883.2	917.9	839.6
Caribbean and Central America.....	4,892.2	4,434.7	5,202.7	783.0	671.8	978.8
Philippines.....	1,473.6	1,352.6	1,354.2	129.1	129.2	(65.5)
Egypt.....	1,795.2	1,400.1	1,555.5	665.8	345.2	200.7
Others.....	3,835.1	8,363.9	7,863.3	(2,407.5)	(2,919.6)	(4,396.3)
Eliminations.....	64,191.2	77,228.9	75,293.7	17,193.5	16,549.9	13,602.0
	(5,756.1)	(7,926.6)	(7,376.2)	-	-	-
Consolidated..... Ps	58,435.1	69,302.3	67,917.5	17,193.5	16,549.9	13,602.0

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

	Depreciation and Amortization		
	2000	2001	2002
Mexico..... Ps	1,341.2	1,710.4	1,610.7
Spain.....	842.4	790.4	1,018.3
United States.....	682.5	2,205.6	1,748.8

Venezuela.....	751.5	656.3	525.5
Colombia.....	546.6	504.6	481.0
Caribbean and Central America.....	3	3	3
Philippines.....	249.	375.	401.
Philippines.....	281.0	357.1	421.4
Egypt.....	221.6	475.0	440.3
Others.....	167.5	860.6	1,295.9
	-----	-----	-----
Consolidated..... Ps	5,083.6	7,935.3	7,943.2
	=====	=====	=====

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

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

	Total Assets		Investment in Fixed Assets (2)	
	2001	2002	2001	2002
Mexico.....Ps	63,187.9	57,015.3	886.4	972.5
Spain.....	9,504.9.	21,786.2	551.4	625.6
United States.....	8,163.7	44,715.0	1,825.4	1,022.8
Venezuela.....	11,648.1	7,857.5	285.8	138.2
Colombia.....	8,466.7	6,020.2	57.5	52.8
Caribbean and Central America.....	7,367.1	10,666.5	370.8	292.3

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Philippines.....	7,958.2	8,467.7	240.6	123.5
Other Asian.....	3,279.3	3,656.4	117.7	108.1
Egypt.....	8,364.2	5,714.4	373.3	276.1
Others (1).....	104,936.9	71,668.3	236.2	618.6
	-----	-----	-----	-----
	282,877.0	237,567.5	4,945.1	4,230.5
Eliminations.....	(120,413.4)	(72,167.6)	-	-
	-----	-----	-----	-----
Consolidated.....Ps.....	162,463.6	165,399.9	4,945.1	4,230.5
	-----	-----	-----	-----

(1) Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of Ps73,193.1 and Ps33,909.2 in 2001 and 2002, respectively, which are eliminated in consolidation.

(2) Corresponds to fixed assets investments not considering the effects of inflation. As a result, this balance differs from the amount presented as investing activities in the Statement of Changes in the Financial Position in "Properties, machinery and equipment, net", which considers the inflation effects in accordance with Bulletin B-10.

As of December 31, 2001 and 2002, of the consolidated financial debt amounting to Ps53,777.7 and Ps59,863.8, respectively, approximately 55% in 2001 and 57% in 2002 is in the Parent Company, 26% and 24% in United States, 11% and 12% in Spain and 8% and 7% in other countries, respectively.

20. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing majority interest net income for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects on the weighted average number of common shares outstanding, the effects of any transactions carried out by the Company which have a potentially dilutive effect on such number of shares.

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

	Basic number of shares	Diluted number of shares	Majority interest net income	Basic earnings per share	Diluted earnings per share
December 31, 2000.....	4,123,703,259	4,143,760,773	Ps 10,389.2	Ps 2.52	Ps 2.51
December 31, 2001.....	4,264,724,371	4,299,689,171	11,789.8	2.76	2.74
December 31, 2002.....	4,487,527,392	4,496,213,613	5,400.4	1.20	1.20

The difference between the basic and diluted average number of shares in 2000, 2001 and 2002 is attributable to the additional shares to be issued under the Company's executive stock option fixed program (see note 15).

21. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

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

B) TAX ASSESSMENTS

As of December 31, 2002, CEMEX and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Tax Authorities related to different tax periods. These tax assessments total approximately Ps5,229.8. The tax assessments result primarily from: (i) recalculations of the inflationary tax deduction, since the tax authorities claim that "Advance Payments to Suppliers" and "Guaranty Deposits" are not by their nature credits, (ii) disallowed restatement of tax loss carryforwards in the same period in which they occurred, (iii) disallowed determination of tax loss carryforwards, and (iv) disallowed amounts of business asset tax, commonly referred to as BAT, creditable against the controlling entity's income tax liability on the grounds that the creditable amount should be in proportion to the equity interest that the controlling entity has in its relevant controlled entities. The companies involved are using all available defense actions granted by law in order to cancel the tax claims.

C) ANTI-DUMPING DUTIES

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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 of the Company's subsidiaries, as importers of record, have been subject to payment of anti-dumping duty deposits estimated on imports of gray Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, until the United States government determines, taking into consideration the World Trade Organization new rules, that conditions for imposing the order no longer exist; the cancellation or suspension of the order would follow. In the last quarter of 2000, the United States government continued the order, a

resolution that will prevail until it makes a new review. During December 2001, the United States government (International Trade Commission) denied the Company's request to initiate a new review.

As of December 31, 2002, the Company has accrued a liability of U.S.\$112 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the DOC in its administrative reviews for all periods under review.

As of December 31, 2002, the Company is in the twelfth administrative review period by the DOC and expects a preliminary resolution in the second half of 2003. The United States government published, during September 2002, the preliminary determination with respect to the eleventh administrative review period, and the final resolution was issued on January 8, 2003. With respect to the first four review periods, the DOC has issued a final resolution of the anti-dumping duties. Referring to the remaining review periods, the final resolutions are suspended until all the procedures before the North America Free Trade Agreement Panel are concluded. As a result, the final amounts may be different from those recorded in the accompanying consolidated financial statements. The Company and its subsidiaries have defended their position in this matter and will continue to do so through available means in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

During 2001, five Taiwanese cement producers filed before the Tariff Commission under the Ministry of Finance ("MOF") of Taiwan an anti-dumping case involving imported gray Portland cement and clinker from the Philippines and Korea. In July 2001, the MOF informed the petitioners and the producers that a formal investigation had been initiated. Among the producers are the Company's subsidiaries, APO Cement Corporation, Rizal Cement Co. Inc. ("Rizal") and Solid Cement Corporation ("Solid"), which received their anti-dumping questionnaires from the International Trade Commission under the Ministry of Economic Affairs ("ITC-MOEA") and the MOF in August 2001. Rizal and Solid replied to the ITC-MOEA by confirming that they have not been exporting cement or clinker during the review period. Furthermore, APO contested the allegation of "injury" in the anti-dumping proceedings before the ITC-MOEA. On December 23, 2002, Rizal was merged into its subsidiary Solid.

In a communication dated October 2001, the ITC-MOEA informed the petitioners and the producers about the results of the preliminary investigation, and it was determined that there are reasonable indicators that the Taiwanese industry has incurred material damage due to imports of cement and clinker from South Korea and the Philippines that allegedly is sold in Taiwan at a price below market price. In order to comply with regulations of anti-dumping duties in Taiwan, the ITC-MOEA transferred this investigation to the MOF. In November 2001, APO received supplemental questionnaires by the MOF. The answer to these questionnaires was presented by APO during November and December 2001. In January 2002, the MOF gave notice the petitioners and the producers, on a preliminary resolution, of findings that there might be dumping and that the investigation would continue, but without imposing any anti-dumping duty. In June 2002, the ITC-MOEA informed in its final resolution that the imports from South Korea and the Philippines had caused material damage to the Taiwanese industry. In July 2002, the MOF informed of a cement and clinker import duty of 42%, on imports from South Korea and the Philippines, beginning on July 19, 2002. In September 2002, these entities appealed the anti-dumping duty before the Taipei High Administrative Council (THAC).

D) LEASES

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

Year ending December 31,	U.S. dollars million
2003.....	60.0
2004.....	56.1
2005.....	49.8
2006.....	40.1
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2007.....	37.5
2008 and thereafter.....	125.9
	369.4

Rental expense for the years ended December 31, 2000, 2001, and 2002 was approximately U.S.\$52 million, U.S.\$67 million and U.S.\$57 million, respectively.

E) PLEDGE ASSETS

At December 31, 2002 there are liabilities amounting to U.S.\$80.8 million secured by properties, machinery and equipment.

F) COMMITMENTS

As of December 31, 2002, subsidiaries of the Company have future commitments for the purchase of raw materials for an approximate amount of U.S.\$86.4 million.

During 1999, the Company entered into agreements with an international partnership, which contracted to build and operate an electrical energy generating plant. These agreements establish that when the plant begins operations, CEMEX will purchase, starting in 2003, all the energy generated by the plant for a term of no less than 20 years. As part of these agreements, CEMEX has committed to supply the electrical energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement entered into by the Company with Petroleos Mexicanos. By means of this transaction, CEMEX expects to have significant decreases in its electrical energy costs, and the supply is expected to be sufficient to cover approximately 60% of the electrical energy needs of 12 cement plants in Mexico. The Company is not required to make any capital investment in the project.

On December 14, 2001, the put option held by the Indonesian government to require the Company to purchase its 51% interest in Gresik for approximately U.S.\$418 million, plus accrued interest from October 1998 at 8.2% per annum, expired without being exercised.

In March 2002, the distribution contract in Taiwan that the Company had with Universal Company since March 31, 2000, was terminated. As a result, for the year ended December 31, 2002, CEMEX recognized an approximate loss of U.S.\$17.3 million (Ps179.6) within the caption other expenses, net.

G) OTHER CONTINGENCIES

At December 31, 2002, CEMEX, Inc. has accrued liabilities specifically relating to environmental matters in the amount of U.S.\$23.9 million. The environmental matters relate to a) in the past, in accordance with industry practice, disposing of various materials, which might be categorized as hazardous substances or wastes, and b) the cleanup of sites used or operated by the Company, including discontinued operations, in regard to the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, the subsidiary considers that it is probable that a liability has been incurred and the amount is reasonably estimable, whether or not claims have

been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts recorded. Until all environmental studies, investigations, remediation work, and negotiations with or litigation against potential sources of recovery have been completed, however, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

In December 2002, an ex-maritime broker for Puerto Rican Cement Company, Inc. ("PRCC"), the main subsidiary of CEMEX in Puerto Rico, filed a lawsuit in Puerto Rico against CEMEX, PRCC and other individuals not affiliated with CEMEX, including Puerto Rican authorities. The plaintiff contends that the defendants conspired to break antitrust laws so that one of the defendants, who is not a CEMEX related party, could have control of the maritime broker market in Port of Ponce, Puerto Rico. The plaintiff has asked for relief in the amount of approximately U.S.\$18 million. The CEMEX companies involved are in the process of determining the appropriate legal strategy for a response. Typically, proceedings of this nature take several years before a final resolution is reached.

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

In May 1999, several companies filed a lawsuit against two subsidiaries of the Company based in Colombia, alleging that the Ibague plants were causing capacity production damage to their lands due to the pollution they generate. The plaintiffs demand relief in the amount of U.S.\$8.8 million. This proceeding is in the evidentiary stage. Typically, proceedings of this nature take several years before a final resolution is reached.

22. NEW ACCOUNTING PRONOUNCEMENTS

In December 2001, the Mexican Institute of Public Accountants issued the new Bulletin C-9, "Liabilities, Accruals, Contingent Assets and Liabilities and Commitments". This Bulletin is effective January 1, 2003 and supersedes former Bulletin C-9, "Liabilities" and Bulletin C-12, "Contingencies and Commitments". New Bulletin C-9 establishes additional guidance clarifying the accounting for liabilities, accruals and contingent assets and liabilities, and establishes new standards for the use of present value techniques to measure liabilities, and the accounting for the early settlement of liabilities and convertible debt. Additionally, new Bulletin C-9 establishes new rules for disclosing commitments arising from current business operations.

In January 2002, the Mexican Institute of Public Accountants issued the new Bulletin C-8, "Intangible Assets", which is effective January 1, 2003 and supersedes former Bulletin C-8, "Intangibles". New Bulletin C-8 establishes that development costs should be capitalized as intangible assets if the criteria for intangible asset recognition are met. The main elements for capitalization are that costs incurred should be properly identified, there are expected future benefits, and that the company has control over such benefits. Expenditures not meeting the new criteria and incurred after the effective date of new Bulletin C-8 should be expensed as incurred. Pre-operating expenses previously recognized under former Bulletin C-8 will continue to be amortized, subject to periodic impairment evaluations. Development costs incurred in a pre-operating stage may be capitalized after meeting the new criteria under new Bulletin C-8. In addition, this Bulletin also requires that intangible assets acquired in a business combination be accounted for at fair value at the date of the purchase and be separately reported, unless their cost cannot be reasonably determined, in which case

they should be reported as goodwill. Also, if there is no active market for these assets, they should be reduced to the amount of goodwill (excess of cost over book value) or to zero. These assets are also subject to periodic impairment evaluations. Amortization of goodwill should be reported in operating expenses.

The Company estimates that the adoption of the new Bulletins C-8 and C-9 will not have a material effect on its net assets; however, regarding the classification of goodwill amortization within operating expenses implied by the new Bulletin C-8, amortization which as of December 31, 2000, 2001 and 2002, the Company reported within other expenses, net, beginning in 2003, arising from this new classification, there would be a decrease in operating income in the amount of this non-cash item; however, such classification would not have an impact on stockholders' equity, net income or earnings per share.

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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 for the years ended December 31, 2000 and 2001, 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 requirements of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

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

	Year ended December 31,		
	2000	2001	2002
Net income as reported under Mexican GAAP.....	Ps 10,389.1	11,789.8	5,400.4
NCPI inflation adjustment (II).....	224.6	(385.7)	-
Net income as reported under Mexican GAAP after NCPI adjustments.....	10,613.7	11,404.1	5,400.4
Approximate U.S. GAAP adjustments:			
1. Amortization of goodwill (see 23(a)).....	(69.7)	(528.9)	1,665.0
2. Deferred income taxes (see 23(b)).....	(99.7)	(275.2)	2,230.5
3. Deferred employees' statutory profit sharing (see 23(b)).....	(76.2)	(183.7)	(187.2)
4. Other employee benefits (see 23(c)).....	(45.2)	(9.3)	(30.6)
5. Capitalized interest (see 23(d)).....	(80.8)	14.5	(38.5)
6. Minority interest (see 23(e)):			
a) Financing transactions.....	72.5	292.3	(160.8)
b) Effect of U.S. GAAP adjustments.....	194.5	130.3	32.3
7. Hedge accounting (see 23(l)).....	(1,551.6)	609.7	(2,460.1)
8. Depreciation (see 23(f)).....	(56.3)	(17.4)	12.6
9. Accruals for contingencies (see 23(g)).....	(122.6)	(9.2)	7.3
10. Equity in net income of affiliated companies (see 23(h)).....	(62.3)	0.6	11.5
11. Inflation adjustment of machinery and equipment (see 23(i)).....	(448.2)	(463.4)	(363.1)
12. Temporary equity from forward contracts (see 23(j)).....	(488.7)	(444.4)	(518.0)
13. Derivative financial instruments (see 23(l)).....	-	31.1	-

14. Other U.S. GAAP adjustments (see 23(k)).....		192.2	(395.3)	(475.9)
15. Monetary effect of U.S. GAAP adjustments.....		1,197.8	476.6	522.2
Total approximate U.S. GAAP adjustments.....		(1,444.3)	(771.7)	247.2
Approximate net income under U.S. GAAP.....	Ps	9,169.4	10,632.4	5,647.6
Basic U.S. GAAP earnings per share.....	Ps	2.23	2.50	1.26
Diluted U.S. GAAP earnings per share.....	Ps	2.19	2.44	1.26

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		Year ended December 31,	
		2001	2002
Total stockholders' equity reported under Mexican GAAP.....	Ps	81,601.6	72,152.4
NCPI inflation adjustment (II).....		(2,668.8)	-
Total stockholders' equity after NCPI adjustment.....		78,932.8	72,152.4
Approximate U.S. GAAP adjustments:			
1. Goodwill net (see 23(a)).....		(4,909.6)	(1,865.9)
2. Deferred income taxes (see 23(b)).....		(4,238.4)	(855.5)
3. Deferred employees' statutory profit sharing (see 23(b)).....		(3,182.5)	(3,190.7)
4. Other employee benefits (see 23(c)).....		(302.8)	(316.1)
5. Capitalized interest (see 23(d)).....		(409.6)	(462.6)
6. Minority interest--effect of financing transactions (see 23(e)).....		(932.1)	(940.3)
7. Minority interest--U.S. GAAP presentation (see 23(e)).....		(19,365.7)	(12,626.8)
8. Depreciation (see 23(f)).....		(18.8)	(200.3)
9. Accruals for contingencies (see 23(g)).....		84.6	116.4
10. Investment in net assets of affiliated companies (see 23(h)).....		(75.4)	(210.1)
11. Inflation adjustment for machinery and equipment (see 23(i)).....		9,339.2	6,118.1
12. Temporary equity from forward contracts (see 23(j)).....		(5,865.8)	(5,659.5)
13. Derivative financial instruments (see 23(l)).....		31.3	-
14. Other U.S. GAAP adjustments (see 23(k)).....		48.3	(363.3)
Total approximate U.S. GAAP adjustments.....		(29,797.3)	(20,456.6)
Total approximate stockholders' equity under U.S. GAAP.....	Ps	49,135.5	51,695.8

(II) The reconciling item presented in the preceding tables relates to the amount required to reverse the restatement of prior years into constant pesos as of December 31, 2002, using the Company's weighted average inflation factor (see note 2B), and to restate such prior periods into constant pesos as of December 31, 2002, using the Mexican-only inflation factor, in order to comply with current requirements of Regulation S-X. Likewise, for purposes of the financial information presented throughout note 23, the Mexican and U.S. GAAP prior years' amounts have been restated using the Mexican inflation index instead of the weighted average inflation index, as described in note 2B, with the exception of those Mexican GAAP amounts of prior years that are previously disclosed in the Company's Mexican GAAP notes 1 to 22. Such amounts were not restated in note 23 using the Mexican inflation index, pursuing more straightforward cross-references between note 23 and the other Mexican GAAP notes.

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

(a) Goodwill

The Company's goodwill recognized under Mexican GAAP has been adjusted for U.S. GAAP purposes for (i) the effect of the U.S. GAAP adjustments as of the dates of acquisition on the goodwill of the subsidiaries acquired; (ii) until December 31, 2001, for the difference between sinking fund amortization of goodwill over 20 to 40 years for Mexican GAAP purposes (see note 2(I)) and the straight-line method over 40 years for U.S. GAAP purposes; beginning January 1, 2002, SFAS 142 "Goodwill and Other Intangible Assets", eliminates the amortization of goodwill under U.S. GAAP, see note 23(s), and (iii) the conversion of goodwill applicable to foreign subsidiaries in accordance with SFAS 52 "Foreign Currency Translation", utilizing inflation of each country to restate the goodwill for inflation purposes. In addition, for purposes of the condensed financial information under U.S. GAAP for the years ended December 31, 2000 and 2001 presented in note 23(o), amortization of goodwill is reflected as an operating expense for U.S. GAAP versus other expense, net for Mexican GAAP.

For purposes of the reconciliation to U.S. GAAP, the Company adopted in 2002, SFAS 142 and SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (see note 23(s)). As a result of this adoption, effective

January 1, 2002, amortization ceased for goodwill under U.S. GAAP; therefore, beginning in 2002, goodwill amortization recorded under Mexican GAAP is adjusted for purposes of the reconciliation of net income and stockholders' equity to U.S. GAAP.

The Company assesses goodwill for impairment annually unless events occur that require more frequent reviews. Discounted cash flow analyses are used to assess goodwill impairment (see note 23(s)). If an assessment indicates

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impairment, the impaired asset is written down to its fair market value based on the best information available. Estimated fair market value is generally measured with discounted estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts.

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

For U.S. GAAP purposes, the Company accounts for income taxes utilizing SFAS 109 "Accounting for Income Taxes", which requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences of "temporary differences", which result from applying the enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities and operating loss carryforwards. The deferred income tax charged or credited to operations is determined by the difference between the beginning and the year-end balance of the deferred tax assets or liabilities, and is recognized in nominal pesos. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities under U.S. GAAP at December 31, 2001 and 2002 are presented below:

	December 31,	
	2001	2002
Deferred tax assets:		
Net operating loss and assets tax carryforwards.....	Ps 4,613.0	6,953.0
Trade accounts receivable.....	58.2	109.9
Investment in affiliated companies.....	-	291.7
Accounts payable and accrued expenses.....	603.2	4,300.8
Other.....	717.3	603.1
Total gross deferred tax assets.....	5,991.7	12,258.5
Less valuation allowance.....	1,088.7	1,031.9
Total deferred tax assets under U.S. GAAP.....	4,903.0	11,226.6
Deferred tax liabilities:		
Property, plant and equipment.....	18,497.5	21,039.4
Inventories.....	1,353.2	1,226.1
Other.....	882.5	870.2
Total deferred tax liability under U.S. GAAP.....	20,733.2	23,135.7
Net deferred tax liability under U.S. GAAP.....	15,830.2	11,909.1
Deferred tax recognized under Mexican GAAP affecting equity (see note 17B).....	6,115.7	4,944.8
Excess of liability under U.S. GAAP over that recognized under Mexican GAAP.....	9,714.5	6,964.3
Less--U.S. GAAP deferred income taxes of acquired subsidiaries at date of acquisition..	5,647.4	6,108.8
Inflation adjustment (note 2B).....	171.3	-
Net adjustment to stockholders' equity under U.S. GAAP.....	Ps 4,238.4	855.5

Management considers that there is existing evidence that, in the future, the Company will generate sufficient taxable income to realize the tax benefits associated with the deferred tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or

that tax strategies are no longer viable, the deferred tax assets' valuation allowance would be increased by a charge to income.

The Company records a valuation allowance for the estimated amount of the recoverable tax on assets, which may not be realized due to the expiration of the tax loss carryforwards. Through its continual evaluation of the effects of tax strategies, among other economic factors, during 2001 the Company increased the valuation allowance by approximately Ps465.6.

As mentioned in notes 2K and 17B, beginning in 2000, Bulletin D-4 requires the determination of deferred income tax through the asset and liability method, in a manner similar to U.S. GAAP. Nonetheless, there are certain specific differences in the application of Bulletin D-4 as compared to the calculation under SFAS 109 that give rise to differences in the reconciliation to U.S. GAAP. These differences arise from (i) the recognition of the accumulated initial balance as of

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January 1, 2000, which is recorded directly to stockholders' equity and, therefore, does not consider the provisions of APB Opinion 16 for the deferred tax consequences in business combinations made before January 1, 2000; (ii) the effects of deferred tax on the reconciling items between Mexican and U.S. GAAP, and (iii) for the years ended December 31, 2000 and 2001, some adjustments to Mexican GAAP recorded in the foreign subsidiaries for consolidation purposes were treated as permanent differences. For Mexican GAAP presentation purposes, deferred tax assets and liabilities are long-term items.

As of December 31, 2001 and 2002, net deferred tax liabilities under Bulletin D-4 of Ps6,115.7 and Ps4,944.8, respectively, affecting the Company's Mexican GAAP stockholders' equity after considering the deferred income tax effects of subsidiaries acquired recognized in Goodwill, were reversed for purposes of the U.S. GAAP reconciliation of stockholders' equity. In the reconciliation of net income for the years ended December 31, 2000, 2001 and 2002, deferred tax expenses of Ps601.3, Ps200.1 and income of Ps393.5, respectively, arising from Bulletin D-4 were reversed.

The Company also recorded a deferred tax liability for U.S. GAAP purposes, related to employees' statutory profit sharing ("ESPS") in Mexico, under the asset and liability method at the statutory rate of 10%. The principal effects of temporary differences that give rise to significant portions of the deferred ESPS liabilities at December 31, 2001 and 2002 are presented below:

	December 31,	
	2001	2002
Deferred assets:		
Employee benefits..... Ps	39.8	47.6
Trade accounts receivable.....	13.9	14.4
Other.....	40.8	53.5
Gross deferred assets under U.S. GAAP.....	94.5	115.5
Deferred liabilities:		
Property, plant and equipment.....	2,960.5	2,896.7
Inventories.....	121.5	142.7
Other.....	195.0	266.8
Gross deferred liabilities under U.S. GAAP.....	3,277.0	3,306.2
Net deferred liabilities under U.S. GAAP..... Ps	3,182.5	3,190.7

For purposes of the condensed financial information presented under U.S. GAAP in note 23(o), ESPS expense, both current and deferred, is included in the

determination of operating income. For Mexican GAAP presentation, ESPS expense, both current and deferred, is considered as a separate line item equivalent to income tax.

Bulletin D-4, for Mexican GAAP purposes, requires recognition of deferred ESPS for those temporary differences arising from the reconciliation of net income of the period and the taxable income for ESPS. In the reconciliation of net income to U.S. GAAP, a deferred ESPS expense of Ps49.5 in 2000 and Ps13.2 in 2001 and income of Ps18.5 in 2002, determined under Mexican GAAP, were reversed.

(c) Other Employee Benefits

Vacations

Under Mexican GAAP, vacation expense is recognized when taken rather than during the period the employees earn it. In order to comply with SFAS 43, for the years ended December 31, 2000, 2001 and 2002, the vacation expense recorded for U.S. GAAP purposes was Ps8.9, Ps1.7 and Ps5.5, respectively, with an accrual of Ps54.2 and Ps56.5 at December 31, 2001 and 2002, respectively.

Severance

Mexican GAAP (Bulletin D-3) establishes that severance payments should be recognized in income in the period, in which they are paid, unless such payments are used by an entity as a substitution of pension benefits, in which case, such benefits should be considered as a pension plan. Under U.S. GAAP, post-employment benefits for former or inactive employees, excluding retirement benefits, are accounted for under the provisions of SFAS 112, which requires the

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Company to accrue the cost of certain benefits, including severance, over an employee's service life. For the years ended December 31, 2000, 2001 and 2002, the severance provisions recorded for U.S. GAAP purposes were expense of Ps41.5, Ps7.6 and Ps25.1, respectively, with an accrual of Ps248.6 and Ps259.6 at December 31, 2001 and 2002, respectively. Severance payments relating to any specific event or restructuring are excluded from the SFAS 112 calculation.

Pension and other benefits

The Company accounts for employee pension benefits under Bulletin D-3, based on the net present value of the obligations determined by independent actuaries (see notes 2J and 13), in a manner similar to SFAS 87 "Employers' Accounting for pensions" under U.S. GAAP. Nonetheless, certain differences in assumptions led to minor differences in prior years between the amounts recognized under Mexican GAAP and their corresponding equivalents under U.S. GAAP. These discrepancies were eliminated in the actuarial computations of 2000. For purposes of the U.S. GAAP reconciliation of net income, the Company recognized income of Ps5.2 in 2000, which was required to reverse the accrued adjustment.

In addition, as a result of the Company's acquisition of CEMEX, Inc. (formerly Southdown (see note 8A)) in 2000 and Puerto Rican Cement Company, Inc. ("PRCC") in 2002, the Company assumed a package of employee benefits, which include Pension, Retirement Savings Plan, Supplemental Executive Retirement Plan and Health and Life Insurance benefits. The benefit obligation and the net pension cost arising from CEMEX, Inc.'s and PRCC's employee benefits, have been recorded under Mexican GAAP and are included in the consolidated information with respect to the Company's pension plans, seniority premium and other postretirement benefits (see note 13).

Most of the Company's health care benefits are self-insured and administered on cost plus fee arrangements with major insurance companies or provided through health maintenance organizations. The Company also provides life insurance benefits to its active and retired employees. Generally, life

insurance benefits for retired employees are reduced over a number of years from the date of retirement to a minimum level.

(d) Capitalized Interest

Under Mexican GAAP, the Company capitalizes interest on assets under construction. Mexican GAAP states that the amount of financing cost to be capitalized during the construction period of property, machinery and equipment must be comprehensively measured in order to include properly the effects of inflation. Therefore, the amount capitalized includes: (i) the interest cost of the debt incurred, plus (ii) any foreign currency fluctuations that results from the related debt, and less (iii) the related monetary position result recognized on the debt incurred to finance the construction project. Under U.S. GAAP, only interest is to be considered an additional cost of constructed assets to be capitalized in property, machinery and equipment and depreciated over the lives of the related assets.

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

(e) Minority Interest

Financing Transactions

For U.S. GAAP presentation purposes (see note 23(o)), the preferred stock described in note 14E for a notional amount of U.S.\$900 million (Ps9,834.2) and U.S.\$650 million (Ps6,747.0) at December 31, 2001 and 2002, respectively, is a separate component of mezzanine items. Under Mexican GAAP this instrument is presented as part of the minority interest stockholders' equity. Preferred dividends declared in 2000, 2001 and 2002 (see note 14E) were recognized as part of the minority interest in the consolidated income statements under both Mexican and U.S. GAAP.

For U.S. GAAP presentation purposes (see note 23(o)), the capital securities described in note 14E for a notional amount of U.S.\$250 million (Ps2,502.5) and U.S.\$66 million (Ps685.1) at December 31, 2001 and 2002, respectively, are a separate component of mezzanine items. Under Mexican GAAP these instruments are presented as part of the minority interest in stockholders' equity. Capital securities dividends declared in 2000, 2001 and 2002 (see note 14E) were recorded as part of the minority interest in the consolidated income statements under both Mexican and U.S. GAAP.

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As described in note 14F, related to a transaction entered into in December 31, 1995, the Company had outstanding obligations of U.S.\$96.3 million (Ps964.0) and U.S.\$90.6 million (Ps940.3) at December 31, 2001 and 2002, respectively. For U.S. GAAP purposes the amount outstanding under this arrangement is treated as debt. Under Mexican GAAP this transaction has been treated as minority interest. The Company's cost of retaining its option to reacquire the contributed assets in 2000, 2001 and 2002 (see note 14F) was recorded as part of the financial expense in the consolidated income statements under both Mexican and U.S. GAAP.

U.S. GAAP adjustments on minority interest

Under Mexican GAAP the minority interest in consolidated subsidiaries is presented as a separate component within the stockholders' equity section in the consolidated balance sheets. According to U.S. GAAP, minority interest is excluded from consolidated stockholders' equity and classified as a separate component between total liabilities and stockholders' equity in the consolidated balance sheets (see note 23(o)). The U.S. GAAP adjustment to stockholders' equity included herein represents the minority interests in the Company's subsidiaries determined in accordance with U.S. GAAP.

(f) Depreciation

One of the Company's subsidiaries in Colombia records depreciation expense utilizing the sinking fund method. This methodology for depreciation was in place before CEMEX acquired the subsidiary in 1997. For Mexican GAAP purposes, the Company has decided to maintain this accounting practice due to tax consequences in Colombia arising from a change in methodology, and the immateriality of the effects in the Company's consolidated results. For U.S. GAAP purposes, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. As a result of this accounting difference, for the years ended December 31, 2000, 2001 and 2002, expense of Ps83.9, expense of Ps42.8 and income of Ps12.6, respectively, have been reflected in the reconciliation of net income to U.S. GAAP.

Additionally, as a result of the application of APB 16 in the acquisition of Solid (formerly Rizal), one of the Company's subsidiaries in the Philippines, for U.S. GAAP purposes, the Company reduced the value of its fixed assets by Ps207.7 in 2001, net of depreciation, corresponding to the portion of the appraisal value, determined at the acquisition date, related to the minority owners. The change in the fixed assets amount under U.S. GAAP resulted in a decrease in the depreciation expense under U.S. GAAP of Ps27.6 in 2000 and Ps25.4 in 2001. As mentioned in note 8A, during 2002 CEMEX acquired the remaining 30% economic interest in Solid from the minority shareholders. As a result, the Company reversed the adjustment made to the fixed assets appraised amount against minority interest, given that the reversed amount is part of the proportional net assets fair value assigned to the 30% economic interest acquired. As a result of the minority interest during 2002, there is no further effect on earnings under U.S. GAAP related to the decrease in the depreciation expense and the adjustment was eliminated in 2002.

(g) Accruals for Contingencies

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

In addition, with respect to the contingencies described in note 21, for which an accrual has not been provided under Mexican GAAP, as of December 31, 2001 and 2002, the Company considers that while it is reasonably possible for a loss to occur as a result of these assessments, the likelihood of a loss is not probable. Therefore, the Company does not consider that the criteria of SFAS 5 for accrual were met.

(h) Affiliated Companies

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

(i) Inflation Adjustment of Machinery and Equipment

For purposes of the reconciliation to U.S. GAAP, fixed assets of foreign origin are restated by applying the inflation rate of the country that holds the assets, regardless of the assets' origin countries, instead of using the methodology of Bulletin B-10, under which fixed assets of foreign origin are restated by applying a factor that considers the inflation of the asset's origin country, not the inflation of the country that holds the asset, and the fluctuation of the functional currency (currency of the country that holds the

asset) against the currency of the asset's origin country. Depreciation expense is based upon the revised amounts.

(j) Temporary Equity from Forward Contracts

As mentioned in notes 14F and 16A to the financial statements, during 1999 the Company entered into equity forward contracts with an original maturity in December 2002, in connection with its appreciation warrants transaction. In December 2002, prior to their expiration, CEMEX renegotiated the extension of the forward contracts until December 2003. As a condition of this extension, the Company agreed to pay U.S.\$98.3 million (Ps1,020.3) to the counterparties, amount charged to stockholders' equity under Mexican GAAP, representing the difference between the cash redemption amount of the forward contracts and the market value of the underlying shares at the date of the agreements. The U.S.\$98.3 million was deducted by the counterparties from the prepayments that the Company made periodically toward the forwards final price since the inception of the contracts. According to EITF 00-19, forward contracts involving the Company's own stock that will be physically settled by delivering cash should be initially measured at fair value and recorded in permanent equity, and an amount equivalent to the cash redemption at the date of reporting, should be reclassified to temporary equity, which is to be considered as a mezzanine item for balance sheet presentation under U.S. GAAP. As a result, for purposes of reconciliation, the Company presents a reduction to its stockholders' equity under Mexican GAAP of approximately Ps5,865.8 (U.S.\$605.8) in 2001 and Ps5,659.5 (U.S.\$545.2) in 2002, which represents the cash obligation plus the advanced payments of the Company under the forward contracts at the reporting date and is presented as a mezzanine item for purposes of note 23(o). Under Mexican GAAP, since inception, the shares sold to the counterparties have been treated as permanent equity.

Under Mexican GAAP, since inception, these forward contracts have been treated as equity transactions, and gains or losses are recognized upon settlement as an adjustment to stockholders' equity. Under Mexican GAAP the difference between the original proceeds of the sale and the forward price, which is periodically paid to the counterparties, is treated as a prepayment toward the forward contracts' final price and is presented as accounts receivable. For purposes of the reconciliation to U.S. GAAP, the amount prepaid and considered as accounts receivable, has been also considered as a preferred dividend, in a manner similar to a mandatorily redeemable preferred stock, and has been charged to net income under U.S. GAAP against stockholders' equity, resulting in an expense for the years ended December 31, 2000, 2001 and 2002 of approximately Ps488.7, Ps444.4 and Ps518.0, respectively (Ps412.3, Ps368.7 and Ps430.0, respectively, after the related deferred income tax effect). The amount of US\$98.3 recognized as a loss in stockholders' equity under Mexican GAAP during 2002 was not reclassified through net income in the reconciliation to U.S. GAAP, since such amount has been periodically charged to earnings under U.S. GAAP as part of the preferred dividends. At maturity of the forward contracts, assuming the shares are repurchased, the reacquired shares will be treated as an equivalent of treasury shares.

(k) Other U.S. GAAP Adjustments

Inventory costs--Until December 31, 1999, as permitted by Mexican GAAP, certain inventories of manufactured product were valued under the direct cost system, which includes material, labor and other direct costs. For purposes of complying with U.S. GAAP, inventories must be valued under the full absorption cost method, including all costs and expenses necessary for the manufacturing process. Beginning January 1, 2000, the Company adopted the full absorption cost method in all its producing facilities; therefore, for the year ended December 31, 2000, the reconciling item arising from this difference was eliminated, recognizing an expense of Ps69.4 in the reconciliation of net income 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", requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software and that costs related to the

preliminary project stage and the post-implementation/operations stage (as defined in SOP 98-1) in an internal-use computer software development project be expensed as incurred. The estimated average useful lives period to amortize these capitalized costs is between 3 and 5 years.

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For the years ended December 31, 2000, 2001 and 2002, the effect of capitalizing these costs in the reconciliation of net income to U.S. GAAP, net of amortization, led to income of Ps125.6 and expense of Ps220.1 and Ps196.0, respectively, with an effect of income in the stockholders' equity reconciliation to U.S. GAAP at December 31, 2001 and 2002 of Ps425.1 and Ps262.5, respectively. Beginning in 2001, in connection with the Company's decision to significantly enhance and/or replace, on a worldwide basis, all of its critical software systems under an effort denominated "CEMEX Way", for accounting purposes under Mexican GAAP, the Company began the capitalization of costs associated with developing and implementing new software (see note 9) resulting in a capitalization under Mexican GAAP for the years ended December 31, 2001 and 2002 of Ps1,407.7 and Ps1,672.9, net of amortization. As a result, in the reconciliation of net income to U.S. GAAP for the years ended December 31, 2001 and 2002, the reconciling item refers exclusively to the amortization of the accrued capitalized amount until December 2000.

Deferred charges--Other deferred charges, net of accumulated amortization, that did not qualify for deferral under U.S. GAAP were reversed through earnings under U.S. GAAP in the period incurred, resulting in income of Ps136.0 in 2000, expense of Ps175.2 in 2001 and expense of Ps279.9 in 2002. The net effect in the stockholders' equity reconciliation to U.S. GAAP was a decrease of Ps376.8 and Ps625.8 at December 31, 2001 and 2002, respectively. Mexican GAAP allowed the deferral of these items.

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

Reclassifications--Non-cement related assets under Mexican GAAP (see note 7) of Ps347.3 and Ps362.2, as of December 31, 2001 and 2002, respectively, were reclassified to long-term assets for purposes of the condensed financial information under U.S. GAAP in note 23(o). These assets are stated at their estimated fair value. Estimated costs to sell these assets are not significant.

(1) Financial Instruments

Derivative Financial Instruments (see notes 2N, 11, 12 and 16)

Effective January 1, 2001, companies reporting under U.S. GAAP adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities", as amended, which establishes that all derivative instruments (including certain derivative instruments embedded in other contracts) should be recognized in the balance sheet as assets or liabilities at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, and then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of a hedge is reported in earnings as it occurs.

Under Mexican GAAP, effective January 1, 2001, the Company adopted Bulletin C-2 "Financial Instruments" (see note 2N), which establishes a methodology similar to that of SFAS 133. The main differences between SFAS 133 and Bulletin C-2 relate to the rules for hedge accounting. SFAS 133 provides specific rules for qualifying for hedge accounting and is precise as to which

transactions are outside the scope of the statement, while under Bulletin C-2, hedge accounting is based on the Company's intention and designation, providing that the underlying hedged asset or liability is already recognized in the balance sheet. Bulletin C-2 does not provide guidance for hedging forecasted transactions, for cash flow hedges, for own equity derivative instruments nor for risk management instruments entered into to protect the Company's net investment in foreign subsidiaries; therefore, such contracts have been accounted for in accordance to SFAS 133 or with other U.S. GAAP accounting pronouncements as appropriate. Fair value hedges as defined by U.S. GAAP are precluded by Mexican GAAP since it is not permitted to record primary hedged instruments at fair value.

As of December 31, 2002 and 2001, the differences in derivative instruments hedge accounting between Mexican and U.S. GAAP, as they relate to the Company, led to certain adjustments in the reconciliation of stockholders' equity and the reconciliation of net income to U.S. GAAP, as well as reclassifications in the condensed financial information under U.S. GAAP of note 23(o), which are explained as follows:

- o During 2001, the estimated fair value of interest rate swaps negotiated to exchange fixed for floating rates, or vice versa, designated as hedges of underlying debt transactions under Mexican GAAP, was not recognized in the balance sheet pursuant to the hedge designation (see note 2N). For the year ended and as of December 31, 2001, for purposes of the reconciliation of stockholders' equity and net income to U.S. GAAP, the Company did not

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designate these interest rate swaps as accounting hedges under SFAS 133; therefore, the estimated fair value was recognized, resulting in income of approximately Ps31.1 (U.S.\$3.2 million) (see notes 11 and 12A). Beginning in 2002, the Company applied under Mexican GAAP the accounting provisions of cash flow hedges, in a manner equivalent to the rules set forth in SFAS 133. As a result, after fulfilling the hedging documentation requirements and effectiveness tests, beginning as of the designation date in June 30, 2002, the estimated fair value of the hedging instruments and changes thereon have been recognized in the balance sheet against the deficit in equity restatement within stockholders' equity, which is equivalent in Mexico to Other Comprehensive Income ("OCI") as defined in U.S. GAAP (see notes 11 and 12). For the year ended December 31, 2002, changes in the estimated fair value of interest rate derivatives, other than those designated as cash flow hedges, have been recorded through the income statement under Mexican GAAP (see notes 11 and 12), consistently with U.S. GAAP.

- o As discussed in notes 11 and 12B, the Company recorded a net asset of U.S.\$242.9 million (Ps2,431.4) in 2001 and U.S.\$244.9 million (Ps2,542.1) in 2002, related to the fair value adjustments of certain Cross Currency Swaps. Under U.S. GAAP, the amounts do not qualify for net presentation and thus have been shown gross for purposes of the condensed financial information under U.S. GAAP presented in note 23(o).

As a result of the reversal, under U.S. GAAP as of December 31, 2001, long-term debt increased U.S.\$175.9 million (Ps1,760.7) against non-current assets, representing the portion of the estimated fair value attributable to the changes in the exchange rates between the beginning of the CCS and year-end; and U.S.\$14.8 million (Ps148.1), corresponding to the portion of the estimated fair value attributable to accrued interest, was reclassified and increased current liabilities against current assets. Likewise, at December 31, 2002, in respect to the portion of the estimated fair value attributable to changes in the exchange rates, short-term debt decreased U.S.\$2.9 million (Ps30.1) against current assets and long-term debt increased U.S.\$177.1 million (Ps1,838.3), including prepayments, against non-current assets; while in respect of the portion of the estimated fair value attributable to accrued interest, current liabilities increased U.S.\$25.9 million

(Ps268.8) against current assets.

All other derivative instruments, with the exception of those described above and the equity forwards described in note 23(j), entered into by the Company and disclosed in notes 11, 12 and 16, have been accounted under Mexican GAAP consistently with the provisions of U.S. GAAP. In respect to the interest rate derivative instruments that hedge forecasted debt transactions (see note 12A), as of December 31, 2002, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows associated with the interest rates of new debt issuances or debt renegotiations is up to six months between the settlement date of the instrument and the occurrence of the underlying debt transaction.

For all hedging relationships for accounting purposes, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as fair-value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. As of December 31, 2002 and 2001, the Company has not designated any derivative instrument as a fair value hedge for accounting purposes under both Mexican GAAP and U.S. GAAP. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

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 quoted market prices for the same or similar instruments or on current rates offered to the Company for debt of the same remaining maturities (or

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determined by discounting future cash flows using borrowing rates currently available to the Company) at December 31, 2002 is summarized as follows:

	Carrying Amount	Estimated Fair value
Bank loans.....Ps	25,692.1	25,680.1
Notes payable.....	26,462.1	26,479.4

As discussed in notes 2D and 14D, the Company has designated certain debt as hedges of its investment in foreign subsidiaries and, for Mexican GAAP purposes, records foreign exchange fluctuations on such debt in equity. For purposes of the U.S. GAAP net income reconciliation, expense of Ps1,551.6 in 2000, income of Ps609.7 in 2001 and expense of Ps2,460.1 in 2002, were recognized as foreign exchange results since the related debt does not meet the conditions set forth in SFAS 52 for hedge accounting purposes, given that

the currencies involved do not move in tandem.

(m) Stock Option Programs

Beginning in 2001, for financial reporting under Mexican GAAP, the Company accounts for its stock option programs (see note 15) using a methodology that is consistent with the rules set forth by APB Opinion No. 25 ("APB 25") under U.S GAAP. According to APB 25, compensation cost should be recognized in the financial statements under the intrinsic cost method, which represents the difference between the strike price and the market price of the stock at the reporting date, for all plans that do not meet the following characteristics: (i) the exercise price established in the option is equal to the quoted market price of the stock at the measurement date, (ii) the exercise price is fixed for the option's life, and (iii) the option's exercise is hedged through the issuance of new shares of common stock. After taking into account these characteristics, no compensation cost is recognized for the Company's fixed program (see note 15A), while compensation cost is periodically determined, beginning in 2001, for the Company's variable program (see note 15C) and voluntary programs (see note 15D) and beginning in 2002, for its special program (see note 15B). Stock options activity during 2001 and 2002, the balance of options outstanding as of December 31, 2001 and 2002 and other general information regarding the Company's stock option programs is presented in note 15.

The Company covers the potential future exercise of its programs, with the exception of the fixed program, through equity forward contracts in the Company's own stock that have been designed as hedges of the programs. For the years ended December 31, 2001 and 2002, the Company recognized in the income statement under Mexican GAAP a gain of approximately U.S.\$28.7 million (Ps287.3) and a loss of approximately U.S.\$47.1 million (Ps488.9), respectively, from changes in the estimated fair value of the forward contracts.

Under U.S. GAAP, SFAS 123 "Accounting for Stock-Based Compensation" requires that compensation cost for stock option plans should be determined based on the options' fair value at the grant date, using a qualified option-pricing model, and recorded in results of operations during the options vesting period after which no further recognition is required.

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For the years ended December 31, 2000, 2001 and 2002, had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, using the Black-Scholes pricing model, the Company's net income would have been reduced to the pro forma amounts indicated below:

	2000	2001		Total
		Fixed program	Variable program	
Net income, as reported (Mexican GAAP)..... Ps	10,389.1			11,789.8
Cost of options granted according to SFAS 123.....	(211.0)	(271.5)	(205.0)	(476.5)
Result from voluntary exchange program, net (note 15).....	-	221.9	-	221.9
Reversal of cost recognized under APB 25.....	-	-	147.2	147.2
Approximate net income, pro forma.....	10,178.1			11,682.4
Basic earnings per share, as reported..... Ps				2.76
	2.52			
Basic earnings per share, pro forma..... Ps				2.74
	2.47			
		2002		
	Special program	Variable program	Voluntary programs	Total
Net income, as reported (Mexican GAAP)..... Ps				5,400.4
Cost of options granted according to SFAS 123.....	(9.3)	(158.7)	(17.9)	(185.9)

Reversal of cost recognized under APB 25.....	-	-	51.9	51.9
Approximate net income, pro forma.....				5,236.4
Basic earnings per share, as reported..... Ps				1.20
Basic earnings per share, pro forma..... Ps				1.17

The net amount of income in the pro forma calculations of Ps221.9, presented in 2001 under the line "Result from voluntary exchange program, net", represents the difference between the amount paid to the executives for the repurchase of their options of approximately Ps659.9, recorded as an expense under Mexican GAAP in 2001, equivalent to the intrinsic value of the options at the exchange date, and the expense determined under SFAS 123 of approximately Ps438.0, representing the options unvested fair value at the date of issuance, which was accelerated as a result of the exchange program. The reason for the reversal in the pro forma calculations, of the expense recognized under Mexican GAAP, is because such amount had been previously expensed in the pro forma calculations as part of the cost under SFAS 123 in prior years and as part of the accelerated amortization of the unrecognized cost discussed above.

The assumptions for the Black-Scholes model for the options granted during each year were:

	2000	2001	2002
Expected dividend yield.....	2%	2%	2%
Volatility.....	30%	25%	25%
Range of risk free interest rates.....	12.5%	4.9% - 9.8%	3.6% - 4.8%
Weighted average tenure.....	10 years	10 years	9.8 years

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

Under Mexican GAAP, statements of changes in financial position, in which are identified the sources and uses of resources based upon the differences between beginning and ending financial statements in constant pesos, require that monetary position result and unrealized foreign exchange result be treated as cash items in the determination of resources provided by operations. U.S. GAAP, under SFAS 95, requires a statement of cash flow presenting only cash items and excluding non-cash items. SFAS 95 does not provide any guidance with respect to inflation-adjusted financial statements. 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 against the corresponding monetary position result in operating activities, (ii) the elimination of foreign exchange results from financing and investing activities against the corresponding unrealized foreign exchange result included in operating activities and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

The following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 2000, 2001 and 2002, giving effect to the U.S.

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GAAP adjustments, excluding the effects of inflation required by Bulletin B-10 and Bulletin B-15. The following information is presented in millions of pesos on a historical peso basis and is not presented in pesos of constant purchasing power.

	2000	2001	2002
Net cash provided by operating activities..... Ps	9,651.4	18,786.5	9,526.4
Net cash provided by (used in) financing activities.....	19,136.6	(9,250.1)	(1,323.7)
Net cash used in investing activities.....	(29,930.8)	(8,433.3)	(8,380.4)

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

	Years ended December 31,		
	2000	2001	2002
Interest paid..... Ps	4,491.3	3,594.9	3,467.1
Income taxes paid.....	1,106.3	559.2	1,350.3

Non-cash activities are comprised of the following:

1. Acquisition of fixed assets through capital leases amounting to Ps749.8 in 2000 and Ps23.2 in 2001. The Company did not acquire assets through capital leases during 2002.
2. Liabilities assumed through the acquisition of businesses (see note 8A) were Ps5,984.6 in 2000, Ps275.6 in 2001 and Ps1,873.7 in 2002.

(o) Condensed Financial Information under U.S. GAAP

The following table presents consolidated condensed income statements for the years ended December 31, 2000, 2001 and 2002, prepared under U.S. GAAP, and includes all differences described in this note as well as certain other reclassifications required for purposes of U.S. GAAP:

	Years ended December 31,		
	2000	2001	2002
Statements of income			
Net sales..... Ps	59,039.8	66,459.4	67,278.3
Gross profit.....	25,079.3	28,049.9	29,055.6
Operating income.....	14,370.2	10,623.3	10,874.2
Comprehensive financial income (cost).....	(2,802.8)	3,282.3	(5,903.0)
Other expenses, net.....	(438.8)	(624.4)	(959.0)
Income tax (including deferred).....	(1,790.4)	(1,863.1)	1,579.9
Equity in income of affiliates.....	379.7	321.9	454.5
Consolidated net income.....	9,717.9	11,740.0	6,046.6
Minority interest net income.....	548.5	1,107.6	399.0
Majority interest net income..... Ps	9,169.4	10,632.4	5,647.6

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The following table presents consolidated condensed balance sheets at December 31, 2001 and 2002, prepared under U.S. GAAP, including all differences and reclassifications as compared to Mexican GAAP described in this note 23:

	At December 31,	
	2001	2002
Balance sheets		

Current assets.....	Ps	22,059.4	19,932.5
Investments and non-current assets.....		8,958.0	7,556.9
Property, machinery and equipment.....		94,988.3	98,121.1
Deferred charges.....		37,316.5	43,945.5
<hr/>			
Total assets.....		163,322.2	169,556.0
<hr/>			
Current liabilities.....		28,473.4	36,149.0
Long-term debt.....		39,361.3	41,222.3
Other non-current liabilities.....		21,328.2	22,202.6
<hr/>			
Total liabilities.....		89,162.9	99,573.9
<hr/>			
Mezzanine items:			
Putable capital securities (see note 14E).....		2,420.7	685.1
Temporary equity.....		5,865.8	5,659.5
Preferred equity (see note 14F).....		8,714.3	6,747.0
Minority interest.....		8,023.0	5,194.7
<hr/>			
Total mezzanine items.....		25,023.8	18,286.3
<hr/>			
Stockholders' equity.....		49,135.5	51,695.8
<hr/>			
Total liabilities and stockholders' equity.....	Ps	163,322.2	169,556.0

For purposes of the consolidated condensed financial statements presented in the tables above, the 2000 and 2001 figures were restated to constant pesos at December 31, 2002 using the Mexican inflation rate, in order to comply with current requirements of Regulation S-X, instead of the weighted average inflation factor used by the Company under Mexican GAAP (see note 2B).

(p) Restatement to Constant Pesos of Prior Years

The following table presents summarized financial information under Mexican GAAP of the consolidated income statements for the years ended December 31, 2000 and 2001 and balance sheet information at December 31, 2001, in Mexican pesos of equivalent constant purchasing power of December 31, 2002 using the Mexican inflation rate:

	2000	2001
Sales.....	Ps 59,698.5	67,035.8
Gross profit.....	26,339.7	29,329.3
Operating income.....	17,565.7	16,008.6
Majority interest net income.....	10,613.7	11,404.2
<hr/>		
Current assets.....	Ps	22,456.9
Non-current assets.....		134,693.3
Current liabilities.....		
<hr/>		
Non-current liabilities.....	Non-current assets	22,721.3
Majority interest stockholders' equity.....		55,495.9
Minority interest stockholders' equity.....		59,805.6
		19,127.3

(q) Environmental Costs

Environmental expenditures related to current operations are expensed or capitalized, as appropriate. Remediation costs related to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. CEMEX 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. Other than those contingencies disclosed in note 21G, the Company is not currently facing other material situations, which might result in the recognition of an environmental remediation liability.

(r) Supplemental Debt Information

At December 31, 2001 and 2002, due to the Company's ability and its intention to refinance short-term debt with the available amounts of the committed long-term lines of credit, U.S.\$546 million (Ps5,465.4) and U.S.\$450 million (Ps4,671.0), respectively, were reclassified from short-term debt to long-term debt under Mexican GAAP (see note 12). For purposes of the condensed information under U.S. GAAP of note 23(o), this reclassification was reversed given that under U.S. GAAP, the reclassification is precluded when the long-term agreements contain "Material Adverse Events" clauses, which in the case of the Company are customary covenants.

(s) Impairment of Long Lived Assets

As noted at the beginning of note 23, for purposes of the reconciliation to U.S. GAAP, CEMEX adopted SFAS 142 and SFAS 144 effective January 1, 2002. SFAS 142 eliminates the amortization of goodwill and indefinite-lived intangible assets, and addresses the amortization of intangible assets with finite lives and impairment testing and recognition for goodwill and intangible assets. SFAS 144 establishes a single model for the impairment of long-lived assets and broadens the presentation of discontinued operations to include disposal of an individual business. As a result of such adoption, beginning January 1, 2002, amortization ceased for goodwill under U.S. GAAP.

In connection with SFAS 142's transitional goodwill impairment evaluation, the statement requires an assessment of whether there was an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company was required to identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of January 1, 2002. The Company was also required to determine the fair value of each reporting unit and compare it to the its related carrying amount within six months of January 1, 2002. To the extent the fair value of the reporting unit exceeds its corresponding carrying amount there is no requirement to recognize an impairment loss. Upon adoption, SFAS 142 required the Company to determine its reporting units, as defined, for purposes of assessing fair value in determining the potential impairment at transition and in future periods. The Company's geographical segments under SFAS 131 are also its reporting units under SFAS 142, based on the similarities as defined in SFAS 142 of the components of the operating segments (cement, ready-mix concrete, aggregates and other construction materials). No impairment charges were required as a result of the transitional goodwill impairment evaluation performed for the recorded goodwill as of January 1, 2002.

As a result of the implementation of SFAS 142 and 144 during 2002, pursuant to which goodwill is defined as an intangible asset with indefinite life and is no longer amortized, the Company ceased the amortization of the net amounts of goodwill as of December 31, 2001; therefore such amounts will be fixed and subject to the impairment test as required by the new rules. For the year ended December 31, 2002, goodwill under Mexican GAAP continued to be an amortizable intangible asset. In compliance with the accounting rules set forth by SFAS, the Company assesses goodwill and indefinite-lived intangibles for impairment annually unless events occur that require more frequent reviews. Long-lived assets, including amortizable intangibles, are tested for impairment if impairment triggers occur. Discounted cash flow analyses are used to assess the possible impairment of both, amortizable and non-amortizable intangible assets, while undiscounted cash flow analyses are used to assess long-lived asset impairment.

As previously discussed in note 23(a), for U.S. GAAP purposes, goodwill amounts are carried in the reporting unit's functional currency and restated by the inflation factor of the reporting unit's country and then translated into Mexican pesos at the exchange rates prevailing at the reporting date. Under Mexican GAAP, goodwill amounts are carried in the currencies of the reporting units' holding companies, are translated into pesos and restated by Mexican inflation.

If an assessment indicates impairment, the impaired asset is written down to its fair market value based on the best information available. Estimated fair market value is generally measured with discounted estimated future cash flows. The useful lives of amortizable intangibles are evaluated periodically, and subsequent to impairment reviews, to determine whether revision is warranted. If cash flows related to a nonamortizable intangible are not expected to continue for the foreseeable future, a useful life would be assigned. Considerable management judgment is necessary to estimate undiscounted and discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts and industry practices. In addition, during 2002, there were no impairment charges except for the impairment expense disclosed in note 2U, which was attributable to the reporting unit engaged in software development projects for both Mexican and U.S. GAAP.

As of December 31, 2002, the Company's approximate goodwill by reporting unit under U.S. GAAP, net of amortization accrued until December 31, 2001, is as follows:

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	January 1, 2002 (1)	Goodwill acquired (2)	Impairment losses	Inflation and currency fluctuation (3)	December 31, 2002
United States..... Ps	13,845.2	-	-	997.2	14,842.4
Mexico.....	6,048.3	-	-	-	6,048.3
Spain.....	6,394.0	-	-	2,027.7	8,421.7
Colombia.....	3,342.9	-	-	(217.7)	3,125.2
The Philippines.....	1,052.1	628.0	-	72.3	1,752.4
Dominican Republic.....	332.2	-	-	54.1	386.3
Thailand.....	363.4	-	-	36.0	399.4
The Caribbean.....	346.9	-	-	33.6	380.5
Venezuela.....	286.0	-	-	(23.5)	262.5
Egypt.....	256.3	-	-	17.4	273.7
Costa Rica.....	263.2	-	-	13.4	276.6
Other reporting units (4)....	326.9	371.3	(93.1)	96.1	701.2
Affiliates (see note 8A).....	314.7	209.7	-	7.8	532.2
Ps	33,172.1	1,209.0	(93.1)	3,114.4	37,402.4

1. This column presents goodwill by reporting unit; net of amortization accrued until December 31, 2001, presented in constant pesos as of December 31, 2002, using the Mexican inflation rate.
2. The acquired goodwill represents the difference between the purchase price and the estimated fair value of the acquired entity at the acquisition date, determined in the subsidiary's or the affiliate's currency and presented in Mexican pesos at the balance sheet date. For the acquisitions during 2002, no intangible assets, both of definite or indefinite life, were identified and determined other than goodwill. As mentioned in note 8A, in 2002, CEMEX acquired: (i) from the minority shareholders the remaining 30% economic interest in Solid for approximately U.S.\$95 million (Ps986.1); (ii) through a tender offer and a subsequent merger, a 100% equity interest in Puerto Rican Cement Company for approximately U.S.\$180.2 million (Ps1,870.5); and (iii) for cash and pursuant to a forward purchase agreement, a 15.1% equity interest in CAH, for approximately U.S.\$142.3 million. In addition, during 2002, CEMEX also made other minor acquisitions for approximately U.S.\$60 million.
3. The amounts presented in this column represent the difference between the goodwill amounts as determined in the reporting units' functional currencies, restated by the reporting unit's inflation rates and translated into pesos at the exchange rates prevailing at the reporting date, as compared to the same amounts of goodwill at the beginning of the year, translated into Mexican pesos at the exchange rates of December 31, 2001, restated into constant pesos as of December 31, 2002 using Mexican inflation.
4. Other reporting units are mainly integrated by the Company's cement operations in Puerto Rico and Panama, the ready-mix concrete operations in France and Italy and the reporting unit engaged in software development projects.

The following table reflects the impact that SFAS 142 would have had on prior years net income under U.S. GAAP and earnings per share if adopted for all historical periods presented:

		Years Ended December 31,	
		2000	2001
Approximate net income under U.S. GAAP, as reported	Ps	9,169.4	10,632.4
Cease goodwill amortization.....		965.7	2,239.4
Adjusted net income under U.S. GAAP.....	Ps	10,135.1	12,871.8

Basic U.S. GAAP earnings per share.....	Ps	2.23	2.50
Cease goodwill amortization.....		0.24	0.52
Adjusted basic U.S. GAAP earnings per share.....	Ps	2.47	3.02
Diluted U.S. GAAP earnings per share.....	Ps	2.19	2.44
Cease goodwill amortization.....		0.23	0.51
Adjusted diluted U.S. GAAP earnings per share.....	Ps	2.42	2.95

(t) Business Combinations

As mentioned in note 8A, during November 2000, CEMEX acquired a majority equity interest in CEMEX, Inc. (formerly Southdown). For purposes of disclosure under U.S. GAAP according to APB 16, companies must provide on a pro forma

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basis, the effects of certain information as if the acquired companies were consolidated since the beginning of the reported period. Therefore, the Company is providing pro forma selected income statement amounts for the consolidation of CEMEX, Inc., as if it had been consolidated for the full year 2000.

In order to make the information comparable with the reported amounts of the Company in its financial statements under Mexican GAAP, the pro forma amounts presented in the table below corresponding to 2000, have been restated to constant pesos as of December 31, 2002, using the weighted average inflation index (see note 2B). The approximated amounts are as follows:

	Year Ended December 31, 2000			
	CEMEX as reported (1)	CEMEX, Inc. ten-months as reported (2)	CEMEX, Inc. ten-months pro forma adjustments (3)	CEMEX pro forma
Net sales.....	Ps 58,435.1	11,594.8	-	70,029.9
Operating income.....	17,193.5	2,939.0	(481.7)	19,650.8
Majority interest net income (loss).....	10,389.1	1,304.6	(2,545.4)	9,148.3
Basic earnings per share.....	Ps 2.52			2.21
Diluted earnings per share.....	Ps 2.51			2.20

- 1) Includes results of operations of CEMEX, Inc. for the two-month period ended December 31, 2000 (see note 8A).
- 2) CEMEX, Inc.'s ten-month period ended October 31, 2000 is reported in its 2000 annual audited financial statements.
- 3) For purposes of the pro forma information presented in the table above, "CEMEX, Inc. ten-months pro forma adjustments" column, reflect the acquisition of CEMEX, Inc. for the ten months ended October 31, 2000, as if it had occurred at the beginning of that year. The summary of the pro forma adjustments is as follows:
 - 3.1) The anticipated interest expense of U.S.\$88.5 million in 2000, resulting from the U.S.\$1,328 million debt financing assumed in connection with CEMEX, Inc. acquisition, which was determined with a weighted average interest rate of 8%, representative of the borrowing conditions.
 - 3.2) The estimated amortization expense of U.S.\$53.8 million in 2000, arising from the U.S.\$1,161.9 million goodwill recorded in the acquisition, resulting from the allocation of the net purchase price of U.S.\$2,720.3 million, including adjusting assets and liabilities to fair value at the date of the acquisition. The purchase price includes approximately U.S.\$2,628.3 million to acquire 100% of the

outstanding shares of common stock and approximately U.S.\$48 million to liquidate stock options of CEMEX, Inc., while the remainder relates primarily to change of control payments, investment banking fees and other transaction costs.

- 3.3) The additional estimated depreciation expense of U.S.\$46.3 million in 2000 resulting from the revaluation of property, machinery and equipment.
- 3.4) The income tax benefit at the statutory rate of U.S.\$47.2 million in 2000 resulting from the additional depreciation and interest expense.
- 3.5) The anticipated preferred dividends of U.S.\$103.3 million in 2000 resulting from U.S.\$1.5 billion preferred equity financing transaction used by CEMEX for the acquisition (see note 14F).

As mentioned in note 8A, during 2001 the Company acquired CEMEX Thailand (formerly Saraburi) and other acquisitions for an aggregate amount of U.S.\$214.5 million, and during 2002 the Company acquired Puerto Rican Cement Company and other minor acquisitions for an aggregate of U.S.\$242.3 million, not including approximately U.S.\$235 million spent to acquire minority interests, of which U.S.\$95 million is related to Solid and U.S.\$142.3 million relates to the forward acquisition of CAH shares. For purposes of disclosure under APB 16 for the years ended December 31, 2001 and 2002, the Company determined that the impact of such acquisitions on the Company's consolidated amounts was not material.

(u) Sale of Accounts Receivable

The Company accounts for transfers of receivables under Mexican GAAP consistently with the rules set forth by SFAS 140 "Accounting for Transfers and Surveying of Financial Assets and Extinguishments of Liabilities". Under SFAS

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140, transactions that meet the criteria for surrender of control are recorded as sales of receivables and their amounts are removed from the consolidated balance sheet at the time they are sold (see note 4).

(v) Newly Issued Accounting Pronouncements under U.S. GAAP

In June 2001, FASB issued SFAS 143 "Accounting for Asset Retirement Obligations". SFAS No. 143 requires an entity to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. Such liability would be recorded against a corresponding asset that is depreciated over the life of the long-lived asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS 143 on January 1, 2003. The adoption of SFAS 143 is not expected to have a material effect on the Company's financial statements.

In April 2002, the FASB issued SFAS 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of the statement related to the rescission of Statement No. 4 are applied in fiscal years beginning after May 15, 2002. Earlier application of these provisions is encouraged. The provisions of the statement related to Statement No. 13 were

effective for transactions occurring after May 15, 2002, with early application encouraged. The adoption of SFAS No. 145 is not expected to have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity". The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS 146 is not expected to have a material effect on the Company's financial statements.

In November 2002, the FASB issued Interpretation 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements 5, 57 and 107 and a rescission of FASB Interpretation 34". This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002.

In connection with the disclosure requirements of Interpretation 45, related to the energy generating plant agreement discussed in note 21F, the Company may also be obligated to purchase the power plant upon the occurrence of specified material defaults or events, such as failure to pay when due, bankruptcy or insolvency, and revocation of permits necessary to operate the facility. Through December 31, 2002, for accounting purposes under Mexican and U.S. GAAP, the Company has considered this agreement in a manner similar to an operating lease, based on the contingent characteristics of the Company's obligation and given that, absent a default under the agreement, the Company's obligations are limited to the purchase of energy from, and the supply of fuel to, the plant. Currently, in light of interpretations 45 and 46, the Company is reviewing the accounting treatment. A final assessment is expected no later than June 30, 2003.

In December 2002, the FASB issued SFAS 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123". This statement amends FASB Statement 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure

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requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In January 2003, the FASB issued Interpretation 46 "Consolidation of Variable Interest Entities, an interpretation of ARB 51". This interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the interpretation. The interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. Currently, the Company is performing a review of transactions which accounting treatment could be affected by this interpretation, in order to determine the effect on the Company's financial statements. A final assessment is expected no later than June 30, 2003. The interpretation requires certain disclosures in financial statements issued

after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the interpretation becomes effective.

(w) Recent Developments (unaudited)

In April 2003, the Company amended the terms of the July 12, 2002 agreements pursuant to which it had agreed to exchange 28,195,213 CEMEX CPOs for 1,483,365 shares of CAH common stock (see note 8A). The terms of the exchange have been modified with respect to 1,398,602 of the CAH shares. Instead of purchasing those CAH shares in four equal quarterly tranches commencing on March 31, 2003, the Company has now agreed to purchase those CAH shares in four equal quarterly tranches commencing on March 31, 2004. Notwithstanding the amendments, for accounting purposes, the CAH shares to be received by the Company pursuant to the exchanges are considered to be owned by the Company effective as of July 12, 2002, as the former holders of the CAH shares have no risks or rewards as a result of the CAH operations. Pending the successful consummation of this transaction, the Company will have increased its stake in CAH to 92.25%.

In March 2003, U.S.\$800 million of the U.S.\$1,000 million notional amount of interest rate swap options (swaptions) held by the Company as of December 31, 2002 matured, and the Company entered into interest rate swaps for a notional amount of U.S.\$800 million in connection with the counterparties' election under the swaptions to receive from the Company fixed interest rates and pay to the Company floating interest rates for a five-year period. See note 11. The remaining swaptions for a notional amount of U.S.\$200 million mature in October 2004.

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(x) Guaranteed debt

In June 2000, CEMEX 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 then outstanding 9.625% Notes due 2009. The Exchange Notes are fully and unconditionally guaranteed, on a joint and several basis, as to payment of principal and interest by two of the Company's Mexican subsidiaries: CEMEX Mexico and Empresas Tolteca de Mexico, S.A. de C.V. ("ETM"). These two companies, together with their subsidiaries, account for substantially all of the revenues and operating income of CEMEX's Mexican operations. During 1999, through a series of mergers, the cement and ready-mix concrete operations of the Company in Mexico were integrated into CEMEX Mexico (see note 2C). CEMEX Mexico is also the holding company for the Company's non-Mexican operations.

As mentioned in note 12, as of December 31, 2001 and 2002, indebtedness of the Company in an aggregate amount of U.S.\$ 2,196 million and U.S.\$2,339 million, respectively, is fully and unconditionally guaranteed, on a joint and several basis, by CEMEX Mexico and ETM. The Company's indebtedness guaranteed by these two subsidiaries did not increase as a result of the exchange offer described above.

As of December 31, 2001 and 2002, the Company owned a 100% equity interest in CEMEX Mexico, including a 2% and a 0.6% equity interest, respectively, held by a Mexican trust in connection with an equity financing transaction due in 2007 (see note 14F), and CEMEX Mexico owned a 100% equity interest in 2001 and 2002 in ETM. During October and November 2001, CEMEX Mexico and ETM carried out individually, a reverse stock split. Through this operation, stockholders of CEMEX Mexico and ETM were entitled to receive one new share for each 130 million old shares and one new share for each 20 million old shares, respectively. Pursuant to these transactions, the shares of any shareholder not meeting the minimum number required for the reverse stock split, were liquidated and converted into the right to receive a cash liquidation. As a result, as of December 31, 2001, in the consolidated balance sheet of the

Company, an account payable of Ps411.9 million was created in favor of the old shareholders against CEMEX Mexico and ETM stockholders' equity. During 2002, CEMEX Mexico and ETM paid no material amounts to the old shareholders. On December 7, 2002, the period granted by Mexican law for the old shareholders to claim their rights under the reverse stock split expired. As prescribed by law, the unclaimed amount after the expiration date should be reimbursed to the entity's stockholders' equity; as a result, the account payable as of the expiration date was cancelled against stockholders' equity as of December 31, 2002. In addition, resulting from the reverse stock split, the equity interest of the Company in both subsidiaries increased to 100%.

For purposes of the accompanying condensed consolidated balance sheets, income statements and statements of changes in financial position under Mexican GAAP, the first column, "CEMEX," corresponds to the parent company issuer, which has no material operations other than its investments in subsidiaries and affiliated companies. The second column, "Combined Guarantors", represents the combined amounts of CEMEX Mexico and ETM on a Parent Company-only basis, after adjustments and eliminations relating to their combination. The third column, "Combined non-guarantors", represents the amounts of the Company's international subsidiaries, 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 CEMEX, the Guarantors and the non-guarantor subsidiaries, as well as the corresponding constant pesos adjustment as of December 31, 2002, for the periods ended December 31, 2000 and 2001 described below. The fifth column, "CEMEX Consolidated", represents the Company's consolidated amounts as reported in the audited consolidated financial statements. Additionally, all the amounts presented under the line item "Investments in affiliates" for both the balance sheet and the income statement are accounted for by the equity method.

As mentioned in note 2B, according to Mexican GAAP's 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 "Combined non-guarantors" amounts have been adjusted to reflect constant pesos as of December 31, 2002, 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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The condensed consolidated financial information is as follows:

Condensed consolidated balance sheets:

As of December 31, 2001	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Current assets..... Ps	15,590.7	15,849.2	48,319.5	(56,543.2)	23,216.2
Investment in affiliates.....	17,995.1	67,294.7	9,938.7	(90,055.6)	5,172.9
Other non-current assets.....	57,519.1	1,133.0	5,903.5	(62,614.5)	1,941.1
Property, machinery and equipment.....	1,695.8	26,004.9	59,079.4	2,712.9	89,493.0
Deferred charges.....	4,574.1	5,983.9	72,341.8	(40,259.4)	42,640.4
Total assets.....	97,374.8	116,265.7	195,582.9	(246,759.8)	162,463.6
Current liabilities.....	8,953.9	23,824.5	26,618.6		23,489.6
Long-term debt.....	25,931.4	240.9	8,752.5	8,567.2	43,492.0
Other non-current liabilities.....	661.9	74,688.1	23,169.1	(84,638.7)	13,880.4
Total liabilities.....	35,547.2	98,753.5	58,540.2	(111,978.9)	80,862.0
Majority interest stockholders' equity.....	61,827.6	17,512.2			61,827.6
Minority interest.....			19,289.6	484.4	19,774.0
Stockholders' equity under Mexican GAAP.....	61,827.6	17,512.2	137,042.7	(134,780.9)	81,601.6
Total liabilities and stockholders' equity... Ps	97,374.8	116,265.7	195,582.9	(246,759.8)	162,463.6

As of December 31, 2002	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Current assets..... Ps	20,847.3	10,106.9	57,527.3	(68,212.7)	20,268.8
Investment in affiliates.....	76,387.2	76,310.4	8,165.9	(155,053.7)	5,809.8
Other non-current assets.....	17,082.2	491.7	1,329.3	(17,350.5)	1,552.7
Property, machinery and equipment.....	1,689.3	27,537.7	63,666.0	144.3	93,037.3
Deferred charges.....	6,012.4	6,027.6	80,268.9	(47,577.6)	44,731.3
Total assets.....	122,018.4	120,474.3	210,957.4	(288,050.2)	165,399.9
Current liabilities.....	23,910.8	8,732.4	22,446.1	(24,426.1)	30,663.2
Long-term debt.....	37,086.6	6.3	15,089.8	(6,781.7)	45,401.0
Other non-current liabilities.....	1,395.0	49,539.0	17,214.5	(50,965.2)	17,183.3
Total liabilities.....	62,392.4	58,277.7	54,750.4	(82,173.0)	93,247.5
Majority interest stockholders' equity.....	59,626.0	62,196.6	141,950.2	(204,146.8)	59,626.0
Minority interest.....	-	-	14,256.8	(1,730.4)	12,526.4
Stockholders' equity under Mexican GAAP.....	59,626.0	62,196.6	156,207.0	(205,877.2)	72,152.4
Total liabilities and stockholders' equity... Ps	122,018.4	120,474.3	210,957.4	(288,050.2)	165,399.9

Condensed consolidated income statements:
For the year ended December 31, 2000

	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and Eliminations	CEMEX Consolidated
Sales..... Ps	-	23,519.4	42,624.5	(7,708.8)	58,435.1
Operating income.....	(101.2)	6,323.7	6,305.2	4,665.8	17,193.5
Comprehensive financing result.....	110.0	(1,748.1)	(3,118.6)	2,949.8	(1,806.9)
Other income (expense), net.....	3,212.6	(872.3)	(883.4)	(3,892.7)	(2,435.8)
Income tax.....	940.7	(133.7)	(2,624.0)	(197.2)	(2,014.2)
Equity in income of affiliates.....	6,227.0	(245.0)	103.4	(5,822.4)	263.0
Consolidated net income.....	10,389.1	3,324.6	(217.4)	(2,296.7)	11,199.6
Minority interest.....	-	-	(759.8)	1,570.3	810.5
Majority net income..... Ps	10,389.1	3,324.6	542.4	(3,867.0)	10,389.1

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For the year ended December 31, 2001	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales..... Ps	-	21,865.0	52,477.2	(5,039.9)	69,302.3
Operating income.....	(86.7)	1,563.8	5,881.6	9,191.2	16,549.9
Comprehensive financing result.....	32.7	1,403.5	2,559.5	(1,346.3)	2,649.4
Other income (expense), net.....	105.4	2,006.5	3,255.9	(9,541.6)	(4,173.8)
Income tax.....	1,337.3	583.7	(2,163.7)	(2,163.7)	(1,906.2)
Equity in income of affiliates.....	10,401.1	2,618.1	356.4	(13,170.4)	205.2
Consolidated net income.....	11,789.8	8,175.6	10,389.9	(17,030.8)	13,324.5
Minority interest.....	-	-	1,144.3	390.4	1,534.7
Majority net income..... Ps	11,789.8	8,175.6	9,245.6	(17,421.2)	11,789.8

For the year ended December 31, 2002	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Sales..... Ps	-	21,753.3	48,827.6	(2,663.4)	67,917.5
Operating income.....	(106.3)	3,209.7	5,428.0	5,070.6	13,602.0
Comprehensive financing result.....	(1,373.9)	(6,383.0)	(3,660.1)	7,998.2	(3,418.8)
Other income (expense), net.....	124.8	(328.3)	6,090.9	(9,928.1)	(4,040.7)
Income tax.....	2,208.9	(1,249.2)	(1,254.4)	(381.4)	(676.1)
Equity in income of affiliates.....	4,546.9	1,596.0	(2.3)	(5,821.9)	318.7
Consolidated net income.....	5,400.4	(3,154.8)	6,602.1	(3,062.6)	5,785.1
Minority interest.....	-	-	84.8	299.9	384.7
Majority net income..... Ps	5,400.4	(3,154.8)	6,517.3	(3,362.5)	5,400.4

Condensed consolidated statements of changes in financial position:

For the year ended December 31, 2000	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Operating activities:					
Majority net income..... Ps	10,389.1	3,324.6	542.4	(3,867.0)	10,389.1
Non-cash items.....	(6,680.3)	780.0	7,836.8	4,658.0	6,594.5
Resources provided by operations.....	3,708.8	4,104.6	8,379.2	791.0	16,983.6
Net change in working capital.....	(8,921.6)	4,478.3	6,022.1	(470.5)	1,108.3
Resources provided by operations, net....	(5,212.8)	8,582.9	14,401.3	320.5	18,091.9
Financing activities:					
Bank loans and notes payable, net.....	2,106.7	(778.6)	10,761.3	(1,060.8)	11,028.6
Dividends paid.....	(2,386.2)	-	(511.5)	511.5	(2,386.2)
Issuance of common stock.....	2,243.1	-	-	-	2,243.1
Issuance of preferred stock by subsidiaries.....	-	-	16,071.1	(340.2)	15,730.9

Others.....	(169.3)	(822.5)	(478.6)	(3,351.8)	(4,822.2)
Resources used in financing activities....	1,794.3	(1,601.1)	25,842.3	(4,241.3)	21,794.2
Investing activities:					
Property, machinery and equipment, net.....	-	(523.3)	(2,227.1)	58.2	(2,692.2)
Acquisitions, net of cash acquired.....	(9,402.9)	(4,016.8)	(18,338.0)	4,650.5	(27,107.2)
Dividends received.....	511.6	-	-	(511.6)	-
Minority interest.....	-	-	(5,627.7)	119.2	(5,508.5)
Deferred charges and others.....	12,304.3	(3,141.9)	(14,241.7)	270.4	(4,808.9)
Resources used in investing activities....	3,413.0	(7,682.0)	(40,434.5)	4,586.7	(40,116.8)
Change in cash and investments.....	(5.5)	(700.2)	(190.9)	665.9	(230.7)
Cash and investments initial balance.....	66.0	2,528.5	2,900.6	(2,061.5)	3,433.6
Cash and investments ending balance.....	Ps 60.5	1,828.3	2,709.7	(1,395.6)	3,202.9

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For the year ended December 31, 2001	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Operating activities:					
Majority net income.....	Ps 11,789.8	8,175.6	9,245.6	(17,421.2)	11,789.8
Non-cash items.....	(10,415.2)	(1,737.3)	3,075.8	18,870.6	9,793.9
Resources provided by operations.....	1,374.6	6,438.3	12,321.4	1,449.4	21,583.7
Net change in working capital.....	(7,600.7)	5,955.5	2,213.1	1,474.6	2,042.5
Resources provided by operations, net....	(6,226.1)	12,393.8	14,534.5	2,924.0	23,626.2
Financing activities:					
Bank loans and notes payable, net.....	1,801.7	(55.9)	(15,070.1)	8,587.2	(4,737.1)
Dividends paid.....	(3,049.2)	-	8,742.0	(8,742.0)	(3,049.2)
Issuance of common stock.....	3,014.1	-	-	-	3,014.1
Issuance of preferred stock by subsidiaries.	-	-	(6,369.9)	-	(6,369.9)
Others.....	382.4	47,255.4	(9,451.4)	(40,802.3)	(2,615.9)
Resources used in financing activities....	2,149.0	47,199.5	(22,149.4)	(41,172.5)	(13,973.4)
Investing activities:					
Property, machinery and equipment, net.....	-	(775.5)	(4,170.0)	564.9	(4,380.6)
Acquisitions, net of cash acquired.....	40,841.1	(60,290.2)	(21,951.5)	39,387.5	(2,013.1)
Minority interest.....	-	-	(98.8)	(3.4)	(102.2)
Deferred charges and others.....	(36,661.0)	696.6	33,406.9	485.8	(2,071.7)
Resources used in investing activities....	4,180.1	(60,369.1)	7,186.6	40,434.8	(8,567.6)
Change in cash and investments.....	103.0	(775.8)	(428.3)	2,186.3	1,085.2
Cash and investments initial balance.....	60.5	1,828.3	2,709.7	(1,395.6)	3,202.9
Cash and investments ending balance.....	Ps 163.5	1,052.5	2,281.4	790.7	4,288.1
For the year ended December 31, 2002	CEMEX	Combined Guarantors	Combined non-guarantors	Adjustments and eliminations	CEMEX Consolidated
Operating activities:					
Majority net income.....	Ps 5,400.4	(3,154.8)	6,517.3	(3,362.5)	5,400.4
Non-cash items.....	(5,631.2)	1,063.8	19,716.4	(7,252.3)	7,896.7
Resources provided by operations.....	(230.8)	(2,091.0)	26,233.7	(10,614.8)	13,297.1
Net change in working capital.....	1,089.9	5,032.4	(27,128.3)	24,977.6	3,971.6
Resources provided by operations, net....	859.1	2,941.4	(894.6)	14,362.8	17,268.7
Financing activities:					
Bank loans and notes payable, net.....	7,299.5	63.8	(5,068.2)	-	2,295.1
Dividends paid.....	(3,394.1)	(2,171.5)	2.4	2,169.1	(3,394.1)
Issuance of common stock.....	3,157.4	51,460.6	14,502.1	(65,962.7)	3,157.4
Issuance of preferred stock by subsidiaries.	-	-	(4,191.5)	-	(4,191.5)
Others.....	370.6	(51,632.3)	53,956.9	-	2,695.2
Resources used in financing activities....	7,433.4	(2,279.4)	59,201.7	(63,793.6)	562.1
Investing activities:					
Property, machinery and equipment, net.....	-	(1,063.6)	(2,780.5)	-	(3,844.1)
Acquisitions, net of cash acquired.....	(63,299.0)	11,507.1	562.4	48,494.1	(2,735.4)
Dividends received.....	2,169.1	-	-	(2,169.1)	-
Minority interest.....	-	-	(2,959.9)	-	(2,959.9)
Deferred charges and others.....	53,042.0	(10,321.1)	(52,266.5)	714.9	(8,830.7)
Resources used in investing activities....	(8,087.9)	122.4	(57,444.5)	47,039.9	(18,370.1)
Change in cash and investments.....	204.6	784.4	862.6	(2,390.9)	(539.3)
Cash and investments initial balance.....	163.5	1,052.5	2,281.4	790.7	4,288.1
Cash and investments ending balance.....	Ps 368.1	1,836.9	3,144.0	(1,600.2)	3,748.8

The tables below present consolidated balance sheets as of December 31, 2001 and 2002, and income statements and statements of changes in financial position for each of the three-year periods ended December 31, 2002 for the Guarantors. Such information presents in separate columns each individual Guarantor on a Parent Company-only basis, consolidation adjustments and eliminations, and the combined Guarantors. All significant related parties balances and transactions between the Guarantors have been eliminated in the "Combined Guarantors" column.

The amounts presented in the column "Combined Guarantors" are readily comparable with the information of the Guarantors included in the condensed consolidated financial information. As previously described, amounts presented under the line item "Investments in affiliates" for both the balance sheets and income statements, include the net investment in affiliates accounted for by the equity method. In addition, the Guarantors' reconciliation of net income and stockholders' equity to U.S. GAAP are presented below:

Guarantors' Combined Balance Sheets:

December 31, 2001	Guarantors (Parent Company-only)				
	Assets	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Current Assets					
Cash and investments.....	Ps	401.9	650.6	-	1,052.5
Trade accounts receivable, net.....		1,828.2	-	-	1,828.2
Other receivables and other current assets.....		1,602.8	1,535.9	-	3,138.7
Related parties receivables.....		8,644.0	17,687.3	(17,845.7)	8,485.6
Inventories.....		1,344.2	-	-	1,344.2
Total current assets.....		13,821.1	19,873.8	(17,845.7)	15,849.2
Other Investments					
Investments in subsidiaries and affiliates.....		91,762.7	15,691.2	(40,159.2)	67,294.7
Long-term related parties receivables.....		841.6	-	-	841.6
Other investments.....		155.4	136.0	-	291.4
Total other investments.....		92,759.7	15,827.2	(40,159.2)	68,427.7
Property, plant and equipment.....		26,004.9	-	-	26,004.9
Deferred Charges.....		1,973.5	4,814.0	(803.6)	5,983.9
Total Assets.....	Ps..	134,559.2	40,515.0	(58,808.5)	116,265.7
Liabilities and Stockholders' Equity					
Current Liabilities					
Current maturities of long-term debt.....		5.1	-	-	5.1
Trade accounts payable.....		382.0	-	-	382.0
Other accounts payable and accrued expenses.....		2,146.8	167.3	-	2,314.1
Related parties payables.....		38,803.5	165.3	(17,845.5)	21,123.3
Total current liabilities.....		41,337.4	332.6	(17,845.5)	23,824.5
Total long-term debt.....		240.9	-	-	240.9
Other Noncurrent Liabilities					
Deferred income taxes.....		6,361.3	-	(803.8)	5,557.5
Others.....		-	23.2	-	23.2
Long-term related parties payables.....		69,107.4	-	-	69,107.4
Total other noncurrent liabilities.....		75,468.7	23.2	(803.8)	74,688.1
Total Liabilities		117,047.0	355.8	(18,649.3)	98,753.5
Stockholders' equity.....		9,336.6	38,583.6	(38,583.6)	9,336.6
Net income.....		8,175.6	1,575.6	(1,575.6)	8,175.6
Total stockholders' equity.....		17,512.2	40,159.2	(40,159.2)	17,512.2
Total Liabilities and Stockholders' Equity.....	Ps	134,559.2	40,515.0	(58,808.5)	116,265.7

Guarantors' Combined Balance Sheets:

December 31, 2002

Assets	Guarantors (Parent Company-only)			
	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Current Assets				
Cash and investments.....	Ps 1,245.2	591.7	-	1,836.9
Trade accounts receivable, net.....	329.3	-	-	329.3
Other receivables and other current assets.....	845.4	884.6	(49.2)	1,680.8
Related parties receivables.....	2,918.0	4,585.1	(2,781.7)	4,721.4
Inventories.....	1,538.5	-	-	1,538.5
Total current assets.....	6,876.4	6,061.4	(2,830.9)	10,106.9
Other Investments				
Investments in subsidiaries and affiliates.....	99,880.6	14,676.3	(38,246.5)	76,310.4
Long-term related parties receivables.....	289.9	13,563.5	(13,563.5)	289.9
Other investments.....	201.8	-	-	201.8
Total other investments.....	100,372.3	28,239.8	(51,810.0)	76,802.1
Property, plant and equipment.....	27,537.7	-	-	27,537.7
Deferred Charges.....	2,039.8	4,072.6	(84.8)	6,027.6
Total Assets.....	Ps 136,826.2	38,373.8	(54,725.7)	120,474.3
Liabilities and Stockholders' Equity				
Current Liabilities				
Current maturities of long-term debt.....	251.8	-	-	251.8
Trade accounts payable.....	391.6	-	-	391.6
Other accounts payable and accrued expenses.....	1,208.3	75.8	(49.3)	1,234.8
Related parties payables.....	9,635.9	-	(2,781.7)	6,854.2
Total current liabilities.....	11,487.6	75.8	(2,831.0)	8,732.4
Total long-term debt.....	6.3	-	-	6.3
Other Noncurrent Liabilities				
Deferred income taxes.....	7,492.6	-	(84.8)	7,407.8
Others.....	-	51.5	-	51.5
Long-term related parties payables.....	55,643.1	-	(13,563.4)	42,079.7
Total other noncurrent liabilities.....	63,135.7	51.5	(13,648.2)	49,539.0
Total Liabilities	74,629.6	127.3	(16,479.2)	58,277.7
Stockholders' equity.....	65,351.4	39,514.2	(39,514.2)	65,351.4
Net income.....	(3,154.8)	(1,267.7)	1,267.7	(3,154.8)
Total stockholders' equity.....	62,196.6	38,246.5	(38,246.5)	62,196.6
Total Liabilities and Stockholders' Equity.....	Ps 136,826.2	38,373.8	(54,725.7)	120,474.3

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Guarantors' Combined Income Statements:

For the year ended December 31, 2000	Guarantors (Parent Company-only)			
	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Net sales.....	Ps -	-	-	23,519.4
Cost of sales.....	23,519.4	-	-	(10,279.4)
Gross profit.....	(10,279.4)	-	-	13,240.0
Total operating expenses.....	13,240.0	-	-	(6,915.7)
Operating income.....	(6,915.7)	(0.6)	-	6,324.3
Net comprehensive financing result.....	6,324.3	(0.6)	-	(1,596.3)
Other income (expense), net.....	(1,596.3)	(151.8)	-	94.6
Income before IT, BAT, ESPS and equity in affiliates.....	(966.9)	94.6	-	3,761.1
Total IT, BAT and ESPS.....	3,761.1	(57.8)	-	(86.8)
Income before equity in income of affiliates.....	(86.8)	(46.9)	-	3,674.3
Equity in income of affiliates.....	3,674.3	(104.7)	-	(349.7)
Net income.....	(349.7)	(27.5)	132.2	(132.2)
	Ps 3,324.6	(132.2)	132.2	3,324.6

Guarantors (Parent Company-only)

For the year ended December 31, 2001		CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Net sales.....	Ps	21,865.0	-	-	21,865.0
Cost of sales.....		(7,317.8)	-	-	(7,317.8)
Gross profit.....		14,547.2	-	-	14,547.2
Total operating expenses.....		(12,981.3)	(2.1)	-	(12,983.4)
Operating income.....		1,565.9	(2.1)	-	1,563.8
Net comprehensive financing result.....		724.8	678.7	-	1,403.5
Other income (expense), net.....		2,065.1	(58.6)	-	2,006.5
Income before IT, BAT, ESPS and equity in affiliates.....		4,355.8	618.0	-	4,973.8
Total IT, BAT and ESPS.....		743.1	(159.4)	-	583.7
Income before equity in income of affiliates.....		5,098.9	458.6	-	5,557.5
Equity in income of affiliates.....		3,076.7	1,117.0	(1,575.6)	2,618.1
Net income.....	Ps	8,175.6	1,575.6	(1,575.6)	8,175.6

Guarantors (Parent Company-only)

For the year ended December 31, 2002		CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Net sales.....	Ps	21,753.3	-	-	21,753.3
Cost of sales.....		(7,468.3)	-	-	(7,468.3)
Gross profit.....		14,285.0	-	-	14,285.0
Total operating expenses.....		(11,075.1)	(0.2)	-	(11,075.3)
Operating income.....		3,209.9	(0.2)	-	3,209.7
Net comprehensive financing result.....		(5,867.1)	(515.9)	-	(6,383.0)
Other income (expense), net.....		(321.7)	(6.6)	-	(328.3)
Income before IT, BAT, ESPS and equity in affiliates.....		(2,978.9)	(522.7)	-	(3,501.6)
Total IT, BAT and ESPS.....		(530.4)	(718.8)	-	(1,249.2)
Income before equity in income of affiliates.....		(3,509.3)	(1,241.5)	-	(4,750.8)
Equity in income of affiliates.....		354.5	(26.2)	1,267.7	1,596.0
Net income.....	Ps	(3,154.8)	(1,267.7)	1,267.7	(3,154.8)

Guarantors' Combined Statements of Changes in Financial Position:

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Guarantors (Parent Company-only)

For the year ended December 31, 2000		CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities					
Net income.....	Ps	3,324.6	(132.2)	132.2	3,324.6
Charges to operations which did not require resources....		1,840.2	(15.7)	(1,044.5)	780.0
Resources provided by operating activities.....		5,164.8	(147.9)	(912.3)	4,104.6
Net change in working capital.....		5,155.5	(677.2)	-	4,478.3
Net resources provided by operating activities....		10,320.3	(825.1)	(912.3)	8,582.9
Financing activities					
Bank loans and notes payable, net.....		(778.6)	-	-	(778.6)
Dividends.....		-	8,714.4	(8,714.4)	-
Long-term related parties receivables and payables, net....		4,843.2	-	(4,843.2)	-
Other noncurrent assets and liabilities, net.....		-	(822.5)	-	(822.5)
Resources used in financing activities.....		4,064.6	7,891.9	(13,557.6)	(1,601.1)
Investing activities					
Property, plant and equipment, net.....		(523.3)	-	-	(523.3)
Investments in subsidiaries and affiliates.....		(13,692.4)	48.8	9,626.8	(4,016.8)
Deferred charges.....		(164.5)	-	-	(164.5)
Other investments.....		(254.6)	(7,565.9)	4,843.1	(2,977.4)

Resources used in investing activities.....	(14,634.8)	(7,517.1)	14,469.9	(7,682.0)
Change in cash and investments.....	(249.9)	(450.3)	-	(700.2)
Cash and investments initial balance.....	752.9	1,775.6	-	2,528.5
Cash and investments ending balance..... Ps	503.0	1,325.3	-	1,828.3

Guarantors (Parent Company-only)

For the year ended December 31, 2001	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities				
Net income.....Ps	8,175.6	1,575.6	(1,575.6)	8,175.6
Charges to operations which did not require resources...	(2,387.0)	(939.3)	1,589.0	(1,737.3)
Resources provided by operating activities.....	5,788.6	636.3	13.4	6,438.3
Net change in working capital.....	16,600.4	(10,684.9)	40.0	5,955.5
Net resources provided by operating activities....	22,389.0	(10,048.6)	53.4	12,393.8
Financing activities				
Bank loans and notes payable, net.....	(55.9)	40.0	(40.0)	(55.9)
Dividends.....	-	-	-	-
Long-term related parties receivables and payables, net....	39,325.8	8,072.4	-	47,398.2
Other noncurrent assets and liabilities, net.....	(142.8)	(110.3)	110.3	(142.8)
Resources used in financing activities.....	39,127.1	8,002.1	70.3	47,199.5
Investing activities				
Property, plant and equipment, net..	(775.5)	-	-	(775.5)
Investments in subsidiaries and affiliates.....	(60,251.6)	71.7	(110.3)	(60,290.2)
Deferred charges.....	(434.7)	23.3	(13.4)	(424.8)
Other investments.....	(155.4)	1,276.8	-	1,121.4
Resources used in investing activities.....	(61,617.2)	1,371.8	(123.7)	(60,369.1)
Change in cash and investments.....	(101.1)	(674.7)	-	(775.8)
Cash and investments initial balance.....	503.0	1,325.3	-	1,828.3
Cash and investments ending balance..... Ps	401.9	650.6	-	1,052.5

Guarantors' Combined Statements of Changes in Financial Position:

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Guarantors (Parent Company-only)

For the year ended December 31, 2002	CEMEX Mexico	ETM	Adjustments and eliminations	Combined Guarantors
Operating activities				
Net income.....Ps	(3,154.8)	(1,267.7)	1,267.7	(3,154.8)
Charges to operations which did not require resources...	1,551.7	779.8	(1,267.7)	1,063.8
Resources provided by operating activities.....	(1,603.1)	(487.9)	-	(2,091.0)
Net change in working capital.....	4,622.7	(25.2)	434.9	5,032.4
Net resources provided by operating activities....	3,019.6	(513.1)	434.9	2,941.4
Financing activities				
Bank loans and notes payable, net.....	12.3	51.5	-	63.8
Dividends.....	(2,171.5)	-	-	(2,171.5)
Long-term related parties receivables and payables, net....	(51,632.3)	-	-	(51,632.3)
Other noncurrent assets and liabilities, net.....	51,460.6	-	-	51,460.6
Resources used in financing activities.....	(2,330.9)	51.5	-	(2,279.4)
Investing activities				
Property, plant and equipment, net..	(1,063.6)	-	-	(1,063.6)
Investments in subsidiaries and affiliates.....	(10,372.9)	319.9	62.2	(9,990.8)
Deferred charges.....	(212.5)	(16.9)	(100.9)	(330.3)
Other investments.....	11,803.6	99.7	(396.2)	11,507.1
Resources used in investing activities.....	154.6	402.7	(434.9)	122.4
Change in cash and investments.....	843.3	(58.9)	-	784.4
Cash and investments initial balance.....	401.9	650.6	-	1,052.5
Cash and investments ending balance..... Ps	1,245.2	591.7	-	1,836.9

Guarantors--Cash and investments

At December 31, 2001 and 2002, ETM's temporary investments are mainly comprised of CEMEX CPOs.

Guarantors--Investment in affiliates

At December 31, 2001 and 2002, of the Guarantors' total investment in affiliates, which are accounted for under the equity method, Ps67,117.0 and

Ps76,112.7, respectively, correspond to investments in non-guarantors, and Ps177.7 in 2001 and Ps197.8 in 2002 are related to minority investments in third parties.

At December 31, 2002, 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; and CEDICE, which is the parent company of the international operations of CEMEX. In January 2001, CEMEX Mexico acquired from CEMEX the majority interest in CEDICE for approximately U.S.\$3.9 billion.

Guarantors--Indebtedness

At December 31, 2001 and 2002, the Guarantors had total indebtedness of U.S.\$25.4 million (Ps246.0) and U.S.\$24.9 million (Ps258.1), respectively. At December 31, 2002, the average interest rate of this indebtedness was approximately 7.8%. Of the total indebtedness of the Guarantors at December 31, 2002, approximately U.S.\$24.3 million (Ps251.8) matures in 2003 and U.S.\$0.6 million (Ps6.3) matures in 2004.

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Guarantors--Balances and transactions with related parties

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, their respective parents and certain affiliates. The related parties balance detail is as follows:

		2001			
		Assets		Liabilities	
Guarantors		Short-Term	Long-Term	Short-Term	Long-Term
Centro Distribuidor de Cemento, S.A. de C.V.....	Ps	2,861.7	-	-	-
CEMEX Concretos, S.A. de C.V.....		2,511.5	-	-	-
CEMEX Central, S.A. de C.V.....		2,293.4	-	-	-
Proveedora Mexicana de Materiales, S.A. de C.V.....		214.2	-	-	-
Aviacion Comercial de America, S.A. de C.V.....		135.9	-	-	-
Inversora en Cales, S.A. de C.V.....		127.4	-	-	-
Impra Cafe, S.A. de C.V.....		113.2	-	-	-
CEMEX, S.A. de C.V.....		-	-	9,065.4	56,997.6
CEMEX Internacional Finance Company		-	-	7,011.8	4,631.9
Petrocemex, S.A. de C.V.....		-	-	1,790.2	2,903.7
Maquinas Industrias y Equipos, S.A. de C.V.....		-	-	683.5	-
Ultracril, S.A. de C.V.....		-	-	578.5	-
CEMEX Internacional, S.A. de C.V.....		-	-	570.3	-
Inmobiliaria Rio la Silla, S.A. de C.V.....		-	-	482.8	-
Maquindustrias, S.A. de C.V.....		-	-	315.7	-
Turismo CEMEX, S.A. de C.V.....		-	-	243.0	-
Landmark la Silla, S.A. de C.V.....		-	841.6	-	-
CEMEX Trademarks Worldwide Ltd.....		-	-	-	3,171.2
Sunward Acquisitions N.V.....		-	-	-	1,403.0
Others.....		228.3	-	382.1	-
	Ps	8,485.6	841.6	21,123.3	69,107.4

		2002			
		Assets		Liabilities	
Guarantors		Short-Term	Long-Term	Short-Term	Long-Term
CEMEX, S.A. de C.V.....	Ps	1,803.2	-	-	32,968.6
CEMEX Central, S.A. de C.V.....		905.6	-	-	-
CEMEX Concretos, S.A. de C.V.....		471.0	-	-	-
Impra Cafe, S.A. de C.V.....		374.8	-	-	-
Proveedora Mexicana de Materiales, S.A. de C.V.....		225.3	-	-	-
Servicio CEMEX Mexico, S.A. de C.V.....		217.9	-	-	-
Poveedora de Fibras Textiles, S.A. de C.V.....		176.8	-	-	-
Inversora en Cales, S.A. de C.V.....		171.4	-	-	-
Carbonifera San Patricio, S.A. de C.V.....		79.4	-	-	-

Inmobiliaria Rio la Silla, S.A. de C.V.....	69.4	289.9	-	-
Aviacion Comercial de America, S.A. de C.V.	34.5	-	-	-
Centro Distribuidor de Cemento, S.A. de C.V.	-	-	-	6,361.1
CEMEX International Finance Company.....	-	-	4,662.6	-
Petrocemex, S.A. de C.V.....	-	-	682.0	2,750.0
CEMEX Internacional, S.A. de C.V.....	-	-	585.3	-
Turismo CEMEX, S.A. de C.V.	-	-	255.4	-
Neoris de Mexico, S.A. de C.V.....	-	-	215.2	-
MEXCEMENTO Holdings S.A. de C.V.....	-	-	109.0	-
Others.....	192.1	-	344.7	-
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Ps	4,721.4	289.9	6,854.2	42,079.7
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The principal transactions carried out with affiliated companies are:

Guarantors	December 31,		
	2000	2001	2002
Net sales.....Ps	3,612.8	3,555.1	3,363.2
Purchases.....	(1,095.2)	(539.0)	(985.8)
Selling and administrative expenses	(5,080.6)	(9,161.3)	(7,197.2)
Financial expense.....	(3,396.7)	(5,957.7)	(4,275.3)
Financial income	145.5	1,072.2	576.9
Other expense, net	72.3	(69.9)	(56.6)
	-----	-----	-----

Net sales--The Guarantors sell cement and clinker to affiliated companies in arms-length transactions. Purchases--The Guarantors purchase raw materials from affiliates in arms-length transactions. Selling and administrative expenses--The Company allocates part of its corporate expense to the Guarantors, which also incur rental and trademark rights expenses payable to the Company.

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.

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.

	Ps	Year ended December 31,		
		2000	2001	2002
Net income reported under Mexican GAAP.....		3,324.6	8,175.6	(3,154.8)
Approximate U.S. GAAP adjustments:				
1. Amortization of pushdown goodwill.....		(196.6)	(191.0)	-
2. Deferred income taxes and ESPS (see note B).....		(323.2)	(1,217.8)	1,934.0
3. Other employees' benefits (see note C).....		(25.3)	(4.8)	(13.5)
4. Inflation adjustment of machinery and equipment (see note D)..		(163.1)	(240.1)	(183.0)
5. Other U.S. GAAP adjustments (see note E).....		(1,709.5)	(1,239.5)	303.0
6. Monetary position result (see note F).....		614.7	222.9	494.3
		-----	-----	-----
Total approximate U.S. GAAP adjustments.....		(1,803.0)	(2,670.3)	2,534.8
		-----	-----	-----
Total approximate net income under U.S. GAAP.....	Ps	1,521.6	5,505.3	(620.0)
		-----	-----	-----

	Year ended December 31,	
	2001	2002
Total stockholders' equity under Mexican GAAP.....	Ps 17,512.2	62,196.6
Approximate U.S. GAAP adjustments:		
1. Effect of pushdown of goodwill, net (see note A).....	2,126.9	1,943.1
2. Deferred income taxes and ESPS (see note B).....	(5,297.4)	(2,196.3)
3. Other employees' benefits (see note C).....	(159.8)	(164.7)
4. Inflation adjustment for machinery and equipment (see note D).....	5,586.9	3,935.8
5. Other U.S. GAAP adjustments (see note E).....	(7,417.5)	(6,160.4)
Total approximate U.S. GAAP adjustments.....	(5,160.9)	(2,642.5)
Total approximate stockholders' equity under U.S. GAAP.....	Ps 12,351.3	59,554.1

Guarantors--Notes to the U.S. GAAP reconciliation:

A. Business Combinations

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In 1989 and 1990, through an exchange of its shares with the Company, CEMEX Mexico acquired substantially all its Mexican 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 Ps7,174.1, of which Ps3,710.8, were recorded in ETM under Mexican GAAP at the time of the acquisition. The net adjustment in the Guarantors stockholders' equity reconciliation to U.S. GAAP arising from this pushed-down goodwill, after eliminating the amounts recorded under Mexican GAAP, was Ps1,331.6 in 2001 and Ps1,153.4 in 2002.

In addition, during 1995 CEMEX acquired an additional 24.2% equity interest in TOLMEX, S.A. de C.V. ("TOLMEX"), through a public exchange offer where CEMEX exchanged its own shares for TOLMEX's shares. TOLMEX merged during 1999 with other Mexican subsidiaries creating CEMEX Mexico. The excess of the purchase price paid by CEMEX over the fair value of the net assets of TOLMEX was Ps888.5. The net adjustment in the Guarantors stockholders' equity reconciliation to U.S. GAAP arising from this pushed-down goodwill was Ps795.3 in 2001 and Ps789.7 in 2002. Amortization expense related to these pushed-down goodwill amounts was recognized for purposes of the net income reconciliation to U.S. GAAP through 2001. As mentioned in note 23(a), for purposes of the reconciliation to U.S. GAAP, the Company adopted SFAS 142 and SFAS 144 in 2002. As a result of this adoption, effective January 1, 2002, amortization ceased for goodwill under U.S. GAAP; therefore, beginning in 2002, goodwill amortization recorded under Mexican GAAP is adjusted for purposes of the reconciliation of net income and stockholders' equity.

B. Deferred income taxes and Employees' Statutory Profit Sharing

Deferred income taxes adjustment in the stockholders' equity reconciliation to U.S. GAAP, at December 31, 2001 and 2002, represented expenses of Ps2,561.8 and income of Ps495.5, respectively. In addition, deferred ESPS adjustment to U.S. GAAP was an expense of Ps2,735.6 in 2001 and Ps2,691.8 in 2002.

C. Other employees' benefits

The Guarantors do not accrue for vacation expense and severance payments; these items are recognized when vacation is taken or when retirements occur, respectively. For purposes of the U.S. GAAP reconciliation, a vacation liability has been determined in an amount of Ps28.5 and Ps29.4, at December 31, 2001 and 2002, respectively. In addition, the Guarantors recognized, for purposes of the U.S. GAAP reconciliation, a liability for severance benefits for Ps131.3 in 2001 and Ps135.3 in 2002.

D. Inflation Adjustment of Machinery and Equipment

As previously mentioned in note 23(i), for purposes of the U.S. GAAP reconciliation, fixed assets of foreign origin were restated using the inflation factor arising from the Consumer Price Index ("CPI") of each country, and depreciation is based upon the revised amounts.

E. Other U.S. GAAP adjustments

Deferred charges--For U.S. GAAP purposes, other deferred charges net of the accumulated amortization that did not qualify for deferral under U.S. GAAP have been charged to expense, with a net effect in the net income reconciliation to U.S. GAAP of income of Ps132.8, expense of Ps26.3 and expense of Ps268.9 in 2000, 2001 and 2002, respectively. The net effect in the stockholders' equity reconciliation to U.S. GAAP was expenses of Ps238.2 and Ps494.5 in 2001 and 2002, respectively, from the partial reversal of the adjustment. Mexican GAAP allowed the deferral of these expenses.

Subsidiary companies--The Guarantors have adjusted their investment and their equity in the earnings of subsidiary companies for the share of the approximate U.S. GAAP adjustments applicable to these affiliates. The net effect in the stockholders' equity reconciliation to U.S. GAAP was expense of Ps7,179.3 and expense of Ps5,665.9 in 2001 and 2002, respectively. The net effect in the net income reconciliation to U.S. GAAP was expense of Ps(1,842.3), expense of Ps1,213.2 and Ps571.9 in 2000, 2001 and 2002, respectively. From the U.S. GAAP adjustments to subsidiary companies in the Guarantors' reconciliation of stockholders' equity, expense of Ps5,208.5 in 2001, and expense of Ps 2,196.3 in 2002, are related to deferred income taxes and deferred ESPS.

As discussed in note 2C, in January 2001, CEMEX Mexico acquired from CEMEX a majority equity interest in CEDICE, the indirect parent of CEMEX Espana (formerly Valenciana). For U.S. GAAP purposes the transaction was accounted for as a reorganization of entities under common control (similar to a pooling of interest). As such, the reconciliation to U.S. GAAP of the Guarantors' financial information is presented as if the transaction had occurred on

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January 1, 2000. The effect in the reconciliation of net income to U.S. GAAP was a loss of Ps2,172.6 for the year ended December 31, 2000, resulting from the equity in the net income (loss) of the acquired companies under US GAAP in that year. Under Mexican GAAP, this transaction was accounted for as a purchase business combination effective from the date of the transaction. Also, under Mexican GAAP, the sale resulted in a difference between the net book value of the acquired companies and the purchase price on the separate accounts of CEMEX Mexico. The transaction had no effect on the consolidated accounts of the Company.

F. Monetary position result

Monetary position result of the U.S. GAAP adjustments is determined by (i) applying the annual inflation factor to the net monetary position of the U.S. GAAP adjustments at the beginning of the period, plus (ii) the monetary position effect of the adjustments during the period, determined in accordance 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 of the transactions presented under each caption. The nature of the differences between Mexican GAAP and U.S. GAAP in the amounts reported is mainly due to (i) the elimination of inflationary effects in the variations of monetary assets and liabilities arising from financing and investing activities, against the corresponding monetary position result in operating activities, (ii) the elimination of exchange rate fluctuations resulting from financing and investing activities, against the

corresponding unrealized foreign exchange gain or loss included in operating activities, and (iii) the recognition in operating, financing and investing activities of the U.S. GAAP adjustments.

For the Guarantors, the following table summarizes the cash flow items as required under SFAS 95 provided by (used in) operating, financing and investing activities for the years ended December 31, 2000, 2001 and 2002, 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, in millions of pesos, on a historical peso basis and it is not presented in pesos of constant purchasing power:

	Years ended December 31,		
	2000	2001	2001
Net cash provided by operating activities..... Ps	1,063.8	(2,336.9)	2,001.4
Net cash provided by (used in) financing activities.....	(1,645.9)	(25.4)	2,418.5
Net cash used in investing activities.....	418.7	2,287.0	(3,555.4)

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

	Years ended December 31,		
	2000	2001	2002
Interest paid..... Ps	265.9	20.5	263.5
Income taxes paid.....	3.4	-	-

Guarantors' non-cash activities are comprised of the following:

During 2000 and 2001, the Guarantors acquired, from CEMEX, equity interests in CEDICE for an amount of Ps4,780.1 and Ps37,466.4, which were credited against accounts payable owed by CEMEX to the Guarantors at the end of each year, respectively.

Dividends declared to CEMEX amounting to Ps2,171.5 in 2002 were recognized by the Guarantors as accounts payable to CEMEX as of December 31, 2002.

Contingent liabilities of the Guarantors

As of December 31, 2001 and 2002, CEMEX Mexico and ETM guaranteed debt of CEMEX in the amount of US\$2,196.0 million and US\$2,339.0 million (see note 12).

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

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, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to

express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compania Minera Atoyac, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos Anahuac, S.A.

We have audited the balance sheets of Cementos Anahuac, S.A. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates

made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Anahuac, S.A. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos del Norte, S.A. de C.V.

We have audited the balance sheets of Cementos del Norte, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos del Norte, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

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, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management and are to be submitted for approval by the General Meeting of Stockholders; therefore, they include the investment in subsidiary for by the equity method. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Provedora Mexicana de Materiales, S.A. de C.V. (as a separate legal entity) at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the

period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Compania de Transportes del Mar de Cortes, S.A. de C.V.

We have audited the balance sheets of Compania de Transportes del Mar de Cortes, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.G to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions carried out with third parties.

As indicated in Note 2E, to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the originally estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps5,075,357.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Compania de Transportes del Mar de Cortes, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos Guadalajara, S.A. de C.V.

We have audited the balance sheets of Cementos Guadalajara, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.D to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos Guadalajara, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position

for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Cementos de Oriente, S.A. de C.V.

We have audited the balance sheets of Cementos de Oriente, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a significant portion of the company's income (basically financial income) arises from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Cementos de Oriente, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Autotransportes de Huichapan, S.A. de C.V.

We have audited the balance sheets of Autotransportes de Huichapan, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.F to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As mentioned in Note 1 to the financial statements, a portion of the company's income and operating costs and expenses arise from transactions with related parties. Therefore, conditions of these transactions may not be similar to those of transactions with third parties.

As indicated in Note 2.D to the financial statements, based on a study carried out in 1999, management decided to modify the technical useful lives of property, plant and equipment; basically, since the related wear and tear has been lower than the original estimated. The effect of this change represented a reduction in the depreciation charged to income for the year of approximately Ps808,483.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Autotransportes de Huichapan, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial

position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

CEMEX Concretos, S.A. de C.V.

We have audited the balance sheets of CEMEX Concretos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.H to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

As described in Note 1 to the financial statements, on November 13, 2000 the stockholders resolved to spin-off certain operations for which purpose a new company was incorporated effective from such date onwards. Certain assets, liabilities and capital stock were allocated to the new company as described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of CEMEX Concretos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

Hector Puente S.

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REPORT OF INDEPENDENT ACCOUNTANTS

Monterrey, N.L., January 11, 2001

To the Stockholders of

Granos y Terrenos, S.A. de C.V.

We have audited the balance sheets of Granos y Terrenos, S.A. de C.V. as of December 31, 2000 and 1999, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2.C to the financial statements, as from the year ended December 31, 2000 the Company adopted the standards contained in Statement D-4 Revised, "Accounting for Income Tax, Asset Tax and Employees' Profit Sharing," issued by the Mexican Institute of Public Accountants, with the effects described in such note.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Granos y Terrenos, S.A. de C.V. at December 31, 2000 and 1999, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Mexico.

/s/ PRICEWATERHOUSECOOPERS

Hector Puente S.

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INDEPENDENT AUDITORS' REPORT ON SCHEDULES

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

Under the date of January 15, 2003, we reported on the consolidated balance sheets of CEMEX, S.A. de C.V. and subsidiaries as of December 31, 2001 and 2002, 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, 2002, which are included in the annual report on Form 20-F. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules in the annual report. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG Cardenas Dosal, S.C.

/s/ Rafael Gomez Eng

Rafael Gomez Eng

Monterrey, N.L. Mexico
January 15, 2003

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SCHEDULE I

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Balance Sheets

(Millions of constant Mexican pesos as of December 31, 2002)

Assets	December 31,	
	2001	2002
Current Assets		
Cash and investments.....	Ps 163.5	368.1
Other receivables (note 3).....	1,482.9	1,082.0
Related parties receivables (note 7).....	13,944.3	19,397.2
Total current assets.....	15,590.7	20,847.3
Investments and Noncurrent Receivables		
Investments in subsidiaries and affiliated companies	17,995.1	76,387.2
Other investments.....	52.9	81.5
Other noncurrent accounts receivable.....	611.2	492.6
Long-term related parties receivables (note 7).....	56,855.0	16,508.1

Total investments and noncurrent receivables.....		75,514.2	93,469.4
		-----	-----
Land and Buildings.....		1,695.8	1,689.3
Deferred Charges (note 5).....		4,574.1	6,012.4
		-----	-----
Total Assets.....	Ps	97,374.8	122,018.4
		=====	=====
Liabilities and Stockholders' Equity			
Current Liabilities			
Bank loans (note 6).....	Ps	286.1	6,717.0
Notes payable (note 6).....		1,742.9	3,069.1
Current maturities of long-term debt (note 6).....		4,357.5	5,415.4
Other accounts payable and accrued expenses		979.7	2,852.9
Related parties payable (note 7).....		1,587.7	5,856.4
		-----	-----
Total current liabilities.....		8,953.9	23,910.8
		-----	-----
Long-Term Debt (notes 6 and 7)			
Long-term debt.....		22,058.4	20,542.9
Long-term related parties payables.....		3,873.0	16,543.7
		-----	-----
Total long-term debt.....		25,931.4	37,086.6
Other long-term liabilities.....		661.9	1,395.0
		-----	-----
Total Liabilities.....		35,547.2	62,392.4
		-----	-----
Stockholders' Equity.....			
		61,827.6	59,626.0
		-----	-----
Total Liabilities and Stockholders' Equity.....	Ps	97,374.8	122,018.4
		=====	=====

See accompanying notes to financial statements.

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SCHEDULE I (continued)

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Statements of Income

(Millions of constant Mexican pesos as of December 31, 2002, except for earnings per share)

	Years ended December 31,		
	2000	2001	2002
Total revenues	9,123.6	12,561.3	5,009.0
Administrative expenses.....	(101.2)	(86.7)	(106.3)
	-----	-----	-----
Operating income.....	9,022.4	12,474.6	4,902.7
	-----	-----	-----
Net comprehensive financing result.....	110.0	32.7	(1,373.9)
Other income (expense), net.....	316.0	(2,054.8)	(337.3)
	-----	-----	-----
Income before income taxes.....	9,448.4	10,452.5	3,191.5
Income tax benefit and business assets tax, net (note 8).....	940.7	1,337.3	2,208.9
	-----	-----	-----
Net income.....	Ps 10,389.1	11,789.8	5,400.4
	=====	=====	=====
Basic earnings per share.....	Ps 2.52	2.76	1.20
Diluted earnings per share.....	Ps 2.51	2.74	1.20
	=====	=====	=====

See accompanying notes to financial statements.

SCHEDULE I (continued)

CEMEX, S.A. DE C.V. (PARENT COMPANY ONLY)
Statements of Changes in Financial Position

(Millions of constant Mexican pesos as of December 31, 2002)

	Years ended December 31,		
	2000	2001	2002
Operating activities			
Net income.....	Ps 10,389.1	11,789.8	5,400.4
Charges to operations which did not require resources (note 9).....	(6,680.3)	(10,415.2)	(5,631.2)
Resources (used in) provided by operating activities.....	3,708.8	1,374.6	(230.8)
Net change in working capital.....	(8,921.6)	(7,600.7)	1,089.9
Net resources provided by (used in) operating activities.....	(5,212.8)	(6,226.1)	859.1
Financing activities			
Proceeds from bank loans (repayments), net.....	(2,304.9)	6,806.6	3,218.6
Notes payable.....	4,411.6	(5,004.9)	4,080.9
Dividends paid.....	(2,386.2)	(3,049.2)	(3,394.1)
Issuance of common stock from reinvestment of dividends.....	2,190.9	2,903.0	3,084.4
Issuance of common stock under stock option plan.....	52.2	111.1	73.0
Acquisition of shares under repurchase program.....	(131.0)	(222.3)	(362.5)
Other financing activities, net.....	(38.3)		
Resources provided by financing activities.....	1,794.3	2,149.0	7,433.4
Investing activities			
Long-term related parties receivables, net.....	11,342.6	(37,163.2)	53,017.6
Net change in investment in subsidiaries.....	(9,402.9)	40,841.1	(63,299.0)
Dividends received.....	511.6	-	2,169.1
Deferred charges.....	961.7	1,113.4	(94.2)
Other noncurrent accounts receivable.....	-	(611.2)	118.6
Resources (used in) provided by investing activities.....	3,413.0	4,180.1	(8,087.9)
Increase (decrease) in cash and investments.....	(5.5)	103.0	204.6
Cash and investments at beginning of year.....	66.0	60.5	163.5
Cash and investments at end of year.....	Ps 60.5	163.5	368.1

See accompanying notes to financial statements.

SCHEDULE I (continued)

CEMEX, S.A. DE C.V.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
December 31, 2000, 2001 and 2002
(Millions of constant Mexican pesos as of December 31, 2002)

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

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

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors for the Parent Company-only financial statements of prior periods were calculated based upon Mexican inflation.

	2000	2001	2002
Restatement factor using Mexican inflation.....	1.0903	1.0456	1.0559

C) CASH AND INVESTMENTS

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

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

D) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in common stock representing between 10% and 100% of the issuer's common stock are accounted for by the equity method. Under the equity method, after acquisition, the investments original cost are adjusted for the proportional interest of the holding company in the affiliates equity and earnings, considering the inflation effects.

E) LAND AND BUILDINGS

Land and buildings are presented at their restated values using the Mexican inflation index.

Depreciation of buildings is provided on the straight-line method over the estimated useful lives of the assets. The useful lives of administrative buildings are approximately 50 years.

F) DEFERRED CHARGES AND AMORTIZATION (note 5)

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

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

Years

Goodwill from years before 1992.....	40
Goodwill from acquisitions since January 1, 1992.....	20

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

G) MONETARY POSITION RESULT

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is calculated by applying the Mexican inflation rate on the Company's net monetary position.

H) DEFICIT IN EQUITY RESTATEMENT

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

I) CONTINGENCIES AND COMMITMENTS

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

J) USE OF ESTIMATES

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

3. OTHER RECEIVABLES

As of December 31, 2001 and 2002, other current receivables consist of:

		2001	2002
		-----	-----
Non-trade receivables.....	Ps	132.2	157.3
Refundable income tax.....		1,260.0	650.2
Other refundable taxes.....		90.7	274.5
		-----	-----
	Ps	1,482.9	1,082.0
		=====	=====

4. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2001 and 2002, investments in subsidiaries and affiliated companies accounted for by the equity method, are summarized as follows:

	2001	2002
	-----	-----
Book value at acquisition date.....	Ps 8,350.5	63,790.4
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies.....	9,644.6	12,596.8
	-----	-----
	Ps 17,995.1	76,387.2
	=====	=====

5. DEFERRED CHARGES

As of December 31, 2001 and 2002, deferred charges are summarized as follows:

	2001	2002
	-----	-----
Goodwill.....	Ps 1,942.2	1,935.6
Deferred financing costs.....	652.2	733.4
Deferred income taxes.....	2,279.9	3,571.5
Others.....	1,146.9	1,445.6
Accumulated amortization.....	(1,447.1)	(1,673.7)
	-----	-----
	Ps 4,574.1	6,012.4
	=====	=====

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

A total of 100% and 95.6% of the Parent Company-only short-term debt is denominated in dollars in 2001 and 2002, respectively.

Of the Parent Company-only long-term debt, approximately 61% and 77% is denominated in dollars in 2001 and 2002, respectively; the remaining debt in 2002 is primarily denominated in Mexican pesos and in yen in 2001.

The maturities of long-term debt as of December 31, 2002 are as follows:

	Parent

2004.....	6,863.7
	Ps
2005.....	1,916.9
2006.....	2,412.2
2007.....	3,113.4
2008 and thereafter.....	6,236.7

	20,542.9
	Ps
	=====

In the Parent Company-only balance sheet at December 31, 2002, there were short-term debt transactions amounting to U.S.\$ 100 million (\$1,038.0), classified as long-term debt, due to the Company's ability and the intention to refinance such indebtedness with the available amounts of the committed

long-term lines of credit.

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The main balances receivable and payable with related parties as of December 31, 2001 and 2002 are:

Parent Company	2001			
	Assets		Liabilities	
	Short-Term	Long-Term	Short-Term	Long-Term
CEMEX Mexico, S.A. de C.V.....Ps	12,984.3	56,855.0	-	-
Assiut Cement Company.....	323.1	-	-	-
Centro Distribuidor de Cemento, S.A. de C.V.....	594.9	-	-	-
Sunbelt Trading, S.A.	41.0	-	-	-
CEMEX Concretos, S.A. de C.V.	-	-	764.3	-
Empresas Tolteca de Mexico, S.A. de C.V.	-	-	1.6	3,873.0
CEMEX Central, S.A. de C.V.	-	-	819.0	-
Other.....	1.0	-	2.8	-
	-----	-----	-----	-----
Ps	13,944.3	56,855.0	1,587.7	3,873.0
	=====	=====	=====	=====

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Parent Company	2002			
	Assets		Liabilities	
	Short-Term	Long-Term	Short-Term	Long-Term
CEMEX Mexico, S.A. de C.V.....Ps	19,301.8	16,139.6	-	-
CEMEX International Finance Co.....	-	-	261.8	10,775.6
CEMEX Trademarks Worldwide Ltd.....	-	-	150.2	5,768.1
Empresas Tolteca de Mexico, S.A. de C.V.	-	-	4,273.9	-
CEMEX Central, S.A. de C.V.	-	-	695.4	-
Assiut Cement Company.....	-	-	380.4	-
International Investors LLC.....	-	368.5	-	-
CEMEX Asia PTE. Ltd.....	-	-	71.1	-
Centro Distribuidor de Cemento, S.A. de C.V.....	-	-	15.6	-
Sunbelt Trading, S.A.	43.9	-	-	-
CEMEX Concretos, S.A. de C.V.	23.1	-	-	-
PT CEMEX Indonesia	13.7	-	-	-
Other.....	14.7	-	8.0	-
	-----	-----	-----	-----
Ps	19,397.2	16,508.1	5,856.4	16,543.7
	=====	=====	=====	=====

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

	2000	2001	2002
Rental income.....	310.0	290.7	277.4
License fees.....	2,586.6	1,869.5	184.7
Financial expense.....	(774.3)	(618.5)	(802.9)
Financial income.....	2,443.4	4,773.8	3,112.3
Dividends received.....	511.6	-	2,169.1
	=====	=====	=====

8. INCOME TAX (IT), BUSINESS ASSETS TAX (BAT)

In accordance with the effective tax legislation in Mexico, corporations must pay either income tax ("IT") or business assets tax ("BAT") depending on which amount is greater for their operations in Mexico. Both taxes recognize the effects of inflation, though in a manner different from Mexican GAAP.

The IT benefit, presented in the accompanying income statements, is summarized

as follows:

	2000	2001	2002
Current income tax.....	Ps (441.6)	-	-
Received from subsidiaries.....	751.9	677.7	931.7
Deferred IT.....	630.4	659.6	1,277.2
	-----	-----	-----
	Ps 940.7	1,337.3	2,208.9
	=====	=====	=====

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Arising from its Mexican subsidiaries, the Company has accumulated IT loss carry forwards which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to Income Tax Law:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
1995.....	Ps 1,754.4	2005
2000.....	623.9	2010
2001.....	4,110.8	2011
2002.....	3,260.0	2012

	Ps 9,749.1	
	=====	

The Company and its subsidiaries in Mexico must generate taxable income to preserve the benefit of the tax loss carryforwards generated beginning in 1999.

The BAT Law establishes a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period.

The recoverable BAT as of December 31, 2002 is as follows:

Year in which BAT exceeded IT	Amount of carryforwards	Year of expiration
1997.....	Ps 160.5	2007
1999.....	57.9	2009

	Ps 218.4	
	=====	

9. ITEMS NOT AFFECTING CASH FLOWS

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

Depreciation of properties.....	4.9	5.0	5.0
Amortization of deferred charges and credits, net.....	172.1	640.5	187.9
Deferred income tax credited to results.....	(630.3)	(659.6)	(1,277.2)
Equity in income of subsidiaries and affiliates.....	(6,227.0)	(10,401.1)	(4,546.9)
	(6,680.3)	(10,415.2)	(5,631.2)

10. CONTINGENCIES AND COMMITMENTS

As of December 31, 2002, CEMEX has signed as guarantor of loans made to certain subsidiaries for approximately U.S.\$55.2 million. As of the same date, the Company and certain subsidiaries have guaranteed the risks associated with certain financial transactions, assuming contingent obligations under standby letters of credit, issued by financial institutions for a total of U.S.\$175.0 million.

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SCHEDULE II

CEMEX, S.A. DE C.V. AND SUBSIDIARIES
December 31, 2000, 2001 and 2002
(Millions of constant Mexican pesos as of December 31, 2002)

Valuation and Qualifying Accounts as of December 31, 2000, 2001 and 2002, is as follows:

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other(s)	Balance at End of Period
Year ended December 31, 2000:					
Allowance for doubtful accounts	565.3	111.1	145.4	(59.1)	471.9
Year ended December 31, 2001:					
Allowance for doubtful accounts	471.9	76.0	39.7	(5.2)	503.0
Year ended December 31, 2002:					
Allowance for doubtful accounts	503.0	242.0	285.0	18.5	478.5

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CORPORATE BY-LAWS
CEMEX, S.A. DE C.V.

ARTICLE 1. The company is an anonymous corporation of commercial nature, and shall be named "CEMEX", and this name shall always be followed by the words "Sociedad Anonima de Capital Variable" or their abbreviation, "S.A. de C.V."

ARTICLE 2. The purpose of the company shall be: I. The industrial production and commercial operation of Portland cement; II. The industrial production and commercial operation of a similar product to Portland cement, or related in any way to the production or sale of Portland cement; III. The commercial operation of clay, rocks, sands and similar substances located in the properties of the Company, or in any other place in which the Company has rights over such properties; IV. To carry on with related operations to the purposes listed above, or that directly or indirectly may favor their performance; V. To acquire by purchase, contribution, exchange, lease or otherwise, machinery, tools, equipment, constructions materials, land, etc., when necessary or convenient for the most ample

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development and benefit of the Company, or that directly or indirectly may achieve its corporate purpose without limitation; the Company may organize or install other industrial plants in any place, to acquire or subscribe shares, and to participate in the capital or management of other companies engaged in similar or different activities than the ones listed in sections I, II, III and IV of this article; VI. The corporation in which Cemex, S.A. de C.V. participates in the majority of shares or equity interest, may not, directly or indirect, invest in shares of such company, nor in any other company if the holding company is a shareholder of such company; VII. The issuance, endorsement, aval or in any way the subscription of negotiable instruments and the performance of any kind of operations related to such instruments; VIII. To guarantee, bond or in general to guarantee with any kind of liens, including pledge or mortgage, obligations of its own or from third parties, with or without compensation, and consequently, to subscribe negotiable instruments, agreements and other documents that are necessary to perfect such guarantees.

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ARTICLE 3. The domicile of the company is the city of Monterrey, Nuevo Leon, Mexico, and the Company may establish branches or offices in any other place within the Mexican Republic or abroad as determined by the Board

of Directors.

ARTICLE 4. The duration of the company shall be for a term beginning from May 28, twenty-eight, 1920, one thousand nine hundred twenty, and shall conclude May 27, twenty-seven, 2100, twenty-one hundred.

ARTICLE 5. The company is Mexican. Any foreigner, that at the time of incorporation of the company or thereafter acquires a participation or becomes the owner of one or more shares of the company shall be considered as Mexican with respect to that participation or ownership, and may not invoke the protection of its own government. Failure to comply with the foregoing paragraph may result in the forfeiture of such participation or ownership in favor of the Mexican State. The text of this article shall be transcribed in its entirety in the stock certificates or provisional stock certificates representing equity participation in the

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Company. The Company obtained from the Secretary of Foreign Relations the approval number 267, two hundred sixty seven, issued as of February 4, four, 1927, one thousand nine hundred twenty seven, further to the Organic Law of Section I of Article 27 of the Constitution and its Regulations.

ARTICLE 6. The corporate capital of the company shall be variable. The Minimum Fixed, not redeemable, part of such capital shall be the amount of \$36,300,000.00 (thirty six million three hundred and 00/100 Mexican Pesos), represented by 3,267,000,000 (three thousand two hundred sixty seven million) common, nominative shares, without par value, and the Variable Capital, which is subject to redemption, shall never exceed an amount equal to ten times the Minimum Fixed Capital. The Common Corporate Stock, as well as the capital represented by class stock, whether in the fixed or the variable part, shall be represented by Series of Nominative Shares without par value, together with their respective sub-series. Each time these By-laws make reference to a particular Series, either fixed or variable capital, shall be intended to making reference to the Sub-series issued, and shall be identified with the same letter

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that identify the Series and a number beginning with number 1 (one) and so on, as the case may be.

The Common Capital Stock shall be represented by two Series, the Fixed Part as well as the Variable Part. The Series "A" shall represent at least the (64%) sixty-four percent of the common capital stock, and the Series "B", or of unrestricted subscription, shall represent a maximum of (36%) thirty-six percent of such capital. In the event of class shares, unless an approval to consider them as neutral investment further to the Foreign Investment Law, the capital stock represented by this kind of shares shall also be for a minimum of (64%) sixty-four percent, subject to the same holding restrictions than the series "A" common stock. The common stock, in the fixed part, shall be represented by 3,267,000,000 (three thousand two hundred and sixty seven million) shares, out of which 2,178,000,000 (two thousand one

hundred and seventy-eight million) correspond to the Series "A", and 1,089,000,000 (one thousand eighty-nine million) correspond to the Series "B". All the shares of stock that form the capital stock of the Company, except for the holdings restrictions for each Series and the portion of the

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capital stock that such shares represent, shall entitle to their holders the same rights and duties. At all times, directly or indirectly, the Series "A" shares may not be acquired by: (i) foreign individuals or corporations, or Mexican corporations without foreign exclusion clause, provided that such clause shall be included in their corporate by-laws of the acquirer, as well as in the by-laws of a company or partnership that participates in the corporate capital of such acquirer; (ii) by groups, units or associations that admit foreigners or that are foreign; (iii) by foreign governments or sovereign foreign entities. Class stock may be acquired further to the terms and conditions set forth by the shareholders meeting authorizing the respective issuance. In the event of a violation of these restrictions, the acquisition shall be void and the Company shall not recognize the acquirer as title owner, and such person shall not exercise their corporate rights associated to the shares.

For purposes of these by-laws, "Class Shares" shall mean the shares not entitled to vote, as well as the shares with limited corporate rights, and the shares with restrictive voting rights.

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ARTICLE 7. I. The Company may acquire Shares representing capital stock of the Company. The acquisition shall be done in accordance to the following: (a) through the Stock Exchanges in which the shares are traded; (b) against Company's net worth while such shares belong to the Company; (c) in the event such shares are converted into treasury shares, the corresponding capital stock reduction shall be performed, and such conversion or reduction of capital shall require no action or resolution from the Shareholders Meeting; (d) the Ordinary Shareholders Meeting shall expressly resolve, for each fiscal year, the maximum amount of resources to be used for the acquisition of Shares. The sum of the resources to be used for such purposes, shall never exceed the net profits of the company, including the undistributed profits, as determined in the financial statements approved by the Ordinary Shareholders Meeting; (e) while such Shares belong to the Company, such Shares can not be represented during Shareholders Meeting of any class; and (f) the Shares, including the Treasury Shares referred to in this article, acquired by the Company, notwithstanding the provisions set forth in the General Law of Commercial

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Companies, may be placed among public investors, and the corresponding capital stock increase shall need no action or resolution from the Shareholders Meeting or the Board of Directors with respect to their placement. II.- Any Shareholder, Holder or group of shareholders or holders which by any act, agreement, contract or arrangement should act together, intending to acquire, purchase, encumber or affect in any way shares or rights that are vested on such shares in their capacity of Holder with respect to their Shares, representing 2% of the Capital Stock, regardless if such acts or transactions are made directly or indirectly, in one or several transactions, simultaneous or successive or otherwise, shall obtain the prior approval from the Board of Directors of the Company, and the Board shall resolve the request within 90 (ninety) calendar days from the date of the approval request, which request shall be addressed to the Chairman or Secretary of the Board of Directors. If the Board of Directors denies approval, it shall designate one or more buyers for the Shares, and such buyers shall pay to the Shareholders or Holders the corresponding price, which shall be equal to the average purchase price in the Mexican Stock Exchange during the ten days prior to the date of the

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transaction, provided that there were transactions in the Mexican Stock Exchange. In the event that the Board grants the approval, the transaction shall be completed within the 10 business days following the date in which the Board of Directors notified its resolution; otherwise the approval shall become void. III. In order to acquire Title of Shares representing 20% or more of the capital stock of the Company, it shall be required the approval of the Board of Directors of the Company, which shall be granted before the consummation of the transaction, public offer, or act that may trigger the obtaining of or exceeding such percentage; and the Board of Directors shall resolve within the 90 (ninety) calendar days following the date of the approval request addressed to the Chairman or the Secretary of the Board of Directors. If the Board of Directors approval is obtained, the holder or holders, Shareholder or Shareholders or the Purchaser or Purchasers intending to acquire Title over Shares that represent or exceed such percentage, shall be obligated to make a public offer to purchase all the Shares of common stock outstanding of the Company. IV.- In the event that the requirements set forth in sections (II) and (III) are not met, the Holders shall not exercise the

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corporate rights vested on the shares, and such shares shall not be taken into account to determine a quorum for purposes of shareholders meetings, and the Company shall refrain from recording such Holders in the Shareholders Ledger referred to in the General Law of Commercial Companies, and the registry kept by the Securities Depository Institution shall be ineffective.

To determine if the percentage referred to in section III above is obtained or exceeded, it will be grouped the following Shares, in addition to the Shares of the persons participating in any way, or owned by the persons that act together by virtue of any act, agreements, contract in the transaction, act, agreement, public offer or agreement that triggered or

caused the events described in such section (such participant or participants, an "Acquirer", as the case requires singular or plural): (i) the ones intended to be acquired; (ii) the ones held by entities in which the Acquirer, or the persons referred to in section (iv) have direct or indirect participation, or with whom the Acquirer or the persons listed in section (iv) have an arrangement, agreement or contract, either directly or indirectly, by

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virtue of which they can influence the exercise of rights of such entities by virtue of their Holdings; (iii) the ones held by means of a Trust or similar structures under other jurisdiction, in which trust or structures participate the Acquirer, the relatives referred to in section (iv) or any person acting on the account of, or by virtue of an agreement, contract with the Acquire or said relatives; (iv) the ones held by relatives up to the second degree (by blood or by law) in straight line or cross line (including the adopted persons or persons under custody) of the Acquirer; and (v) the ones held by individuals by virtue of a mandate (of any kind) or by any other act, agreement or contract with the Acquirer or by any persons listed in section (ii) or (iv), or with respect any such persons may influence or determine the exercise of rights or authority corresponding to such Holdings. Any reference to "Acquirer", in the event they are more than one, shall be construed, as including the plural, and the text shall be adapted accordingly if context so requires.

For purposes of the provisions contained in these By-laws: (i) Each time reference is made to "Shares" (including

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the plural or singular) shall be construed as the shares representing capital stock of the Company, and in the case of the Ordinary Participation Certificates or any other security (including receipts or similar documents) issued or to be issued with reference to the Shares, including any type of securities, depositary receipts or similar documents issued based on such Certificates or other securities, the reference shall apply to the shares representing Capital Stock of the Company referred by said certificates or securities; (ii) the limitations to the transfer, encumbrance or acquisition of portions of the capital stock of the Company referred to in this article, shall be construed as extensive to the certificates or securities mentioned herein; and (iii) "Holdings" (including references to "Holder") shall mean with respect to Shares, having any kind of (directly or indirectly) property (even in the event of usufruct, as owner subject to a usufruct or usufructuary, by a loan as lender or debtor; borrowing of securities, as granting or receiving such borrowing; or pledge, as pledgor or pledgee); possession; fiduciary property or rights derived from trusts or similar structures under other jurisdictions; the right to exercise, or to determine the exercise of, any shareholder

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right, or the right to determine the sale, transfer or otherwise to affect or encumber the Shares or the rights vested in such shares, or to determine the application, or to have the rights to receive the benefits or proceeds of the sale, transfer or encumbrance of the shares, or the rights vested in such shares.

In the event of Trusts established by the Company, for the issuance of Ordinary Participation Certificates to be placed among the public investors, the fiduciary institution shall not be bound to the provisions of this article and the provisions of Article 10 (ten).

ARTICLE 8. To increase, reduce the Capital Stock or to redeem outstanding shares with distributable earnings, with the exception of the provisions of Article 7 of these By-laws and the exercise of Redemption Rights, in the event of variable capital, it shall be proceeded as follows: The capital stock in the fixed not redeemable part shall only be increased or decreased by resolution of the General Extraordinary Shareholders Meeting, and such meeting shall also approve the amortization of the shares with

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distributable earnings and the modifications in the limits of the variable capital. The capital stock in the variable part may be increased or decreased by a resolution of the ordinary Shareholders Meeting, and the amortization of shares outstanding representing such variable part shall be accomplished with distributable earnings; in the event of capital increases in the variable part, the Shareholders Meeting may delegate to the Board of Directors the terms and conditions under the which the issuance, payment and subscription of the new shares shall take place, and such shares once they are issued but are unsubscribed shall remain as Treasury Shares. In the event of a capital stock reduction in the variable part, the Board of Directors, in compliance with the applicable legal provisions, shall be entitled to set forth the terms and conditions for its implementation. The amortization of shares with distributable earnings shall be done further to the provisions of the General Law of Commercial Companies.

In accordance with the provisions of the Securities Market Law and further to the requirements established by the Nationals Securities Commission, the Company may increase its

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capital stock by issuing non-voting shares, as well as shares with limited

corporate rights, and shares with restricted voting rights. The issuance of these kinds of shares shall not exceed the percentage of Capital Stock set forth by the National Securities Commission or the Securities Market Law, and may represent the fixed part or the variable part of the capital stock.

The non-voting shares shall not be counted to determine the attendance and voting quorums during Shareholders Meetings, meanwhile shares with limited corporate rights and shares with restricted voting rights shall be counted to determine attendance and voting quorums only in the shareholders meetings held to discuss items in which they are entitled to vote.

The Class Shares that may be issued shall form one or more Series and their respective Sub-series, each Series shall be identified by two alphabet letters, one of which shall be the letter "A", the "B" or the "N", respectively, and further to the holdings restrictions set forth in Article 6 of these By-laws regarding the Series "A", Common Stock; or

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unrestricted common stock as described in Article 6 for the Series "B", or if they are considered as neutral investment and unrestricted shares shall be identified with the letter "N", adding a progressive number for each Sub series issued.

In the event of capital stock increases, except in the case of offerings of previously repurchased shares by the Company and in the event of a waiver of preemptive rights to perfect a public offering further to the terms of the Securities Market Law, the holders of shares of stock of the Company shall have the preferential right to subscribe, in proportion of their holdings, the shares issued. The proportion shall be determined considering only the capital stock outstanding. This preemptive right may only be exercised with respect of shares of the same kind or class that the shareholder owns and within the 15 (fifteen) days following the publication of the resolutions of the shareholders meeting; the publication shall be done through the means set fort on these by-laws for the calls to the shareholders meetings. For purposes of this section, "Public Offer" shall mean an offer addressed to one or more groups of

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undetermined but identified persons in base of one or more common characteristics.

The Shareholders shall have the right to receive the shares issued as a result of capitalization of reserves or earnings, provided that if for such concepts are issued, all the shares of capital stock outstanding shall be entitled to receive shares. The Shareholders Meeting shall determine the nature or the class of shares that shall represent the capital stock increases as a result of capitalization of reserves or earnings, and only the holders of common stock or class stock, as the case may be, shall have the right to receive the shares issued in proportion to their holdings.

The Company may issue unsubscribed shares to conduct an offering among Public Investors, and shall keep such shares in custody in an Authorized Depository Institution in accordance with the provisions of the Securities Market Law.

The outstanding shares representing the Variable Part of the Capital Stock shall have redeemable rights, which shall be exercised further to the terms set forth in the

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General Law of Commercial Companies, with the following conditions: The redemption price that the Company shall pay to its shareholders shall be equal to the lesser value of: a).- the 95% of the quoted price for the shares, obtained as an average of the stock operations traded during the thirty days prior to the redemption date; or b).- the book value of the shares of the Company, as determined in the most recent financial statements as of the close of the fiscal year in which the redemption shall take place, which financials shall be approved by the General Shareholders Meeting. Payment of the redemption price shall be payable by the Company beginning the following day following the date of the shareholders meeting that approved the financial statements.

The Company shall keep a Book, which shall be authorized by the Chairman of the Secretary of the Company or by any other officer authorized for such purposes. In such Book shall be recorded the Increases or Reductions if the Capital Stock in the Variable Part.

ARTICLE 9. The certificates representing the shares of stock, whether provisional certificates or the definitive

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certificates, shall comply with the requirements set forth in the General Law of Commercial Companies, Articles 5, 7 (with respect to the restrictions to transfer Shares or to acquire significant amounts of the capital stock), the last two paragraphs of article 8, and 10 regarding to the obligation to notify and to keep a record of material holdings, and shall contain the authentic signatures of either two directors appointed by the Board of Directors (or one Director and the Secretary if not a member of the Board); the Chairman and the Secretary of the Board of Directors may use facsimile signatures in accordance with the provisions of the General Law of Commercial Companies, and shall bear coupons for the exercise of pre-emptive and dividends rights. The Board of Directors shall determine the number of shares covered by each certificate, the coupons to be affixed to them.

ARTICLE 10. The Company shall have a shareholder ledger containing: a).- The name, nationality and the domicile of the Shareholder, and an indication of the shares owned by such shareholder, indicating the numbers, series, classes and other related information; b) Indications

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regarding payments of the shares; c) Pledges over Shares and rights affecting the title and transfer made pursuant to the General Law of Commercial Companies, and the second paragraph of Article 7 of these by-laws. The Shareholders Ledger shall be signed by the Chairman or by the Secretary of the Board of Directors, or by any other officer specifically appointed by the Board of Directors for such purposes. The Company shall consider as the holder of the Shares the person appearing in the Shareholder Ledger referred to in this article. For such purposes, the Company shall record at the request of any holder, the transfers, limitations or encumbrances affecting the shares. In the event that the Shares are deposited in one of the approved Securities Depositary Institutions pursuant to the Securities Market Law, transfer of deposited Shares shall be made in accordance to the provisions of said law. In addition, if someone becomes a Holder of Shares representing the following percentages (or if they exceed such percentages), shall inform the Company within 5 (five) business days after they obtain, reach or exceed the holding of 5%, 10%, 15% and 20%, respectively.

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For the purposes described in this article, the provisions regarding the grouping of shares contained in Article 7, section III shall apply.

The obligation described in this article regarding the notice of a significant share ownership shall be applicable to all persons (individually or as a group) with respect to whom the shares are grouped.

In the notice sent to the Company, such notice shall indicate the name of the person or persons holding title and the rights acquired, the information regarding the approval of the Board of Directors as set forth in Article 7 (Seven) of these by-laws, and the information to identify the persons in which such shares should be grouped.

In the event the provisions of this article regarding the notice to the Company are not complied, the corresponding Shares shall not be represented during Shareholder Meetings.

The Company shall have a Significant Holdings Ledger, in which the Company shall record the names, nationality and

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domicile of the persons under which the shares or certificates are issued, the

relationship, agreement or contract between such persons, and any other information to verify the strict compliance with these by-laws. Only the persons appearing in such ledger shall be entitled to represent their respective Shares during Shareholders Meetings. If these provisions are not complied, the Company shall not record the transactions, and the transactions made shall have no legal effect before the Company.

ARTICLE 11. The General Shareholders Meeting shall be the supreme power of the Company, and the Meeting may resolve or ratify any and all acts of the Company. Its authority shall have limited only to the extent of applicable law and these By-laws.

In the event that the Capital Stock of the Company, in addition to the Common, ordinary shares, was represented by shares of other classes, any action that may affect the rights conferred to the holders of such classes of stock, shall be accepted previously by the affected class shares gathered in Special Assembly, in which it will be required

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an attendance and voting quorum as set forth for the Extraordinary Meetings, and shall be calculated with reference to the total amount of the shares of the respective class.

The class shareholders meetings shall gather in the corporate domicile an the provisions set forth in articles 13, 14 and 15 of these By-laws shall apply, and shall be presided by the shareholder appointed by the attending shareholders, and the Secretary of the Company shall act as secretary, and in the event of his absence, the secretary shall be the person appointed by the attending shareholders.

ARTICLE 12. Ordinary Shareholders Meetings shall gathered at least once a year at the corporate domicile, in the date determined by the Board of Directors within the first four months following the end of each fiscal year. The Ordinary Shareholders Meeting shall also resolve the items referred in Article 181 of the General Law of Commercial Companies, and shall present to the Shareholders the report referred to in the general statement of Article 172 of the General Law of Commercial Companies, regarding the fiscal

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year immediately preceding of the company or companies that the Company is the majority shareholder, when the value of the investment in each of them exceeds 20% of the net worth, in accordance with the most recent financial statements of the holding company as of the end of the corresponding fiscal year, and shall gather at any time when called further to the provisions of these by-laws. Extraordinary Shareholders Meetings shall gather at any time they are called.

ARTICLE 13. The call for the General Ordinary or Extraordinary Shareholders Meetings shall be made by the Board of Directors or by the Statutory Auditors, regardless of the rights conferred by law to the shareholders to obtained a call made by the court. The call shall be made by

means of a publication in the State's Official Newspaper or in any of the newspaper of wide distribution within the corporate domicile, with at least 15 days before the date of the meeting. The call shall include the place, date and hour for the meeting and shall contain the Agenda for the Meeting. If all the shares of stock outstanding are represented and such circumstance extends to the time of the vote, a meeting may be conducted without need of a call. If the required

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quorum is not met, minutes shall be prepared and shall attest such circumstance, and shall be signed by the President, the Secretary, the attending Statutory Auditor and the appointed tellers, stating the date of publication of the call. In this event, a second call shall be published stating such fact, by a sole time, in the State's Official Newspaper or in any of the newspaper of wide distribution within the corporate domicile, with at least 15 days before the date of the meeting.

The holders of voting Shares, including the limited voting or restricted voting shares, representing at least 10% (ten percent) of the Capital Stock issued and outstanding, shall be entitled to request a call of the General Shareholders Meeting in accordance with the provisions of the General Law of Commercial Companies and these By-laws.

Beginning from the publication of the Call to the Shareholders Meeting, all the documents and related documentation for every item of the Agenda shall be made immediately available and without cost to the shareholders.

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ARTICLE 14. To attend any Shareholders Meeting and to take part during such meetings, the shareholders shall deposit their shares in the Secretary of the Company, or in a credit institution or Institution for the Deposit of Securities through a broker in the securities market further to the Securities Market Law. The Certificate of Deposit shall be delivered to the Secretary at least with 48 hours in advance of the Meeting. In addition, it shall be necessary with respect to the Shares intended to be represented in the Meeting, the compliance with the provisions of Articles 7 and 10 of these By-laws. Upon the delivery of such Certificate, the list and the verification of compliance of Articles 7 and 10, the Secretary shall issue a record stating the status of shareholder and the number of shares represented. Such written record shall authorize the person in favor of whom it was issued to attend the meeting. The deposited shares or the Certificates shall be returned to the shareholders until the termination of the meeting and upon delivery of the written record issued by the Secretary of the Company. The Secretary shall make available to the appointed Tellers the documentation referred in this section, in order for them to

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prepare the list of attending shareholders with voting rights.

ARTICLE 15. Any shareholder shall be entitled to attend the General Shareholders Meeting personally or by means of a General or Special Attorney-in-fact. In this last event, the special attorney-in-fact shall evidence its legal capacity by means of a Proxy prepared in accordance with the formats prepared by the Company and made available to the shareholders, including the brokers in the Securities Market, during the term set forth in Article 173 of the Securities Market Law. The proxy formats shall contain the following requirements: (a) to establish in a clear manner the name of the Company, the Agenda for the Meeting, which shall not include a "General Matters" item the items referred to in Articles 181 and 182 of the General Law of Commercial Companies, and b) it shall contain a space for the instructions to be issued by the shareholders granting the authority.

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The Secretary of the Board of Directors shall verify the compliance of this Article and shall inform the Meeting in this respect.

ARTICLE 16. For the Ordinary Shareholders Meeting to be considered legally installed by virtue of the first call, it shall be represented at least 50% (fifty percent) of the capital stock outstanding. In the event of a second call, the Ordinary Shareholders Meeting shall be legally installed irrespective of the number of shares represented. For the Extraordinary Shareholders Meeting to be considered legally installed by virtue of a first call, it shall be represented at least three quarters of the capital stock outstanding. In the event of a second call, the Extraordinary Shareholders Meeting shall be installed if at least 50% of the voting shares representing the capital stock outstanding are represented.

ARTICLE 17. The meeting shall be presided by the Chairman of the Board of Directors or by the person covering its absences, or in their absence by the individual appointed by the absolute majority of attending shareholders. The

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Secretary of the Meeting shall be the Secretary of the Board of Directors, and in his absence, it shall be the individual appointed by the absolute majority of attending shareholders. Voting shall be economic, unless the shareholders representing at least 20% of the capital stock request to be by certificate. The President of the Meeting shall appoint two (2) tellers, and such designation may be made in writing upon the publication of the call. In the event of absences of the Tellers, a new appointed may be made. The attending Tellers shall certify, based on the documentation made available to them and

the attendance list prepared for such purposes the number of shares represented. If for any reason all the items contained in the Agenda are not discussed during the time of the meeting, the remaining items of the Agenda may be discussed in following days until all the items are covered.

The Holders of voting Shares, including the limited voting or restricted voting shares, duly represented during a Shareholders Meeting and representing at least 10% (ten percent) of the Capital Stock outstanding, shall be entitled to request the adjournment in the voting of an item in which

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they considered themselves as not sufficiently informed, in accordance with the applicable provisions of the General Law of Commercial Companies.

ARTICLE 18. During Shareholders Meetings, each share of common stock shall be entitled to one vote. This principle shall be subject to the applicable legal provisions and the provisions of these by-laws, and shall have as exceptions the shares repurchased by the Company referred to in the first paragraph of article 7 and the shares without voting rights, as well as the shares with limited voting rights, and the shares with restricted voting rights further to the Securities Market Law and the shareholders meeting that approved the issuance of such shares. During Ordinary Shareholders Meetings, resolutions shall be valid by simple majority of votes represented. In the event of Extraordinary Shareholders Meetings, resolutions shall be adopted by the favorable vote of at least 50% of the capital stock outstanding, except in the event of amendments to article 45, in which the previous consent issued by the Mexican National Securities and Banking Commission and the approval of (95%) ninety-five percent of the shares entitled to vote; and in

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the event of amendments to the provisions of Articles 7 (except with respect to repurchase of Shares), 10 and 22, it shall be required approval of (75%) seventy-five percent of the shares entitled to vote. The Tellers shall be responsible to verify the compliance of these quorums. The Holders of voting Shares, including the limited voting or restricted voting shares, representing at least 20% (twenty percent) of the Capital Stock outstanding, shall be entitled to judicially object to the resolutions of the General Shareholders Meeting, with respect to the items in which they are entitled to vote, provided that the requirements set forth in the General Law of Commercial Companies are complied for such purposes.

ARTICLE 19. Management of the Company shall be entrusted to a Board of Directors formed by a minimum number of 5 (five) members and a maximum of 20 (twenty) members, and at least 25% (twenty five percent) of such members (in the event of fractions rounded to immediately lower whole number) shall be independent directors in accordance to the definition set forth in the Securities Market Law. If determined by the respective shareholders meeting, such

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meeting may appoint alternate directors. Alternate directors shall cover the temporary or permanent absences of the members of the board. The Shareholders Meeting shall appoint the Chairman of the Board of Directors, and such Meeting may also appoint the Secretary, which may not be a member of the Board. The members of the Board of Directors and their Alternates shall be in office until the persons designated by the Shareholders Meeting to substitute them take possession of the office. The alternate directors, in the order of their appointments, shall cover the absences of the directors; in the event that the number of the alternate directors is less than the number of directors, each alternate director shall cover the absences of the directors in such order, once designated the alternate directors, the procedure shall be repeated until each member of the board has its respective alternate. Consequently, alternate directors may cover absences of different members of the board, provided, however, that the Alternate Directors of the Independent Directors shall have the same character. The Directors shall be covered in their absences by the corresponding Alternate Director in accordance with their appointment.

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ARTICLE 20. The members of the Board of Directors shall be appointed by the Ordinary Shareholders Meeting by majority vote. The shareholders that during a shareholder meeting represented a minority and dissented of the opinion of the majority shall have, provided that the number of shares that they represent is at least the percentage determined by the General Corporation Law, the right to appoint one Director, and its respective alternate, which shall only cover the absences of such minority Director. In this event, the minority shareholders shall abstain from taking part of the election of the Directors referred to in Article 19 (formerly 18) of the By-laws, limiting themselves to appoint by majority vote one Director and its Alternate.

Any minority group of Shareholders holding restricted voting shares, other than the ones set forth in the General Law of Commercial Companies, or shares with limited voting shares as provided in such Law, representing at least 10% (ten percent) or more of the outstanding Capital Stock, in one or both classes of shares, shall have the right to appoint one Director and its respective alternate; in the absence of this minority designation, the holders of such

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class of stock shall have the right to appoint 2 (two) Directors and their respective alternates, corresponding one Director to each class. In the

second case, the appointments, as well as the removal or substitution of Directors shall be made during a Special Meeting; in the first case, removal of the minority director shall only take place when all remaining directors have been removed, except for the ones appointed during a Special Meeting.

For purposes of the provisions of this Article, if minority directors are appointed or a Special Meeting is held for such purposes, the Board of Directors shall be increased with the number of appointed directors.

ARTICLE 21. When the General Shareholders Meeting so determines, it may appoint a Honorary Chairman of the Company to honor a person that deserves to hold such position based on his merits.

ARTICLE 22. The following individuals shall not be appointed as Directors or Examiners of the Company: a) the individuals that do not have the legal capacity to bind

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themselves; b) individuals that are involved in bankruptcy procedures, and such procedure is not lifted, c) the individuals that the Company has outstanding or matured debts against them, and such obligations are not duly guaranteed.- d) Persons who (either continuous or otherwise) have held position or office in, or have been legal representatives in any way of, or have been shareholders (directly or indirectly) in 5% or more of the Capital Stock or net worth of, or have rendered any kind of services to: persons or entities (incorporated or not) (except such Companies in which CEMEX, S.A. de C.V. has a direct or indirect participation of at least 40% (forty percent) of their capital stock) engaged in the production or distribution of cement or its related products (persons or entities shall include the persons that are shareholders or otherwise participate in the management, directly or indirectly, of such person or entity engaged in such activities, as well as entities in which such persons are shareholders or directly or indirectly participate in their management); or e) persons that have participated in any act that constitutes a violation to these By-laws, applicable law or regulations. If any Director after their designation falls into any of the

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events described above, shall cease in his function, and shall not act as directors again until a new election is made and provided the impediment has disappeared.

ARTICLE 23. The Board of Directors shall gather in ordinary meeting at least once every three months. The Chairman, at least 25% (twenty-five percent) of the members of the Board, or any of the Statutory Auditors, shall be entitled to call a Board of Directors Meeting.

It shall be validly installed a meeting of the Board of Directors with the presence of the majority of its members appointed by the Ordinary Shareholders Meeting, and the Board of Directors resolutions shall be valid if

they are approved by an absolute majority of the attendant members. Minutes for every meeting shall be prepared which shall contained the items discussed and shall be signed by the President and the Secretary of the Meeting. The Board of Directors may adopt resolutions in lieu of a meeting. These resolutions shall be confirmed in writing.

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ARTICLE 24. The Chairman shall preside the Shareholders Meetings and the Board of Directors Meetings; the Chairman shall represent the Company before any authority or corporations; shall have the casting vote during Board of Directors Meetings in the event of a tie; shall watch out for the corporate operations and shall ensure compliance of these by-laws, the internal regulations and the resolutions adopted by the Shareholders and the Board of Directors. The Chairman shall be the executor of the resolutions of the Board, notwithstanding any authority granted to the Chief Executive Officer or the Manager appointed for such purposes. The member of the Board appointed by the Board shall cover the absences of the Chairman.

ARTICLE 25. The Board shall appoint a Secretary, which may not be a Board member, and such appointment may be revoked at any time.

ARTICLE 26. The Shareholder Meeting may establish the obligation to the members of the Board, Officers and Managers to guarantee the duly performance of their respective duties.

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The persons Holders of shares representing at least 15% (fifteen percent) of the Capital Stock outstanding, shall be entitled to directly start a civil responsibility action against the members of the Board, the Statutory Auditors or the members of the Auditing Committee, provided that the requirements set forth in the General Law of Commercial Companies are satisfied.

ARTICLE 27. The Board of Directors shall have the following authority: a) To Manage the business and affairs of the Company with the most ample General Power for Management Acts, further to the terms set forth in the second paragraph of Article (2554) two thousand five hundred fifty four of the Civil Code for the Federal District in common matters and applicable in the whole Mexican Republic for federal matters, and its correlative article (2448) two thousand four hundred forty eight of the Civil Code of the State of Nuevo Leon,- b) General Power for Ownership Acts, further to the terms set forth in the third paragraph of Article (2554) two thousand five hundred fifty four of the Civil Code for the Federal District in common matters and applicable in the whole

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Mexican Republic for federal matters, and its correlative article (2448) two thousand four hundred forty eight of the Civil Code of the State of Nuevo Leon, with the only limitation that the Board shall not have the authority to dispose of industrial units of the Company.- c) To represent the Company before any kind of administrative or judicial authority of the County, State or the Federation, as well as before any labor authority or otherwise, with all general and special powers which by law require a special clause according to law without any limitation, as provided for in the first paragraph of Article Articles (2554) two thousand five hundred fifty four of the Civil Code for the Federal District in common matters and applicable in the whole Mexican Republic for federal matters, and its correlative article (2448) two thousand four hundred forty eight of the Civil Code of the State of Nuevo Leon, and shall be empowered to participate in any kind of judicial proceedings, either Civil, Commercial, Tax, Administrative, Criminal or Labor, including Amparo proceedings, to follow such lawsuits and drop them if convenient for the Company; to file recourses against decision of authorities; to consent favorable rulings and appeal not favorable rulings; to present answers in any

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lawsuits filed against the Company, to file and ratify accusations or complaints before criminal authorities, being empowered to establish the Company as co-party with the public prosecutor in criminal processes and grant pardon when applicable; d)- To issue and subscribe any kind of negotiable instruments in the name and stead of the Company, to contribute property, personal or real estate, to other companies and to subscribe shares of stock or other equity interest in companies.- e).- To grant avales, bonds or other guarantees, including pledge and mortgage, obligations of third parties, with or without consideration, and consequently to subscribe negotiable instruments, agreements and any other instrument to perfect such guarantees.- f) To appoint the Chief Executive Officer, and shall be empowered to appoint Managers and Deputy as representatives of the Company as necessary.- g) To hire specially trained technicians or other companies, the rendering of services, as a consultant or employees.- h) To execute the resolutions adopted by the Shareholders Meeting, and in general, to carry on the acts and operations necessary or convenient for the corporate purposes of the Company, except the ones reserved by law to the Shareholders Meeting by law or otherwise

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provided in these by-laws.- i) Further to the terms set forth in these by-laws, to authorize or deny approval for the transfer, encumbrance or to perform any act that restricts, encumber or otherwise transfer any rights or duties of the Shareholders, directly or indirectly, with respect to the Shares representing Capital Stock of the Company.

The following authority of the Board of Directors to approve the following transactions shall not be subject of delegation: (a) transactions that are not in the ordinary course of business of the Company, that are being considered to enter into the Company and its shareholders, with persons that are part of the management of the Company or with persons that such individuals have patrimonial nexus, or otherwise have kinship (either by blood or by law) up to the second degree, the spouse or concubinary; (b) the purchase or sale of 10% (ten percent) or more of the total Assets of the Company; (c) the issuance of a warranty or avales for an amount exceeding 30% (thirty percent) of the total Assets of the Company, and (d) any other transaction that is different from the listed above that represents more than 1% (one percent) of the total Assets of the Company. For purposes of

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sections (b), (c) and (d) above, reference shall be made to the value of the assets in accordance with the consolidated Financial Statements for the quarter immediately ended before the date of the corresponding approval.

The members of the Board of Directors shall be responsible for the resolutions adopted further to the provisions of the last paragraph, except for the event set forth in Article 159 of the General Law of Commercial Companies.

In addition, only the Board of Directors of the Company shall determine the direction of the vote of the Shares that are the property of the Company, representing a majority of the capital stock of such issuer company.

The Board of Directors shall be entitled to delegate authority, except for the duties not subject to delegation in accordance to these by-laws, in favor of legal representatives, and such legal representatives shall be empowered to delegate once again the authority granted to them.

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ARTICLE 28. The Chief Executive Officer shall be appointed by the Board, and shall execute the resolution adopted by the Board, and shall hold the signature of the Company, and shall have the following duties and powers: I.- To organize, manage and direct the personnel, the property and affairs of the Company further to the instructions of the Board of Directors, and to make collections and payments.- II.- To execute agreements, to execute negotiable instruments, and to guarantee them, and in general, to execute any kind of written instrument related to the above-referenced situations and to execute any acts necessary in the ordinary course of business.- III.- To establish the hiring and the removal of employees and to watch out for their performance.- IV.- To direct and to sign the correspondence of the Company.- V.- To grant and revoke special or general powers of attorney, granting authority deemed convenient, including substitution authority.- and VI.- To represent the Company before any kind of administrative or judicial authorities, Municipal, State, Federal or otherwise in the same extent as the powers of the

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Board referred to in Article 26. The Board of Directors shall increase or reduce the powers of the Chief Executive Officer.

ARTICLE 29. The Board of Directors may appoint Managers and Deputy Managers, which shall be under the direct orders of the Chief Executive Officer, and such officer shall distribute among them their corresponding duties, and the Managers and Deputy Managers shall have the corresponding corporate authority granted to them.

ARTICLE 30. The Board of Directors may appoint, among its members, including the Secretary in the event the Secretary is not a member of the Board, one or more delegates to execute specific actions. The Secretary shall be authorized, in the event the Secretary is not a member of the Board, to sign in accordance to these by-laws, the provisional certificates of the share certificates representing shares of stock of the Company.

ARTICLE 31. The Board of Directors during its first meeting shall appoint a consulting committee formed by four members of the Board, and shall remain in office for two

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years. Resolutions of the committee shall be taken by a majority of its members.

ARTICLE 32. The Board of Directors during its first meeting shall proceed to form an Auditing Committee, which shall be formed by the number of members of the Board determined by the Board of Directors, provided that the majority of appointed members are Independent and one of them, as determined by the Board, shall be the Chairman of the auditing committee. The secretary of the Auditing Committee shall be the Secretary of the Board of Directors.

The Company shall keep a minute book to record the meetings of the Auditing Committee, which minutes shall be signed by the Chairman and Secretary of the Committee.

The Annual Report of the Auditing Committee shall be presented to the Ordinary Shareholders Meeting as required by the Securities Market Law.

ARTICLE 33. The Auditing Committee shall have the following duties:
(a) to prepare an Annual Report of its

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activities and shall submit such report to the Board of Directors; (b) to issue an opinion regarding the transactions referred to in section (a) of Article 27 of these by-laws; and (c) to propose the Board of Directors to hire independent specialists in the event the committee deems it convenient, in order to obtain their opinion on the transactions referred to in section (b) above.

The Auditing Committee shall meet as many times as necessary, and its meetings shall be called by the Chairman of the Board of Directors, a group representing 25 % (twenty-five percent) of the members of the Board, by any of the Statutory Auditors or by the Chairman of the Auditing Committee. The decisions shall be adopted by majority votes of the attending members, and the Chairman of the Committee shall have a casting vote in the event of a tie; the Committee shall require the attendance of the majority of its members to have a valid meeting. The Alternates of the members of the Board of Directors that form part of the Auditing Committee shall have the same character with respect to the integration of such committee.

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ARTICLE 34. The members and alternate members of the Board of Directors, and the Statutory Auditor and Alternate Statutory Auditor shall receive the compensations for their services established by the General Shareholders Meeting.

ARTICLE 35. The surveillance of the operations of the Company shall be entrusted to Statutory Auditors appointed by the General Shareholders Meeting, and Alternate Statutory Auditors may be appointed to cover the temporary or permanent absences of the Statutory Auditors.

The shareholders holding 10% or more of any class of shares of capital stock shall be entitled to appoint one Statutory Auditor and its respective alternate, in which event the number of Statutory Auditors shall be increased with the one appointed by the minority shareholders.

The Statutory Auditors and their Alternates shall remain in office until the General Shareholders Meeting appoints their substitutes and such persons take office; provided, however, that the appointment of the Statutory Auditors appointed by minority shareholders shall not be

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revoked unless all the appointments of Statutory Auditors are revoked.

The Statutory Auditors shall attend the meetings of the Board of Directors, the meetings of the Auditing Committee, and the meetings of such consulting intermediating bodies in which the Board of Directors delegated any

authority. For such purposes, the persons making the call for such meetings shall also call the Statutory Auditors for their attendance.

ARTICLE 36. The General Shareholders Meeting may establish the requirement for the Statutory Auditor to guarantee the duly performance of its duties.

ARTICLE 37. The fiscal years shall last one calendar year, running from January 1st to December 31st of each year.

ARTICLE 38. The net profits obtained annually shall be applied in the following order: 1.- 5% shall be reserved to form the Legal Reserve up to an amount not less than 20% (twenty percent) of the capital stock. If by any event such

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amount is reduced, the reserve shall be reconstituted in the way described above.- 2.- The amount determined by the Shareholders Meeting shall be segregated to for special reserves.- 3.- The remaining profits shall be distributed in equal parts to the shareholders in proportion to their holdings of shares, unless the law or the Shareholders Meeting determine in their issuance, a special class of stock. The payment of dividends shall be further to the terms set forth in applicable laws

ARTICLE 39. The founders of the company do not reserve any special participation or special benefits in the profits of the company.

ARTICLE 40. If there were losses, such losses shall be shared by the shareholders in proportion to their ownership and up to the value of their respective shares in the proportion they represent in the capital stock paid-in and outstanding.

ARTICLE 41. The company shall be dissolved upon the occurrence of in any of the cases contemplated in Sections

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II, III, IV and V of Article 229 (two hundred twenty nine) of The General Law of Commercial Companies.

ARTICLE 42. Once the company is dissolved, the Shareholders' Meeting by majority vote shall appoint three Liquidators. The Shareholders Meeting shall determine the term to conclude with the liquidation process and the compensation the liquidators shall receive.

ARTICLE 43. The liquidators shall adopt their resolutions by majority of votes. The liquidations shall be performed in accordance to the following guidelines: I.- Conclusion of the pending affairs in the way the liquidators deem convenient.- II.- The liquidators shall collect the loans, shall pay the credits and shall transfer the assets of the Company that are necessary for such purposes.- III.- The liquid assets resulting from the final balance to be

formed by the liquidators, and approved by the Shareholders Meeting, shall be distributed among the shareholders in kind or sold and distributing the proceeds in accordance to the resolutions of the Shareholders Meeting.- The distribution of the liquid assets shall be in proportion of the amount of

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capital stock paid in, and with respect to the preferential rights of the holders of special classes of stock.

ARTICLE 44. During the liquidation process the shareholders meeting shall have the necessary authority to determine the rules that, in addition to the authority set forth in applicable law of the provisions of these by-laws, shall govern the performance of the liquidator or liquidators, including the authority to revoke the appointment of liquidators and to appoint new ones. The Meeting shall be called during the liquidation process by the liquidators or the Statutory Auditor, and the Statutory Auditor shall have the same duties and obligations that they normally perform during the term of the company, with respect to the board of directors.

ARTICLE 45. In the event of cancellation of the registration of the shares issued by the Company in the Securities Section of the National Registry of Securities and Intermediaries, either by means of a request of the Company or by resolutions adopted by the National Securities Commission in accordance to law, the shareholders that hold

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the control of the Company shall make a public offer to purchase, previously to the cancellation of the registration and at the higher price resulting from the average at the closing of the operations made during the last thirty (30) days in which such shares were traded and prior to the offer, or the book value of such shares further to the last quarterly report presented to the National Securities Commission and the Mexican Stock Exchange before the offer. The majority shareholders of the Company shall not be obligated to carry on the public offer in the consent of all the shareholders was obtained to proceed with the deregistration of the shares.

SOLE TRANSITORY PROVISION. The individuals or entities that as of April 25 (twenty-five), 2002 (two thousand and two), which is the date in which the General Extraordinary Shareholders Meeting that approved the amendment of several provisions of the By-laws of Cemex, S.A. de C.V., which fall within the provisions set forth in the amendments to Articles 7 or 10, shall have a term of 6 (six) months beginning from the date of such shareholders meeting, to comply with the approvals, notices and other formalities

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referred to in such amended articles 7 and 10. Such persons shall not exercise any rights derived from such shares, until they strictly comply with such formalities.

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CERTIFICATION

The undersigned, DAVID A. GONZALEZ VESSI, Official Translator for documents to be translated from English to Spanish, and from Spanish to English, authorized by the Superior Court of the State of Nuevo Leon, further to Approval number 644/2003 issued as of January 31, 2003, HEREBY CERTIFIES THAT:

The preceding document is a true and accurate translation from the SPANISH language to the ENGLISH language of the Corporate By-laws of CEMEX, S.A. DE C.V.. This certification is issued for any and all legal purposes.

Monterrey, N.L., as of March 20, 2003

DAVID A GONZALEZ VESSI

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[Banamex Letterhead]

AMENDMENT AGREEMENT

TO THE TRUST AGREEMENT NUMBER 111033-9 ENTERED INTO BY AND BETWEEN CEMEX, S.A. DE C.V., REPRESENTED HEREIN BY MR. RAMIRO VILLARREAL MORALES, IN HIS CAPACITY OF SECRETARY OF THE BOARD OF DIRECTORS AND GENERAL ATTORNEY-IN-FACT OF THE COMPANY, HEREINAFTER AND FOR THE PURPOSES OF THIS AGREEMENT REFERRED TO AS "CEMEX", AND BANCO NACIONAL DE MEXICO, S.A., GRUPO FINANCIERO BANAMEX, REPRESENTED HEREIN BY MESSRS. FRANCISCO JOSE BALTAZAR RODRIGUEZ AND MARIA DE LOS ANGELES MONTEMAYOR GARZA, IN THEIR CAPACITY OF TRUST OFFICERS OF SUCH INSTITUTION, HEREINAFTER AND FOR THE PURPOSES OF THIS AGREEMENT REFERRED TO AS THE "TRUSTEE", WHO AGREE TO FORMALIZE THEIR AGREEMENT PURSUANT TO THE FOLLOWING STATEMENTS AND CLAUSES.

---WITNESSETH---

I. The Parties hereby declare:

- A) That they mutually acknowledge the legal capacity with which they appear to execute this Agreement, having the authority to bind their represented parties under the terms and conditions set forth herein.
- B) That on September 6, 1999, they entered into a Trust Agreement registered under number 111033-9 to issue the Non-Redeemable Ordinary Participation Certificates denominated "CEMEX.CPO", referred to herein and for the effects of this Agreement only as the "Trust".
- C) That they ratify the rights and obligations set forth in the Trust.
- D) That on April 25, 2002, "Cemex, Sociedad Anonima de Capital Variable", held n Extraordinary General Shareholders Meeting, whereby it was agreed to amend certain articles of its bylaws to adequate its language and comply with the new provisions of the Securities Market Law ("Ley del Mercado de Valores"), as well as to include in its bylaws, additional provisions to those set forth in the General Law of Commercial Companies ("Ley General de Sociedades Mercantiles") to introduce measures to prevent the acquisition of stock that grant the control of the corporation, either directly or indirectly, having been protocolized through public deed number 75,536 dated July 4th, 2002, granted before Mr. Juan Manuel Garcia Garcia, Notary Public Number 129, practicing in the city of San Pedro Garza Garcia, Nuevo Leon, which was duly recorded in the Public Registry of Commerce of the corporate address of

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CEMEX. A certified copy of such public deed is attached to this amendment agreement in the form of "Exhibit A".

- E) That in the above-mentioned Meeting, the company was authorized to amend trust agreement number 111033-9 in which Banco Nacional de Mexico, S.A. acts as Trustee, to amend its clauses to the statutory amendments and agreements adopted in the Extraordinary Meeting, authorizing the Chairman and Secretary of the Board of Directors, who may act jointly or severally, to formalize the amendment to the trust agreement issuing the "CEMEX.CPO".
- F) That the Technical Committee of the TRUST, in its session dated November 7, 2002, agreed to instruct the TRUSTEE, authorizing it to formalize the amendment to the above-referenced trust agreement, in order to comply with the resolutions adopted in the Extraordinary General Shareholders Meeting of Cemex, S.A. de C.V., held on April 25, 2002. A certified copy of the corresponding minutes is attached to this amendment agreement in the form of "Exhibit B".
- G) That on November 5, 2002 a General Meeting of Non-Redeemable Ordinary Participation Certificate "CEMEX.CPO" Holders was held, whereby it was agreed to amend clauses Seven, Eight and Nine of the issuance deed of the Non-Redeemable Ordinary Participation Certificates "CEMEX.CPO", as well as clauses Fourth, Fifth and Eleventh of trust agreement number 111033-9, having been protocolized through public deed number 29.688 dated November 14, 2002, granted before Mr. Francisco Garza Calderon, Notary Public Number 75, practicing in the city of San Pedro Garza Garcia, Nuevo Leon. A certified copy of such public deed is attached to this amendment agreement in the form of "Exhibit C".
- H) That the TRUSTEE and CEMEX jointly filed a document before the National Banking and Securities Commission ("Comision Nacional Bancaria y de Valores") requesting its approval for the amendment of clauses Seven, Eight and Nine of the issuance certificate of the Non-Redeemable Ordinary Participation Certificates "CEMEX.CPO", as well as clauses Fourth, Fifth and Eleventh of trust agreement number 111033-9.
- I) That they freely enter into this Agreement, pursuant to the following:

---CLAUSES---

FIRST: PURPOSE OF THE AGREEMENT.

This Agreement is being executed for purposes of expressly evidencing the amendments to the rights and obligations of each of the parties appearing under any capacity in the TRUST, binding them to subject themselves to the terms and conditions that arise as a result of the execution of this instrument.

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Amendment Agreement to Trust Agreement Number 111033-9

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SECOND: OF THE TOTAL ASSETS AND ITS INCREMENTS.

The parties hereby agree to amend clauses Fourth, Fifth and Eleventh of the TRUST, which shall read as follows:

"FOURTH: RIGHTS AND OBLIGATIONS:

- a. HOLDERS OF "CPO's": The individuals or legal entities, bodies, trusts or companies, either Mexican or foreign, that acquire the "CPO's" issued pursuant to this "TRUST", and the individuals or legal entities, bodies, trusts or companies, either Mexican or foreign, that adhere to it by means of a contribution of "SHARES".

The persons referred to in the preceding paragraph, by the mere fact of acquiring and holding the "CPO's", and for the mere contribution of the "SHARES", shall be subject to the terms, conditions and provisions contained in this Agreement and its respective amendments to be implemented, and the respective Issuance Deed and the certificate or certificates that represent the "CPO's", and in according with the provisions of Articles 7 (seven) and 10 (ten) of the Corporate Bylaws of "CEMEX", in connection with the "CPOs" transfer restrictions or for the acquisition of material portions of the capital of "CEMEX".

- b. "CEMEX" AND THE "ADHESIVE SETTLORS OF THE TRUST": Regarding "CEMEX", it shall have the sole and only right to receive from "THE TRUSTEE", the proceeds from the placement through a public offering of the issuance of "CPO's", provided that the "SHARES" have been previously contributed as a result of the issuance or repurchase of said "SHARES" in accordance with applicable Law, and "CEMEX" shall also have the right to receive the proceeds of the placement of "CPO's" that "THE TRUSTEE" may have repurchased with funds contributed by "CEMEX" or that "THE TRUSTEE" may have directly repurchased; and in connection with the "ADHESIVE SETTLORS OF THE TRUST" that contributed "SHARES" for purposes of placing such "SHARES" among the investing public, they shall have the right to receive from "THE TRUSTEE" the proceeds of the offerings through the issuance of "CPO's".
- c. The "SETTLORS" that adhere to this Agreement to obtain "CPO's" with respect to the "SHARES" contributed to the "TRUST", as well as the persons, bodies or legal entities that acquire "CPO's", shall have, subject to the provisions of this agreement, the economic and voting rights with respect to THE "SHARES" that represent their respective "CPO's" holding proportions regarding the total assets of the "TRUST". In addition, the holders of "CPO's" shall have the right to receive the net proceeds resulting from the sale of "THE

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SHARES" that form the corresponding proportion of the Total Assets of the "TRUST" corresponding to each "CPO", or such "SHARES" or participation certificates issued by the "MASTER TRUST" in strict compliance with the terms and conditions agreed in this Agreement."

"FIFTH: PURPOSES OF THE "TRUST".
The purposes of the Trust are:

- a. That "THE TRUSTEE" acquires and maintains the trust property of the "SHARES" that form part of the assets of this "TRUST".
- b. That "THE TRUSTEE":
 - b.1 subscribe the "SHARES" to be issued or repurchased by "CEMEX" for purposes of their public offering in compliance with the applicable legal provisions, through the contribution of "CPO's" to this Trust, and in such event deliver to "CEMEX" the value of such "SHARES" with the proceeds of the offering; furthermore, that "THE TRUSTEE", with the proceeds contributed by "CEMEX" for such purposes, reacquires "CPO's" for purposes of their further offering in the terms of applicable law.
 - b.2 To acquire the trust property of those "SHARES" contributed by the "ADHESIVE SETTLORS OF THE TRUST", and
 - b.3 To acquire the trust property of those "SHARES" resulting from (i) capital stock increases derived from capitalization of reserves or earnings, and restructuring of the "SHARES", or (ii) in the event of the shares resulting from mergers or spin-offs in which "CEMEX" participates, and (iii) additionally to subscribe and pay, conditioned to the previous contribution of the funds required therefor by the BENEFICIARIES, the "SHARES" resulting from capital stock increases by means of additional contributions or reinvestment of distributed earnings.
- c. That, further to the terms of this Agreement, "THE TRUSTEE" issues "CPO's" to be acquired by the individuals or legal entities, of either Mexican or foreign nationality, provided that "THE TRUSTEE" may only issue one CPO per three common ordinary "SHARES" of "CEMEX" stock, two of which shall be Series "A" shares, and one shall be Series "B" shares, contributed to this Trust and that form part of the capital of this "TRUST", consequently, an equal part of the Trust Assets that will correspond to each "CPO" shall be conformed by two Series "A" shares and one Series "B" shares, representing the common, ordinary

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capital stock of "CEMEX"; provided that such

equal part may be amended by virtue of capitalization, reinvestment of distributed earnings, restructuring of "SHARES", reductions of capital, amortization of "SHARES", or by mergers or spin-offs in which "CEMEX" participates.

- d. That "THE TRUSTEE" shall transfer, through S.D. Indeval, S.A. de C.V., the "CPO's" to be issued with respect of "THE SHARES", to the corresponding national or foreign investors who are entitled to such "CPO's", and in the same manner to the national or foreign investors that have contributed "SHARES" owned by them, to the "TRUST".
- e. That "THE TRUSTEE", through S.D. Indeval, S.A. de C.V., shall keep "SHARES" in deposit, provided that such deposit may be accomplished through one or more other institutions for the deposit of securities in accordance with the provisions of applicable Law.
- f. That "THE TRUSTEE" shall exercise the economic and corporate rights vested on "SHARES", provided that the voting rights shall be exercised through the respective attorneys-in-fact, further to the following guidelines:
 - f.1 The "BENEFICIARIES" of Mexican Nationality shall have the right to attend the Shareholders Meetings of "CEMEX" either personally or by means of an attorney-in-fact for purposes of representing and exercising the corporate rights vested in "THE SHARES" that conform the respective portion of the Total Assets of the "TRUST" which corresponds to their respective "CPO" holdings, and for these purposes it shall be sufficient to give an instruction addressed to "THE TRUSTEE" with at least 72 (seventy-two) hours in advance to the date and time set for the Shareholders Meeting of "CEMEX", and shall jointly submit sufficient evidence, at the discretion of "THE TRUSTEE", regarding their current "CPO's" holdings, the nationality of the holder and the nationality of the effective beneficiary of the "CPO's" in accordance with the terms and conditions contained in this agreement; on the other hand, in the event that it may be legally applicable, "THE TRUSTEE" will issue in favor of the corresponding "BENEFICIARY" or his respective attorney-in-fact, the written document evidencing the number of "SHARES" entitled to vote which is legally entitled to represent at such Shareholders Meeting, granting the corresponding Proxy.
 - f.2 The "BENEFICIARIES" shall be entitled to exercise the voting rights of THE "SHARES" that conform the Total Assets of the "TRUST", subject to the terms and conditions set forth below.

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- f.2(i) The "BENEFICIARIES" of Mexican Nationality shall

exercise the voting rights with the representation granted in its case by "THE TRUSTEE" further to the terms of Section f.1 above.

For purposes of this Agreement, "BENEFICIARIES" of Mexican Nationality shall mean: (i) the individuals of Mexican nationality, and (ii) the legal entities whose By-laws include the Foreign Investors Exclusion Clause, understood as the agreement or express pact that, either directly or indirectly, no foreign shareholders or partner or corporations with foreign investment admission clause, shall be admitted to participate in such entities.

f.2(ii) The "BENEFICIARIES" of Foreign Nationality and the "BENEFICIARIES" which are Mexican entities that directly or indirectly admit the participation of foreign individuals, entities, trusts, funds, Governments or any other legal entities with or without personality, or whose By-laws include a foreign investment admission clause, shall be entitled to attend the Shareholders Meetings of "CEMEX" in the terms of paragraph (f.1), solely for the purposes of representing and exercising the voting right of the Series "B" shares (or shares with unrestricted circulation) that conform the respective portion of the total assets of this "TRUST" corresponding to their "CPO's" holdings, which shall be fully evidenced jointly with their nationality, at the time in which they deliver to "THE TRUSTEE" the respective instruction with within the anticipation set forth in this Agreement.

f.2(iii) The instructions to the given by the "BENEFICIARIES" pursuant to this section (f.1) shall be in written form, and shall indicate in every case the complete name, nationality (such nationality shall be duly proven with a public document), evidence of being the lawful holder of the "CPO's", the number of "CPO's" that such holder is recognized to own, and in the event that they elect that "THE TRUSTEE" represent THE "SHARES" corresponding to their "CPO's" holdings, the direction of the vote in each and every item to be discussed during the Shareholders Meeting of "CEMEX", in accordance with the agenda set forth in the call for the respective meeting, and any other information and/or documentation necessary or convenient that "THE TRUSTEE" requests for identification or

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verification purposes. For purposes of the provisions set forth in the Corporate By-laws of "CEMEX" with respect to the acquisition, holdings, ownership and transfer of "SHARES", the "BENEFICIARIES" upon acquiring the "CPO's" as a result by any act or legal form, shall do so in a manner that, in respect of "THE SHARES" conforming the corresponding proportion of the "CPO's" acquired, complies with such provisions of the by-laws, in addition to the provisions of this Agreement, consequently all acquisitions of "CPO's" shall be deemed as an acquisition and transfer of "THE SHARES" that conform the "TOTAL ASSETS" of "THE TRUST" corresponding to such "CPO's", and if the provisions of the Corporate By-laws of "CEMEX" or the terms of this Agreements are not complied with, the respective "BENEFICIARIES" will lack capacity to instruct "THE TRUSTEE" with respect to the vote, nor will they shall have the right to represent and vote "THE SHARES" conforming the corresponding proportion of the Total Assets of the "TRUST" that correspond to their "CPO" holdings. The "BENEFICIARIES" may freely use letters, telefax or any other electronic mean, either through computer or any other telecommunication devices, to send their instructions, but at all times complying with the terms and conditions set forth in this Agreement.

f.2(iv) "THE TRUSTEE" will vote of the Series "A" "SHARES" (and such shares that may only be acquired by persons of Mexican Nationality) that conform the total assets of the "TRUST", which proportionally correspond to the "CPO's" held by foreign "BENEFICIARIES", in the same direction expressed by the Shareholders that represent the majority of the Capital Stock entitled to vote.

f.2(v) "THE TRUSTEE" will attend the Shareholders Meetings of "CEMEX" to represent and vote "THE SHARES" of any Series or class that conform the total assets of the "TRUST" and in respect of which no instructions were received from the "BENEFICIARIES" further to the terms and conditions deemed appropriate, except for the provisions of the preceding paragraph.

f.3 In connection with the representation of "THE SHARES" at any intended Shareholders Meeting of "CEMEX", it will be necessary that

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the "BENEFICIARIES" and "THE TRUSTEE" comply with the provisions of Articles 7 (seven) and 10 (ten) of the Corporate Bylaws of "CEMEX" in connection with the "CPO" transfer restrictions or to acquire material portions of the capital stock of "CEMEX".

- g. That "THE TRUSTEE", through S.D. Indeval, S.A. de C.V., shall subscribe the approved increases in the capital stock of "CEMEX", in accordance with the provisions of clause Eighth below, provided that "THE TRUSTEE" timely receives the necessary funds from the Holders that desire to increase their "CPO's" with the subscription to be made by "THE TRUSTEE".
- h. That "THE TRUSTEE", through S.D. Indeval, S.A. de C.V., collect the cash dividends approved by "CEMEX" and distribute such dividends among the "CPO's" Holders in proportion with their holdings. With respect to "THE SHARES" issued as a result of capital increases derived from capitalization of reserves or earnings, or derived from restructuring of the shares that form the capital stock of "CEMEX", or resulting from the reinvestment of earnings or shares delivered by mergers or spin-offs in which "CEMEX" participates, "THE TRUSTEE" shall receive and subscribe such "SHARES", and make them a part of the total assets of "THE TRUST", which in such case shall conform a part of the respective portion corresponding to each CPO.
- i. That "THE TRUSTEE" shall proceed, further to the provisions of clause Ninth below, to withdraw from circulation the corresponding "CPO's" in the event that "CEMEX" redeems "THE SHARES" or reduces the Capital Stock by means of the respective reimbursement.
- j. That at the expiration of the term of this Agreement, and further to the terms of clause Eleventh herein, "THE TRUSTEE" shall proceed:
 - j.1 In the case of the "BENEFICIARIES" of Mexican nationality, as defined in section f.2 of this clause, to withdraw from circulation and to cancel the "CPO's", awarding in favor of such "BENEFICIARIES" the proportional part of the total assets of the "TRUST" in accordance with their proportional holdings.
 - j.2. In the case of the "BENEFICIARIES" of foreign nationality, as well as the "BENEFICIARIES" which are Mexican entities that directly or indirectly admit the participation of foreign governments, individuals, or legal entities, acting with or without individual capacity, to withdraw from circulation and cancel the "CPO's", (i) to transfer in favor of such "BENEFICIARIES" only the Series "B" shares (or shares of unrestricted circulation) that form part of the total assets of

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the "TRUST" and that proportionally correspond to their "CPO" holdings, and (ii) with respect to the Series "A" Shares (or those shares whose holdings are limited to Mexican nationals) that form part of the total assets of the "TRUST" and proportionally correspond to their "CPO" holdings, to contribute such "SHARES" to Trust No. 771-7 named "Master Trust for Neutral Investments" executed by Nacional Financiera, S.N.C. as trustee, on November 24, 1989 (hereinafter, and for identification purposes, this trust shall be referred to as the "MASTER "TRUST"), in accordance with the approvals that are to be granted by the relevant authorities, and shall proceed to exchange the Ordinary Participation Certificates to be issued based on said Trust to the respective "BENEFICIARIES", through S.D. Indeval, S.A. de C.V., in accordance with the provisions of Clause Eleventh herein.

- j.3 The provisions of sections j.1 and j.2 above shall not be applicable in the cases in which the transfer implies the acquisition, transfer or encumbrance in any way of shares or the rights inherent thereto with respect to the CPO's or Shares which represent 2% (two percent) of the Capital Stock of "CEMEX", or that, in the event of an acquisition of the Property of "CPOs" or Shares represents 20% (twenty percent) or more of the Capital Stock of "CEMEX", in which case and for these purposes, "THE TRUSTEE" shall be bound to the provisions of Articles 7 (seven) and 10 (ten) of the Corporate Bylaws of "CEMEX" in connection with the "CPO" transfer restrictions or to acquire material portions of the capital stock of "CEMEX".
- k. That "THE TRUSTEE" shall proceed, further to the instructions received from the Technical Committee designated hereinbelow, to exchange the Securities that are representing "CPO's" that are outstanding, for the new Securities in the event that the Total Assets of "THE TRUST" is modified as a result of capitalization, reinvestment of distributed earnings, restructuring of "SHARES", reductions of capital stock of "CEMEX", redemption of "SHARES", or by mergers or spin-offs in which "CEMEX" participates. Furthermore, in the event the terms and conditions under which such "CPO's" should be issued are amended.
- l. That "THE TRUSTEE", upon receipt of the required funds from "CEMEX", shall temporarily acquire the "CPO's" issued, further to the terms and conditions that the Technical Committee instructs in writing, subject to the provisions of article 14 Bis 3, section I, of the Securities Market Law ("Ley del Mercado de Valores") and the related general applicable provisions issued by the Comision Nacional Bancaria y de Valores.

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- m. That "THE TRUSTEE", further to the instructions of the Technical Committee, shall proceed with the exchange referred to in Clause First herein; and proceed to apply for the registration of the "CPO's" in the National Registry of Securities ("Registro Nacional de Valores"), and before the applicable authorities and regulatory bodies of other countries with recognized markets, for purposes of registry and listing the "CPO's" in the Securities Exchanges of Mexico and other countries with recognized Markets."

"ELEVENTH: TERM.

The term of this Agreement shall be thirty (30) years counted since September six (6), nineteen hundred and ninety-nine (1999), date of its execution. As long as this Trust and the trust referred to in the next paragraph remain in effect, the Total Assets of the Trust shall remain devoted to the stated purposes; both Trust are irrevocable.

Simultaneously with the termination date of the "TRUST", and with the participation of the Common Representative of the "CPO" Holders, shall proceed to settle an Irrevocable Trust with a fiduciary institution expressly authorized for such effects in accordance with applicable laws and subject to the terms and conditions set forth from time to time by the Technical Committee, to which "THE TRUSTEE" shall contribute the "SHARES" which are part of the total assets of the "TRUST", provided that the new Trust shall contain the purposes, term, rights and obligations which as of such date are set forth in this "TRUST". For these purposes, the trustee of the new Trust shall proceed, further to the instructions given by the technical committee, to substitute the outstanding "CPO's" with the "CPO's" which in its case may be issued by the institution acting as Trustee for the new Trust.

The "TRUST" may be terminated by any of the events set forth in article 392 (three hundred and ninety-two) of the General Law of Negotiable Instruments and Credit Transactions ("Ley General de Titulos y Operaciones de Credito") and which is compatible with this "TRUST", and in such event "THE TRUSTEE", with the participation of the Common Representative of the "CPOs" Holders, and further to the provisions of Clause Fifth section (j), shall proceed as follows:

- a. Shall carry-out the necessary acts to withdraw the "CPO's" that are owned by Mexican individuals or by Mexican Legal Entities whose by-laws contain the "Foreign Investment Exclusion Clause" directly or indirectly (through other corporations or legal entities) from the market, for purposes of delivering to such persons the corresponding portion of the total assets of the "TRUST" with respect to their holdings, with the exception of the occurrence of any of the events set forth in Articles 7 (seven) and 10 (ten) of the Corporate By-laws of "CEMEX", referred to in Clause Fifth, Section j.3 (in connection with the restrictions for the transfer of shares or to acquire material portions of the Capital Stock) in which event shall proceed further to the terms of such article. The exchange of the "CPO's" and the delivery of the "SHARES" that conform

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the total assets of the "TRUST" shall be done through S.D. Indeval, S.A. de C.V.

- b. Shall carry-out the necessary acts to withdraw the "CPO's" that are held by foreign persons or by Mexican Entities that do not have, directly and indirectly (through other corporations or entities), the "Foreign Investment Exclusions Clause", from the market, and proceed as follows:
 - b.1 Regarding the Series "A" Shares (or shares with restricted circulation whose holdings are limited to Mexican nationals) that are part of the total assets of the "TRUST", shall contribute in trust to the "MASTER TRUST" the corresponding part with respect to the ones such "CPO's" were issued, provided that per each of the "CPO's", Nacional Financiera, S.N.C. shall deliver to the "BENEFICIARIES" the Ordinary Participation Certificates issued based on the "MASTER TRUST" and that legally correspond the such holders in proportion to their holdings;
 - b.2 Regarding the Series "B" Shares (or shares with unrestricted circulation) that are part of the total assets of the "TRUST", shall deliver to such "BENEFICIARIES" the corresponding portion of the total assets of the "TRUST" with respect to their holdings, with the exception set forth in paragraph a) of this clause; and
 - b.3 in the absence of, and at the request of the "BENEFICIARIES" referred to in this paragraph, shall proceed to transfer the necessary and sufficient Series "A" shares (or shares with restricted circulation whose holdings are limited to Mexican nationals) forming part of the "TRUST" assets to deliver to such "BENEFICIARIES" the corresponding portion of the proceeds of the sale, with respect to their holdings.
 - b.4 The exchange of the "CPO's", the delivery of the Ordinary Participation Certificates issued based on the "MASTER TRUST", the delivery of the Series "B" Shares (or shares with unrestricted circulation) that are part of the total assets of the "TRUST" and, as the case may be, the delivery of the sale proceeds of the Series "A" Shares (or shares with restricted circulation whose holdings are limited to Mexican nationals) contributed to the Trust and that legally corresponds to them in according to their proportions, shall be done through S.D. Indeval, S.A. de C.V. or "THE TRUSTEE", when legally applicable.

11

Amendment Agreement to Trust Agreement Number 111033-9

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In any of these events "THE TRUSTEE" shall timely proceed with the cancellation of the "CPO's" once "THE TRUSTEE" has performed the corresponding legal actions.

With respect to the provisions of paragraph b.1 above, "THE TRUSTEE" is hereby bound to perform the necessary actions in order for Nacional Financiera, S.N.C., in its capacity as Trustee of the "MASTER TRUST", to issue non-redeemable ordinary participation certificates based on such "MASTER TRUST", in order that such Certificates may be delivered to the "BENEFICIARIES" referred to in such paragraph b.1 above.

The termination of this Agreement shall be subject, in any event, to the provisions of article 228t (two hundred twenty-eight letter t) of the General Law of Negotiable Instruments and Credit Transactions, which reads as follows: "ARTICLE 228t.- The trust pursuant to which the issuance us being made shall not be extinguished while there are unpaid balances as a result of credits against the trust capital, the certificates or a participation in the products or earnings"."

THIRD: TERM AND CONTINUITY.

The parties agree to be bound by all the terms set forth in the TRUST and this Agreement; the rights and obligations of all of the parties in such documents shall remain in effect, there being no novation of the TRUST. This Agreement is effective between the parties as of its execution date.

HAVING THIS AGREEMENT BEEN READ BY THE PARTIES WHO HAVE BEEN MADE AWARE OF ITS CONTENTS AND LEGAL EFFECT, IT IS EXECUTED IN SAN PEDRO GARZA GARCIA, NUEVO LEON, ON NOVEMBER 21, 2002.

CEMEX

[Illegible Signature]

Cemex, S.A. de C.V.

Mr. Ramiro Villarreal Morales. Secretary of the Board
of Directors and Attorney-In-Fact.

THE TRUSTEE

Banco Nacional de Mexico, S.A.

Grupo Financiero Banamex

[Illegible Signature]

Mr. Francisco Jose Baltazar Rodriguez.
Trust Officer.

[Illegible Signature]

Ms. Maria de los Angeles Montemayor Garza.
Trust Officer.

12

Amendment Agreement to Trust Agreement Number 111033-9

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I, ATTORNEY-IN-FACT JOSE LUIS FARIAS MONTEMAYOR, Notary Public Number 120 with authorization to practice in the First Registration District, hereby evidence and CERTIFY: That this copy is integrated by eleven pages being a legitimate reproduction of its original which I have before me and I issue for the

benefit of the interested party, registering this document under number 59333/2002 of the Open Minute Registry Book, in Monterrey, Nuevo Leon, United Mexican States on the 22nd day of the month of November, 2002. IN WITNESS WHEREOF.

[Illegible Signature]
JOSE LUIS FARIAS MONTEMAYOR
Notary Public Number 120
FAML-371126-IE0

13
Amendment Agreement to Trust Agreement Number 111033-9

REIMBURSEMENT AND CREDIT AGREEMENT

AMONG

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

AS ISSUER

CEMEX MEXICO, S.A. DE C.V.,

AS GUARANTOR

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.,

AS GUARANTOR

BARCLAYS BANK PLC,

NEW YORK BRANCH,

AS ISSUING BANK, DOCUMENTATION AGENT AND

ADMINISTRATIVE AGENT

AND

THE SEVERAL LENDERS PARTY HERETO,

AND

BARCLAYS CAPITAL,

THE INVESTMENT BANKING DIVISION

OF BARCLAYS BANK PLC,

AS JOINT ARRANGER

AND

BANC OF AMERICA SECURITIES LLC

AS JOINT ARRANGER AND SYNDICATION AGENT

U.S.\$275,000,000

DATED AS OF AUGUST 26, 2002

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Exhibit I Form of Standby Letter of Credit

REIMBURSEMENT AND CREDIT AGREEMENT

REIMBURSEMENT AND CREDIT AGREEMENT, dated as of August 26, 2002 among CEMEX, S.A. DE C.V., a sociedad anonima de capital variable organized and existing pursuant to the laws of the United Mexican States (the "Issuer"), CEMEX MEXICO, S.A. DE C.V., a sociedad anonima de capital variable organized and existing pursuant to the laws of the United Mexican States, EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V., a sociedad anonima de capital variable organized and existing pursuant to the laws of the United Mexican States (each a "Guarantor" and together, the "Guarantors"), BARCLAYS BANK PLC, NEW YORK BRANCH, as Issuing Bank, Documentation Agent and Administrative Agent, the several Lenders party hereto, and BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC, as a Joint Arranger and BANC OF AMERICA SECURITIES LLC, as a Joint Arranger and Syndication Agent.

RECITALS

(1) The Issuer proposes to issue and sell its promissory notes in the United States commercial paper market supported by a letter of credit issued by the Issuing Bank, and, to provide liquidity support therefor in the event of certain market disruptions, the Issuer desires to obtain from the Lenders commitments to make loans in an aggregate principal amount (together with any outstanding commercial paper notes and outstanding Standby L/Cs (as defined herein) and unreimbursed drawings under the letters of credit issued hereunder) not in excess of U.S.\$275,000,000 at any one time outstanding.

(2) The Issuer wishes the Stated Amount (as defined herein) to include a sublimit of U.S.\$100,000,000 for the issuance of standby letters of credit in accordance with the provisions of this Agreement in support of certain obligations of the Issuer and any of its Subsidiaries, including, without limitation, standby letters of credit in support of contingent liabilities arising in connection with forward sale contracts, leases, insurance contracts and arrangements, service contracts, equipment contracts, financing transactions and other payment obligations.

(3) Upon the terms and subject to the conditions set forth below, the Issuing Bank is willing to issue an irrevocable direct-pay letter of credit in the stated amount of U.S.\$275,000,000 to provide for the repayment of outstanding commercial paper notes of the Issuer issued in the United States commercial paper market, in accordance with the provisions of this Agreement and the Depositary Agreement and to issue standby letters of credit to provide support for obligations of the Issuer and its Subsidiaries in accordance with the terms of this agreement.

(4) The Lenders are willing to participate in the letters of credit issued by the Issuing Bank and to make loans to the Issuer upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, the Issuer, the Issuing Bank, the Lenders, the Administrative Agent and the Joint Arrangers hereby agree as follows:

ARTICLE I

DEFINITIONS

1.01 Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Acquired Subsidiary" means any Subsidiary acquired by the Issuer or any other Subsidiary after the date hereof in an Acquisition, and any Subsidiaries of such Acquired Subsidiary on the date of such Acquisition.

"Acquiring Subsidiary" means any Subsidiary formed by the Issuer or one of its Subsidiaries solely for the purpose of participating as the acquiring party in any Acquisition, and any Subsidiaries of such Acquiring Subsidiary acquired in such Acquisition.

"Acquisition" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or business combination or acquisition, or any two or more of such transactions, if upon the completion of such transaction or transactions, the Issuer or any Subsidiary thereof has acquired an interest in any Person who is deemed to be a Subsidiary under this Agreement and was not a Subsidiary prior thereto.

"Adjusted Consolidated Net Tangible Assets" means, with respect to any Person, the total assets of such Person and its Subsidiaries (less applicable depreciation, amortization and other valuation reserves), including any write-ups or restatements required under Mexican GAAP (other than with respect to items referred to in clause (ii) below), after deducting therefrom (i) all current liabilities of such Person and its Subsidiaries (excluding the current portion of long-term debt) and (ii) all goodwill, trade names, trademarks, licenses, concessions, patents, unamortized debt discount and expense and other intangibles, all as determined on a consolidated basis in accordance with Mexican GAAP.

"Administrative Agent" means Barclays Bank PLC, New York Branch, in its capacity as administrative agent for the Issuing Bank and the Lenders, and its successors in such capacity.

"Administrative Agent's Payment Office" means the Administrative Agent's address for payments set forth on the signature pages hereof or such other address as the Administrative Agent may from time to time specify to the other parties hereto pursuant to the terms of this Agreement.

"Affected Lender" has the meaning specified in Section 5.10(a).

"Affiliate" of any specified Person means any other Person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the

ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aggregate Reported Proceeds" means the aggregate net sales price of any Commercial Paper Notes, i.e., the Face Amount thereof less discount for interest and fees.

"Agreement" means this Reimbursement and Credit Agreement, as from time to time amended, supplemented or otherwise modified.

"Arrangers" or "Joint Arrangers" means Barclays Capital, the Investment Banking Division of Barclays Bank PLC, and Banc of America Securities LLC, in their capacity as joint arrangers hereunder, and each of their successors in such capacity.

"Assignee" has the meaning specified in Section 16.06(b).

"Assignment and Assumption Agreement" means an assignment and assumption agreement in substantially the form of Exhibit F.

3.01(f). "Available Commitments" has the meaning specified in Section

"Available Standby L/C Sublimit" means, at any time, the lesser of (a) (i) U.S.\$100,000,000 minus (ii) the Standby L/C Exposure at such time, and (b) the Available Commitments.

"Base Rate" means, for any day, the higher of (a) the Prime Rate or (b) the Federal Funds Rate plus 1/2% per annum, in each case as in effect for such day. Any change in the Prime Rate announced by Bank of America, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means any Loan made or maintained at a rate of interest calculated with reference to the Base Rate.

"Borrowing" means the aggregate amount of Loans hereunder to be made to the Issuer pursuant to Article III on a particular date by the Lenders pro rata in accordance with their respective Participation Percentages.

"Business Day" means any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other similar Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of the Issuing Bank or any Lender.

"Capital Lease" means, as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to

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be classified and accounted for as capital leases on a balance sheet of such Person under Mexican GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with Mexican GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designed) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Commercial Paper Account" means a special purpose account established by the Depositary for the benefit of the Issuing Bank pursuant to the Depositary Agreement.

"Commercial Paper Notes" means, collectively, the promissory notes of the Issuer in book-entry form represented by the master note in the form of Annex A to the Depositary Agreement, in each case issued in accordance with the terms of the Depositary Agreement.

"Commitment" means, with respect to each Lender, the amount set forth opposite the name of such Lender in Schedule 1.01(a) or in any Assignment and Assumption Agreement, as such amount may be reduced from time to time pursuant to Section 5.01 or 16.06 or increased pursuant to Section 5.02, 5.11 or 16.06. The aggregate amount of the Commitments of all the Lenders is referred to as the "Commitments".

"Confidential Information" means information that the Issuer or a Guarantor furnishes to the Administrative Agent or the Arrangers or any Lender in a writing designated as confidential, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Administrative Agent or the Arrangers or such Lender from a source other than the Issuer or a Guarantor that is not, to the best of the Administrative Agent's, the Arrangers' or such Lender's knowledge, acting in violation of a confidentiality agreement with the Issuer or Guarantor or any other Person.

"Consolidated" refers to the consolidation of accounts in accordance with Mexican GAAP.

"Consolidated EBITDA" means, for any period, the sum for the Issuer and its Subsidiaries, determined on a consolidated basis of (a) operating income (utilidad de operacion), (b) cash interest income and (c) depreciation and amortization expense, in each case determined in accordance with Mexican GAAP consistently applied for such period. For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Consolidated Leverage Ratio (but not Consolidated Fixed Charge Coverage Ratio), (i) if at any time during such Reference Period the Issuers or any of its Subsidiaries shall have made any Material Disposition, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such

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Reference Period and (ii) if at any time during such Reference Period the Issuer or any of its Subsidiaries shall have made any Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto (including the incurrence or assumption of any Debt) as if such Material Acquisition had occurred on the first day of such Reference Period. Additionally, if since the beginning of such Reference Period any Person that subsequently shall have become a Subsidiary or was merged or consolidated with the Issuer or any of its Subsidiaries as a result of a Material Acquisition occurring during such Reference Period shall have made any Disposition or Acquisition of property that would have required an adjustment pursuant to clause (i) or (ii) above if made by the Issuer or any of its Subsidiaries during such Reference Period, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto as if such Disposition or Acquisition had occurred on the first day of such period.

"Consolidated Fixed Charges" means, for any period, means the sum (without duplication) of (a) Consolidated Interest Expense for such period, (b) mandatory dividend payments during such period in respect of preferred Capital Stock of the Issuer or any of its Subsidiaries and (c) to the extent not included in (a) above, payments during such period in respect of the financing costs of financial derivatives in the form of equity swaps.

"Consolidated Fixed Charge Coverage Ratio" means, for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Fixed Charges for such period.

"Consolidated Interest Expense" means, for any period, the total gross interest expense of the Issuer and its consolidated Subsidiaries allocable to such period in accordance with Mexican GAAP.

"Consolidated Leverage Ratio" means, at any time during any fiscal quarter, the ratio of (a) Consolidated Net Debt at such time to (b) Consolidated EBITDA for the four consecutive fiscal quarters immediately preceding such fiscal quarter.

"Consolidated Net Debt" means, at any date, the sum (without duplication) of (a) the aggregate amount of all Debt of the Issuer and its Subsidiaries at such date, plus (b) to the extent not included in Debt the aggregate amount of all derivative financing in the form of equity swaps outstanding at such date plus (c) to the extent not included in Debt, all payment obligations of such Person under (i) the 9.66% Puttable Capital Securities issued by CEMEX International Capital LLC on May 14, 1998 or (ii) the Framework Agreement, dated November 6, 2000, relating to the financing of the subscription by New Sunward Holdings B.V. of the equivalent in euro of U.S.\$1,500,000,000 for common stock of Cia. Valenciana de Cementos Portland, S.A. in connection with the acquisition of Southdown, Inc. (the "Framework Agreement"), the Facility Agreement (as such term is defined in the Framework Agreement) and the other documents and instruments executed in connection with the Framework Agreement, or under any transaction similar to (i) or (ii), minus (d) all Temporary Investment of the Issuer and its Subsidiaries at such date.

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"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any indenture, mortgage, deed of trust, loan agreement or other agreement to which such Person is a party or by which it or any of its property or assets is bound.

"CP Disruption Event" has the meaning specified in the definition of "Non-Default Disruption Event" in this Section 1.01.

"Dealer" means Banc of America Securities LLC., Barclays Capital Inc. and any other dealer or placement agent of the Commercial Paper Notes appointed by the Issuer and approved by the Arrangers and the Issuing Bank.

"Dealer Agreement" means any agreement between the Issuer and any Dealer with respect to the issue and sale or placement of Commercial Paper Notes, as amended, modified or supplemented from time to time.

"Debt" of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under Capital Leases, (v) all Debt of others secured by a Lien on any asset of such Person, up to the value of such asset, as recorded in such Person's most recent balance sheet, (vi) all obligations of such Person with respect to product invoices incurred in connection with export financing, and (vii) all

obligations of such Person under repurchase agreements for the stock issued by such Person or another Person.

"Default" means any condition, event or circumstance which, with the giving of notice or lapse of time or both, would, unless cured or waived, become an Event of Default.

2.06(a). "Defaulting Lender" has the meaning specified in Section

"Depository" means U.S. Bank Trust National Association, in its capacity as depository, issuing agent and paying agent under the Depository Agreement and any successor depository appointed in accordance with the terms hereof and thereof.

"Depository Agreement" means the Depository Agreement among the Issuer, the Issuing Bank, the Administrative Agent and the Depository in substantially the form of Exhibit C, as from time to time amended, supplemented or otherwise modified.

"Disbursement Date" means, with respect to a Drawing, the Business Day on which such Drawing is paid by the Issuing Bank, with respect to a Standby L/C Drawing, the Business Day on which such Standby L/C Drawing is paid by the Issuing Bank and, with respect to a Loan under Section 3.01(f), the date on which such Loan is made.

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"Disposition" means, with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "U.S.\$" each means the lawful currency of the United States.

"Dow Jones Page 3750" means the display designated as page "3750" on the Dow Jones Market Screen (formerly known as the Telerate Service) or such other page as may replace the "3750" page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for Dollar deposits.

"Downgrading Event" has the meaning set forth in the definition of "Non-Default Disruption Event" in this Section 1.01.

"Drawing" means a drawing made by the Depository under the Letter of Credit.

"Effective Date" has the meaning specified in Section 6.01.

"Environmental Action" means any audit procedure, action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, technical standard

(norma tecnica or norma oficial Mexicana), code, order, judgment, decree or judicial agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Eurocurrency Liabilities" means, with respect to the Issuing Bank or any Lender, the full reserve requirement percentage imposed in respect of "Eurocurrency liabilities", as such term is defined in Regulation D (or any successor provision) (including any marginal, emergency, supplemental, special or other reserves) of the Federal Reserve Board, applicable to the Issuing Bank or such Lender for any day during an Interest Period.

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"Eurodollar Business Day" means any Business Day on which commercial banks are open in London for the transaction of international business, including dealings in Dollar deposits in the international interbank markets.

"Eurodollar Loan" means any Loan made or maintained at a rate of interest calculated with reference to LIBOR.

"Events of Default" has the meaning specified in Section 12.01.

"Face Amount" of any Commercial Paper Note means the full amount thereof payable at maturity.

"Federal Funds Rate" means, for any relevant day, the overnight Federal funds rate as published for such day in the Federal Reserve Statistical Release H.15 (519) or any successor publication, or, if such rate is not published for any day, the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotation for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotation" for such day under the caption "Federal Funds Effective Rate"). If on any relevant day the appropriate rate for such previous day is not yet published in either H.15 (519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of recognized standing of Federal funds transactions in New York City selected by the Administrative Agent.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System of the United States.

"Fee Letter" means any written agreement as to the payment of fees referred to in Section 5.03.

"Foreign Financial Institution" means an institution registered as a foreign financial institution with the Ministry of Finance in the Mexican Banking and Financial Institutions, Pensions, Retirement and Foreign Investment Funds Registry for purposes of Article 154 of the Mexican Income Tax Law.

"Governmental Authority" means any branch of power or government or any state, department or other political subdivision thereof, or any governmental body, agency, authority (including any central bank or taxing authority), any entity or instrumentality (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor" shall have the meaning specified in the preamble hereto.

"Hazardous Materials" means (a) radioactive materials, asbestos-containing materials, polychlorinated biphenyls, radon gas and (b) any other chemicals, materials or

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substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any applicable Environmental Law.

"Illegality Event" has the meaning set forth in the definition of "Non-Default Disruption Event" in this Section 1.01.

"Indemnified Party" has the meaning specified in Section 16.05.

"Interest Period" means, with respect to each Borrowing of Eurodollar Loans, the period (i) commencing (A) on the date of such Borrowing or conversion of Base Rate Loans into Eurodollar Loans or (B) in the case of the continuation of Eurodollar Loans for a further Interest Period, on the last day of the immediately preceding Interest Period and (ii) ending one, two or three months thereafter as the Issuer may elect in the applicable Notice of Borrowing or Notice of Continuation/Conversion; provided, however, that:

(a) any Interest Period which would otherwise end on a day which is not a Eurodollar Business Day shall, subject to paragraph (c) below, be extended to the next succeeding Eurodollar Business Day unless such Eurodollar Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Eurodollar Business Day;

(b) any Interest Period which begins on the last Eurodollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to paragraph (c) below, end on the last Eurodollar Business Day of a calendar month;

(c) any Interest Period which would otherwise end after the last day of the Loan Period shall end on the last day of the Loan Period; and

(d) any Interest Period which would otherwise end after the Maturity Date shall end on the Maturity Date.

"Issuer" has the meaning specified in the preamble hereto.

"Issuer Deposit Amount" has the meaning specified in Section 2.02(d).

"Issuing Bank" means Barclays Bank PLC, New York Branch, in its capacity as issuer of the Letter of Credit and of Standby L/Cs, and its successors in such capacity.

"Lender" means each financial institution listed on the

signature pages hereof, each Assignee which becomes a Lender pursuant to Section 5.02(b) or 16.06(b), each Substitute Lender and each of their respective successors or assigns.

"Lending Office" means, with respect to any Lender, (a) the office or offices of such Lender specified as its "Lending Office" or "Lending Offices" in Schedule 1.01(b) or (b) such other office or offices of such Lender as it may designate as its Lending

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Office by notice to the Issuer and the Administrative Agent and with the consent of the Issuing Bank (which shall not be unreasonably withheld).

"Letter of Credit" means the irrevocable direct-pay letter of credit of the Issuing Bank in substantially the form of Exhibit A, issued to the Depository, as the Letter of Credit may be amended or replaced from time to time pursuant to the terms of this Agreement.

"Letter of Credit Account" has the meaning specified in the Depository Agreement.

"Letter of Credit Exposure" means, at any time, the sum, without duplication, of (a) all Outstanding Commercial Paper Notes plus (b) the aggregate unpaid amount at such time of all unreimbursed Drawings made under the Letter of Credit which have not been converted into Loans pursuant to Article III.

"Letter of Credit Facility" means the Letter of Credit, any drafts presented thereunder, any Drawings (including any unreimbursed Drawings), any obligations of the Issuer in respect of the foregoing and any payments received by the Issuing Bank in respect of any of the foregoing.

"Letter of Credit Fees" has the meaning specified in Section 5.03(b).

"LIBOR", applicable to any Interest Period, means the rate for deposits in Dollars for a period equal to such Interest Period quoted on the second Eurodollar Business Day prior to the first day of such Interest Period, as such rate appears on Dow Jones Page 3750 as of 11:00 a.m. (London time) on such date as determined by the Administrative Agent and notified to the Lenders and the Issuer on such second prior Eurodollar Business Day. If LIBOR cannot be determined based on the Dow Jones Page 3750, LIBOR means the arithmetic mean (rounded upwards to the nearest 1/16%) of the rates per annum, as supplied to the Administrative Agent, quoted by the Reference Banks to prime banks in the London interbank market for deposits in Dollars at approximately 11:00 a.m. (London time) two Eurodollar Business Days prior to the first day of such Interest Period in an amount approximately equal to the principal amount of the Loans to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. The Issuer or any Subsidiary of the Issuer shall be deemed to own, subject to a Lien, any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention lease relating to such asset, or any account receivable transferred by it with recourse (including any such transfer subject to a holdback or similar arrangement that effectively imposes the risk of collectability on the transferor).

"Loan" has the meaning specified in Section 3.01(a).

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"Loan Period" has the meaning specified in Section 3.01(a).

"Material Acquisition" any (a) acquisition of property or series of related acquisitions of property that constitutes assets comprising all or substantially all of an operating unit, division or line of business or (b) acquisition of or other investment in the Capital Stock of any Subsidiary or any Person which becomes a Subsidiary or is merged or consolidated with the Issuer or any of its Subsidiaries, in each case, which involves the payment of consideration by the Issuer and its Subsidiaries in excess of U.S.\$25,000,000 (or the equivalent in other currencies).

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer and its Subsidiaries taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under this Agreement or any Note or (c) the ability of the Issuer and/or the Guarantors to perform their Obligations under this Agreement or any other Transaction Document.

"Material Debt" means Debt (other than the Notes, the Letter of Credit Exposure and the Standby L/C Exposure) of the Issuer and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount outstanding exceeding U.S.\$50,000,000 (or the equivalent thereof in other currencies).

"Material Disposition" means any Disposition of property or series of related Dispositions of property that yields gross proceeds to the Issuer or any of its Subsidiaries in excess of U.S.\$25,000,000 (or the equivalent in other currencies).

"Material Subsidiary" means, at any date, (a) each Subsidiary of the Issuer (if any) (i) the assets of which, together with those of its Subsidiaries, on a consolidated basis, without duplication, constitute 5% or more of the consolidated assets of the Issuer and its Subsidiaries as of the end of the then most recently ended fiscal quarter or (ii) the operating profit of which, together with that of its Subsidiaries, on a consolidated basis, without duplication, constitutes 5% or more of the consolidated operating profit of the Issuer and its Subsidiaries for the then most recently ended fiscal quarter and (b) each Guarantor.

"Maturity Date" means, with respect to any Loan, the earlier of (a) the Termination Date and (b) the last day of the Loan Period.

"Mexican GAAP" means, generally accepted accounting principles in Mexico as in effect from time to time, except that for purposes of Section 10.05, Mexican GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 7.05. In the event that any change in Mexican GAAP shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Issuer and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such change in Mexican GAAP with the desired

result that the criteria for evaluating the Issuer's financial condition shall be the same after such change as if such change had not been made. Until such time as such an amendment shall have been executed and delivered by the Issuer, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such change in Mexican GAAP had not occurred.

"Mexico" means the United Mexican States.

"Ministry of Finance" means the Ministry of Finance and Public Credit of Mexico.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating business thereof.

"Non-Default Disruption Date" means the first date to occur which is both (a) a Disbursement Date and (b) a date on which a Non-Default Disruption Event has occurred or is continuing.

"Non-Default Disruption Event" means (a) that for any reason the cost of funds to the Issuer (which shall include all costs associated with a borrowing, including commitment fees, Letter of Credit Fees, Mexican withholding tax and all other out-of-pocket costs actually incurred by or supported by the Issuer directly related to the borrowing of funds which are customarily included in determining the all-in cost of funds) from the issuance of Commercial Paper Notes exceeds the cost to the Issuer of borrowing Loans or as a result of a disruption in the market for Commercial Paper Notes the Issuer is unable to sell new Commercial Paper Notes to repay maturing Commercial Paper Notes (a "CP Disruption Event") as notified in writing by the Issuer to the Issuing Bank, the Arrangers and the Administrative Agent in accordance with the terms and provisions of Section 2.07(a); or (b) (i) any introduction of, or change in, or change in the interpretation or application of, any Requirement of Law by any Governmental Authority that would make it unlawful for the Issuing Bank to issue or maintain the Letter of Credit or (ii) any declaration of a general banking moratorium by any of the United States, the State of New York or Mexican banking authority (an "Illegality Event"); or (c) a downgrading of the Issuing Bank's short-term credit rating below A-2 by S&P or below P-2 by Moody's, as notified by the Issuing Bank or the Administrative Agent to the Issuer and the Dealers (a "Downgrading Event"); provided, however, that so long as any Default or Event of Default has occurred and is continuing, no Non-Default Disruption Event shall be deemed to exist.

"Note" means a promissory note of the Issuer in substantially the form of Exhibit B, evidencing the obligation of the Issuer to repay the Loans made by a Lender.

"Notice of Acceleration" means a notice from the Administrative Agent to the Depository pursuant to Section 12.02(b) in substantially the form of Annex F to the Letter of Credit.

"Notice of Borrowing" has the meaning specified in Section 3.02(a).

"Notice of Continuation/Conversion" has the meaning specified in Section 3.05(b).

"Notice of Default" means a notice from the Issuing Bank to the Issuer and the Depositary pursuant to Section 12.02(a) in substantially the form of Annex E-1 to the Letter of Credit.

"Notice of Default Reduction" means a notice from the Depositary to the Issuing Bank pursuant to Section 12.02(a) in substantially the form of Annex E-2 to the Letter of Credit.

"Notice of Reduction of Stated Amount" means a notice from the Issuing Bank to the Depositary pursuant to Section 2.06(d), 5.01(c) or 5.11 in substantially the form of Annex G to the Letter of Credit.

"Notice of Termination" means a notice from the Issuing Bank to the Issuer and the Depositary pursuant to Section 12.02(a) in substantially the form of Annex D to the Letter of Credit.

"Obligations" means, (a) as to the Issuer, all of the indebtedness, obligations and liabilities of the Issuer to the Lenders, the Issuing Bank, the Arrangers and the Administrative Agent now or in the future existing under or in connection with the Transaction Documents, whether direct or indirect, absolute or contingent, due or to become due and (b) as to each Guarantor, all the indebtedness, obligations and liabilities of such Guarantor to the Lenders the Issuing Bank, the Arrangers and the Administration Agent now or in the future existing under or in connection with this Agreement, whether direct or indirect, absolute or contingent, due or to become due.

"Obligor" means the Issuer and each Guarantor.

"OECD Bank shall mean any bank organized under the laws of a member of the Organization for Economic Cooperation and Development.

"Offering Statements" means (a) the Commercial Paper Offering Memoranda of Barclays Capital Inc. and Banc of America Securities LLC., relating to the offering of the Commercial Paper Notes and any amendment or supplement thereto and (b) each other document used by a Dealer in offering Commercial Paper Notes for sale.

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges, imposts, duties, fees, deductions, withholdings or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery, registration, performance or enforcement of, or otherwise with respect to, this Agreement or any other Transaction Document and which are imposed, levied, collected or withheld by any Governmental Authority.

"Outstanding" means all or any Commercial Paper Notes issued at any time under the Depositary Agreement, except Commercial Paper Notes (a) that have been paid through the Depositary or (b) that have matured but have not been presented for payment

on the date of such maturity, but as to which funds for payment are available in the Letter of Credit Account or as to which the Presentment Deadline has passed. Funds which are subject to any writ, order, judgment, warrant of attachment, execution or similar process or which the Depositary determines were deposited in the Letter of Credit Account in error shall be deemed not to be available for payment in the Letter of Credit Account.

"Participant" has the meaning specified in Section 16.06(d).

"Participation Fee" has the meaning specified in Section 5.03(a).

"Participation Percentage" means, for any Lender, at any time of determination thereof, a fraction having (a) as its numerator the Total Exposure of such Lender as in effect at such time and (b) as its denominator the aggregate amount of the Total Exposures of all of the Lenders as in effect at such time.

"Permitted Liens" has the meaning specified in Section 10.06.

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture or other business entity or Governmental Authority, whether or not having a separate legal personality.

"Presentment Deadline" means, as to any Commercial Paper Note, the date which is two Business Days after the maturity date thereof.

"Prime Rate" means the rate of interest publicly announced by Bank of America N.A. from time to time as its Prime Rate in New York City, the Prime Rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by Bank of America N.A. or any Lender in connection with extensions of credit to debtors of any class, or generally.

"Process Agent" has the meaning specified in Section 16.12(a).

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Issuer or any Subsidiary pursuant to which the Issuer or any Subsidiary may sell, convey or otherwise transfer to a Special Purpose Vehicle (in the case of a transfer by the Issuer or any other Seller) and any other person (in the case of a transfer by a Special Purpose Vehicle), or may grant a security interest in, any Receivables Program Assets (whether now existing or arising in the future); provided that:

(a) no portion of the indebtedness or any other obligations (contingent or otherwise) of a Special Purpose Vehicle (i) is guaranteed by the Issuer or any other Seller or (ii) is recourse to or obligates the Issuer or any other Seller in any way such that the requirements for off balance sheet treatment under Financial Accounting Standards Bulletin 140 are not satisfied; and

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(b) the Issuer and the other Sellers do not have any obligation to maintain or preserve the financial condition of a Special Purpose Vehicle or cause such entity to achieve certain levels of operating results.

"Rating Agencies" means Moody's and S&P.

"Receivables" means all rights of the Issuer or any other Seller to payments (whether constituting accounts, chattel paper, instruments, general intangibles or otherwise, and including the right to payment of any interest or finance charges), which rights are identified in the accounting records of the Issuer or such Seller as accounts receivable.

"Receivables Documents" means (a) a receivables purchase agreement, pooling and servicing agreement, credit agreement, agreements to acquire undivided interests or other agreement to transfer, or create a security interest in, Receivables Program Assets, in each case as amended, modified, supplemented or restated and in effect from time to time entered into by the Issuer, another Seller and/or a Special Purpose Vehicle, and (b) each other instrument, agreement and other document entered into by the Issuer, any other Seller or a Special Purpose Vehicle relating to the transactions contemplated by the items referred to in clause (a) above, in each case as amended, modified, supplemented or restated and in effect from time to time.

"Receivables Program Assets" means (a) all Receivables which are described as being transferred by the Issuer, another Seller or a Special Purpose Vehicle pursuant to the Receivables Documents, (b) all Receivables Related Assets in respect of such Receivables, and (c) all collections (including recoveries) and other proceeds of the assets described in the foregoing clauses.

"Receivables Program Obligations" means (a) notes, trust certificates, undivided interests, partnership interests or other interests representing the right to be paid a specified principal amount from the Receivables Program Assets and (b) related obligations of the Issuer, a Subsidiary of the Issuer or a Special Purpose Vehicle (including, without limitation, rights in respect of interest or yield hedging obligations, breach of warranty claims and expense reimbursement and indemnity provisions).

"Receivables Related Assets" means with respect to any "Receivables" (i) any rights arising under the documentation governing or relating to such Receivables (including rights in respect of liens securing such Receivables), (ii) any proceeds of such Receivables, (iii) other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

"Reference Banks" means Bank of America N.A. and Barclays Bank PLC.

"Required Lenders" means, at any time, Lenders (other than Defaulting Lenders) having more than 50% of the sum of the Total Exposures of all of the Lenders (other than Defaulting Lenders) at such time.

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"Requirement of Law" means, as to any Person, any law, ordinance, rule, regulation or requirement of any Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" of any Person means the Chief Financial Officer, the Corporate Planning and Finance Director, the Finance Director or the Comptroller of such Person.

"Seller" means the Issuer and any Subsidiary or other affiliate of the Issuer (other than a Subsidiary or affiliate that is a Special Purpose Vehicle) which is a party to a Receivables Document.

"Settlement Limits" has the meaning specified in Section

10.01.

"S&P" means Standard & Poor's Ratings Corporation or any successor to the rating agency business thereof.

"Special Purpose Vehicle" means a trust, partnership or other special purpose person established by the Issuer and/or its Subsidiaries to implement a Qualified Receivables Transaction.

"Standby L/Cs" means the standby letters of credit of the Issuing Bank in substantially the form of Exhibit I, as they may be amended or replaced from time to time pursuant to the terms of this Agreement.

"Standby L/C Drawing" means a drawing made under a Standby L/C.

"Standby L/C Exposure" means, at any time, the sum of (a) the aggregate undrawn amount at such time of all outstanding Standby L/Cs plus (b) the aggregate unpaid amount at such time of all unreimbursed Standby L/C Drawings under all outstanding Standby L/Cs.

"Standby L/C Facility" means the Standby L/Cs, any Standby L/C Drawing (including any unreimbursed Standby L/C Drawing), any obligations of the Issuer in respect of the foregoing and the payments received by the Issuing Bank in respect of any of the foregoing.

"Stated Amount" means the stated amount of the Letter of Credit, initially, U.S.\$275,000,000, as such amount may be reduced, increased or reinstated from time to time in accordance with the terms of the Letter of Credit.

"Stated Termination Date" means, at any time, the date specified in the Letter of Credit as the Stated Termination Date, initially August 25, 2004.

"Subsidiary" means with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust, estate or other entity of which (or in which) more than 50% of (a) in the case of a corporation, the issued and outstanding capital

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stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency not in the control of such Person), (b) in the case of a limited liability company, partnership or joint venture, the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) in the case of a trust or estate, the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled by (X) such Person, (Y) such Person and one or more of its other Subsidiaries or (Z) one or more of such Person's other Subsidiaries. For purposes of determining whether a trust formed in connection with a Qualified Receivables Transaction is a Subsidiary, notes, trust certificates, undivided interests, partnership interests or other interests of the type described in clause (a) of the definition of Receivables Program Obligations shall be counted as beneficial interests in such trust.

"Substitute Lender" means a commercial bank or other financial institution, acceptable to the Issuer, the Issuing Bank and the Administrative Agent, each in its sole discretion, and approved

by the Arrangers (including such a bank or financial institution which is already a Lender hereunder) which assumes all or a portion of the Commitment of a Lender pursuant to the terms of this Agreement.

"Taxes" means any and all present or future income, stamp, sales or other taxes, levies, imposts, duties, deductions, fees, charges or withholdings, and all liabilities with respect thereto collected, withheld or assessed by any Governmental Authority, excluding, (a) in the case of each Lender, the Issuing Bank and the Administrative Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by its net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender, the Issuing Bank or the Administrative Agent, as the case may be, is organized or maintains a Lending Office or its principal office or performs its functions as Administrative Agent or as are imposed on the Lender, the Issuing Bank and the Administrative Agent (as the case may be) as a result of a present or former connection between the Lender, the Issuing Bank and the Administrative Agent and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Lender, the Issuing Bank or such Administrative Agent having executed, delivered or performed its obligations or received a payment under, or enforced, the Transaction Documents) and (b) any taxes, levies, imposts, deductions, charges or withholdings imposed by reason of any Lender's failure to (i) register as a Foreign Financial Institution with the Ministry of Finance and (ii) be a resident (or have a principal office which is a resident, if such Lender lends through a branch or agency) for tax purposes of a jurisdiction with which Mexico has in effect a treaty for the avoidance of double taxation (but only in respect of those taxes payable in excess of taxes that would have been payable had such Lender complied with those conditions).

"Temporary Investments" means, at any date, all amounts that would, in conformity with Mexican GAAP consistently applied, be set forth opposite the caption "cash and cash equivalent" ("efectivo y equivalentes de efectivo") or "temporary

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investments" ("inversiones temporales") on a consolidated balance sheet of the Issuer at such date.

"Termination Date" means the date which is the earliest of (a) the date on which the Letter of Credit is surrendered by the Depositary to the Issuing Bank for cancellation, (b) the Stated Termination Date and (c) the date specified in a Notice of Termination or a Notice of Default delivered by the Issuing Bank in accordance with the terms of this Agreement.

"Total Exposure" means at any time, as to any Lender, the amount of its Commitment at such time, or, if the Commitments shall have terminated, its Total Outstandings at such time.

"Total Outstandings" means at any time, as to any Lender, the sum of the aggregate outstanding principal amount of such Lender's Loans, its share of the aggregate outstanding Letter of Credit Exposure and its share of the aggregate outstanding Standby L/C Exposure.

"Transaction Documents" means this Agreement, the Notes, the Letter of Credit, the Standby L/Cs, the Depositary Agreement, the Commercial Paper Notes and the Dealer Agreements.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Up-Front Fee" has the meaning specified in Section 5.03(g).

1.02 Other Definitional Provisions.

(a) The terms "including" and "include" are not limiting and mean "including but not limited to" and "include but are not limited to".

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, paragraph, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein are equally applicable to both the singular and plural forms of such terms.

(d) In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding". Periods of days referred to in this Agreement shall be counted in calendar days unless Business Days or Eurodollar Business Days are expressly prescribed.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

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1.03 Accounting Terms and Determinations. All accounting and financing terms not specifically defined herein shall be construed in accordance with Mexican GAAP.

ARTICLE II

THE LETTER OF CREDIT FACILITY

2.01 Issuance of the Letter of Credit.

(a) Upon at least one Business Day's prior notice from the Issuer to the Issuing Bank, the Issuing Bank agrees, on the terms and subject to the conditions hereinafter set forth, to issue and deliver the Letter of Credit to the Depositary (with a copy to the Administrative Agent and the Issuer) on the Effective Date, in the Stated Amount and expiring on or, subject to the terms and conditions thereof, before the Stated Termination Date.

(b) Each Lender hereby irrevocably authorizes the Issuing Bank to issue the Letter of Credit under and in accordance with this Agreement, to pay the amount of any draft presented under the Letter of Credit in accordance with the terms and conditions thereof, to receive from the Issuer reimbursement for Drawings and to take such action on its behalf under the provisions of this Agreement and the Depositary Agreement and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Issuing Bank by the terms hereof and thereof, together with such powers as are reasonably incidental thereto.

2.02 Reimbursement Obligations.

(a) The Issuer agrees to reimburse the Issuing Bank (or cause the Issuing Bank to be reimbursed as provided in the Depositary Agreement by applying to such reimbursement the Aggregate Reported Proceeds of the sale of new Commercial Paper Notes and any other amount deposited in the Commercial Paper Account in accordance with paragraph (d) of this Section 2.02) for the full amount of any Drawing paid by the Issuing Bank on the Disbursement Date; provided, however, that in no event shall such reimbursement be made prior to the time such Drawing is paid by the Issuing Bank.

(b) If a Non-Default Disruption Event occurs or continues to exist on a Disbursement Date, the unreimbursed amount of the Drawing honored on such date may, during the Loan Period and subject to the conditions of Section 6.03, be converted into Loans in accordance with Section 3.01, and, at the time such conversion becomes effective, the obligation of the Issuer to reimburse the Issuing Bank under paragraph (a) above shall be discharged in an amount equal to the aggregate principal amount paid by the Lenders to the Administrative Agent for the account of the Issuing Bank pursuant to Section 3.03(b) and retained by the Issuing Bank. Any Drawing not converted into Loans in accordance with Section 3.01 shall remain an unconditional and immediate payment obligation of the Issuer.

(c) If the amount of any Drawing is not reimbursed in full on the Disbursement Date (or as of the Disbursement Date as provided in Section 3.03(e)), then the amount thereof which is not so reimbursed shall bear interest from the Disbursement Date until the date of actual payment

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thereof or the date of conversion into Loans pursuant to Section 3.01 at a rate per annum equal to the Base Rate plus 2.10%, payable on demand.

(d) Except as otherwise provided in Sections 2.02(b) and 3.01, the Issuer agrees that it will meet its obligations under paragraph (a) above by causing to be deposited on each maturity date of any Commercial Paper Note in the Commercial Paper Account in immediately available funds an amount equal to the aggregate Face Amount of all Commercial Paper Notes scheduled to mature on such day less the Aggregate Reported Proceeds payable on or before 4:30 p.m. (New York City time) on account of the purchase price of Commercial Paper Notes duly issued and delivered on such day in accordance with the provisions of this Agreement and the Depositary Agreement and to be deposited in the Commercial Paper Account (the amount to be so deposited by the Issuer in the Commercial Paper Account being the "Issuer Deposit Amount").

(e) Except for the first issuance of Commercial Paper Notes under the Depositary Agreement after the Effective Date, each issuance of Commercial Paper Notes pursuant to the provisions of the Depositary Agreement shall be deemed (i) an unconditional, irrevocable and absolute assignment by the Issuer to the Issuing Bank of the proceeds of the sale of such Commercial Paper Notes in an amount not to exceed the amount required to reimburse the Issuing Bank in respect of any Drawing made on the same day under the Letter of Credit and otherwise not reimbursed by the Issuer and (ii) an irrevocable and absolute assignment by the Issuer to the Administrative Agent of any remaining proceeds of the sale of such Commercial Paper Notes; provided, however, that, the Administrative Agent shall remit or instruct the Depositary to remit to the Issuer a portion of such remaining proceeds in an amount equal to the excess of such remaining proceeds over such amount as the Administrative Agent may instruct the Depositary to apply to payment of principal and interest due and payable with respect to the Loans or any other amounts due and payable under this Agreement (including any amounts due under Section 12.02(c)).

2.03 Obligations Absolute.

(a) The obligations of the Issuer to reimburse the Issuing Bank shall be absolute, unconditional and irrevocable, and shall be performed

strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including the following circumstances:

(i) any lack of validity or enforceability of any Transaction Document;

(ii) any amendment to or waiver of or any consent to departure from the terms of any Transaction Document;

(iii) the existence of any claim, set-off, defense or other right which the Issuer may have at any time against the Depository or any transferee of the Letter of Credit (or any Person for whom the Depository or any such transferee may be acting), any Dealer, the Administrative Agent, the Issuing Bank or any Lender or any other Person, whether in connection with this Agreement, any other Transaction Document or any unrelated transaction;

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(iv) any draft, statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(v) payment by the Issuing Bank under the Letter of Credit against presentation of a draft or document which does not comply with the terms of the Letter of Credit.

(b) The Issuing Bank shall not be responsible to any Person:

(i) for the validity, genuineness or legal effect of any document submitted to the Issuing Bank by any Person in connection with the issuance of, or any Drawing under, the Letter of Credit; provided, however, that nothing in this clause (i) shall relieve the Issuing Bank from its obligations to honor a Drawing under the Letter of Credit that strictly complies with the terms of the Letter of Credit;

(ii) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher;

(iii) for any loss or delay in the transmission or otherwise of any document required in order to make a Drawing under the Letter of Credit or of the proceeds thereof;

(iv) for the misapplication by the beneficiary of the Letter of Credit of the proceeds of any Drawing under the Letter of Credit; or

(v) for any consequences arising from causes beyond the control of the Issuing Bank (including, any acts of any Governmental Authority);

provided, however, that the provisions of this Section 2.03 shall not limit any right or claim the Issuer may have against the Issuing Bank to the extent of any direct, as opposed to consequential or special, damages suffered by the Issuer which the Issuer proves were caused by the Issuing Bank's gross negligence or willful misconduct, it being understood that the existence of any such right or claim shall not in any way affect the obligation of the Issuer to reimburse the Issuing Bank for all Drawings under the Letter of Credit.

2.04 Participating Interests.

(a) Each Lender, by its execution and delivery of this Agreement, severally purchases from the Issuing Bank, without recourse to the Issuing Bank, and the Issuing Bank hereby sells to each Lender, an undivided interest, to the extent of such Lender's Participation Percentage, in the Letter of Credit, all Drawings, all interest thereon and all other rights of the Issuing Bank hereunder and under the Letter of Credit with respect thereto.

(b) The liability of each Lender to the Issuing Bank as described in Section 2.04(a) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be affected by any circumstance, including:

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(i) any set-off, counterclaim, defense or other right which such Lender or any other Person may have against the Administrative Agent, the Issuing Bank or any other Person for any reason whatsoever;

(ii) the occurrence or continuance of a Default or Event of Default or the termination of the Commitments or the expiration of the Letter of Credit;

(iii) any adverse change in the condition (financial or otherwise) of the Issuer;

(iv) any breach of any Transaction Document by any party thereto;

(v) the fact that any condition precedent to the issuance of Commercial Paper Notes was not in fact met;

(vi) any violation or asserted violation of law by any Lender or any affiliate thereof;

(vii) the failure of any Lender to perform its obligations hereunder; or

(viii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing;

provided, however, that no Lender shall be liable for any portion of such liability resulting from the Issuing Bank's gross negligence or willful misconduct.

(c) As promptly as practicable upon becoming aware that the Issuer has not reimbursed or will not reimburse or cause the Issuing Bank to be reimbursed in full for any Drawing under the Letter of Credit in accordance with Section 2.02(a) or 2.02(b) on any Disbursement Date, the Issuing Bank shall notify the Administrative Agent which shall promptly notify each Lender to such effect and each Lender shall (i) not later than 4:30 p.m. (New York City time) on the Business Day such notice is received from the Administrative Agent (if such notice is received at or prior to 12:00 noon (New York City time)) or (ii) not later than 11:00 a.m. (New York City time) on the Business Day following receipt of such notice (if such notice is received after 12:00 noon (New York City time)) pay to the Administrative Agent, at the Administrative Agent's Payment Office, for the account of the Issuing Bank, an amount equal to such Lender's Participation Percentage of such unreimbursed Drawing. Notwithstanding clause (ii) of this paragraph (c), if a Lender does not make available to the Administrative Agent on the Disbursement Date such Lender's Participation Percentage of any unreimbursed Drawing, such Lender shall be required to pay interest to the Administrative Agent for the account of the Issuing Bank on its Participation Percentage of the amount of such unreimbursed Drawing at the Federal Funds Rate from such Disbursement Date

until the date payment is received by the Administrative Agent; provided, however, that if the Federal Funds Rate does not cover the Issuing Bank's cost of funds, the applicable rate of interest shall be such rate as determined by the Issuing Bank, in good faith, to be equal to its cost of funds; and provided, further, that if any amount remains unpaid by any Lender for more than five Business Days after receipt of notice, such Lender shall, commencing on the day next following such fifth Business Day, pay interest to the Administrative Agent for the account of the Issuing Bank at a rate per annum equal to the

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Federal Funds Rate plus 2%. Upon receipt of any such funds, the Administrative Agent shall promptly pay such funds to the Issuing Bank.

(d) If the Administrative Agent receives a Lender's Participation Percentage of any unreimbursed Drawing on the Disbursement Date therefor, or if the Administrative Agent receives such payment together with interest thereon in accordance with the provisions of the preceding paragraph (c), such Lender shall be entitled to receive interest on its Participation Percentage of such Drawing, as provided in paragraph (e)(ii) below, from the Disbursement Date.

(e) The Issuing Bank agrees to pay promptly upon receipt to the Administrative Agent for the account of each Lender (i) such Lender's Participation Percentage of all amounts received from the Issuer directly or indirectly (from the Commercial Paper Account or otherwise) in payment, in whole or in part, of any unreimbursed Drawing, but only to the extent that such Lender has paid in full its Participation Percentage of such Drawing to the Administrative Agent for the account of the Issuing Bank pursuant to paragraph (c) above and (ii) such Lender's Participation Percentage of any interest received from the Issuer with respect to any such unreimbursed Drawing, but only to the extent such Lender has paid in full its Participation Percentage of such Drawing to the Administrative Agent for the account of the Issuing Bank pursuant to paragraph (c) above.

(f) If, on account of the bankruptcy, insolvency, concurso mercantil or governmental intervention (or similar event) of the Issuer, the Issuing Bank or the Administrative Agent is required at any time (whether before or after the Termination Date) to return to the Issuer or to a trustee, receiver, liquidator, custodian or other similar official or any other Person, any portion of the payments made by (or on behalf of) the Issuer to the Administrative Agent for the account of the Issuing Bank (or directly to the Issuing Bank) in reimbursement of any unreimbursed Drawing and interest thereon, each Lender shall, on demand of the Issuing Bank or the Administrative Agent, forthwith return to the Issuing Bank or the Administrative Agent for the account of the Issuing Bank any amounts transferred to such Lender by the Issuing Bank or the Administrative Agent in respect thereof pursuant to the terms hereof plus such Lender's pro rata share of any interest on such payments required to be paid to the Person recovering such payments plus interest on all amounts so demanded from the day such amounts are returned by the Issuing Bank or the Administrative Agent, as the case may be, to the day such amounts are returned by such Lender to the Issuing Bank or the Administrative Agent at a rate per annum for each day equal to the Federal Funds Rate; provided, however, that if the Federal Funds Rate does not cover the Issuing Bank's or the Administrative Agent's cost of funds, the applicable rate of interest shall be such rate as determined by the Issuing Bank or the Administrative Agent, in good faith, to be equal to its cost of funds; and provided, further, that if any amount remains unpaid by any Lender for more than five Business Days after demand, such Lender shall, commencing on the day next following such fifth Business Day, pay interest to the Issuing Bank or the Administrative Agent, as the case may be, at a rate per annum equal to the Federal Funds Rate plus 2%. In any case when an amount is returned to any Person pursuant to this paragraph (f), the reimbursement obligation of the Issuer contained in Section 2.02(a) will be reinstated as of the original date such reimbursement obligation arose.

(g) The Issuer hereby confirms and acknowledges that each Lender shall have a direct claim against the Issuer for the principal of and interest on each portion of any unreimbursed Drawing advanced by such Lender to the Issuing Bank and that each Lender shall to the extent applicable be entitled to all the rights of the Issuing Bank against the Issuer (to the extent not exercised by the Issuing Bank) as if such Lender had funded its Participation Percentage of the Drawing directly to the Depositary.

(h) The Issuing Bank and each Lender, with respect to the amounts payable to it in respect of any unreimbursed Drawing, and the Administrative Agent, with respect to all amounts payable in respect of unreimbursed Drawings, shall maintain on its books in accordance with its usual practice, loan accounts, setting forth its Participation Percentage of each Drawing, the applicable interest rate and the amounts of principal and interest paid and payable by the Issuer from time to time hereunder with respect thereto; provided, however, that the failure by the Issuing Bank, any Lender or the Administrative Agent to record any such amount on its books or any error in such recordation shall not affect the obligations of the Issuer with respect thereto. In the case of any dispute, action or proceeding relating to any amount payable in respect of any unreimbursed Drawings, the entries in each such account shall be prima facie evidence of such amount. In case of any discrepancy between the entries in the Administrative Agent's books and a Lender's books, such Lender's books shall be considered correct in the absence of manifest error. In the case of any discrepancy between the entries in the Issuing Bank's books and any Lender's books or the Administrative Agent's books, the Issuing Bank's books shall be considered correct in the absence of manifest error.

2.05 Limited Liability of the Issuing Bank. As between the Issuing Bank on the one hand, and the Issuer on the other, the Issuer assumes all risks of any acts or omissions of the Depositary with respect to its use of the Letter of Credit or the proceeds thereof. Neither the Issuing Bank nor any of its employees, officers, directors or agents shall be liable or responsible for any acts or omissions of the Depositary in connection therewith.

2.06 Defaulting Lenders.

(a) If any Lender (i) fails to reimburse the Issuing Bank as provided in Sections 2.04(c) and 4.04(c) or to make available its Participation Percentage of any Borrowing as provided in Section 3.03(b) within five Business Days after the Disbursement Date, (ii) is in receivership or liquidation, (iii) advises the Issuing Bank or the Administrative Agent or the Issuer that it will be unable or unwilling to fund its Participation Percentage of any future unreimbursed Drawing or Standby L/C Drawing, as the case may be, or make available its Participation Percentage of any future Borrowing or (iv) is prohibited by the central bank having jurisdiction over such Lender from performing its obligations hereunder (any such Lender, a "Defaulting Lender"), then the Issuing Bank may (but shall not be obligated to) acquire, in exchange for the sum or sums due to it from such Defaulting Lender, such Defaulting Lender's Participation Percentage of the unreimbursed amount, without, however, relieving such Defaulting Lender from any liability to the Issuing Bank as a result of its failure to reimburse the Issuing Bank or make funds available to the Issuing Bank. Subject to paragraph (b) below, the Issuing Bank, until repaid in full, shall be entitled to receive all subsequent payments which the Defaulting Lender would otherwise have received with respect to principal or interest on its Participation Percentage of any unreimbursed Drawing, Standby L/C Drawing or any Loan, as

the case may be, or any fees or other amounts otherwise payable to it hereunder, in each case to the extent the Issuing Bank has acquired such participation. If a Lender shall fail, for any reason, to fund its participation in any Drawing or Standby L/C Drawing, as the case may be, or make available its Participation Percentage of any Borrowing, no other Lender shall be obligated to purchase such Defaulting Lender's participation or make funds available for such Defaulting Lender's Participation Percentage of any Borrowing and no such failure shall release the Issuer from its obligation to reimburse the Issuing Bank.

(b) Upon a Lender becoming a Defaulting Lender, the Arrangers, at the request of the Issuer, shall use their commercially reasonable efforts to find one or more Substitute Lenders willing to assume the Commitment of the Defaulting Lender and, if applicable, purchase such Defaulting Lender's Participation Percentage of any unreimbursed Drawings or Standby L/C Drawing, as the case may be, or any outstanding Loans hereunder and become an Assignee of such Defaulting Lender in accordance with the provisions of Section 16.06(b). Upon such assignment, the Defaulting Lender shall no longer be a party hereto or have any rights hereunder and the Substitute Lender or Substitute Lenders shall succeed to the rights and obligations of the Defaulting Lender hereunder, including the obligation to reimburse the Issuing Bank in accordance with Section 2.04(c) and 4.04(c) or to make Loans pursuant to Section 3.03(b) except that such Defaulting Lender shall continue (i) to have the rights of a Lender that survive assignment as provided in Section 16.18(b) and (ii) to be entitled to be paid for all amounts previously advanced by it not theretofore paid and not assigned to the Substitute Lender and to be paid interest thereon and any other amounts to which such Lender is entitled in accordance with this Agreement.

(c) No Lender shall be deemed to be a Defaulting Lender solely as a result of its inability to fund its Participation Percentage of any unreimbursed Drawing or Standby L/C Drawing, as the case may be, or to make available its Participation Percentage of any Borrowing in a timely manner as a result of a difference in time zones or a breakdown or delay in the wire transfer of funds.

(d) In the event a Lender has become a Defaulting Lender and the Arrangers have been unable to find a Substitute Lender therefor within fifteen Business Days after payment was due to the Issuing Bank, the Arrangers shall so notify the Issuer and the Issuing Bank. At the request of the Issuing Bank, upon delivery of a Notice of Reduction of Stated Amount, the Commitments will be reduced by an amount equal to the Commitment of the Defaulting Lender with respect to Commercial Paper Notes and Standby L/Cs thereafter issued and the Participation Percentage of each other Lender shall be increased with respect to Commercial Paper Notes and Standby L/Cs thereafter issued so as to equal the percentage equivalent of a fraction, the numerator of which is the Commitment of such other Lender and the denominator of which is the Commitments of the Lenders other than the Defaulting Lender. No such reduction in the Commitments shall in any way release any Defaulting Lender from any of its direct or indirect obligations under Section 2.04 in respect of any Commercial Paper Notes issued prior to the termination of its Commitment and under Section 4.04 in respect of Standby L/Cs issued prior to the termination of its Commitment. Upon the termination of the Commitment of the Defaulting Lender and the payment of all Commercial Paper Notes issued prior to such termination, the Issuing Bank shall cause the Stated Amount of the Letter of Credit to be reduced, each time Commercial Paper Notes mature until an amount equal to the Defaulting Lender's Commitment

is reached, by submitting to the Depository a Notice of Reduction of Stated Amount. Notwithstanding any reduction of the Commitments pursuant hereto, the Arrangers will continue to use its commercially reasonable efforts to find a Substitute Lender to replace the Defaulting Lender in the manner described in Section 2.06(b). If a Substitute Lender is found, the total Commitments will

be increased by an amount equal to the Commitment of the Substitute Lender and the Participation Percentage of each other Lender shall be reduced to a fraction, the numerator of which is the Commitment of such other Lender and the denominator of which equals the Commitments of all the Lenders, including the Substitute Lender. Upon a subsequent increase in the Commitments as a result of a Substitute Lender becoming a party hereto, the Stated Amount of the Letter of Credit shall be increased by an amount equal to the Commitment of the Substitute Lender but in no event by more than the Commitment of the Defaulting Lender being replaced. The Issuing Bank may deliver a new Letter of Credit to the Depository in the reduced or increased Stated Amount or deliver an amendment to the same effect.

(e) In the event a Lender has become a Defaulting Lender and the Arrangers have been unable to find a Substitute Lender therefor within ten Business Days after such Lender became a Defaulting Lender, the Issuer shall pay to the Administrative Agent for the account of the Issuing Bank within five Business Days after demand from the Issuing Bank all amounts then owing by such Defaulting Lender to the Issuing Bank, together with interest thereon at the Federal Funds Rate from the date such amounts became due; provided, however, that if any amount remains unpaid by the Issuer for more than five Business Days after demand, the Issuer shall, commencing on the day next following such fifth Business Day, pay interest to the Issuing Bank at a rate per annum equal to the Federal Funds Rate plus 2%.

2.07 Non-Default Disruption Event.

(a) If, based upon information provided by the Dealers regarding prevailing interest rates in the United States commercial paper market, the Issuer shall determine on any Business Day that a CP Disruption Event shall have occurred, the Issuer shall cease issuing Commercial Paper Notes, and written notice of such determination shall be given to the Issuing Bank, the Arrangers and the Administrative Agent by the Issuer not later than 11:00 a.m., New York City time, on such Business Day. The Administrative Agent as promptly thereafter as is possible under the circumstances shall give notice of such determination to the Lenders. The Issuer shall also give notice to the Depository pursuant to the Depository Agreement not to issue and deliver any Commercial Paper Notes.

(b) If the Issuing Bank shall determine on any Business Day that a Downgrading Event or an Illegality Event shall have occurred, then the Issuing Bank shall immediately give notice to the Depository pursuant to the Depository Agreement not to issue and deliver any Commercial Paper Notes. The Issuing Bank shall give notice of such determination to the Issuer, the Arrangers, the Administrative Agent and the Dealers as promptly thereafter as is possible under the circumstances. The Administrative Agent as promptly as is possible under the circumstances shall give notice of such determination to the Lenders.

(c) In the event that the issuance of Commercial Paper Notes by the Issuer is suspended as a result of this Section 2.07, the Issuer may incur Loans in accordance with the

terms and provisions of Sections 3.01 and 3.02 by submitting to the Administrative Agent a Notice of Borrowing.

(d) If the Dealers shall have advised the Issuer that a CP Disruption Event has ceased to exist, then notice of such advice or determination shall be given to the Issuing Bank, the Arrangers and the Depository and, if applicable, the Issuing Bank and the Administrative Agent as soon as practicable. If any Loans are then outstanding, the Issuer shall promptly either repay such Loans with its own funds or, if the Termination Date has not yet occurred, instruct the Depository and the Dealers to recommence issuing Commercial Paper Notes and apply the Aggregate Reported Proceeds of such issuance to fully repay the Loans and so notify the

Administrative Agent and the Administrative Agent shall in turn promptly notify the Lenders and the Issuing Bank; provided, however, that if such Loans are Eurodollar Loans, the Issuer shall not be required to repay such Loans prior to the end of the applicable Interest Period therefor.

(e) If the Issuing Bank shall determine that a Downgrading Event or an Illegality Event, as the case may be, shall have ceased to exist, then the Issuing Bank shall immediately give written notice of such determination to the Depository, the Arrangers, the Administrative Agent, the Dealers, the Lenders and the Issuer, whereupon the Issuer may recommence issuing Commercial Paper Notes and the Issuing Bank shall revoke forthwith any instructions to the Depository not to issue and deliver Commercial Paper Notes. If any Loans are then outstanding, the Issuer shall promptly either repay such Loans with its own funds or, if the Termination Date has not yet occurred, instruct the Depository and the Dealers to recommence issuing Commercial Paper Notes and apply the Aggregate Reported Proceeds of such issuance to fully repay the Loans and so notify the Administrative Agent and the Administrative Agent shall in turn promptly notify the Lenders and the Issuing Bank; provided, however, that if such Loans are Eurodollar Loans, the Issuer shall not be required to repay such Loans prior to the end of the applicable Interest Period therefor.

(f) No suspension or termination of the issuance of Commercial Paper Notes pursuant to this Section 2.07 shall affect, terminate or reduce (i) the liability of the Issuing Bank under the Letter of Credit with respect to Commercial Paper Notes validly issued in accordance with the Depository Agreement, (ii) the liability of the Issuer with respect to any Drawing under the Letter of Credit, any Standby L/C Drawing under a Standby L/C or any Loan hereunder or (iii) the liability of the Lenders to reimburse the Issuing Bank for any unreimbursed Drawings or any unreimbursed Standby L/C Drawing.

2.08 Maximum Interest Rate. Anything in this Agreement or any other Transaction Document to the contrary notwithstanding, (a) the Issuer shall not issue any Commercial Paper Notes if the discount factor thereof would be in excess of the maximum permitted by applicable law and (b) if the interest rate provided for in Sections 2.02(c) or 4.04(c) would exceed the maximum rate permitted by applicable law, such interest rate shall be automatically reduced to the maximum rate legally allowable.

ARTICLE III

THE LOAN FACILITY

3.01 Commitments to Lend.

(a) If at any time during the term of this Agreement there shall occur a Non-Default Disruption Event, then, on the terms and subject to the conditions of this Agreement, including the conditions precedent specified in Section 6.03, each Drawing paid by the Issuing Bank on any Disbursement Date while such Non-Default Disruption Event is in existence in respect of Commercial Paper Notes issued and Outstanding on such Non-Default Disruption Date may be reimbursed by loans made pursuant to this Article III (such loans, together with any Loans made pursuant to Section 3.01(f), being referred to herein, collectively, as the "Loans"); provided, however, that no Loans may be made, based on such Non-Default Disruption Event, after the end of the period beginning on the Non-Default Disruption Date and ending on the date which is the earlier of (i) the Stated Termination Date, (ii) 90 days after the Non-Default Disruption Date and (iii) the date such Non-Default Disruption Event ceases to exist and; provided, further, that there may be only one Non-Default Disruption Event during the term of this Agreement (such period, the "Loan Period").

(b) Each Lender severally agrees, on the terms and subject to

the conditions set forth in this Agreement, to make a Loan to the Issuer pursuant to this Section 3.01, on the Disbursement Date in respect of each Drawing made during the Loan Period, in an amount such that:

(i) the Total Outstandings of such Lender at any time will not exceed the amount of its Commitment at such time; and

(ii) the amount of any Borrowing will not exceed the amount of any Drawing being reimbursed with the proceeds of such Borrowing.

(c) The proceeds of Loans made under Section 3.01(a) hereof shall be used solely to reimburse the Issuing Bank for payments made under the Letter of Credit during the Loan Period (i) to pay Commercial Paper Notes maturing on the Non-Default Disruption Date or (ii) during the continuance of the Non-Default Disruption Event existing on the Non-Default Disruption Date, to pay as they mature Commercial Paper Notes that were issued and Outstanding on the Non-Default Disruption Date.

(d) The commitment of each Lender hereunder to make Loans is not revolving in nature and any amounts borrowed hereunder during a Loan Period and repaid or prepaid prior to the end of such Loan Period may not be reborrowed during such Loan Period.

(e) Each Borrowing shall be made from the several Lenders ratably in accordance with their Participation Percentages.

(f) During the existence of a Non-Default Disruption Event and prior to the earlier of (i) the Stated Termination Date, (ii) 90 days after the Non-Default Disruption Date and (iii) the date such Non-Default Disruption Event ceases to exist, on the terms and subject to the conditions set forth in this Agreement, including the conditions precedent specified in

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Section 6.03, the Issuer may borrow Loans other than under Section 3.01(a) above under the Available Commitments (as defined below) in a minimum amount of U.S.\$5,000,000 or in integral multiples of U.S.\$1,000,000 in excess thereof on any Business Day; provided that the Issuer shall give the Administrative Agent notice as provided in Section 3.02. As used in this paragraph (f), "Available Commitments" shall mean, as of any date, the total amount of the Commitments minus the sum of (A) the aggregate principal amount of Commercial Paper Notes Outstanding and unreimbursed Drawings, (B) the aggregate principal amount of any Loans made under this Section 3.01 (whether or not still outstanding) and (C) the Standby L/C Exposure.

3.02 Notice of Borrowing.

(a) Upon the occurrence of a Non-Default Disruption Event, the Issuer may (but shall not be obligated to) request under Section 3.01(a) that an amount up to the amount of any Drawing or Drawings made during the Loan Period be converted into Loans by giving notice to the Administrative Agent on or prior to 12:00 Noon (New York City time) on the date of any such Drawing. In addition, the Issuer may (but shall not be obligated to) request Loans under Section 3.01(f) by giving notice to the Administrative Agent by 3:00 p.m. (New York City time) at least three Business Days prior to the date of Borrowing. Each such notice (a "Notice of Borrowing") may be made by telephone to the Administrative Agent, if promptly confirmed in writing in substantially the form of Exhibit D, and may be made by facsimile transmission to the Administrative Agent in substantially the form of Exhibit D.

(b) The Notice of Borrowing shall specify (i) the aggregate amount of such Borrowing, which shall be in a minimum amount equal to U.S.\$5,000,000 or multiples of U.S.\$1,000,000 in excess thereof, or such lesser amount, if necessary, pursuant to Section 3.01(b), (ii) whether the Loans comprising such Borrowing shall bear interest based on the Base Rate or LIBOR (provided that, in the case of Loans made under Section 3.01(a), all

such Loans will be Base Rate Loans during the initial period of at least three Eurodollar Business Days after the date of the Notice of Borrowing) and (iii) if such Loans are to be made as (in the case of Loans made under Section 3.01(f)) or converted into (in the case of any Loans made under Section 3.01(a)) Eurodollar Loans, the commencement date and the duration of the initial Interest Period applicable to such Loans. The Notice of Borrowing shall further certify that as of the date of such Notice of Borrowing:

(A) in the case of Loans made under Section 3.01(a), the amount of such Borrowing does not exceed the aggregate amount of the unreimbursed Drawing made on or prior to the date of such Notice of Borrowing and that the Issuer elects to make a Borrowing in order to reimburse the amount of such Drawing;

(B) no Default or Event of Default has occurred and is continuing on such date or will result from such Borrowing;

(C) the representations and warranties of the Issuer contained in this Agreement are true and correct in all material respects on and as of such date; and

(D) a Non-Default Disruption Event has occurred and is continuing.

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The Notice of Borrowing shall not be revocable by the Issuer after the Administrative Agent has notified any Lender thereof.

3.03 Notice to Lenders; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's Participation Percentage of such Borrowing.

(b) On the date of each Borrowing, each Lender shall, to the extent such Lender has not already funded its Participation Percentage of the corresponding unreimbursed Drawing being converted into Loans pursuant to Section 2.04(c), make available its Participation Percentage of such Borrowing, in immediately available funds, to the Administrative Agent at the Administrative Agent's Payment Office not later than 3:00 p.m. (New York City time) on the date notice is received from the Administrative Agent pursuant to paragraph (a) above (if such notice is received at or prior to 1:30 p.m. (New York City time)) or not later than 12:00 noon (New York City time) on the Business Day following such notice (if such notice is received after 1:30 p.m. (New York City time)). Unless the Administrative Agent determines that any applicable condition specified in Section 6.03 has not been satisfied, the funds so received from the Lenders shall be paid on the date of such Borrowing (i) in the case of a Borrowing under Section 3.01(a), to the Issuing Bank on behalf of the Issuer of the then outstanding unreimbursed Drawing and (ii) in the case of a Borrowing under Section 3.01(f), to the Issuer by transfer to the Issuer's account with the Administrative Agent. Upon receipt of such funds, the Administrative Agent shall promptly pay such funds to the Issuing Bank or to the Issuer, as the case may be.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's Participation Percentage of such Borrowing, the Administrative Agent may assume that such Lender has made its Participation Percentage available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (b) above and the Administrative Agent may (but shall not be required to do so), in reliance upon such assumption, make available to the Issuing Bank or the Issuer, as the case may be, on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after the date on which the

Administrative Agent pays the proceeds of the Borrowing to the Issuing Bank or the Issuer, as the case may be, such Lender shall pay to the Administrative Agent on demand interest on such amount at the Federal Funds Rate for the period from the date of such payment until such amount is made available to the Administrative Agent. If such amount is not made available to the Administrative Agent within five Business Days after the date of such payment, the Issuer agrees to pay such amount to the Administrative Agent together with interest thereon from the date of such payment at a rate per annum equal to the Federal Funds Rate plus 2%; provided, however, that in the case of a Borrowing under Section 3.01(a), if the Issuer fails to pay such amount to the Administrative Agent within five Business Days after demand, the Issuing Bank will return to the Administrative Agent the funds made available to it together with interest thereon at the Federal Funds Rate from the date of payment to it. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement. Nothing contained in this paragraph (c) shall be construed to excuse any Lender from performing

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its obligations under this Agreement or to relieve any Lender from any liability it may have to the Issuing Bank or the Issuer for any default by such Lender in the performance of its obligations hereunder. Upon receipt of such funds, the Administrative Agent shall promptly pay such funds to the Issuing Bank or the Issuer, as the case may be.

(d) If and to the extent that any Lender is a Defaulting Lender, the provisions of paragraphs (a), (b) and (e) of Section 2.06 shall apply and (i) the Issuing Bank shall be entitled to receive all payments which the Defaulting Lender would otherwise have received in respect of its unfunded Participation Percentage of the Loans, (ii) the Arrangers, at the request of the Issuer, may seek one or more Substitute Lenders willing to assume the Commitment of the Defaulting Lender and to become an Assignee of such Defaulting Lender in accordance with the provisions of Section 16.06(b) and (iii) the Issuer shall reimburse the Issuing Bank as provided in paragraph (e) of Section 2.06 without releasing the Defaulting Lender from any liability to the Issuer for the default in the performance of its obligations hereunder.

(e) All Loans made to the Issuer shall be deemed made as of the relevant Disbursement Date. If for any reason a Lender does not fund any Loan to be made by it under Section 3.01(a) on such Disbursement Date (because notice from the Administrative Agent was received after 1:30 p.m. (New York City time) on such date or for any other reason) and the Administrative Agent does not make the corresponding funds available to the Issuing Bank pursuant to paragraph (c), such Lender shall also pay interest to the Administrative Agent for the account of the Issuing Bank on its Participation Percentage of the unreimbursed Drawing accrued from the Disbursement Date to the date of payment by such Lender at the Federal Funds Rate; provided, however, that if the Federal Funds Rate does not cover the Issuing Bank's cost of funds, the applicable rate of interest shall be such rate as determined by the Issuing Bank, in good faith, to be equal to its cost of funds; and provided, further, however, that if any such amount remains unpaid by any Lender for more than five Business Days after the Disbursement Date, such Lender shall, commencing on the day next following such fifth Business Day, pay interest to the Administrative Agent for the account of the Issuing Bank at a rate per annum equal to the Federal Funds Rate plus 2%. Upon receipt of any such funds, the Administrative Agent shall promptly pay such funds to the Issuing Bank.

3.04 Notes. The Loans made by each Lender shall be evidenced by a Note appropriately completed, representing the obligation of the Issuer to pay to such Lender the unpaid principal amount of all Loans made by such Lender pursuant to Section 3.01, plus interest thereon as provided in Section 3.07. The date, type, and principal amount of each Loan made by such Lender and the date and amount of each payment or prepayment of the principal amount of each such Loan, the date of each conversion and each continuation

pursuant to Section 3.05 and, in the case of Eurodollar Loans, the rate of interest with respect thereto, shall be recorded by such Lender on the Schedules annexed to its Note and such Schedules shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that the failure of any Lender to make such recordation (or any error in such recordation) shall not affect the obligations of the Issuer hereunder or under the Notes.

3.05 Conversion and Continuation of Loans.

(a) All Loans made under Section 3.01(a) shall initially be made as Base Rate Loans. If so specified in the applicable Notice of Borrowing, Loans made under Section 3.01(a) will be converted into Eurodollar Loans on or after the third Eurodollar Business Day after the date of such Borrowing as provided in the Notice of Borrowing.

(b) (i) All Eurodollar Loans shall initially have the Interest Period specified by the Issuer in the applicable Notice of Borrowing. Subject to the conditions set forth in Section 6.03, on the last day of the Interest Period for such Loans, (A) provided such day is at least one month prior to the end of the Loan Period, the Issuer may from time to time elect to continue such Loans as Eurodollar Loans for an additional identical or different Interest Period or (B) the Issuer may elect to convert such Eurodollar Loans into Base Rate Loans.

(ii) Subject to the conditions set forth in Section 6.03, on any Eurodollar Business Day prior to the Maturity Date of any Base Rate Loans, provided such day is at least one month prior to the end of the Loan Period, the Issuer may elect to convert such Base Rate Loans into Eurodollar Loans with an Interest Period ending no later than the last day of the Loan Period.

(iii)...Each election to convert or continue any Loans shall be made by giving the Administrative Agent irrevocable notice in substantially the form of Exhibit E (a "Notice of Continuation/Conversion") not later than 11:00 a.m. (New York City time) at least three Eurodollar Business Days before the date on which continuation or conversion selected in such notice is to be effective.

(iv) Each Notice of Continuation/Conversion shall specify:

(A) the Loans to which such notice applies;

(B) the date on which the continuation or conversion selected in such notice is to be effective; and

(C) the duration of the Interest Period to be applicable to the Loans to be continued as, or converted into, Eurodollar Loans (which must comply with the provisions of the definition of Interest Period); provided, however, that if the Issuer fails to select the duration of any Interest Period, it will be deemed to have selected an Interest Period of one month.

(c) If the Issuer fails to deliver a Notice of Continuation/Conversion to the Administrative Agent for any Eurodollar Loans on or prior to the third Eurodollar Business Day before the end of the Interest Period therefor, the Issuer will be deemed to have elected to continue such Eurodollar Loans for a further Interest Period of one month or, if the last day of such Interest Period is less than one month prior to the end of the Loan Period, to convert such Eurodollar Loans to Base Rate Loans. If the conditions of Section 6.03 have not been satisfied, such Loans shall automatically become due and payable on the last day of the then current Interest Period.

(d) Upon receipt of a Notice of Continuation/Conversion from the Issuer, the Administrative Agent shall promptly notify the Lenders thereof.

3.06 Maturity of Loans. Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the Maturity Date.

3.07 Interest Rates.

(a) Each Base Rate Loan shall bear interest on the unpaid principal amount thereof at a rate per annum equal to the sum of the Base Rate plus 0.10%.

(b) Each Eurodollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of LIBOR plus 1.10%.

(c) If all or a portion of the principal amount of any Loan shall not be paid when due (whether at maturity, by acceleration or otherwise), (i) all Eurodollar Loans then outstanding shall be converted to Base Rate Loans at the end of the then current Interest Period with respect thereto and until such conversion shall bear interest at a rate per annum equal to the sum of LIBOR plus 3.10% and (ii) the principal amount of all Base Rate Loans (including any Eurodollar Loans converted to Base Rate Loans pursuant to this paragraph (c)) shall bear interest at a rate per annum equal to the sum of the Base Rate plus 2.10% from the date of non-payment (or the date of conversion) until paid in full (after as well as before judgment) and shall be payable on demand. If all or any portion of (A) any interest payable on the principal amount of any Loan or (B) any fee or other amount payable hereunder shall not be paid when due, such overdue amount shall bear interest at a rate per annum equal to the sum of the Base Rate plus 2.10% from the date of such non-payment until such amount is paid in full (after as well as before judgment) and shall be payable on demand.

(d) Except as otherwise provided in paragraph (c) above, interest shall be payable in arrears on the Maturity Date of each Loan, on the last day of each Interest Period therefor, on the date of conversion of Base Rate Loans into Eurodollar Loans pursuant to Section 3.05(a) or 3.05(b) and on each date of prepayment or repayment of any Loans on the amount prepaid or repaid.

3.08 Computation of Interest.

(a) All computations of interest for Base Rate Loans when the Base Rate is determined by reference to the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue during each period during which interest is computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Issuer and the Lenders in the absence of demonstrable error.

3.09 Optional Prepayments.

(a) The Issuer may, without premium or penalty, (i) upon at least three Business Days' prior notice to the Administrative Agent prepay Base Rate Loans in whole or in part and (ii) subject to the provisions of Section 5.07, upon at least three Eurodollar Business Days' prior notice to the Administrative Agent, prepay Eurodollar Loans, in whole or in part, by

paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay the Loans to the Lenders ratably based on their Participation Percentages. Amounts so applied to the prepayment or repayment of Loans shall be applied first, if the payment date is the last day of an Interest Period for any Loans, to pay such Loans until paid in full; and second to pay such other Loans as the Issuer may, by notice to the Administrative Agent, elect (or if the Issuer fails to give timely notice of such election, as the Required Lenders at such time may select).

(b) Upon receipt of a notice of prepayment pursuant to this Section 3.09, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's Participation Percentage of such prepayment, and such notice of prepayment shall not thereafter be revocable by the Issuer.

(c) Optional prepayments of Loans shall be in a minimum amount equal to U.S.\$5,000,000 and in integral multiples of U.S.\$1,000,000 in excess thereof or, if less, the aggregate principal amount of the Loans then outstanding.

3.10 Mandatory Prepayments.

(a) If at any time the aggregate Total Outstandings of the Lenders exceed the Commitments then in effect, the Issuer shall immediately prepay outstanding Loans, repay unreimbursed Drawings, if any, and repay unreimbursed Standby L/C Drawings, if any, to the extent of such excess, ratably among the Lenders.

(b) Upon determination that a Non-Default Disruption Event has ceased to exist and any Loans are then outstanding, the Issuer shall, as provided in Sections 2.07(d) or (e), either repay such Loans with its own funds or, if the Termination Date has not already occurred, instruct the Depositary and the Dealers to recommence issuing Commercial Paper Notes as soon as practicable (provided, that, in the case of Eurodollar Loans, the Issuer shall recommence issuing Commercial Paper Notes not later than the last day of the then current Interest Period therefor) and apply the Aggregate Reported Proceeds of such issuance to repay such Loans. For so long as any Loans are outstanding hereunder, the Issuer shall prepay or repay, on each date that the Issuer issues Commercial Paper Notes, an aggregate principal amount of Loans equal to the Aggregate Reported Proceeds of issuance of such Commercial Paper Notes less the Face Amount of the Commercial Paper Notes, if any, maturing on that date. All such prepayments or repayments shall be made together with accrued and unpaid interest to the date of payment.

(c) Amounts applied to the prepayment or repayment of Loans pursuant to this Section 3.10 shall be applied to prepay or repay the Loans of the Lenders ratably in accordance with their Participation Percentages. Amounts so applied to the prepayment or repayment of Loans shall be applied first, if the payment date is the last day of an Interest Period for any

Loans, to pay such Loans until paid in full; and second to pay such other Loans as the Issuer may, by notice to the Administrative Agent, elect (or if the Issuer fails to give timely notice of such election, as the Required Lenders at such time may select).

(d) Any prepayments of Eurodollar Loans pursuant to this Section 3.10 shall be subject to the provisions of Section 5.07.

3.11 Maximum Interest Rate. Anything in this Agreement or any other Transaction Document to the contrary notwithstanding, (a) the interest rate on any Loan or other amount due hereunder shall in no event be in excess of the maximum permitted by applicable law and (b) if the interest

rate provided for in this ARTICLE III would exceed the maximum rate permitted by applicable law, such interest rate shall be automatically reduced to the maximum rate legally allowable.

ARTICLE IV

THE STANDBY L/C FACILITY

4.01 Issuance of the Standby L/C.

(a) Subject to the terms and conditions set forth herein, including but not limited to the conditions precedent specified in Section 6.03, and so long as no Default or Event of Default shall have occurred and be continuing, the Issuer may request the Issuing Bank to issue, in support of certain obligations of the Issuer and any of its Subsidiaries including, without limitation, contingent liabilities arising in connection with forward sales contracts, leases, insurance contracts and arrangements, service contracts, equipment contracts, financing transactions and other payment obligations, and the Issuing Bank agrees to issue at any time from time to time during the period from and including the Effective Date to but excluding the date that is five Business Days prior to the Termination Date, a Standby L/C denominated in Dollars for the Issuer's own account, and having a stated amount not exceeding the Available Standby L/C Sublimit at the time of issuance; provided, however, that the issuance of such requested Standby L/C shall not cause the Issuing Bank to violate any law or regulation to which it is subject.

(b) To request the issuance of a Standby L/C, the Issuer shall deliver notice to the Issuing Bank requesting the issuance of a Standby L/C, specifying the date of issuance (which shall be a Business Day that is no earlier than either (i) the Business Day following the Business Day on which the Issuing Bank shall have received the request for the issuance of the Standby L/C, if such request is received by the Issuing Bank prior to 11:00a.m. (New York City time), or (ii) the Business Day that is two (2) Business Days following the Business Day on which the Issuing Bank shall have received the request for the issuance of the Standby L/C, if such request is received by the Issuing Bank after 11:00a.m. (New York City time) but before 5:00p.m. (New York City time); provided however, that the Issuing Bank, in its sole discretion and on a request by request basis, may elect to accept a request for issuance of a Standby L/C specifying an issuance date not complying with the terms of this parenthetical), the date on which such Standby L/C is to expire, the amount of such Standby L/C, the name and address of the beneficiary thereof and any such other information as shall be necessary to prepare such Standby L/C. On the requested date of issuance, the Issuing Bank shall, subject to the terms and

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conditions set forth herein and so long as no Default or Event of Default shall have occurred or be continuing, issue a Standby L/C in accordance with the Issuer's request pursuant to this clause (b).

(c) Each Standby L/C shall have a minimum stated amount equal to U.S.\$3,000,000 and shall expire at or prior to the close of business on the earlier of (a) the date that is 360 days after the date of issuance of such Standby L/C and (b) the date that is five Business Days prior to the Stated Termination Date.

(d) Each Lender hereby irrevocably authorizes the Issuing Bank to issue Standby L/Cs under and in accordance with this Agreement, to pay the amount of any draft presented under any Standby L/C in accordance with the terms and conditions thereof, to receive from the Issuer reimbursement for Standby L/C Drawings and to take such action on its behalf under the provisions of this Agreement and the other Transaction Documents and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Issuing Bank by the terms

hereof or thereof, together with such powers as are reasonably incidental thereto.

4.02 Reimbursement Obligations.

(a) The Issuer agrees to reimburse the Issuing Bank for the full amount of any Standby L/C Drawing paid by the Issuing Bank on the Disbursement Date; provided, however, that in no event shall such reimbursement be made prior to the time such Standby L/C Drawing is paid by the Issuing Bank.

(b) If the amount of any Standby L/C Drawing is not reimbursed in full on the Disbursement Date, then the amount thereof which is not so reimbursed shall bear interest from the Disbursement Date until the date of actual payment thereof at a rate per annum equal to the Base Rate plus 2.10%, payable on demand.

4.03 Obligations Absolute.

(a) The obligations of the Issuer to reimburse the Issuing Bank shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including the following circumstances:

(i) any lack of validity or enforceability of any Transaction Document;

(ii) any amendment to or waiver of or any consent to departure from the terms of any Transaction Document;

(iii) the existence of any claim, set-off, defense or other right which the Issuer may have at any time against the beneficiary of any Standby L/C or any transferee of any Standby L/C (or any Person for whom any such transferee may be acting), the Administrative Agent, the Issuing Bank or any Lender or any other Person, whether in connection with this Agreement, any other Transaction Document or any unrelated transaction;

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(iv) any draft, statement or any other document presented under the a Standby L/C proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(v) payment by the Issuing Bank under a Standby L/C against presentation of a draft or document which does not comply with the terms of such Standby L/C.

(b) The Issuing Bank shall not be responsible to any Person:

(i) for the validity, genuineness or legal effect of any document submitted to the Issuing Bank by any Person in connection with the issuance of, or any Standby L/C Drawing under, any Standby L/C; provided, however, that nothing in this clause (i) shall relieve the Issuing Bank from its obligations to honor a Standby L/C Drawing under a Standby L/C that strictly complies with the terms of such Standby L/C;

(ii) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher;

(iii) for any loss or delay in the transmission or otherwise of any document required in order to make a Standby L/C Drawing under a Standby L/C or of the proceeds thereof;

(iv) for the misapplication by the beneficiary of a Standby L/C of the proceeds of a Standby L/C Drawing under such Standby L/C; or

(v) for any consequences arising from causes beyond the control of the Issuing Bank (including, any acts of any Governmental Authority);

provided, however, that the provisions of this Section 4.03 shall not limit any right or claim the Issuer may have against the Issuing Bank to the extent of any direct, as opposed to consequential or special, damages suffered by the Issuer which the Issuer proves were caused by the Issuing Bank's gross negligence or willful misconduct, it being understood that the existence of any such right or claim shall not in any way affect the obligation of the Issuer to reimburse the Issuing Bank for all Standby L/C Drawings under Standby L/Cs.

4.04 Participating Interests.

(a) Upon the issuance of each Standby L/C, without further action on the part of the Issuing Bank and the Lenders, each Lender severally purchases from the Issuing Bank, without recourse to the Issuing Bank, and the Issuing Bank hereby sells to each Lender, an undivided interest, to the extent of such Lender's Participation Percentage, in such Standby L/C, all corresponding Standby L/C Drawings, all interest thereon and all other rights of the Issuing Bank hereunder and under such Standby L/C with respect thereto.

(b) The liability of each Lender to the Issuing Bank as described in Section 4.04(a) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be affected by any circumstance, including:

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(i) any set-off, counterclaim, defense or other right which such Lender or any other Person may have against the Administrative Agent, the Issuing Bank or any other Person for any reason whatsoever;

(ii) the occurrence or continuance of a Default or Event of Default or the termination of the Commitments or the expiration of the applicable Standby L/C;

(iii) any adverse change in the condition (financial or otherwise) of the Issuer;

(iv) any breach of any Transaction Document by any party thereto;

(v) any violation or asserted violation of law by any Lender or any affiliate thereof;

(vi) the failure of any Lender to perform its obligations hereunder; or

(vii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing;

provided, however, that no Lender shall be liable for any portion of such liability resulting from the Issuing Bank's gross negligence or willful misconduct.

(c) As promptly as practicable upon becoming aware that the Issuer has not reimbursed or will not reimburse or cause the Issuing Bank to

be reimbursed in full for a Standby L/C Drawing under any Standby L/C in accordance with Section 4.02(a) or 4.02(b) on applicable Disbursement Date, the Issuing Bank shall notify the Administrative Agent which shall promptly notify each Lender to such effect and each Lender shall (i) not later than 4:30 p.m. (New York City time) on the Business Day such notice is received from the Administrative Agent (if such notice is received at or prior to 12:00 noon (New York City time)) or (ii) not later than 11:00 a.m. (New York City time) on the Business Day following receipt of such notice (if such notice is received after 12:00 noon (New York City time)) pay to the Administrative Agent, at the Administrative Agent's Payment Office, for the account of the Issuing Bank, an amount equal to such Lender's Participation Percentage of such unreimbursed Standby L/C Drawing. Notwithstanding clause (ii) of this paragraph (c), if a Lender does not make available to the Administrative Agent on the applicable Disbursement Date such Lender's Participation Percentage of any unreimbursed Standby L/C Drawing, such Lender shall be required to pay interest to the Administrative Agent for the account of the Issuing Bank on its Participation Percentage of the amount of such unreimbursed Standby L/C Drawing at the Federal Funds Rate from such Disbursement Date until the date payment is received by the Administrative Agent; provided, however, that if the Federal Funds Rate does not cover the Issuing Bank's cost of funds, the applicable rate of interest shall be such rate as determined by the Issuing Bank, in good faith, to be equal to its cost of funds; and provided, further, that if any amount remains unpaid by any Lender for more than five Business Days after receipt of notice, such Lender shall, commencing on the day next following such fifth Business Day, pay interest to the Administrative Agent for the account of the Issuing Bank at a rate per annum equal to the Federal Funds Rate plus 2%. Upon receipt of any such funds, the Administrative Agent shall promptly pay such funds to the Issuing Bank.

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(d) If the Administrative Agent receives a Lender's Participation Percentage of an unreimbursed Standby L/C Drawing on the corresponding Disbursement Date therefor, or if the Administrative Agent receives such payment together with interest thereon in accordance with the provisions of the preceding paragraph (c), such Lender shall be entitled to receive interest on its Participation Percentage of such Standby L/C Drawing, as provided in paragraph (e)(ii) below, from the applicable Disbursement Date.

(e) The Issuing Bank agrees to pay promptly upon receipt to the Administrative Agent for the account of each Lender (i) such Lender's Participation Percentage of all amounts received from the Issuer in payment, in whole or in part, of an unreimbursed Standby L/C Drawing, but only to the extent that such Lender has paid in full its Participation Percentage of such Standby L/C Drawing to the Administrative Agent for the account of the Issuing Bank pursuant to paragraph (c) above and (ii) such Lender's Participation Percentage of any interest received from the Issuer with respect to any such unreimbursed Standby L/C Drawing, but only to the extent such Lender has paid in full its Participation Percentage of such Standby L/C Drawing to the Administrative Agent for the account of the Issuing Bank pursuant to paragraph (c) above.

(f) If, on account of the bankruptcy, insolvency, concurso mercantil or governmental intervention (or similar event) of the Issuer, the Issuing Bank or the Administrative Agent is required at any time (whether before or after the Termination Date) to return to the Issuer or to a trustee, receiver, liquidator, custodian or other similar official or any other Person, any portion of the payments made by (or on behalf of) the Issuer to the Administrative Agent for the account of the Issuing Bank (or directly to the Issuing Bank) in reimbursement of any unreimbursed Standby L/C Drawing and interest thereon, each Lender shall, on demand of the Issuing Bank or the Administrative Agent, forthwith return to the Issuing Bank or the Administrative Agent for the account of the Issuing Bank any amounts transferred to such Lender by the Issuing Bank or the Administrative Agent in respect thereof pursuant to the terms hereof plus such Lender's pro rata share

of any interest on such payments required to be paid to the Person recovering such payments plus interest on all amounts so demanded from the day such amounts are returned by the Issuing Bank or the Administrative Agent, as the case may be, to the day such amounts are returned by such Lender to the Issuing Bank or the Administrative Agent at a rate per annum for each day equal to the Federal Funds Rate; provided, however, that if the Federal Funds Rate does not cover the Issuing Bank's or the Administrative Agent's cost of funds, the applicable rate of interest shall be such rate as determined by the Issuing Bank or the Administrative Agent, in good faith, to be equal to its cost of funds; and provided, further, that if any amount remains unpaid by any Lender for more than five Business Days after demand, such Lender shall, commencing on the day next following such fifth Business Day, pay interest to the Issuing Bank or the Administrative Agent, as the case may be, at a rate per annum equal to the Federal Funds Rate plus 2%. In any case when an amount is returned to any Person pursuant to this paragraph (f), the reimbursement obligation of the Issuer contained in Section 4.02(a) will be reinstated as of the original date such reimbursement obligation arose.

(g) The Issuer hereby confirms and acknowledges that each Lender shall have a direct claim against the Issuer for the principal of and interest on each portion of any unreimbursed Standby L/C Drawing advanced by such Lender to the Issuing Bank and that each Lender shall to the extent applicable be entitled to all the rights of the Issuing Bank against the Issuer (to the

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extent not exercised by the Issuing Bank) as if such Lender had funded its Participation Percentage of the Standby L/C Drawing directly to the beneficiary of the applicable Standby L/C.

(h) The Issuing Bank and each Lender, with respect to the amounts payable to it in respect of any unreimbursed Standby L/C Drawing, and the Administrative Agent, with respect to all amounts payable in respect of unreimbursed Standby L/C Drawings, shall maintain on its books in accordance with its usual practice, loan accounts, setting forth its Participation Percentage of each Standby L/C Drawing, the applicable interest rate and the amounts of principal and interest paid and payable by the Issuer from time to time hereunder with respect thereto; provided, however, that the failure by the Issuing Bank, any Lender or the Administrative Agent to record any such amount on its books or any error in such recordation shall not affect the obligations of the Issuer with respect thereto. In the case of any dispute, action or proceeding relating to any amount payable in respect of any unreimbursed Standby L/C Drawings, the entries in each such account shall be prima facie evidence of such amount. In case of any discrepancy between the entries in the Administrative Agent's books and a Lender's books, such Lender's books shall be considered correct in the absence of manifest error. In the case of any discrepancy between the entries in the Issuing Bank's books and any Lender's books or the Administrative Agent's books, the Issuing Bank's books shall be considered correct in the absence of manifest error.

4.05 Limited Liability of the Issuing Bank. As between the Issuing Bank on the one hand, and the Issuer on the other, the Issuer assumes all risks of any acts or omissions of the beneficiaries of Standby L/Cs with respect to their use of the Standby L/Cs or the proceeds thereof. Neither the Issuing Bank nor any of its employees, officers, directors or agents shall be liable or responsible for any acts or omissions of the beneficiaries in connection therewith.

ARTICLE V

TERMINATION AND REDUCTION OF

COMMITMENTS; FEES, TAXES, PAYMENT PROVISIONS

5.01 Termination or Reduction of Commitments.

(a) Subject to Section 5.02, the Commitments shall terminate on the Stated Termination Date.

(b) Upon at least five Business Days' notice to the Administrative Agent, the Arrangers, the Issuing Bank and the Depositary (with a copy thereof to each Dealer and each of Moody's and S&P), but no sooner than six months after the Effective Date unless a Non-Default Disruption Event has occurred and is continuing, in which case such termination may occur at any time upon five Business Days' prior notice, the Issuer may terminate the Letter of Credit Facility by instructing the Depositary to surrender the Letter of Credit to the Issuing Bank for cancellation; provided, however, that in connection with an extension of the term of this Agreement pursuant to Section 5.02 occurring not earlier than 90 days prior to the then Stated Termination Date, the Issuer may terminate the existing Commitments upon five Business Days' prior notice; and provided, further, however, that the Letter of Credit shall not be surrendered for cancellation so long as any Commercial Paper Note is Outstanding. Upon at least five Business

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Days prior notice to the Administrative Agent and the Issuing Bank, the Issuer may terminate any Standby L/C, in accordance with its terms, by surrendering, or causing the beneficiary thereof to surrender, such Standby L/C to the Issuing Bank for cancellation.

(c) Upon at least five Business Days' prior notice to the Administrative Agent, the Arrangers, the Issuing Bank and the Depositary (with a copy thereof to each Dealer and each of Moody's and S&P), but no sooner than six months after the Effective Date, the Issuer may permanently reduce the Commitments and the Stated Amount of the Letter of Credit by a minimum amount of U.S.\$5,000,000 or any integral multiple of U.S.\$1,000,000 in excess thereof by causing the Issuing Bank to deliver a Notice of Reduction of Stated Amount and instructing the Depositary either (i) to surrender the Letter of Credit to the Issuing Bank for cancellation in exchange for a new Letter of Credit having the reduced Stated Amount and otherwise having the same terms as the Letter of Credit being cancelled or (ii) to obtain an amendment to the Letter of Credit to the same effect; provided, however, that the Stated Amount of the Letter of Credit shall not as a result of any reduction be reduced below the aggregate Face Amount of all Commercial Paper Notes then Outstanding. Any reduction of the Stated Amount pursuant to this paragraph (c) shall be irrevocable. Upon at least five Business Days' prior notice to the Administrative Agent and the Issuing Bank, the Issuer may reduce the stated amount of any Standby L/C to be reduced, in accordance with its terms, by surrendering, or causing the beneficiary thereof to surrender, such Standby L/C to the Issuing Bank for cancellation in exchange for a new Standby L/C having the reduced stated amount and otherwise having the same terms as the Standby L/C being cancelled; provided, however, that the stated amount of any Standby L/C shall not as a result of such reduction be reduced below U.S.\$3,000,000.

(d) (i) Any reduction in the Stated Amount pursuant to paragraph (c) above shall cause the Commitments to be reduced by the same amount.

(ii) Any reduction of the Commitments shall reduce the Commitment of each Lender pro rata in accordance with the respective Participation Percentages of the Lenders.

(iii) No reduction of the Stated Amount will be permitted if, after giving effect thereto, the Commitments would be less than U.S.\$100,000,000.

(e) The Stated Amount shall be automatically reduced or reinstated, as the case may be, as specified in the Letter of Credit.

(f) The Letter of Credit may be terminated and the Stated Amount may also be reduced as provided in Section 2.06 and 12.02(a).

(g) No reduction or termination of the Commitments shall in any event release any Lender from any of its direct or indirect obligations to the Issuer or the Issuing Bank in respect of (i) any Commercial Paper Notes issued prior to such termination or reduction or (ii) any Drawing made under the Letter of Credit or (iii) any Standby L/C Drawing under the Standby L/Cs.

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5.02 Extension of Commitments.

(a) The Commitment of each Lender will expire on the Stated Termination Date then in effect; provided, however, that the term of this Agreement may be extended by agreement of the Issuer, the Issuing Bank, and, subject to paragraph (c) below, all the Lenders, the Administrative Agent and the Arrangers not earlier than 90 days prior to the Stated Termination Date on such terms and conditions as such parties may agree in writing.

(b) In connection with the extension of the Stated Termination Date, the Arrangers may at the request of the Issuer and with the consent of the Issuing Bank, in the Issuing Bank's sole discretion, invite each Lender to increase its Commitment by amending and restating this Agreement by executing a counterpart of such amendment and restatement. Nothing contained in this Section 5.02 shall obligate any Lender to extend its Commitment or to increase its Commitment without its consent.

(c) If, in connection with an extension of the term of this Agreement, this Agreement is amended and restated and any Lender elects not to extend its Commitment, such Lender agrees that such amendment and restatement will become effective without the signature of such Lender subject to the termination of its Commitment on the effective date of such amendment and restatement, the payment of all amounts owed to such Lender under this Agreement and the payment by such Lender of all amounts owed by it to the Issuing Bank hereunder.

5.03 Fees.

(a) Participation Fee. The Issuer agrees to pay to the Administrative Agent for the account of the Lenders ratably in accordance with their Participation Percentages a participation fee (the "Participation Fee") at the rate of 0.60% per annum on the amount of the Commitments as from time to time in effect less the aggregate amount of (i) any unreimbursed Drawings not converted into Loans (ii) any unreimbursed Standby L/C Drawing and (iii) any outstanding Loans. The Participation Fee shall accrue from August 26, 2002 to the Termination Date and shall be payable in arrears on the 26th day in each of November, February, May and August and on the Termination Date commencing on November 26, 2002, provided that if any day or the Termination Date is not a Business Day, then the Participation Fee shall be payable on the next preceding Business Day.

(b) Letter of Credit Fees. The Issuer will pay to the Issuing Bank Letter of Credit administration fees (the "Letter of Credit Fees") in the amounts and at the times agreed to by the Issuing Bank and the Issuer in a separate fee letter among the Administrative Agent and the Issuer, dated August 26, 2002 (the "Fee Letter").

(c) Standby L/C Fees. The Issuer will pay to the Issuing Bank Standby L/C administration fees (the "Standby L/C Fees") in the amounts and at the times agreed to by the Issuing Bank and the Issuer in the Fee Letter.

(d) Agency Fees. The Issuer will pay to the Administrative Agent, for the sole account of the Administrative Agent, an agency fee (the "Agency Fees") in the amount and at the times agreed to by the Administrative Agent and the Issuer in the Fee Letter.

(e) Arrangement Fees. The Issuer will pay to the Arrangers, for the sole account of the Arrangers, the arrangement fees (the "Arrangement Fees") and other fees in the amounts and at the times agreed to by the Arrangers and the Issuer in the Fee Letter.

(f) Depositary Fees. The Issuer will pay to the Depositary, for the sole account of the Depositary, a depositary fee (the "Depositary Fees") in the amount and at the times agreed to by the Depositary and the Issuer in a separate fee letter (the "Depositary Fee Letter").

(g) Up-Front Fee. The Issuer will pay to the Administrative Agent, for the account of the Lenders, an up-front fee (the "Up-front Fee") payable on the Effective Date in accordance with the Summary of Terms and Conditions agreed to by the Issuer and the Arrangers on June 25, 2002.

5.04 Computation of Fees. All fees calculated on a per annum basis shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed.

5.05 Taxes.

(a) Any and all payments by the Issuer or the Guarantor, as the case may be, to any Lender, the Issuing Bank or the Administrative Agent under this Agreement and the other Transaction Documents shall be made free and clear of, and without deduction or withholding for or on account of, any Taxes. In addition, the Issuer shall promptly pay all Other Taxes.

(b) The Issuer and the Guarantors agree to indemnify and hold harmless each Lender, the Issuing Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.05) paid by or assessed against any Lender, the Issuing Bank or the Administrative Agent in respect of any sum payable hereunder and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted unless such penalties, interest or addition to tax are incurred solely as a result of any gross negligence or willful misconduct of such Lender, Issuing Bank or Administrative Agent, as the case may be. Payment under this indemnification shall be made within 30 days after the date any Lender, the Issuing Bank or the Administrative Agent makes written demand therefor.

(c) If the Issuer or the Guarantors, as the case may be, shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender, the Issuing Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 5.05), such Lender, the Issuing Bank or the Administrative Agent receives an amount equal to the sum it would have received had no such deductions or withholdings been made; provided, that, the Issuer shall not be required to increase any amounts payable to such Lender or Issuing Bank to the extent such amounts would be in excess of amounts that would have been payable to such Lender or Issuing Bank had such Lender, Issuing Bank or Administrative Agent complied with the requirements of paragraph (f) of this section;

(ii) the Issuer or the Guarantors, as the case may be, shall

make such deductions and withholdings; and

(iii) the Issuer or the Guarantors, as the case may be, shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law.

(d) Within 30 days after the date of any payment by the Issuer or the Guarantors, as the case may be, of Taxes or Other Taxes, the Issuer or the Guarantors, as the case may be, shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof or other evidence of payment satisfactory to the Administrative Agent.

(e) If the Issuer or the Guarantors, as the case may be, is required to pay additional amounts to any Lender or the Issuing Bank pursuant to paragraph (c) of this Section 5.05, then such Lender or the Issuing Bank, as the case may be, shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office or issuing office, as the case may be, so as to eliminate the obligation of the Issuer or the Guarantor, as the case may be, to pay any such additional amounts which may thereafter accrue or to indemnify such Lender or the Issuing Bank in the future, if such change in the reasonable judgment of such Lender or the Issuing Bank is not otherwise disadvantageous to such Lender or the Issuing Bank.

(f) The Issuing Bank and each Lender shall, from time to time at the request of the Issuer or the Administrative Agent, promptly furnish to the Issuer and the Administrative Agent, such forms, documents or other information (which shall be accurate and complete) as may be reasonably required to establish any available exemption from, or reduction in the amount of, otherwise applicable Taxes; provided, however, that neither the Issuing Bank nor any Lender shall be obliged to disclose information regarding its tax affairs or computations to the Issuer in connection with this paragraph (f). Each of the Issuer and the Administrative Agent shall be entitled to rely upon the accuracy of any such forms, documents or other information furnished to it by any Person and shall have no obligation to make any additional payment or indemnify any Person for any Taxes, interest or penalties that would not have become payable by such Person had such documentation been accurate.

(g) If the Issuing Bank, the Administrative Agent or any Lender receives a refund or credit in respect of Taxes or Other Taxes as to which it has been indemnified by the Issuer or a Guarantor, as the case may be, pursuant to Section 5.05(b) and such refund or credit is directly and clearly attributable to this Agreement, it shall notify the Issuer or such Guarantor, as the case may be, of the amount of such refund or credit and shall return to the Issuer or such Guarantor, as the case may be, such refund or the benefit of such credit; provided, however, that (A) the Issuing Bank, the Administrative Agent or such Lender, as the case may be, shall not be obligated to make any effort to obtain such refund or credit or to provide the Issuer or the Guarantors with any information on or justification for the arrangement of its tax affairs or otherwise disclose to the Issuer, the Guarantors or any other Person any information that it considers to be proprietary or confidential, and (B) the Issuer or such Guarantor, as the case may be, upon the request of the Issuing Bank, the Administrative Agent or such Lender, as the case may be, shall return the amount of such refund or the benefit of such credit to the Issuing Bank, the

Administrative Agent or such Lender, as the case may be, if the Issuing Bank, the Administrative Agent or such Lender, as the case may be, is required to repay the amount of such refund or the benefit of such credit to the relevant authorities within six years of the date the Issuer or such Guarantor, as the case may be, is paid such amount by the Issuing Bank, the Administrative Agent or such Lender, as the case may be.

(a) All payments to be made by the Issuer or the Guarantors, as the case may be, shall be made without set-off, counterclaim or other defense. Except as otherwise expressly provided herein and in the Depositary Agreement, all payments by the Issuer shall be made to the Administrative Agent for the account of the Lenders or the Issuing Bank, as the case may be, at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 3:30 p.m. (New York City time) (but not earlier than 11:30 a.m. (New York City time)) in respect of any Drawing under the Letter of Credit or any Standby L/C Drawing under a Standby L/C, on the dates specified herein but in no event prior to the payment by the Issuing Bank of such Drawing or Standby L/C Drawing, as the case may be, to be reimbursed. The Administrative Agent will promptly distribute to the Issuing Bank or to each Lender its Participation Percentage (or other applicable share as expressly provided herein) of each payment in like funds as received. Any payment received by the Administrative Agent later than 3:30 p.m. (New York City time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(b) Except and to the extent otherwise specifically provided herein, whenever any payment to be made hereunder is due on a day which is not a Business Day, the date for payment thereof shall be extended to the immediately following Business Day and, if interest is stated to be payable in respect thereof, interest shall continue to accrue to such immediately following Business Day.

(c) Unless the Administrative Agent shall have received notice from the Issuer prior to the date on which any payment is due to the Issuing Bank or the Lenders hereunder that the Issuer will not make such payment in full, the Administrative Agent may assume that the Issuer has made such payment in full to the Administrative Agent on such date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, cause to be distributed to the Issuing Bank or each Lender, as the case may be, on such due date an amount equal to the amount then due the Issuing Bank or such Lender. If and to the extent that the Issuer shall not have made such payment, the Issuing Bank or each Lender, as the case may be, shall repay to the Administrative Agent forthwith on demand such amount distributed to the Issuing Bank or such Lender together with accrued interest thereon, for each day from the date such amount is distributed to the Issuing Bank or such Lender until the date the Issuing Bank or such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate; provided, however, that if any amount remains unpaid by the Issuing Bank or any Lender for more than five Business Days after the Administrative Agent has made a demand for such amount, the Issuing Bank or such Lender shall,

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commencing on the day next following such fifth Business Day, pay interest to the Administrative Agent at a rate per annum equal to the Federal Funds Rate plus 1%, and, provided further, that if any such amount remains unpaid by the Issuing Bank or any Lender for more than ten Business Days, the Issuing Bank or such Lender shall, commencing on the day next following such tenth Business Day, pay interest to the Administrative Agent at a rate per annum equal to the Federal Funds Rate plus 2%.

5.07 Funding Losses. If the Issuer makes any payment of principal with respect to any Eurodollar Loan on any day other than the last day of the Interest Period applicable thereto (including a prepayment pursuant to Section 3.09, 3.10 or 12.02), or if the Issuer fails to borrow any Eurodollar Loans after notice has been given to any Lender in accordance with Section 3.02 or to convert or continue a Loan as a Eurodollar Loan after a Notice of Continuation/Conversion has been delivered by the Issuer pursuant to Section 3.05, or if the Issuer fails to prepay any Eurodollar Loans after notice has been given pursuant to Section 3.09, the Issuer shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it, including any loss incurred in obtaining, liquidating or

reemploying deposits bearing interest by reference to LIBOR from third parties, provided such Lender shall have delivered to the Issuer a certificate setting forth in reasonable detail the computations for the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

5.08 Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Administrative Agent determines that by reason of circumstances affecting the London interbank market, adequate means do not exist for ascertaining LIBOR applicable to such Interest Period or that deposits in Dollars (in the applicable amounts) are not being offered in the London interbank market for such Interest Period, or

(b) the Required Lenders advise the Administrative Agent that LIBOR as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Loans for such Interest Period, the Administrative Agent shall forthwith give notice thereof to the Issuer and the Lenders. Thereafter, for so long as paragraph (a) or paragraph (b) above applies, all Loans hereunder shall be made or continued as Base Rate Loans.

5.09 Illegality. If any Requirement of Law or any change therein or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Loans as contemplated by this Agreement, (a) the obligation of such Lender hereunder to make Loans shall forthwith be cancelled to the extent required by law and (b) all outstanding Loans, if any, shall (i) if so required by law be repaid or (ii) in the case of Eurodollar Loans, if so permitted by law, at the option of the Issuer either (A) be repaid or (B) be converted to Base Rate Loans, in each case, on the last day of the Interest Period therefor. If any such repayment or conversion of a Eurodollar Loan is made on a day which is not the last day of the Interest Period therefor, the Issuer shall pay to such Lender such amounts, if any, as may be required pursuant to Section 5.07.

5.10 Increased Costs; Capital Adequacy.

(a) If the Issuing Bank or any Lender determines that due to either (x) the introduction of any Requirement of Law, including any Capital Adequacy Regulation, or any change in any Requirement of Law or in the interpretation thereof (including those relating to

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reserves, special deposits, the basis of taxation, capital adequacy or Eurocurrency Liabilities or any other form of banking or monetary requirements or controls) or (y) compliance therewith by the Issuing Bank or any Lender:

(i) the cost to the Issuing Bank or such Lender of maintaining its Commitment or maintaining the Letter of Credit or maintaining the Standby L/Cs or making or maintaining its Loans or its participation in the Letter of Credit Facility or Standby L/C Facility is increased;

(ii) the Issuing Bank or such Lender incurs a cost or suffers a reduction in yield (including the cost of, or reduction in yield arising from, complying with such taxation, reserve, special deposit, cash ratio, liquidity, capital adequacy, Eurocurrency Liabilities or other requirement or control as aforesaid) as a result of its having agreed to issue the Letter of Credit, to participate in the Letter of Credit Facility, to issue the Standby L/Cs or to participate in the Standby L/C Facility or to give effect to its obligations contemplated hereunder; or

(iii) the Issuing Bank or such Lender makes any additional

payment or suffers a reduction in yield or forgoes any interest or other return on or calculated by reference to any amount received or receivable by it hereunder or calculated by reference to the amount of its Loans, its issuance of the Letter of Credit or its participation in the Letter of Credit Facility, its issuance of Standby L/Cs, or participation in the Standby L/C Facility or its Commitment;

then and in each such case:

(A) the Issuing Bank or such Lender (an "Affected Lender") shall notify the Issuer through the Administrative Agent in writing of such event promptly upon its becoming aware of the event entitling it to make a claim; provided, however, that the failure to give such notice shall not affect the rights of any Affected Lender under this Section 5.10(a); and

(B) upon demand from time to time by such Affected Lender through the Administrative Agent, the Issuer shall pay to the Administrative Agent for the account of such Affected Lender such amount as shall compensate such Affected Lender for such increased cost, reduction in yield, or shortfall in return, additional payment or forgone interest or other return. The certificate of such Affected Lender specifying the amount of such compensation shall be conclusive except in the case of manifest error.

(b) The Issuing Bank and each Lender agree that, upon the occurrence of any event giving rise to the operation of paragraph (a) above as to it, it will, if so requested by the Issuer, use its commercially reasonable efforts to avoid or minimize the consequences of such event; provided, however, that such action shall not, in the judgment of the Issuing Bank or such Lender, as the case may be, be illegal or economically or otherwise disadvantageous to it.

(c) It is understood that paragraph (a) above does not apply to the introduction of or any increase in the income or franchise taxes of the Issuing Bank or any Lender levied by any jurisdiction (or political subdivision or taxing authority thereof) under the laws of which the

Issuing Bank or any Lender is organized or in which a Lending Office or the principal place of business of the Issuing Bank or such Lender is located.

5.11 Substitute Lenders. If any Lender has demanded compensation pursuant to Section 5.05(c) or to Section 5.10(a), and such Lender does not waive its right to future additional compensation pursuant to Section 5.05(c) or Section 5.10(a), the Issuer shall have the right (a) to replace such Lender with a Substitute Lender or Substitute Lenders that shall succeed to the rights of such Lender under this Agreement upon execution of an Assignment and Assumption Agreement and payment by the Issuer of the related processing fee of U.S.\$3,500 to the Administrative Agent and a fee of U.S.\$1,500 payable directly to the Issuing Bank; or (b) to remove such Lender, reduce the Commitments by the amount of the Commitment of such Lender, adjust the Participation Percentage of each Lender in the manner set forth in Section 2.06 and, by requesting the Issuing Bank to submit a Notice of Reduction of Stated Amount to cause the Stated Amount of the Letter of Credit to be reduced by an amount equal to the Commitment of such Lender; provided, however, that such Lender shall not be replaced or removed hereunder until such Lender has been repaid in full all amounts owed to it pursuant to this Agreement and the other Transaction Documents (including Section 5.05(c) and Section 5.10(a)) unless any such amount is being contested by the Issuer in good faith and; provided, further, however, that no such reduction shall be permitted if after giving effect thereto, the sum of the aggregate Face Amount of Commercial Paper Notes Outstanding, any unreimbursed Drawings, the Standby L/C Exposure and any Loans then outstanding would exceed the Commitments as so reduced or

the Commitments as so reduced would aggregate less than U.S.\$100,000,000.

5.12 Sharing of Payments, Etc.

(a) If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Obligations owing to it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Participation Percentage of payments on account of the Obligations obtained by all the Lenders (an "excess payment"), such Lender shall forthwith (i) notify the Administrative Agent of such fact, and (ii) purchase from the other Lenders such participations in such Obligations owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's Participation Percentage (according to the proportion of (A) the amount of such paying Lender's required repayment to (B) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of demonstrable error) of participations purchased pursuant to this Section 5.12 and will in each case notify the Lenders following any such purchases.

(b) If any Lender shall commence any action or proceeding in any court to enforce its rights hereunder after consultation with the other Lenders and, as a result thereof or in connection therewith, it shall receive any excess payment, then such Lender shall not be required

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to share any portion of such excess payment with any Lender which has the legal right to, but does not, join in any such action or proceeding or commence and diligently prosecute a separate action or proceeding to enforce its rights in another court.

(c) The Issuer agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 5.12 may exercise all its rights of set-off with respect to such participation as fully as if such Lender were the direct creditor of the Issuer in the amount of such participation.

ARTICLE VI

CONDITIONS PRECEDENT

6.01 Conditions to Effectiveness. The obligation of the Issuing Bank to issue the Letter of Credit is subject to the satisfaction or waiver of the following conditions precedent (the date on which all such conditions precedent are satisfied or waived being the "Effective Date"):

(a) Agreement. The Administrative Agent shall have received counterparts of this Agreement duly executed by each party hereto.

(b) Notes. All the Notes shall have been duly executed and delivered by the Issuer to the Administrative Agent.

(c) Depositary Agreement and Dealer Agreements. The Administrative Agent shall have received (i) counterparts of the Depositary Agreement duly executed by each party thereto together with evidence from the Depositary that the Commercial Paper Account and the Letter of Credit Account have been established at the office of the Depositary and copies of all documents to be delivered pursuant to the Depositary Agreement, (ii) copies of each Dealer Agreement duly executed by the parties thereto and (iii) evidence reasonably satisfactory to it that each Dealer has approved the Offering

Statement to be used in connection with the issuance and sale of the Commercial Paper Notes.

(d) Opinions of Issuer's and each Guarantor's Counsel. The Administrative Agent shall have received (i) the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, New York counsel to the Issuer and the Guarantors, in substantially the form of Exhibit G, (ii) the opinion of Lic. Ramiro G. Villareal Morales, Mexican counsel to the Issuer, in substantially the form of Exhibit H and (iii) a favorable opinion of Skadden, Arps, Slate, Meagher & Flom LLP, New York counsel to the Issuer and the Guarantors, as to certain securities laws issues as the Dealers may request and bankruptcy law issues as the Rating Agencies may request.

(e) Opinion of Counsel to the Administrative Agent. The Administrative Agent shall have received a favorable opinion of Basham, Ringe y Correa, special Mexican counsel to the Administrative Agent.

(f) Opinion of Counsel to the Issuing Bank. The Administrative Agent shall have received (i) the opinion of Lovells, English counsel to the Issuing Bank, and (ii) the opinion of

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Hughes Hubbard & Reed LLP, New York counsel to the Issuing Bank, each as to the enforceability of the Letter of Credit.

(g) Opinions of Counsel to the Depositary. The Administrative Agent shall have received the opinion of Emmet, Marvin & Martin, LLP, counsel to the Depositary, as to the due authorization and delivery of the Depositary Agreement and the validity and enforceability of the Depositary Agreement against the Depositary.

(h) Governmental Approvals. The Administrative Agent shall have received certified copies of all necessary approvals, authorizations, or consents of, or notices to, or registrations with, any Governmental Authority required for the Issuer and each Guarantor to enter into, or perform its obligations under, the Transaction Documents, including the approval of the Mexican National Banking and Securities Commission (Comision Nacional Bancaria y de Valores) for the registration of the Commercial Paper Notes with the Special Section of the National Registry of Securities and Intermediaries (Registro Nacional de Valores e Intermediarios).

(i) Organizational Documents of the Issuer and the Guarantors. The Administrative Agent shall have received certified copies of (i) the acta constitutiva and estatutos sociales in effect on the Effective Date of the Issuer and each Guarantor, (ii) the powers-of-attorney of each Person executing any Transaction Document on behalf of the Issuer and each Guarantor, together with specimen signatures of such Person and (iii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the authorization for the execution, delivery and performance of each such Transaction Document and the transactions contemplated hereby and thereby. All certificates shall state that the resolutions or other information referred to in such certificates have not been amended, modified, revoked or rescinded as of the date of such certificates (which shall not be earlier than five Business Days before the Effective Date).

(j) Agent for Service of Process. The Administrative Agent shall have received a power of attorney, notarized under Mexican law, granted by the Issuer and each Guarantor to the Process Agent in respect of the Transaction Documents together with evidence that the Process Agent has accepted its appointment as Process Agent pursuant to Section 16.12.

(k) Ratings. The Administrative Agent shall have received copies of letters, addressed to the Issuer and delivered by the Issuer to each Dealer, from Moody's and S&P confirming that upon the issuance of the Letter of Credit the Commercial Paper Notes will be rated at least P-1 by Moody's and

A-1 by S&P or similarly rated by another nationally recognized rating agency mutually acceptable to the Issuer and the Arrangers.

(l) Fees and Expenses. The Issuer shall have paid (i) to the Administrative Agent, the Agency Fees and the Up-Front Fee due on the Effective Date, (ii) to the Arrangers the fees specified in the Fee Letter due on the Effective Date, (iii) to the Issuing Bank the Letter of Credit Fees due on the Effective Date, (iv) to the Depositary, the fees specified in the Depositary Fee Letter due on the Effective Date, and (v) all other reasonable fees and amounts payable by the Issuer hereunder pursuant to Section 16.04 on or prior to the Effective Date and as otherwise agreed.

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(m) No Default. No Default or Event of Default shall have occurred and be continuing as of the Effective Date and the Issuer and each Guarantor shall have provided a certificate from a Responsible Officer of the Issuer to such effect to the Administrative Agent.

(n) Representations and Warranties. The representations and warranties of the Issuer and of each Guarantor contained in this Agreement and each other Transaction Document shall be true on and as of the Effective Date and the Issuer and each Guarantor shall have provided a certificate to such effect to the Administrative Agent.

(o) No Material Adverse Effect. No Material Adverse Effect shall have occurred since December 31, 2001 and there shall have occurred no circumstance and/or event of a financial, political or economic nature in Mexico which has a reasonable likelihood of having a material adverse effect on the ability of the Issuer or the Guarantors to perform their obligations under this Agreement and the other Transaction Documents.

(p) Other Documents. The Administrative Agent shall have received such other certificates, powers of attorney and other documents and undertakings relating to the authority for, and the execution, delivery and validity of, the Transaction Documents, as may be reasonably requested by the Administrative Agent or the Issuing Bank or any Lender through the Administrative Agent.

6.02 Conditions Precedent to the Issuance of Commercial Paper Notes. Each issuance of Commercial Paper Notes is subject to the satisfaction of the following conditions precedent on the date of issuance:

(a) other than in connection with the first issuance of Commercial Paper Notes on the Effective Date, the Issuer shall have deposited or caused to be deposited in the Commercial Paper Account an amount equal to the Issuer Deposit Amount for such date;

(b) immediately after giving effect to such issuance, the aggregate Face Amount of all Commercial Paper Notes issued and Outstanding shall not be greater than the Stated Amount of the Letter of Credit;

(c) immediately after giving effect to such issuance, the aggregate Face Amount of all Commercial Paper Notes Outstanding shall not exceed an amount equal to (i) the amount of the Commitments at such time less (ii) the sum of (A) the aggregate principal amount of all outstanding Loans, (B) the aggregate amount of all unreimbursed Drawings not converted into Loans and (C) the Standby L/C Exposure;

(d) immediately before and after such issuance, no Default or Event of Default shall have occurred and be continuing;

(e) (i) no Notice of Termination or Notice of Default shall have been delivered by the Issuing Bank, (ii) no Notice of Acceleration shall have been delivered by the Administrative Agent and (iii) no instruction to cease issuing Commercial Paper Notes shall have been delivered to the Depositary by the Administrative Agent, the Issuer or the Issuing Bank pursuant to Section

2.07 or 12.02(e) or as provided in the Depositary Agreement;

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(f) no writ, order, judgment, warrant of attachment, execution or similar process or stay or legal restraint shall have been imposed on the Commercial Paper Account or the Letter of Credit Account or on the proceeds of the Commercial Paper Notes;

(g) the Commercial Paper Notes shall be rated at least P-2 by Moody's and A-2 by S & P;

(h) no Non-Default Disruption Event shall have occurred and be continuing; and

(i) each of the representations and warranties made by the Issuer in or pursuant to the Transaction Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.

6.03 Conditions Precedent to Borrowings, Continuation or Conversion of the Loans and Issuances of Standby L/Cs. The obligation of any Lender to make a Loan on the occasion of any Borrowing or to continue or convert any Loan or for the Issuing Bank to issue a Standby L/C is subject to the satisfaction of the following conditions:

(a) in the case of Borrowings, continuance or conversion of Loans, the Administrative Agent shall have received a Notice of Borrowing or a Notice of Continuation/Conversion as required by Section 3.02 or 3.05 respectively and, in the case of issuances of Standby L/Cs, the Issuing Bank shall have received the notice and all other documents, instruments and agreements referred to in Section 4.01(b);

(b) in the case of Borrowings continuance or conversion of Loans, (i) the Issuer shall have certified to the Administrative Agent no later than 11:00 a.m. (New York City time) on the date of such Borrowing or continuation or conversion of any Loan that a CP Disruption Event has occurred and is continuing or that the CP Disruption Event which existed on the Non-Default Disruption Date is continuing to exist or (ii) the Issuing Bank shall have confirmed to the Administrative Agent that a Downgrading Event or an Illegality Event, as the case may be, has occurred and is continuing or that the Downgrading Event or the Illegality Event, as the case may be, which existed on the Non-Default Disruption Date is continuing to exist;

(c) immediately after such Borrowing (after giving effect to the payment of any unreimbursed Drawing with the proceeds of such Borrowing), the continuation or conversion of any Loan or the issuance of the Standby L/C, as the case may be, the Total Outstandings of any Lender shall not exceed the Commitment of such Lender;

(d) in the case of Borrowings of Loans pursuant to Section 3.01(a), the amount of such Borrowing shall not exceed the amount of the payment under the Letter of Credit in respect of a Drawing being reimbursed with the proceeds of such Borrowing;

(e) in the case of issuances of Standby L/Cs, the stated amount of the Standby L/C subject of such issuance shall not exceed the Available Standby Sublimit.

(f) immediately before and after such Borrowing or the continuation or conversion of any Borrowing or the issuance of such Standby L/C, no Default or Event of Default shall have

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occurred and be continuing and such Borrowing or continuation or conversion of

any Loan or issuance of a Standby L/C thereof will not cause or result in a Default or Event of Default; and

(g) the representations and warranties of the Issuer contained in this Agreement and in each other Transaction Document and of each Guarantor contained in this Agreement shall be true and correct in all material respects on and as of the date of any Borrowing, continuation or conversion of any Loan or issuance of a Standby L/C thereof.

(h) in the case of issuances of Standby L/Cs the Issuer shall have paid to the Issuing Bank all of the Standby L/C Fees due and payable on or before the issuance of such Standby L/C.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants that:

7.01 Corporate Existence and Power.

(a) The Issuer is a corporation (sociedad anonima de capital variable) duly incorporated, validly existing and in good standing under the laws of Mexico and has all requisite corporate power and authority (including all governmental licenses, permits and other approvals except for such licenses, permits and approvals the absence of which will not have a Material Adverse Effect) to own its assets and carry on its business as now conducted and as proposed to be conducted.

(b) All of the outstanding stock of the Issuer has been validly issued and is fully paid and non-assessable.

7.02 Power and Authority; Enforceable Obligations.

(a) The execution, delivery and performance by the Issuer of each Transaction Document to which it is or will be a party, and the consummation of the transactions contemplated hereby and thereby, are within the Issuer's corporate powers and have been duly authorized by all necessary corporate action pursuant to the estatutos sociales of the Issuer.

(b) This Agreement and the other Transaction Documents to which the Issuer is a party have been duly executed and delivered by the Issuer and constitute, and each Commercial Paper Note, when executed by the Issuer, countersigned by the Depositary as provided in the Depositary Agreement, and delivered, will constitute, legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, except as enforceability may be limited by applicable concurso mercantil, bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equity principles.

7.03 Compliance with Law and Other Instruments. The execution, delivery and performance of this Agreement and any of the other Transaction Documents to which the Issuer is a party and the consummation of the transactions herein or therein contemplated, and

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compliance with the terms and provisions hereof and thereof, do not and will not (a) conflict with, or result in a breach or violation of, or constitute a default under, or result in the creation or imposition of any Lien upon the assets of the Issuer pursuant to, any Contractual Obligation of the Issuer or (b) result in any violation of the estatutos sociales of the Issuer or any provision of any Requirement of Law applicable to the Issuer.

7.04 Governmental Approvals. No order, permission, consent, approval, license, authorization, registration or validation of, or

notice to or filing with, or exemption by, any Governmental Authority is required to authorize, or is required in connection with, the execution, delivery and performance by the Issuer of this Agreement and the other Transaction Documents to which the Issuer is a party or the taking of any action contemplated hereby or by any other Transaction Document except for the registration of the Commercial Paper Notes with the Special Section of the Registro Nacional de Valores e Intermediarios of the Comision Nacional Bancaria y de Valores, in respect of which an authorization has been obtained and is in full force and effect.

7.05 Financial Information.

(a) The consolidated balance sheet of the Issuer and its Subsidiaries as at December 31, 2001, and the related consolidated statements of income and cash flows of the Issuer and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of KPMG Cardenas Dosal, S.C., independent public accountants, and the consolidated balance sheet of the Issuer and its Subsidiaries as at June 30, 2002, and the related consolidated statements of income and cash flows of the Issuer and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Issuer, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at June 30, 2002, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the consolidated financial condition of the Issuer and its Subsidiaries as at such dates and the consolidated results of the operations of the Issuer and its Subsidiaries for the periods ended on such dates, all in accordance with Mexican GAAP, consistently applied.

(b) Since December 31, 2001 there has been no development or event which has had or is reasonably likely to have a Material Adverse Effect.

7.06 Litigation. Except as set forth in Schedule 7.06, there is no pending or threatened action, suit, investigation, litigation or proceeding, including any Environmental Action, affecting the Issuer or any of its Subsidiaries before any court, Governmental Authority or arbitrator that (a) would be reasonably likely to have a Material Adverse Effect or (b) purports to affect the legality, validity or enforceability of any Transaction Document or the consummation of the transactions contemplated thereby, and there has been no adverse change in the status, or financial effect on the Issuer or any of its Subsidiaries, of the litigation described in Schedule 7.06.

7.07 No Immunity. The Issuer is subject to civil and commercial law with respect to its obligations under this Agreement and each other Transaction Document to which it is a party and the execution, delivery and performance of this Agreement or any such other Transaction Document by the Issuer constitute private and commercial acts rather than public or

governmental acts. Under the laws of Mexico neither the Issuer nor any of its property has any immunity from jurisdiction of any court or any legal process (whether through service or notice, attachment prior to judgment or attachment in aid of execution).

7.08 Investment Company Act. The Issuer is not, and is not controlled by, an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

7.09 Direct Obligations; Pari Passu; Liens.

(a) (i) This Agreement constitutes a direct, unconditional unsubordinated and unsecured obligation of the Issuer, and (ii) the Notes and the Commercial Paper Notes, when issued and delivered, will constitute direct, unconditional unsubordinated and unsecured obligations of the Issuer.

(b) The obligations of the Issuer under this Agreement and the Notes rank and will rank in priority of payment at least pari passu with all other senior unsecured Debt of the Issuer.

(c) There are no Liens on the property of the Issuer or any of its Subsidiaries other than Permitted Liens.

7.10 Subsidiaries. All Material Subsidiaries of the Issuer are listed on Schedule 7.10.

7.11 Ownership of Property. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, each of the Issuer and its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other property, and none of such property is subject to any Lien except Permitted Liens.

7.12 No Recordation Necessary.

(a) This Agreement and the Notes are in proper legal form under the law of Mexico for the enforcement thereof against the Issuer under the law of Mexico. Except for the registration referred to in Section 7.04, to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement and each other Transaction Document in Mexico, it is not necessary that this Agreement or any other Transaction Document be filed or recorded with any Governmental Authority in Mexico or that any stamp or similar tax be paid on or in respect of this Agreement or any other document to be furnished under this Agreement; provided, however, that in the event any legal proceedings are brought in the courts of Mexico, an official Spanish translation of the documents required in such proceedings, including this Agreement, would have to be approved by the court after the defendant is given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter be based upon the translated documents.

(b) It is not necessary (i) in order for the Administrative Agent, the Issuing Bank or any Lender to enforce any rights or remedies under the Transaction Documents or (ii) solely by reason of the execution, delivery and performance of this Agreement by the Administrative

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Agent, the Issuing Bank or any Lender, that the Administrative Agent, the Issuing Bank or such Lender be licensed or qualified with any Mexican Governmental Authority or be entitled to carry on business in Mexico.

7.13 Taxes.

(a) Each Obligor has filed all material tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Issuer, except where the same may be contested in good faith by appropriate proceedings and as to which such Obligor maintains reserves to the extent it is required to do so by law or pursuant to Mexican GAAP. The charges, accruals and reserves on the books of each Obligor in respect of taxes or other governmental charges are, in the opinion of the Issuer, adequate.

(b) Except for tax imposed by way of withholding on interest, fees and commissions remitted from Mexico, there is no tax (other than taxes on, or measured by, income or profits), levy, impost, deduction, charge or withholding imposed, levied, charged, assessed or made by or in Mexico or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of this Agreement or any of the other Transaction Documents or (ii) on any payment to be made by the Issuer pursuant to this Agreement or any of the other Transaction Documents. The Issuer is permitted to pay any additional amounts payable pursuant to Section 5.05.

7.14 Compliance with Laws. The Issuer and its Subsidiaries are in compliance in all material respects with all applicable Requirements of Law (including with respect to the licenses, certificates, permits, franchises, and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, antitrust laws or Environmental Laws and the rules and regulations and laws with respect to social security, workers' housing funds, and pension funds obligations), except where the failure to so comply would not have a Material Adverse Effect.

7.15 Absence of Default. No Default or Event of Default has occurred and is continuing.

7.16 Full Disclosure. All information heretofore furnished by the Issuer to the Administrative Agent, the Arrangers, the Issuing Bank or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Issuer to the Administrative Agent, the Arrangers, the Issuing Bank or any Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Issuer has disclosed to the Lenders in writing any and all facts which may have a Material Adverse Effect.

7.17 Choice of Law; Submission to Jurisdiction and Waiver of Sovereign Immunity. In any action or proceeding involving the Issuer arising out of or relating to this Agreement in any Mexican court or tribunal, a Lender, the Issuing Bank, the Arrangers and the Administrative Agent would be entitled to the recognition and effectiveness of the choice of law, submission to jurisdiction and waiver of sovereign immunity provisions of Sections 16.10, 16.11 and 16.13.

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ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS

Each of the Guarantors separately represents and warrants that:

8.01 Corporate Existence and Power.

(a) Such Guarantor is a corporation (sociedad anonima de capital variable) duly incorporated, validly existing and in good standing under the laws of Mexico and has all requisite corporate power and authority (including all governmental licenses, permits and other approvals except for such licenses, permits and approvals the absence of which will not have a Material Adverse Effect) to own its assets and carry on its business as now conducted and as proposed to be conducted.

(b) All of the outstanding stock of such Guarantor has been validly issued and is fully paid and non-accessible.

8.02 Power and Authority; Enforceable Obligations.

(a) The execution, delivery and performance by such Guarantor of each Transaction Document to which it is or will be a party, and the consummation of the transactions contemplated hereby and thereby, are within such Guarantor's corporate powers and have been duly authorized by all necessary corporate action pursuant to the estatutos sociales of such Guarantor.

(b) This Agreement and the other Transaction Documents to which such Guarantor is a party have been duly executed and delivered by such Guarantor and constitute legal, valid and binding obligations of such Guarantor enforceable in accordance with their respective terms, except as

enforceability may be limited by applicable concurso mercantil, bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equity principals.

8.03 Compliance with Law and Other Instruments. The execution, delivery and performance of this Agreement and any of the other Transaction Documents to which such Guarantor is a party and the consummation of the transactions herein or therein contemplated, and compliance with the terms and provisions hereof and thereof, do not and will not (a) conflict with, or result in a breach or violation of, or constitute a default under, or result in the creation or imposition of any Lien upon the assets of such Guarantor pursuant to, any Contractual Obligation of such Guarantor or (b) result in any violation of the estatutos sociales of such Guarantor or any provision of any Requirement of Law applicable to such Guarantor.

8.04 Governmental Approvals. No order, permission, consent, approval, license, authorization, registration or validation of, or notice to or filing with, or exemption by, any Governmental Authority is required to authorize, or is required in connection with, the execution, delivery and performance by such Guarantor of this Agreement and the other Transaction Documents to which such Guarantor is a party or the taking of any action contemplated hereby or by any other Transaction Document except for the registration of the Commercial Paper Notes with the Special Section of the Registro Nacional de Valores e

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Intermediarios of the Comision Nacional Bancaria y de Valores, in respect of which an authorization has been obtained and is in full force and effect.

8.05 No Immunity. Such Guarantor is subject to civil and commercial law with respect to its obligations under this Agreement and each other Transaction Document to which it is a party and the execution, delivery and performance of this Agreement or any such other Transaction Document by such Guarantor constitute private and commercial acts rather than public or governmental acts. Under the laws of Mexico neither such Guarantor nor any of its property has any immunity from jurisdiction of any court or any legal process (whether through service or notice, attachment prior to judgment or attachment in aid of execution).

8.06 Direct Obligations; Pari Passu; Liens.

(a) This Agreement constitutes a direct, unconditional unsubordinated and unsecured obligation of such Guarantor.

(b) The obligations of such Guarantor under this Agreement rank and will rank in priority of payment at least pari passu with all other senior unsecured Debt of such Guarantor.

8.07 No Recordation Necessary. This Agreement is in proper legal form under the law of Mexico for the enforcement thereof against such Guarantor under the law of Mexico. Except for the registration referred to in Section 8.04, to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement and each other Transaction Document in Mexico, it is not necessary that this Agreement or any other Transaction Document be filed or recorded with any Governmental Authority in Mexico or that any stamp or similar tax be paid on or in respect of this Agreement or any other document to be furnished under this Agreement; provided, however, that in the event any legal proceedings are brought in the courts of Mexico, an official Spanish translation of the documents required in such proceedings, including this Agreement, would have to be approved by the court after the defendant is given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter be based upon the translated documents.

8.08 Choice of Law; Submission to Jurisdiction and

Waiver of Sovereign Immunity. In any action or proceeding involving such Guarantor arising out of or relating to this Agreement in any Mexican court or tribunal, a Lender, the Issuing Bank, the Arrangers and the Administrative Agent would be entitled to the recognition and effectiveness of the choice of law, submission to jurisdiction and waiver of sovereign immunity provisions of Sections 16.10, 16.11 and 16.13.

ARTICLE IX

AFFIRMATIVE COVENANTS

The Issuer covenants and agrees that for so long as any Obligation under this Agreement or any other Transaction Document remains unpaid, the Letter of Credit remains outstanding, any Standby L/Cs remain outstanding or any Lender has any Commitment hereunder:

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9.01 Financial Reports and Other Information. The Issuer will deliver to the Administrative Agent (with a copy for each Lender):

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Issuer, a copy of the annual audit report for such year for the Issuer and its Subsidiaries containing consolidated and consolidating balance sheets of the Issuer and its Subsidiaries, as of the end of such fiscal year and consolidated statements of income and cash flows of the Issuer and its Subsidiaries, for such fiscal year, in each case accompanied by an opinion acceptable to the Required Lenders by KPMG Cardenas Dosal, S.C. or other independent public accountants of recognized standing acceptable to the Required Lenders, together with (i) a certificate of such accounting firm to the Lenders stating that in the course of the regular audit of the business of the Issuer and its Subsidiaries, which audit was conducted by such accounting firm in accordance with Mexican GAAP, such accounting firm has obtained no knowledge that a Default or Event of Default has occurred and is continuing, or if, in the opinion of such accounting firm a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and (ii) a certificate of a Responsible Officer of the Issuer, stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Issuer has taken and proposes to take with respect thereto; provided that in the event of any change in the Mexican GAAP used in the preparation of such financial statements, the Issuer shall also provide, for informational purposes only, a statement of reconciliation conforming such financial statements to Mexican GAAP consistent with those applied in the preparation of the financial statements referred to in Section 7.05 and provided further that all such documents will be prepared in English; and

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Issuer, consolidated balance sheets of the Issuer and its Subsidiaries, as of the end of such quarter and consolidated statements of income and cash flows of the Issuer and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by any Responsible Officer of the Issuer as having been prepared in accordance with Mexican GAAP and together with a certificate of a Responsible Officer of the Issuer, as to compliance with the terms of this Agreement and stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Issuer has taken and proposes to take with respect thereto; provided that in the event of any change in the Mexican GAAP used in the preparation of such financial statements, the Issuer shall also provide, for informational purposes only, a statement of reconciliation conforming such financial statements to Mexican GAAP consistent with those applied in the preparation of the financial statements referred to in Section 7.05 and

provided further that all such documents will be prepared in English.

9.02 Notice of Default and Litigation. The Issuer will furnish to the Administrative Agent (and the Administrative Agent will notify the Issuing Bank, each Lender, the Depository and each Dealer):

(a) as soon as practicable and in any event within five days after the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the

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chief financial officer of the Issuer setting forth details of such Default or Event of Default and the action that the Issuer has taken and proposes to take with respect thereto; and

(b) promptly after the commencement thereof, notice of all actions and proceedings before any court, Governmental Authority or arbitrator affecting the Issuer or any of its Subsidiaries of the type described in Section 7.06.

9.03 Compliance with Laws and Contractual Obligations, Etc. The Issuer will comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable Requirements of Law (including with respect to the licenses, approvals, certificates, permits, franchises, notices, registrations and other governmental authorizations necessary to the ownership of its respective properties or to the conduct of its respective business, antitrust laws or Environmental Laws and laws with respect to social security and pension funds obligations) and all material Contractual Obligations, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

9.04 Payment of Obligations. The Issuer will pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (a) all taxes, assessments and governmental charges or levies assessed, charged or imposed upon it or upon its property and (b) all lawful claims that, if unpaid, might by law become a Lien upon its property, except where the failure to make such payments or effect such discharges could not reasonably be expected to have a Material Adverse Effect; provided, however, that neither the Issuer nor any of its Subsidiaries shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

9.05 Maintenance of Insurance. The Issuer will maintain, and cause each of its Subsidiaries to maintain, insurance with reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies of established reputation engaged in similar businesses and owning similar properties in the same general areas in which the Issuer or such Subsidiary operates.

9.06 Conduct of Business and Preservation of Corporate Existence. The Issuer will continue to engage in business of the same general type as now conducted by the Issuer and will preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory), licenses, consents, permits, notices or approvals and franchises deemed material to its business; provided that neither the Issuer nor any of its Subsidiaries shall be required to maintain its corporate existence in connection with a merger or consolidation in compliance with Section 10.07; and provided, further that neither the Issuer nor any of its Subsidiaries shall be required to preserve any right or franchise if the Issuer or any such Subsidiary shall in its good faith judgment, determine that the preservation thereof is no longer in the best interests of the Issuer or such Subsidiary, as the case may be, and that the

loss thereof could not reasonably be expected to have a Material Adverse Effect.

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9.07 Books and Records. The Issuer will keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Issuer and each such Subsidiary in accordance with Mexican GAAP, consistently applied.

9.08 Maintenance of Properties, Etc. The Issuer will:

(a) maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, and

(b) maintain, preserve and protect all intellectual property and all necessary governmental and third party approvals, franchises, licenses and permits, material to the business of the Issuer or its Subsidiaries, provided neither paragraph (a) nor this paragraph (b) shall prevent the Issuer or any of its Subsidiaries from discontinuing the operation and maintenance of any of its properties or allowing to lapse certain approvals, licenses or permits which discontinuance is desirable in the conduct of its business and which discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.09 Use of Proceeds.

(a) the Issuer will use the proceeds of the Commercial Paper Notes and the proceeds of Loans made under Section 3.01(f) for general corporate purposes, including but not limited to the repayment of short term debt.

(b) The Issuer will use the proceeds of the Loans made under Section 3.01(a) to reimburse the Issuing Bank as provided in Section 3.01(c).

9.10 Pari Passu Ranking. The Issuer will ensure that at all times the Obligations of the Issuer under the Transaction Documents and the Obligations of the Guarantors under this Agreement constitute unconditional general obligations of such Obligor ranking in priority of payment at least pari passu with all other senior unsecured, unsubordinated Debt of such Obligor.

9.11 Transactions with Affiliates. The Issuer will conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of its Affiliates on terms that are commercially reasonable and no less favorable to the Issuer or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

9.12 Maintenance of Governmental Approvals. The Issuer will maintain in full force and effect at all times all approvals of and filings with any Governmental Authority required under applicable law for the conduct of its business (including, without limitation, antitrust laws or Environmental Laws) and the performance of the Obligor's obligations hereunder and under the other Transaction Documents by the Issuer and/or the Guarantors, as applicable, and for the validity or enforceability hereof and thereof, except where failure to maintain any such approvals or filings could not reasonably be expected to have a Material Adverse Effect.

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NEGATIVE COVENANTS

The Issuer covenants and agrees that for so long as any Obligation under this Agreement or any other Transaction Document remains unpaid, the Letter of Credit remains outstanding, any Standby L/C remain outstanding or any Lender has any Commitment hereunder:

10.01 The Commercial Paper Notes. The Issuer shall not permit (a) any Commercial Paper Note to have a stated date of maturity more than 360 days after its date of issuance, (b) any Commercial Paper Notes to mature after the Stated Termination Date or (c) Commercial Paper Notes having an aggregate Face Amount in excess of an amount equal to the product of (i) 50% and (ii) the Stated Amount to mature on any one Business Day (the "Settlement Limits"); provided, however, that in connection with an extension of the Stated Termination Date, the aggregate Face Amount of all Commercial Paper Notes Outstanding may mature on one Business Day on or prior to such Stated Termination Date and provided, further, notwithstanding any provision contained herein to the contrary, these Settlement Limits are for the benefit of the Issuing Bank, which may in its sole discretion waive these requirements without the prior written consent of any party to any Transaction Document.

10.02 Securities Act. The Issuer shall not take or permit to be taken, to the extent within the control of the Issuer, any action that would result in the issuance and sale of the Commercial Paper Notes being subject to the registration requirements of the United States Securities Act of 1933, as amended.

10.03 Offering Statements. The Issuer shall not issue Commercial Paper Notes except pursuant to an Offering Statement and shall not include in any Offering Statement in connection with the issuance, sale and distribution of the Commercial Paper Notes any information with respect to the Issuing Bank, the Letter of Credit, the Standby L/Cs, the Administrative Agent or any Lender unless the same shall have been previously approved in writing, in the case of the Issuing Bank, the Letter of Credit and the Standby L/Cs, by the Issuing Bank or, in the case of the Administrative Agent or a Lender, by the Administrative Agent or such Lender, as the case may be, prior to the inclusion in such Offering Statement.

10.04 Depositary; Dealers; Depositary Agreement.

(a) The Issuer shall not replace, or agree to any replacement of, the Depositary without the prior consents of the Issuing Bank and the Administrative Agent, which consents shall not be unreasonably withheld or delayed.

(b) The Issuer shall not appoint or replace any Dealer without the approvals of the Issuing Bank and the Arrangers, which approvals shall not be unreasonably withheld or delayed.

(c) The Issuer shall not agree to any amendment to the Depositary Agreement or waive any of its rights thereunder without the consent of the Administrative Agent, which consent shall not be unreasonably withheld or delayed.

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10.05 Financial Conditions.

(a) The Issuer shall not permit the Consolidated Leverage Ratio at any time to exceed 3.5 to 1.

(b) The Issuer shall not permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters to be less than 2.5 to 1.

(c) Concurrently with the delivery by the Issuer of any financial statements pursuant to Section 9.01 the Issuer shall deliver to

Administrative Agent (with a copy to each Lender) a certificate from a Responsible Officer containing all information and calculations necessary for determining compliance by the Issuer with Sections 10.5(a) and (b) above.

10.06 Liens. The Issuer shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Issuer or any Subsidiary, whether now owned or held or hereafter acquired, other than the following Liens ("Permitted Liens"):

(a) Liens for taxes, assessments and other governmental charges the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP shall have been made;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as shall be required by Mexican GAAP shall have been made;

(c) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(d) any attachment or judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(e) Liens existing on the date of this Agreement as described in Schedule 10.06 hereto;

(f) any Lien on property acquired by the Issuer after the date hereof that was existing on the date of acquisition of such property; provided that such Lien was not incurred in anticipation of such acquisition, and any Lien created to secure all or any part of the purchase price, or to secure Debt incurred or assumed to pay all or any part of the purchase price, of property acquired by the Issuer or any of its Subsidiaries after the date hereof; provided, further, that (A) any such Lien permitted pursuant to this clause (f) shall be confined solely to the item or items of property so acquired (including, in the case of any Acquisition of a corporation through the acquisition of 51% or more of the voting stock of such corporation, the stock and assets of any Acquired Subsidiary or Acquiring Subsidiary) and, if required by the terms of the instrument

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originally creating such Lien, other property which is an improvement to, or is acquired for specific use with, such acquired property; and (B) if applicable, any such Lien shall be created within nine months after, in the case of property, its acquisition, or, in the case of improvements, their completion;

(g) any Lien renewing, extending or refunding any Lien permitted by clause (f) above; provided that the principal amount of Debt secured by such Lien immediately prior thereto is not increased or the maturity thereof reduced and such Lien is not extended to other property;

(h) any Liens created on shares of capital stock of the Issuer or any of its Subsidiaries solely as a result of the deposit or transfer of such shares into a trust or a special purpose vehicle (including any entity with legal personality) of which such shares constitute the sole assets; provided that (A) any shares of Subsidiary stock held in such trust, corporation or entity could be sold by the Issuer; and (B) proceeds from the

deposit or transfer of such shares into such trust, corporation or entity and from any transfer of or distributions in respect of the Issuer's or any Subsidiary's interest in such trust, corporation or entity are applied as provided under Section 10.08; and provided, further that such Liens may not secure Debt of the Issuer or any Subsidiary (unless permitted under another clause of this Section 10.06);

(i) any Liens on securities securing repurchase obligations in respect of such securities;

(j) any Liens in respect of any Receivables Program Assets which are or may be sold or transferred pursuant to a Qualified Receivables Transaction; and

(k) in addition to the Liens permitted by the foregoing clauses (a) through (j), Liens securing Debt of the Issuer and its Subsidiaries (taken as a whole) not in excess of 5% of the Adjusted Consolidated Net Tangible Assets of the Issuer and its Subsidiaries;

unless, in each case, the Issuer has made or caused to be made effective provision whereby the Obligations hereunder are secured equally and ratably with, or prior to, the Debt secured by such Liens (other than Permitted Liens) for so long as such Debt is so secured.

10.07 Consolidations and Mergers. The Issuer shall not, and shall not permit any Material Subsidiary to, in one or more related transactions, (x) consolidate with or merge into any other Person or permit any other Person to merge into it or (y), directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its properties or assets to any Person, unless, with respect to any transaction described in clause (x) or (y), immediately after giving effect to such transaction:

(a) the Person formed by any such consolidation or merger, if it is not the Issuer or such Material Subsidiary, or the Person that acquires by transfer, conveyance, sale, lease or other disposition all or substantially all of the properties and assets of the Issuer or such Material Subsidiary (any such Person, a "Successor") (i) shall be a corporation organized and validly existing under the laws of its place of incorporation, which in the case of a Successor to the Issuer shall be Mexico, the United States, Canada, France, Belgium, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Switzerland or the United Kingdom, or any

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political subdivision thereof, (ii) in the case of a Successor to the Issuer, shall expressly assume, pursuant to a written agreement in form and substance satisfactory to the Required Lenders, the Obligations of the Issuer pursuant to this Agreement and the performance of every covenant on part of the Issuer to be performed and observed and (iii) in the case of a Successor to any Guarantor, shall expressly assume, pursuant to a written agreement in form and substance satisfactory to the Required Lenders, the performance of every covenant of this Agreement on part of such Guarantor to be performed and observed;

(b) in the case of any such transaction involving the Issuer or any Guarantor, the Issuer or such Guarantor, or the Successor of any thereof, as the case may be, shall expressly agree to indemnify each Lender, the Administrative Agent and the Issuing Bank against any tax, levy, assessment or governmental charge payable by withholding or deduction thereafter imposed on such Lender, the Administrative Agent and/or the Issuing Bank solely as a consequence of such transaction with respect to payments under the Transaction Documents;

(c) immediately after giving effect to such transaction, including for purposes of this clause (c) the substitution of any Successor to the Issuer for the Issuer or the substitution of any Successor to a Subsidiary for such Subsidiary and treating any Debt or Lien incurred by the Issuer or

any Successor to the Issuer, or by a Subsidiary of the Issuer or any Successor to such Subsidiary, as a result of such transactions as having been incurred at the time of such transaction, no Event of Default or an event or condition which, after the giving of notice or lapse of time, or both, would have become an Event of Default shall have occurred and be continuing; and

(d) the Issuer shall have delivered to the Administrative Agent an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a written agreement is required in connection with such transaction, such written agreement comply with the relevant provisions of this Article X and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with.

10.08 Sales of Assets, Etc. The Issuer will not, and will not permit any of its Material Subsidiaries to, sell, lease or otherwise dispose of its assets (including the capital stock of any Subsidiary), other than (a) inventory, trade receivables and assets surplus to the needs of the business of the Issuer or any Subsidiary sold in the ordinary course of business and (b) assets not used, usable or held for use in connection with cement operations and related operations, unless the proceeds of the sale of such assets are retained by the Issuer or such Subsidiary, as the case may be, and, as promptly as practicable after such sale (but in any event within 180 days of such sale), the proceeds are applied to (i) expenditures for property, plant and equipment usable in the cement industry or related industries; (ii) the repayment of senior Debt of the Issuer or any of its Subsidiaries, whether secured or unsecured; or (iii) investments in companies engaged in the cement industry or related industries.

10.09 Change in Nature of Business. The Issuer shall not make, or permit any of its Material Subsidiaries to make, any material change in the nature of its business as carried on at the date hereof.

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10.10 Margin Regulations. The Issuer shall not use any part of the proceeds of the Commercial Paper Notes or the Loans for any purpose which would result in any violation (whether by the Issuer, the Administrative Agent, the Issuing Bank or the Lenders) of Regulation T, U or X of the Federal Reserve Board or to extend credit to others for any such purpose. The Issuer shall not engage in, or maintain as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any margin stock (as defined in such regulations).

ARTICLE XI

OBLIGATIONS OF GUARANTORS

11.01 The Guaranty. Each of the Guarantors jointly and severally hereby unconditionally and irrevocably guarantee (as a primary obligor and not merely as surety) payment in full as provided herein of all Obligations payable by the Issuer to the Issuing Bank, each Lender, the Administrative Agent and, the Arrangers under this Agreement and the other Transaction Documents and any Fee Letter, as and when such amounts become payable (whether at stated maturity, by acceleration or otherwise).

11.02 Nature of Liability. The obligations of the Guarantors hereunder are guarantees of payment and shall remain in full force and effect until all Obligations of the Issuer have been validly, finally and irrevocably paid in full, and shall not be affected in any way by the absence of any action to obtain such amounts from the Issuer or by any variation, extension, waiver, compromise or release of any or all Obligations from time to time therefor. Each Guarantor waives all requirements as to promptness, diligence, presentment, demand for payment, protest and notice of any kind with respect to this Agreement and the other Transaction Documents.

11.03 Unconditional Obligations. Notwithstanding any

contrary principles under the laws of any jurisdiction other than the State of New York, the obligations of each of the Guarantors hereunder shall be unconditional, irrevocable and absolute and, without limiting the generality of the foregoing, shall not be impaired, terminated, released, discharged or otherwise affected by the following:

(a) the existence of any claim, set-off or other right which either of the Guarantors may have at any time against the Issuer, the Administrative Agent, the Issuing Bank, any Lenders or any other Person, whether in connection with this transaction or with any unrelated transaction;

(b) any invalidity or unenforceability of this Agreement or any other Transaction Document relating to or against the Issuer or either of the Guarantors for any reason (including for the reason that the obtaining of the Letter of Credit or the Standby L/Cs may be in excess of the powers of the Issuer or of its officers, directors or other agents, acting or purporting to act on its behalf, or be in any way irregular or defective);

(c) any provision of applicable law or regulation purporting to prohibit the payment by the Issuer of any amount payable by the Issuer under this Agreement or any of the other

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Transaction Documents or the payment, observance, fulfillment or performance of any other Obligations;

(d) any change in the name, purposes, business, capital stock (including the ownership thereof) or constitution of the Issuer; or

(e) any other act or omission to act or delay of any kind by the Issuer, the Administrative Agent, the Issuing Bank, the Lenders or any other Person or any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge of or defense to either of the Guarantors' obligations hereunder.

11.04 Independent Obligation. The obligations of each of the Guarantors hereunder are independent of the Issuer's obligations under the Transaction Documents and of any guaranty or security that may be obtained for the Obligations. The Administrative Agent, the Issuing Bank and the Lenders may neglect or forbear to enforce payment hereunder, under any Transaction Document or under any guaranty or security, without in any way affecting or impairing the liability of each Guarantor hereunder. The Administrative Agent, the Issuing Bank or the Lenders shall not be obligated to exhaust recourse or take any other action against the Issuer or under any agreement to purchase or security which the Administrative Agent, the Issuing Bank or the Lenders may hold before being entitled to payment from the Guarantors of the obligations hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Administrative Agent, the Issuing Bank or the Lenders in favor of the Issuer or each of the Guarantors. Without limiting the generality of the foregoing, the Administrative Agent, the Issuing Bank or the Lenders shall have the right to bring suit directly against either of the Guarantors, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer and/or the other Guarantor.

11.05 Waiver of Notices. Each of the Guarantors hereby waives notice of acceptance of this Article XI and notice of any liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonor or nonpayment of any such liability, suit or the taking of other action by the Administrative Agent, the Issuing Bank or the Lenders against, and any other notice, to the Guarantors.

11.06 Waiver of Defenses. To the extent permitted by New York law and notwithstanding any contrary principles under the laws of any other jurisdiction, each of the Guarantors hereby waives any and all defenses to which it may be entitled, whether at common law, in equity or by statute

which limits the liability of, or exonerates, guarantors or which may conflict with the terms of this Article XI, including failure of consideration, breach of warranty, statute of frauds, merger or consolidation of the Issuer, statute of limitations, accord and satisfaction and usury. Without limiting the generality of the foregoing, each of the Guarantors consents that, without notice to such Guarantor and without the necessity for any additional endorsement or consent by such Guarantor, and without impairing or affecting in any way the liability of such Guarantor hereunder, the Administrative Agent, the Issuing Bank and the Lenders may at any time and from time to time, upon or without any terms or conditions and in whole or in part, (a) change the manner, place or terms of payment of, and/or change or extend the time or payment of, renew or alter, any of the Obligations, any security therefor, or any liability incurred directly or indirectly in respect thereof, and this Article XI shall apply to the

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Obligations as so changed, extended, renewed or altered; (b) exercise or refrain from exercising any right against the Issuer or others (including the Guarantors) or otherwise act or refrain from acting, (c) settle or compromise any of the Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any such liability (whether due or not) of the Issuer to creditors of the Issuer other than the Administrative Agent, the Issuing Bank and the Lenders and the Guarantors, (d) apply any sums by whomsoever paid or howsoever realized, other than payments of the Guarantors of the Obligations, to any liability or liabilities of the Issuer under the Transaction Documents or any instruments or agreements referred to herein or therein, to the Issuing Bank, the Administrative Agent and the Lenders regardless of which of such liability or liabilities of the Issuer under the Transaction Documents or any instruments or agreements referred to herein or therein remain unpaid; (e) consent to or waive any breach of, or any act, omission or default under the Obligations or any of the instruments or agreements referred to in this Agreement and the other Transaction Documents, or otherwise amend, modify or supplement the Obligations or any of such instruments or agreements, including the Transaction Documents; and/or (f) request or accept other support of the Obligations or take and hold any security for the payment of the Obligations or the obligations of the Guarantors under this Article XI, or allow the release, impairment, surrender, exchange, substitution, compromise, settlement, rescission or subordination thereof.

11.07 Bankruptcy and Related Matters.

(a) So long as any of the Obligations remain outstanding, each of the Guarantors shall not, without the prior written consent of the Administrative Agent (acting with the consent of the Issuing Bank), commence or join with any other Person in commencing any bankruptcy, liquidation, reorganization, concurso mercantil or insolvency proceedings of, or against, the Issuer.

(b) If acceleration of the time for payment of any amount payable by the Issuer under this Agreement or the Notes is stayed upon the insolvency, bankruptcy, reorganization, concurso mercantil or any similar event of the Issuer or otherwise, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by the Guarantors hereunder forthwith on demand by the Administrative Agent made at the request of the Lenders.

(c) The obligations of each of the Guarantors under this Article XI shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, concurso mercantil, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, readjustment, liquidation or arrangement of the Issuer or similar proceedings or actions or by any defense which the Issuer may have by reason of the order, decree or

decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Guarantors' liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by the Issuer but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

(d) Each of the Guarantors acknowledges and agrees that any interest on any portion of the Obligations which accrues after the commencement of any proceeding or action referred to

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above in paragraph (c) (or, if interest on any portion of the Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding or action, such interest as would have accrued on such portion of the Obligations if said proceedings or actions had not been commenced) shall be included in the Obligations, it being the intention of the Guarantors, the Administrative Agent, the Issuing Bank and the Lenders that the Obligations which are to be purchased by the Guarantors pursuant to this Article XI shall be determined without regard to any rule of law or order which may relieve the Issuer of any portion of such Obligations. The Guarantors will take no action to prevent any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person from paying the Administrative Agent, or allowing the claim of the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Bank and the Lenders, in respect of any such interest accruing after the date of which such proceeding is commenced, except to the extent any such interest shall already have been paid by the Guarantors.

(e) Notwithstanding anything to the contrary contained herein, if all or any portion of the Obligations are paid by or on behalf of the Issuer, the obligations of the Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered, directly or indirectly, from the Administrative Agent, the Issuing Bank and/or the Lenders as a preference, preferential transfer, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Obligations for all purposes under this Article XI, to the extent permitted by applicable law.

11.08 No Subrogation. Notwithstanding any payment or payments made by any of the Guarantors hereunder or any set-off or application of funds of any of the Guarantors by the Issuing Bank, the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Issuing Bank, the Administrative Agent or any Lender against the Issuer or any other Guarantor or any collateral security or guarantee or right of offset held by the Issuing Bank, the Administrative Agent or any Lender for the payment of the Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Issuer or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Issuing Bank, the Administrative Agent and the Lenders by the Issuer on account of the Obligations shall have been indefeasibly paid in full in cash. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been indefeasibly paid in full in cash, such amount shall be held by such Guarantor in trust for the Issuing Bank, the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

11.09 Right of Contribution. Subject to Section 11.08, each Guarantor hereby agrees that to the extent that a Guarantor shall have

paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder who has not paid its proportionate share of such payment. The provisions of this Section 11.09 shall in no respect limit the

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obligations and liabilities of any Guarantor to the Issuing Bank, the Administrative Agent, the Arrangers and the Lenders, and each Guarantor shall remain liable to the Issuing Bank, the Administrative Agent, the Arrangers and the Lenders for the full amount guaranteed by such Guarantor hereunder.

11.10 General Limitation on Guaranty. In any action or proceeding involving any applicable corporate law, or any applicable bankruptcy, insolvency, reorganization, concurso mercantil or other law affecting the rights of creditors generally, if the obligations of any Guarantor under this Section 11.01 would otherwise, taking into account the provisions of Section 11.09, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 11.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Lender, the Administrative Agent, the Issuing Bank or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

11.11 Covenants of the Guarantors. Each Guarantor hereby covenants and agrees that, so long as any Obligations under this Agreement and any other Transaction Document remains unpaid, the Letter of Credit remain outstanding, any Standby L/C remain outstanding or any Lender has any Commitment hereunder, it shall comply with the covenants contained or incorporated by reference in this Agreement to the extent applicable to it as a Subsidiary of the Issuer.

ARTICLE XII

EVENTS OF DEFAULT

12.01 Events of Default. The following specified events shall constitute "Events of Default" for the purposes of this Agreement:

(a) Payment Defaults. The Issuer shall (i) fail to reimburse any Drawing or Standby L/C Drawing or fail to pay any principal of any Loan when due in accordance with the terms hereof or (ii) fail to pay any interest on any Drawing, Standby L/C Drawing or any Loan, any fee or any other amount payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Representation and Warranties. Any representation or warranty made by the Issuer herein or in any other Transaction Document on or made by either Guarantor herein or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any other Transaction Document, as applicable, shall prove to have been incorrect in any material respect on or as of the date made if such failure shall remain unremedied for 30 days after the earlier of the date on which (i) the Chief Financial Officer of the Issuer or such Guarantor, as the case may be, becomes aware of such incorrectness or (ii) written notice thereof shall have been given to the Issuer by the Administrative Agent; or

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(c) Specific Defaults. The Issuer or a Guarantor, as applicable,

shall fail to perform or observe any term, covenant or agreement contained in Section 9.01, 9.02(a), 9.06 (with respect to the Issuer's and each Guarantor's existence only), 9.09(b) or 9.10 or ARTICLE X; or

(d) Other Defaults. The Issuer or a Guarantor, as applicable, shall fail to perform or observe any term, covenant or agreement contained in this Agreement or any other Transaction Document (other than as provided in paragraphs (a) and (c) above) and such failure shall continue unremedied for a period of 30 days after the earlier of the date on which (i) the Chief Financial Officer of the Issuer becomes aware of such failure or (ii) written notice thereof shall have been given to the Issuer by the Administrative Agent at the request of any Lender; or

(e) Defaults under Other Agreements. The occurrence of a default or event of default under any indenture, agreement or instrument relating to any Material Debt of the Issuer or any of its Subsidiaries, and (unless any principal amount of such Material Debt is otherwise due and payable) such default or event of default results in the acceleration of the maturity of any principal amount of such Material Debt prior to the date on which it would otherwise become due and payable; or

(f) Voluntary Bankruptcy. The Issuer or any Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization, concurso mercantil or other relief with respect to itself or its debts under any bankruptcy, insolvency, suspension de pagos, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing or the equivalent thereof under Mexican law (including the Ley de Concursos Mercantiles); or

(g) Involuntary Bankruptcy. An involuntary case or other proceeding shall be commenced against the Issuer or any Material Subsidiary seeking liquidation, reorganization, suspension de pagos or other relief with respect to it or its debts under any bankruptcy, insolvency, concurso mercantil or other similar law now or hereafter in effect (including but not limited to the Ley de Concursos Mercantiles) or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismitted and unstayed for a period of 60 consecutive days; or an order for relief shall be entered against the Issuer or any Material Subsidiaries under any bankruptcy, insolvency suspension de pagos or other similar law as now or hereafter in effect; or

(h) Monetary Judgment. A final judgment or judgments or order or orders not subject to further appeal for the payment of money in an aggregate amount in excess of U.S.\$50,000,000 shall be rendered against the Issuer and/or any of its one or more Subsidiaries of the Issuer that are neither discharged nor bonded in full within 30 days thereafter; or

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(i) Pari Passu. The Obligations of the Issuer under this Agreement or the Commercial Paper Notes or of any Guarantor under this Agreement shall fail to rank at least pari passu with all other senior unsecured Debt of the Issuer or such Guarantor, as the case may be; or

(j) Validity of Agreement. The Issuer shall contest the validity or enforceability of any Transaction Document or shall deny generally the liability of the Issuer under any Transaction Documents or either Guarantor shall contest the validity of or the enforceability of their guarantee hereunder or any obligation of either Guarantor under ARTICLE XI hereof shall not be (or is claimed by either Guarantor not to be) in full force and effect;

(k) Governmental Authority. Any governmental or other consent, license, approval, permit or authorization which is now or may in the future be necessary or appropriate under any applicable Requirement of Law for the execution, delivery, or performance by the Issuer or either Guarantor of any Transaction Document to which it is a party or to make such Transaction Document legal, valid, enforceable and admissible in evidence shall not be obtained or shall be withdrawn, revoked or modified or shall cease to be in full force and effect or shall be modified in any manner that would have an adverse effect on the rights or remedies of the Administrative Agent, the Issuing Bank or Lenders; or

(l) Expropriation, Etc. Any Governmental Authority shall condemn, nationalize, seize or otherwise expropriate all or any substantial portion of the property of, or capital stock issued or owned by, the Issuer or either Guarantor or take any action that would prevent the Issuer or either Guarantor from performing its obligations under the Transaction Documents; or

(m) Moratorium; Availability of Foreign Exchange. A moratorium shall be agreed or declared in respect of any Debt of the Issuer or either Guarantor or any restriction or requirement not in effect on the date hereof shall be imposed, whether by legislative enactment, decree, regulation, order or otherwise, which limits the availability or the transfer of foreign exchange by the Issuer or either Guarantor for the purpose of performing any material obligation under any Transaction Document to which it is a party; or

(n) Material Adverse Effect. There shall occur any circumstance, event or condition of a financial or other nature which the Required Lenders determine in good faith is reasonably likely to have a material adverse effect on the ability of the Issuer or either Guarantor to perform its obligations under this Agreement or any of the other Transaction Documents; or

(o) Attachments of Accounts. The Commercial Paper Account or the Letter of Credit Account or funds on deposit in, or otherwise to the credit of, the Commercial Paper Account or the Letter of Credit Account shall be subject to any writ, order, judgment, warrant of attachment, execution or similar process or stay or other similar legal restraint; or

(p) Change of Ownership or Control. The beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 20% or more in voting power of the outstanding voting stock of the Issuer or either Guarantor is acquired by any Person; provided that the acquisition of beneficial ownership of capital stock of the Issuer or either Guarantor by Lorenzo H. Zambrano or any member of his immediate family shall not constitute an Event of Default.

12.02 Remedies. If any Event of Default has occurred and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, do any or all of the following:

(a) direct the Issuing Bank (i) if and only if no Commercial Paper Notes are Outstanding, to deliver a Notice of Termination to the Issuer and the Depositary (with a copy to the Administrative Agent and each Dealer) whereupon the Letter of Credit shall terminate upon the terms and subject to the conditions stated in the Letter of Credit and the Notice of Termination and whereupon the Commitments shall terminate or (ii) if any Commercial Paper Notes are Outstanding, to deliver a Notice of Default to the Issuer and the Depositary (with a copy to the Administrative Agent and each Dealer) whereupon (A) the Stated Amount shall be reduced, as directed by the Depositary pursuant to a Notice of Default Reduction delivered to the Issuing Bank, such that the Stated Amount equals the aggregate Face Amount of the Commercial Paper Notes then Outstanding, (B) no amounts shall be reinstated to the Stated Amount of the Letter of Credit and (C) the Letter of Credit shall expire and the

Commitments shall terminate two Business Days following the date which the Depository advises the Issuing Bank is the latest maturity date of any Commercial Paper Note Outstanding on the date of such Notice of Default;

(b) deliver a Notice of Acceleration to the Depository with a copy to the Issuer, the Issuing Bank and each Dealer directing the Depository to make a Drawing under the Letter of Credit in the aggregate amount required to pay in full all Outstanding Commercial Paper Notes entitled to the benefit of the Letter of Credit upon maturity, the proceeds of such Drawing to be deposited in the Letter of Credit Account, and require from the Issuer immediate reimbursement for payments pursuant to such Drawing;

(c) if no Notice of Acceleration has been delivered pursuant to paragraph (b) above, direct the Issuer immediately to pay into an account specified by the Administrative Agent, and under the exclusive dominion and control of the Administrative Agent, an amount in immediately available funds (to which neither the Issuing Bank nor the Lenders shall have any right in respect of any Drawing until the Issuing Bank shall have honored the same) equal to the Stated Amount or, if less, the aggregate Face Amount of all Commercial Paper Notes Outstanding, whereupon such amount shall become immediately due and payable without presentment, demand, protest or other notice, all of which are hereby expressly waived;

(d) declare by notice to the Issuer the principal amount of all outstanding Loans to be forthwith due and payable, whereupon such principal amount, together with accrued interest thereon and any fees and all other Obligations accrued hereunder, shall become immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided, however, that in the case of any Event of Default specified in paragraph (f) or (g) of Section 12.01, without notice or any other act by the Lenders, the Loans (together with accrued interest thereon) and all other Obligations of the Issuer hereunder shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer;

(e) notify the Issuer, the Depository and each Dealer (which notice may be by telephone to be confirmed in writing within two Business Days) that an Event of Default has occurred and is continuing and in such

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notice direct the Issuer and the Depository not to issue any Commercial Paper Notes from and after the actual receipt by the Depository of such notice until such Event of Default has been waived or cured and such notice has been rescinded in writing; and/or

(f) direct the Issuer immediately to pay into an account specified by the Administrative Agent, and under the exclusive dominion and control of the Administrative Agent, an amount in immediately available funds (to which neither the Issuing Bank nor the Lenders shall have any right in respect of any Standby L/C Drawing until the Issuing Bank shall have honored the same) equal to the aggregate stated amount of all Standby L/Cs issued and outstanding hereunder, whereupon such amount shall become immediately due and payable without presentment, demand, protest or other notice, all of which are hereby expressly waived.

provided, however, that nothing in this Section 12.02 shall (x) impair the obligation of the Issuing Bank to make payments in accordance with the Letter of Credit with respect to maturing Commercial Paper Notes or in accordance with the Standby L/Cs or (y) impair the obligation of the Issuer to reimburse the Issuing Bank for, or the obligation of any Lender to fund its participation in, any Drawing or Standby L/C Drawing, as the case may be, made subsequent to the time any remedy provided in this paragraph shall have been exercised and, provided, further, that nothing in this Section 12.02 shall give the Issuing Bank the right to request the Depository to debit the Commercial Paper Account on any Business Day until after such time as the

Issuing Bank shall have honored any demand for payment under the Letter of Credit required to be paid on such Business Day.

12.03 Notice of Default. The Administrative Agent shall give notice to the Issuer of any event occurring under Section 12.01(b) or (d) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

12.04 Default Interest. In the event of default by the Issuer in the payment on the due date of any sum due under this Agreement, the Issuer shall pay interest on demand on such sum from the date of such default to the day of actual receipt of such sum by the Administrative Agent (as well after as before judgment) at the rate specified in Section 2.02(c), 3.07(c) or 4.02(c). So long as the default continues, the default interest rate shall be recalculated on the same basis at intervals of such duration as the Administrative Agent may select, provided that the amount of unpaid interest at the above rate accruing during the preceding period (or such longer period as may be the shortest period permitted by applicable law for the capitalization of interest) shall be added to the amount in respect of which the Issuer is in default.

ARTICLE XIII

THE ADMINISTRATIVE AGENT

13.01 Appointment and Authorization. Each Lender and the Issuing Bank hereby irrevocably designate and appoint Barclays Bank PLC, New York Branch as the Administrative Agent of such Lender and the Issuing Bank under this Agreement, and each Lender and the Issuing Bank hereby irrevocably authorize the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Transaction Document and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement or any other Transaction Document,

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together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or the Issuing Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Administrative Agent.

13.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

13.03 Liability of Administrative Agent. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall (a) be liable for any action taken or omitted to be taken by it or any such Person under or in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby (except for its or such Person's own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders or the Issuing Bank for any recital, statement, representation or warranty made by the Issuer, the Guarantors or any officer thereof contained in this Agreement or in any other Transaction Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other

Transaction Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Transaction Document, or for any failure of the Issuer, the Guarantors or any other party to any Transaction Document to perform its obligations hereunder or thereunder. Except as otherwise expressly stated herein, the Administrative Agent shall not be under any obligation to any Lender or the Issuing Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Issuer or the Guarantors.

13.04 Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or teletype message, statement, order or other document or telephone conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of failing to take, taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request

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or consent of the Required Lenders (or when expressly required hereby, all the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 6.01, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction on or before the Effective Date.

13.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default (except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Issuing Bank and the Lenders) unless the Administrative Agent shall have received written notice from a Lender, the Issuing Bank or the Issuer referring to this Agreement and describing such Default or Event of Default and stating that such notice is a "Notice of Default". The Administrative Agent shall promptly notify the Issuing Bank and the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders and the Issuing Bank.

13.06 Credit Decision. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact has made any representation or warranty to it, and that no act by the Administrative Agent hereafter

taken, including any review of the affairs of the Issuer, the Guarantors, or any of their Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender acknowledges to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Issuer, the Guarantors, and their Affiliates and all applicable Lender regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Issuer or the Guarantors. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Issuer or the Guarantors which may come

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into the possession of the Administrative Agent or any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact.

13.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Lenders agree to indemnify upon demand the Administrative Agent and its Affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Issuer and without limiting the obligation of the Issuer to do so), ratably according to the respective amounts of their Participation Percentages in effect on the date the cause for indemnification arose, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including at any time following the payment of the Obligations or the Termination Date) be imposed on, incurred by or asserted against the Administrative Agent (or any of its Affiliates, directors, officers, agents and employees) in any way relating to or arising out of this Agreement or any other Transaction Document, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment of any portion of such claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent it results from the gross negligence or willful misconduct of the Administrative Agent or its Affiliates, directors, officers, agents or employees. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any reasonable and documented costs or out-of-pocket expenses (including legal fees) incurred by the Administrative Agent in connection with the preparation, execution, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Transaction Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Issuer.

13.08 Administrative Agent in Individual Capacity. Barclays Bank PLC, New York Branch may make loans to, issue letters of credit for the account of, accept deposits from and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Issuer, the Guarantors or any of their Affiliates as though Barclays Bank PLC,

New York Branch were not the Administrative Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Barclays Bank PLC, New York Branch or its Affiliates may receive information regarding the Issuer, the Guarantors and their Affiliates (including information that may be subject to confidentiality obligations in favor of the Issuer or the Guarantors) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to the Obligations, Barclays Bank PLC, New York Branch shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" include Barclays Bank PLC, New York Branch in its individual capacity.

13.09 Successor Administrative Agent. The Administrative Agent may, and at the request of the Required Lenders shall, resign as Administrative Agent upon 30 days' notice to the Lenders and the Issuer. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders,

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which appointment shall be subject to the approval of the Issuer, such approval not to be unreasonably withheld (unless a Default or Event of Default shall have occurred and be continuing, in which case such approval shall not be required). If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Issuer, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent effective upon its appointment, and the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act on the part of such retiring Administrative Agent. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this ARTICLE XIII and Sections 16.04 and 16.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor Administrative Agent has accepted the appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and either the Issuer or the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States or of any State thereof and having a combined capital and surplus of at least U.S.\$250,000,000.

ARTICLE XIV

THE ISSUING BANK

14.01 Appointment. Each Lender hereby irrevocably designates and appoints Barclays Bank PLC, New York Branch, as the Issuing Bank under this Agreement, and each Lender hereby irrevocably authorizes Barclays Bank PLC, New York Branch, as the Issuing Bank, to take such action under the provisions of this Agreement and each other Transaction Document and to exercise such powers and perform such duties as are expressly delegated to the Issuing Bank by the terms of this Agreement or any other Transaction Document, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Transaction Document, the Issuing Bank shall not have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, nor shall the Issuing Bank have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Issuing Bank; provided, however, that nothing

contained in this ARTICLE XIV shall be deemed to limit or impair the rights and obligations of the Issuing Bank under the Letter of Credit or Standby L/Cs issued hereunder.

14.02 Liability of Issuing Bank. Neither the Issuing Bank nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall (a) be liable for any action taken or omitted to be taken by it or any such Person under or in connection with this Agreement or any other Transaction Document (except for its or such Person's own gross negligence or willful misconduct), or (b) be responsible in any manner to any Lender for any recital, statement, representation or warranty made by the Issuer or any officer thereof contained in this Agreement

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or in any other Transaction Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Issuing Bank under or in connection with, this Agreement or any other Transaction Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Transaction Document, or for any failure of the Issuer or any other party to any Transaction Document to perform its obligations hereunder or thereunder. Except as otherwise expressly stated herein, and except for the obligation to examine all documents stipulated in the Letter of Credit or any Standby L/C issued hereunder, in accordance with the Uniform Customs and Practice for Documentary Credits and applicable law, the Issuing Bank shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Issuer or the Guarantors.

14.03 Reliance by Issuing Bank. The Issuing Bank shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or teletype message, statement, order or other document or telephone conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Issuing Bank. Except for the issuance of the Letter of Credit, or any Standby L/Cs issued hereunder, in accordance with the terms of this Agreement and the payment of Drawings or Standby L/C Drawings, as the case may be, thereunder, the Issuing Bank shall be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Required Lenders as the Issuing Bank deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of failing to take, taking or continuing to take any such action. The Issuing Bank shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Transactions Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

14.04 Credit Decision. Each Lender expressly acknowledges that neither the Issuing Bank nor any of its Affiliates, officers, directors, employees, agents or attorneys-in-fact has made any representation or warranty to it, and that no act by the Issuing Bank hereafter taken, including any review of the affairs of the Issuer, the Guarantors or any of their Affiliates, shall be deemed to constitute any representation or warranty by the Issuing Bank to any Lender. Each Lender acknowledges to the Issuing Bank that it has, independently and without reliance upon the Issuing Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Issuer, the Guarantors and their Affiliates and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement. Each Lender also acknowledges that it will,

independently and without reliance upon the Issuing Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents, and to make such investigations as it deems necessary to

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inform itself as to the business, prospects operations, property, financial and other condition and creditworthiness of the Issuer and the Guarantors.

14.05 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Lenders agree to indemnify upon demand the Issuing Bank and its Affiliates, directors, officers, agents and employees (to the extent not reimbursed by the Issuer and without limiting the obligation of the Issuer to do so in accordance with Section 16.05), ratably according to the respective amounts of their Participation Percentages in effect on the date the cause for indemnification arose, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including at any time following the payment of the Obligations or the Termination Date) be imposed on, incurred by or asserted against the Issuing Bank (or any of its Affiliates, directors, officers, agents or employees) in any way relating to or arising out of this Agreement or any other Transaction Document, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Issuing Bank under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for (a) the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent it results from the Issuing Bank's gross negligence or willful misconduct or (b) any untrue statement of a material fact in the material furnished in writing by the Issuing Bank to the Issuer for inclusion in any Offering Statement or any omission in such Offering Statement to state a material fact required to be stated therein in light of the circumstances under which they were made. Notwithstanding the foregoing, no Lender shall be required to fund any other Lender's portion of an unreimbursed Drawing or Standby L/C Drawing, as the case may be, which such other Lender fails to fund hereunder.

14.06 Issuing Bank in Its Individual Capacity. Barclays Bank PLC and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Issuer or any of its Affiliates as though Barclays Bank PLC, New York Branch were not the Issuing Bank hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, the Issuing Bank or its Affiliates may receive information regarding the Issuer, the Guarantors and their Affiliates (including information that may be subject to confidentiality obligations in favor of the Issuer or the Guarantors) and acknowledge that the Issuing Bank shall be under no obligation to provide such information to them. With respect to the Obligations, Barclays Bank PLC, New York Branch shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Issuing Bank, and the terms "Lender" and "Lenders" shall include Barclays Bank PLC, New York Branch in its individual capacity.

14.07 Notice of Default. The Issuing Bank shall not be deemed to have knowledge or notice of any Default or Event of Default unless the Issuing Bank shall have received written notice from the Administrative Agent, any Lender, the Issuer or a Guarantor referring to this Agreement and describing such Default or Event of Default.

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ARTICLE XV

THE ARRANGERS

15.01 The Arrangers. The Issuer hereby confirms the designation of Barclays Capital, the Investment Banking Division of Barclays Bank PLC, and Banc of America Securities LLC, as arrangers and book-runners of the Letter of Credit Facility and the Standby L/C Facility. The Arrangers assume no responsibility or obligation hereunder for servicing, enforcement or collection of the Obligations, or any duties as agent for the Lenders. The title "Arranger" or "Book-runner" implies no fiduciary responsibility on the part of the Arrangers to the Administrative Agent, the Issuing Bank or the Lenders and the use of either such title does not impose on the Arrangers any duties or obligations under this Agreement except as may be expressly set forth herein.

15.02 Liability of Arrangers. Neither the Arrangers nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall (a) be liable for any action lawfully taken or omitted to be taken by them or any such Person under or in connection with this Agreement or any other Transaction Document (except for the Arrangers or such Person's own gross negligence or willful misconduct), or (b) be responsible in any manner to any Lender for any recital, statement, representation or warranty made by the Issuer or any officer thereof, contained in this Agreement or in any other Transaction Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Arrangers under or in connection with, this Agreement or any other Transaction Document or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Transaction Document or for any failure of the Issuer or any other party to any other Transaction Document to perform its obligations hereunder or thereunder. Except as otherwise expressly stated herein, the Arrangers shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Issuer.

15.03 Arrangers in their respective Individual Capacities. Each of Barclays Capital, the Investment Banking Division of Barclays Bank PLC and its Affiliates, and Banc of America Securities LLC, and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Issuer or any of its Affiliates as though they were not the Arrangers or Book-runners hereunder.

15.04 Credit Decision. Each Lender expressly acknowledges that neither the Arrangers nor any of their respective Affiliates, officers, directors, employees, agents or attorneys-in-fact have made any representation or warranty to it, and that no act by the Arrangers hereafter taken, including any review of the affairs of the Issuer or the Guarantors, shall be deemed to constitute any representation or warranty by the Arrangers to any Lender. Each Lender acknowledges to the Arrangers that it has, independently and without reliance upon the Arrangers, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Issuer or the Guarantors and their Affiliates and made its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Arrangers, and based on such documents and

information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Issuer or the Guarantors. The Arrangers shall not have

any duty or responsibility to provide any Lender with any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Issuer which may come into the possession of the Arrangers or any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates.

ARTICLE XVI

MISCELLANEOUS

16.01 Notices.

(a) Except as otherwise expressly provided herein, all notices, requests, demands or other communications to or upon any party hereunder shall be in writing (including facsimile transmission) and shall be sent by an overnight courier service, transmitted by facsimile or delivered by hand to such party: (i) in the case of the Issuer, the Guarantors, the Issuing Bank, the Arrangers or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof or at such other address or facsimile number as such party may designate by notice to the other parties hereto and (ii) in the case of any Lender, at its address or facsimile number set forth in Schedule 1.01(b) or at such other address or facsimile number as such Lender may designate by notice to the Issuer, the Issuing Bank, the Arrangers and the Administrative Agent.

(b) Unless otherwise expressly provided for herein, each such notice, request, demand or other communication shall be effective (i) if sent by overnight courier service or delivered by hand, upon delivery, (ii) if given by facsimile, when transmitted to the facsimile number specified pursuant to paragraph (a) above and confirmation of receipt of a legible copy thereof is received, or (iii) if given by any other means, when delivered at the address specified pursuant to paragraph (a) above; provided, however, that notices to the Administrative Agent under ARTICLE II or III or IV or ARTICLE XIII shall not be effective until received.

16.02 Amendments and Waivers. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Issuer or any Guarantor from the terms of this Agreement, shall in any event be effective unless the same shall be in writing, consented to by the Issuer or the applicable Guarantors, as the case may be, and acknowledged by the Administrative Agent (which shall be a purely ministerial action), and signed or consented to by the Required Lenders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall:

(a) (i) except as specifically provided herein, increase or decrease the Commitment of any Lender;

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(ii) extend the maturity of any of the Obligations, extend the time of payment of interest thereon, or, other than as provided in Section 5.02, extend the Stated Termination Date;

(iii) forgive any Obligation, reduce the principal amount of the Obligations, reduce the rate of interest thereon, or reduce the amount or change the method of calculation of any Fee hereunder (other than the Letter of Credit Fees, Standby L/C Fees, Agency Fees or Arrangement Fees);

in each case without the consent of the Issuer and each Lender directly affected thereby;

(b) (i) amend, modify or waive any provision of this Section 16.02;

(ii) change the percentage specified in the definition of Required Lenders or the number of Lenders which shall be required for the Lenders or any of them to take any action under this Agreement; or

(iii) amend, modify or waive any provision of Section 6.01;

(iv) amend or modify the definition of "Available Standby L/C Sublimit" in Section 1.01 hereof;

(v) amend, modify or waive any provision of Section 5.12; or

(vi) amend, modify or waive any provision of Section 16.06;

in each case without the consent of the Issuer and all the Lenders;

(c) amend, modify or waive any provision of ARTICLE XIII without the written consent of the Administrative Agent;

(d) amend, modify or waive any provision of ARTICLE II, IV, V or XIV or any other provision of this Agreement (including an increase in the initial Stated Amount and waiver of the Settlement Limits in Section 10.01) affecting the Issuing Bank without the consent of the Issuing Bank; or

(e) amend, modify or waive any provision of ARTICLE XV without the consent of the Arrangers.

In addition, no amendment, waiver or consent to or under this Agreement which could reasonably be expected to affect adversely the rights of the holders of Commercial Paper Notes will become effective unless Moody's and S&P have confirmed that such amendment, waiver or consent will not cause their rating of the Commercial Paper Notes to be lowered or withdrawn.

16.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Issuing Bank, the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under any other Transaction Document shall operate as

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a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

16.04 Payment of Expenses, Etc. The Issuer agrees to pay on demand

(a) all reasonable and documented out-of-pocket costs and expenses (including reasonable legal fees and disbursements of special Mexican counsel to the Administrative Agent, English and New York counsel to the Issuing Bank and the allocated cost of in-house counsel to the Administrative Agent), syndication (including printing, distribution and bank meetings), travel, telephone and duplication expenses and other reasonable and documented costs and out of- pocket expenses in connection with the arrangement, documentation, negotiation and closing of the Transactions Documents, subject to the maximum amount set forth in a letter agreement between the Issuer and the Arrangers;

(b) all reasonable and documented out-of-pocket costs and expenses incurred by the Administrative Agent and the Issuing Bank in connection with any amendment to, waiver of, or consent to any Transaction Document or the transactions contemplated hereby, including the reasonable fees and reasonable and documented out-of-pocket expenses of counsel for the Administrative Agent and the Issuing Bank and the allocated cost of in-house counsel thereof; and

(c) all reasonable and documented out-of-pocket costs and expenses incurred by the Administrative Agent, the Issuing Bank or any Lender in connection with the enforcement of and/or preservation of any rights under this Agreement or any other Transaction Document (whether through negotiations, legal proceedings or otherwise), including the reasonable fees and reasonable and documented out-of-pocket expenses of counsel for the Administrative Agent, the Issuing Bank or such Lender and the allocated costs of in-house counsel thereof.

16.05 Indemnification. The Issuer agrees to indemnify and hold harmless the Arrangers, the Administrative Agent, the Issuing Bank and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including reasonable fees and expenses of counsel and the allocated cost of in-house counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (a) the Transaction Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Commercial Paper Notes or (b) or any Environmental Action relating in any way to the Issuer or any of its Subsidiaries, 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 or to have been incurred by reason of any untrue statement contained in information furnished in writing by the Indemnified Party expressly for use in an Offering Statement. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 16.05 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought

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by the Issuer, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Issuer also agrees not to assert any claim against the Arrangers, the Administrative Agent, the Issuing Bank, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Transaction Documents. Neither the Arranger, the Administrative Agent, the Issuing Bank nor any Lender shall be deemed to have any fiduciary relationship with the Issuer or the Guarantor.

16.06 Successor and Assigns.

(a) The provisions of this Agreement shall be binding upon the Issuer, the Guarantors, their successors and assigns and shall inure to the benefit of the Issuing Bank, the Arrangers, the Administrative Agent and the Lenders and their respective successors and assigns, except that the Issuer and the Guarantors may not assign or otherwise transfer any of their rights or obligations under this Agreement without the prior written consent of all Lenders except pursuant to the terms of this Agreement.

(b) Any Lender (other than the Issuing Bank in its capacity as Issuing Bank) may at any time, and any Lender, if demanded by the Issuer or the Issuing Bank pursuant to Section 2.06 or Section 5.11 upon at least five Business Days' notice to such Lender and the Administrative Agent, shall, assign to one or more commercial banks (i) registered as a Foreign Financial Institution and (ii) resident (or having its principal office as a resident, if lending through a branch or agency) for tax purposes in a jurisdiction that

is a party to an income tax treaty to avoid double taxation with Mexico on the date of such assignment, qualified to receive the benefits of said treaty (each an "Assignee") all, or a proportionate part of all, of its Commitment and its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and such transferor Lender, with (and subject to) the subscribed consent of the Issuer and the Administrative Agent (which consents shall not be unreasonably withheld and shall not be required by the Issuer if a Default or an Event of Default has occurred and is continuing) and the Issuing Bank (which consent may be withheld for any reason; except that where such Assignee is an OECD Bank, consent may not be unreasonably withheld); provided, however, that if an Assignee is an Affiliate of such transferor Lender, which Affiliate is registered as a Foreign Financial Institution and meets the tax residence and qualification requirements of clause (ii) above and, at the time of such assignment, the additional amounts payable with respect to Taxes to such Assignee will not exceed such amounts payable to the transferor Lender, no such consent shall be required other than from the Issuing Bank; and provided further that, in the case of an assignment of only part of such rights and obligations, the Assignee shall acquire a Total Exposure of not less than U.S.\$3,000,000 and integral multiples of U.S.\$1,000,000 in excess thereof. Upon execution and delivery of an Assignment and Assumption Agreement and payment by the Assignee to the transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption (in addition to any

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Commitment previously held by it), and the transferor Lender shall be released from its obligations hereunder to a corresponding extent (except to the extent the same arose prior to the assignment), and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph (b), the transferor Lender, the Administrative Agent and the Issuer shall make appropriate arrangements so that a new Note is issued to the Assignee at the expense of the Assignee. In connection with any such assignment (other than a transfer by a Lender to one of its Affiliates), the transferor Lender (or in the case of Section 2.06(b) or 5.11, the Issuer), without prejudice to any claims the Issuer may have against any Defaulting Lender, shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of U.S.\$2,000 and to the Issuing Bank a fee of U.S.\$1,000.

(c) Nothing herein shall prohibit any Lender from pledging or assigning any Note to any Federal Reserve Bank of the United States in accordance with applicable law and without compliance with the foregoing provisions of this Section 16.06; provided, however, that such pledge or assignment shall not release such Lender from its obligations hereunder.

(d) Any Lender may, without any consent of the Issuer, the Administrative Agent, the Issuing Bank or any other third party at any time grant to one or more banks or other institutions (i) registered as a Foreign Financial Institution and (ii) resident (or having its principal office as a resident, if lending through a branch or agency) for tax purposes in a jurisdiction that is a party to an income tax treaty to avoid double taxation with Mexico on the date of such assignment and qualified to receive the benefits of said treaty and having (at the time such Lender or financial institution becomes a Participant) a withholding tax rate under such treaty applicable to payments hereunder no higher than that applicable to payments to such Lender (each a "Participant") participating interests in its Commitment or any or all of its Loans or its share of the Letter of Credit Exposure or its share of the Standby L/C Exposure. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Issuer, the Issuing Bank and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Issuer and the Administrative Agent shall continue to deal

solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Issuer hereunder, including the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, however, that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement extending the maturity of any Obligation in respect of which the participation was granted, or reducing the rate or extending the time for payment of interest thereon or reducing the principal thereof, or reducing the amount or basis of calculation of any fees to accrue in respect of the participation, without the consent of the Participant. The Issuer agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Sections 5.07 and 5.10 with respect to its participating interest as if it were a Lender named herein; provided, however, that the Issuer shall not be required to pay any greater amounts pursuant to such Sections than it would have been required to pay but for the sale to such Participant of such Participant's participation interest. An assignment or other transfer which is not permitted by paragraph (b) or (c) above shall be given

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effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this paragraph (d).

(e) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 16.06, disclose to the Assignee or Participant or proposed Assignee or Participant, any information relating to the Issuer furnished to such Lender by or on behalf of the Issuer; provided that, prior to any such disclosure, the Assignee or Participant or proposed Assignee or Participant shall agree to preserve the confidentiality of any Confidential Information relating to the Issuer received by it from such Lender.

16.07 Right of Set-off. In addition to any rights and remedies of the Lenders and the Issuing Bank provided by law, each Lender and the Issuing Bank shall have the right, without prior notice to the Issuer or the Guarantors, any such notice being expressly waived by the Issuer and the Guarantors to the extent permitted by applicable law, upon any amount becoming due and payable by the Issuer or the Guarantors hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or the Issuing Bank, as the case may be, or any branch or agency thereof to or for the credit or the account of the Issuer or the Guarantors. Each Lender and the Issuing Bank agree promptly to notify the Issuer, or such Guarantor, as the case may be, and the Administrative Agent after any such set-off and application made by such Lender or the Issuing Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application.

16.08 Confidentiality. Neither the Administrative Agent, the Issuing Bank nor any Lender shall disclose any Confidential Information to any other Person without the prior written consent of the Issuer, other than (a) to the Administrative Agent's, the Issuing Bank's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 16.06(e), to actual or prospective Assignees and Participants, and then only on a confidential basis, (b) as required by any law, rule or regulation (including as may be required in connection with an audit by the Administrative Agent's, the Issuing Bank's or such Lender's independent auditors) or as may be required by or necessary in connection with any judicial process and (c) as requested by any state, federal or foreign authority or examiner regulating banks or banking.

16.09 Use of English Language. All certificates, reports, notices and other documents and communications given or delivered pursuant to this Agreement shall be in the English language (other than the documents required to be provided pursuant to Sections 6.01(i)(i), (ii) and (iii) which shall be in the English language or in the Spanish language accompanied by an English translation or summary). Except in the case of the laws of, or official communications of, Mexico, the English language version of any such document shall control the meaning of the matters set forth therein.

16.10 GOVERNING LAW. THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

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16.11 Submission to Jurisdiction

(a) Each of the parties hereto hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court located in the Borough of Manhattan in New York City and any appellate court thereof and, with respect to the Issuer and the Guarantors, to the competent courts of their own corporate domicile for purposes of any suit, legal action or proceeding arising out of or relating to this Agreement, any other Transaction Document or the transactions contemplated hereby, and each of the parties hereto hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such federal or New York State court and, with respect to the Issuer and the Guarantors, as well as in the competent court of their own corporate domicile.

(b) Each of the parties hereto hereby irrevocably waives, to the fullest extent it may effectively do so, any objection that it may now or hereafter have to the laying of venue of any such suit, action or proceeding in any such federal or New York State court or, with respect to the Issuer and the Guarantors, any such competent court in the place of their corporate domicile and irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding.

(c) Each of the parties hereto irrevocably waives the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over it.

(d) Each of the parties hereto agrees, to the fullest extent it may effectively do so under applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in paragraph (a) above brought in any such court shall be conclusive and binding upon such party and may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law.

(E) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE ACTIONS OF THE ARRANGER, THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

16.12 Appointment of Agent for Service of Process.

(a) The Issuer and each Guarantor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its agent (the "Process Agent") to receive on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such action or proceeding brought in any New York State or federal court sitting in New York City. Such service may be made by delivering a copy of such process to

the Issuer or the Guarantor, as the case may be, in care of the Process Agent at its address specified above, and the Issuer or the Guarantor, as the case may be, hereby authorizes and directs the Process Agent to accept such service on its behalf. The appointment of the Process Agent shall be irrevocable until the appointment of a successor Process Agent. The Issuer and each Guarantor, further agrees to promptly appoint a successor Process Agent in New York City prior to the termination for any reason of the appointment of the initial Process Agent.

(b) Nothing in Section 16.11 or in this Section 16.12 shall affect the right of any party hereto to serve process in any manner permitted by law or limit any right that any party hereto may have to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

16.13 Waiver of Sovereign Immunity. To the extent that the Issuer or a Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, or otherwise) with respect to itself or its property, the Issuer or the Guarantor, as the case may be, hereby irrevocably waives such immunity in respect of its obligations hereunder to the extent permitted by applicable law. Without limiting the generality of the foregoing, the Issuer and each Guarantor agrees that the waivers set forth in this Section 16.13 shall have force and effect to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such Act.

16.14 Judgment Currency.

(a) All payments made under this Agreement and the other Transaction Documents shall be made in Dollars. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from the Issuer in Dollars into another currency, the parties hereto agree to the fullest extent that they may legally and effectively do so that the rate of exchange used shall be that at which in accordance with normal banking procedures (based on quotations from four major dealers in the relevant market) the Administrative Agent, the Issuing Bank or each Lender, as the case may be, could purchase Dollars with such currency at or about 11:00 a.m. (New York City time) on the Business Day preceding that on which final judgment is given.

(b) The Obligations in respect of any sum due to any Lender, the Issuing Bank or the Administrative Agent hereunder or under any other Transaction Document shall, to the extent permitted by applicable law notwithstanding any judgment expressed in a currency other than Dollars, be discharged only to the extent that on the Business Day following receipt by such Lender, the Issuing Bank or the Administrative Agent of any sum adjudged to be so due in such other currency such Lender, the Issuing Bank or the Administrative Agent may in accordance with normal banking procedures purchase Dollars with such other currency. If the amount of Dollars so purchased is less than the sum originally due to the Issuing Bank, such Lender or the Administrative Agent, the Issuer and each of the Guarantors agree, to the fullest extent it may legally do so, as a separate obligation and notwithstanding any such judgment, to indemnify the Issuing Bank, such Lender or the Administrative Agent against such resulting loss.

16.15 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate 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 agreement. Delivery of an executed counterpart of a signature page

to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

16.16 Effect of Termination of Commitments. Any Commercial Paper Notes issued and sold in accordance with the terms of the Transaction Documents and which are Outstanding on the date of the termination of any Commitment hereunder shall remain valid obligations of the Issuer and shall be entitled to the benefits of the Letter of Credit to the extent provided therein.

16.17 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and the remaining portion of such provision and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

16.18 Survival of Agreements and Representations.

(a) All representations and warranties made herein or in any other Transaction Document shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(b) The covenants and agreements contained in Sections 5.05, 5.07, 5.09, 5.10, 16.04, 16.05, 16.08, 16.09, 16.11 and 16.12, and the obligations of the Lenders under Sections 13.07 and 14.05, shall survive the termination of the Commitments, the expiration of Standby L/Cs and the expiration of the Letter of Credit and, in the case of any Lender that may assign any interest in its Commitment or obligations hereunder, with respect to matters occurring before such assignment, shall survive the making of such assignment to the extent any claim arising thereunder relates to any period prior to such assignment, notwithstanding that such assigning Lender may cease to be a "Lender" hereunder.

EXECUTION COPY

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: ABN Amro Special Corporate Services B.V. (Bank)

Telecopy No.: +31-20-40 64611

Transaction Reference Number: [_____]

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD88,943,071.47

Forward Payment Amount: USD91,505,505.53 (subject to the "Early

Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD40,803,687.24 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and

- (ii) Bank shall have received:

- (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
- (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

PV of (a - b - c - d)

where

- a = Forward Payment Amount
- b = USD41,979,234.20 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD41,979,234.20 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis)

equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD688,519.72 (the USD amount as determined by the Calculation Agent according to the following formula:

$$\text{(Notional Amount - Initial Forward Payment Amount)} * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD1,238,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360

basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a) (ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is effective and that no refusal or stop order has been issued by the United States Securities and Exchange Commission	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes

9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Eelco Holst at +31-20-40 64611. Hard copies should be returned to Atrium Building, 7th floor, Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands, Attention: Eelco J. Holst (AV4000).

Yours sincerely,

ABN AMRO SPECIAL CORPORATE SERVICES B.V.

By: /s/ R. van Doorn

 Name: R. van Doorn
 Title: Managing Director

By: /s/ R.H.I. de Jong

 Name: R.H.I. de Jong
 Title: Managing Director

Confirmed as of the
 date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: Citibank, N.A. (Bank)

Telecopy No.: (212) 723-8674

Transaction Reference Number: [_____]

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date:	December 11, 2002
Effective Date:	December 13, 2002, which shall be the effective date under each of the Group Confirmations
Termination Date:	December 12, 2003
Notional Amount:	USD154,625,513.40
Forward Payment Amount:	USD159,080,246.91 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD70,936,238.67 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and

(ii) Bank shall have received:

- (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
- (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$$PV \text{ of } (a - b - c - d)$$

where

a = Forward Payment Amount
b = USD72,979,899.07 (FV1 of the Initial Forward Payment Amount)
c = The FV2 of the Intermediate Forward Payment Amount
d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD72,979,899.07 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis)

equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD1,196,976.60 (the USD amount as determined by the Calculation Agent according to the following formula:

$$\text{(Notional Amount - Initial Forward Payment Amount)} * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD2,152,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No

Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is effective and that no refusal or stop order has been issued by the United States Securities and Exchange Commission	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes
Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes

9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Luis Miraglia at (212) 723-8674. Hard copies should be returned to 399 Park Avenue, New York, New York 10022.

Yours sincerely,

CITIBANK, N.A.

By: /s/ Kurt Vogt

Name: Kurt Vogt
Title: Managing Director

Confirmed as of the date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira
Title: Attorney-in-fact

Acknowledged and Agreed solely for purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: Credit Suisse First Boston Corporation, solely in its capacity
as Agent (Bank)

Telecopy No.: (212) 325-8175

Transaction Reference Number: 8118223

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD133,414,581.69

Forward
Payment Amount: USD137,258,232.04 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD61,205,488.04 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and

(ii) Bank shall have received:

- (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
- (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$PV \text{ of } (a - b - c - d)$

where

- a = Forward Payment Amount
- b = USD62,968,807.26 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD62,968,807.26 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the

Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD1,032,779.83 (the USD amount as determined by the Calculation Agent according to the following formula:

$$(\text{Notional Amount} - \text{Initial Forward Payment Amount}) * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD1,857,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is effective and that no refusal	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

or stop order has been issued
by the United States
Securities and Exchange
Commission

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes
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9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to the Agent via facsimile at (212) 325-8175. Hard copies should be returned to Credit Suisse First Boston Corporation, Eleven Madison Avenue, New York, New York 10010, Attention: Ricardo Harewood.

Yours sincerely,

CREDIT SUISSE FIRST BOSTON CORPORATION,
solely in its capacity as Agent

By: /s/ Debra Tageldein

Name: Debra Tageldein
Title: Assistant Vice President

Confirmed as of the date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira

Title: Attorney-in-fact

Acknowledged and Agreed solely for purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002
To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)
Telecopy No.: (528) 328 7162
Attention: Rodrigo Trevino
From: Deutsche Bank AG London (Bank)
Telecopy No.: (646) 324-4682
Transaction Reference Number: [_____]

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD154,625,513.40

Forward
Payment Amount: USD159,080.246.91 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First

Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD70,936,238.67 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and
- (ii) Bank shall have received:
 - (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
 - (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$PV \text{ of } (a - b - c - d)$

where

- a = Forward Payment Amount
- b = USD72,979,899.07 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD72,979,899.07 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the

Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis

compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD1,196,976.60 (the USD amount as determined by the Calculation Agent according to the following formula:

$$(\text{Notional Amount} - \text{Initial Forward Payment Amount}) * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD2,152,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

effective and that no refusal
or stop order has been issued
by the United States
Securities and Exchange
Commission

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes
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9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Katherine Andrews at (646) 324-4682. Hard copies should be returned to 31 West 52nd Street, New York, NY 10019.

Yours sincerely,

DEUTSCHE BANK AG LONDON

By: /s/ Jeffrey Chambers

Name: Jeffrey Chambers
Title:

By: /s/ Elisabeth Lee

Name: Elisabeth Lee
Title:

Confirmed as of the
date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: ING Bank, N.V. (Bank)

Telecopy No.: +525 259 2701

Transaction Reference Number: FC7114-Emptolmex

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD154,625,513.40

Forward Payment Amount: USD159,080,246.91 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First

Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD70,936,238.67 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and
- (ii) Bank shall have received:
 - (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
 - (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$PV \text{ of } (a - b - c - d)$

where

- a = Forward Payment Amount
- b = USD72,979,899.07 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD72,979,899.07 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the

Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis

compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD1,196,976.60 (the USD amount as determined by the Calculation Agent according to the following formula:

$$(\text{Notional Amount} - \text{Initial Forward Payment Amount}) * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD2,152,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

effective and that no refusal
or stop order has been issued
by the United States
Securities and Exchange
Commission

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes
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9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Alejandro Aguilar at +525 259 2701. Hard copies should be returned to Bosque de Alisos, 45-B, Piso 4, Bosques de las Lomas.

Yours sincerely,

ING BANK, N.V.

By: /s/ A. B. Rosaria

Name: A. B. Rosaria
Title: Risk Manager

By: /s/ A.C. Zulia

Name: A. C. Zulia
Title: Sr. Manager Transaction Processing

Confirmed as of the
date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: JPMorgan Chase Bank (Bank)

Telecopy No.: (212) 834-6608

Transaction Reference Number: [_____]

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD71,154,430.55

Forward Payment Amount: USD73,204,377.02 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First

Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD32,642,907.82 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and
- (ii) Bank shall have received:
 - (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
 - (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$PV \text{ of } (a - b - c - d)$

where

- a = Forward Payment Amount
- b = USD33,583,344.18 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD33,583,344.18 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the

Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis

compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD550,816.00 (the USD amount as determined by the Calculation Agent according to the following formula:

$$(\text{Notional Amount} - \text{Initial Forward Payment Amount}) * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD990,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is effective and that no refusal	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

or stop order has been issued
by the United States
Securities and Exchange
Commission

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes
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9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Peter Turk at (212) 834-6608. Hard copies should be returned to Peter Turk at 270 Park Avenue, 6th Floor, New York, New York 10017, USA, with a copy to Francisco Lopez, 260 Park Avenue, 11th Floor, New York, New York 10017, USA.

Yours sincerely,

JPMORGAN CHASE BANK

By: /s/ Peter Turk

Name: Peter Turk
Title: Vice President

Confirmed as of the
date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira

Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

CONFIRMATION

Date: December 13, 2002

To: Empresas Tolteca de Mexico, S.A. de C.V. (Counterparty)

Telecopy No.: (528) 328 7162

Attention: Rodrigo Trevino

From: Societe Generale (Bank)

Telecopy No.: +1 212 278 5463

Transaction Reference Number: [_____]

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the Transaction) between you and us. This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

1. Master Agreement

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of December 13, 1999 (as amended and supplemented from time to time, the Agreement), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. Incorporation of Terms

Except as expressly set forth herein and except as the context otherwise requires, the terms of the Transaction (the First Transaction) described in the Confirmation dated December 13, 1999 (the First Confirmation) between Counterparty and Bank, as modified and supplemented and in effect immediately prior to the date hereof and immediately prior to the execution of Amendment No. 2 hereto, are hereby incorporated by reference, notwithstanding the fact that the First Transaction shall be terminated on or prior to the date hereof. In the event of any conflict between the terms of the First Confirmation and this Confirmation, this Confirmation shall prevail.

3. Certain Terms

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: December 11, 2002

Effective Date: December 13, 2002, which shall be the effective date under each of the Group Confirmations

Termination Date: December 12, 2003

Notional Amount: USD71,154,430.55

Forward Payment Amount: USD73,204,377.02 (subject to the "Early Termination by Counterparty" provision below).

The paragraphs across from the captions "Cemex ADS Purchase Procedures" and "Valenciana Shares Purchase Procedures" in Paragraph 3 of the First

Confirmation shall not apply except for purposes of providing definitions for terms used but not defined elsewhere in the First Confirmation.

4. Additional Payments by Counterparty:

- (a) On the Effective Date, Counterparty shall pay to Bank USD32,642,907.82 as a partial prepayment of the Forward Payment Amount (the amount of such payment, the Initial Forward Payment Amount).
- (b) On June 13, 2003 (the Intermediate Forward Payment Date), Counterparty shall make an Intermediate Forward Payment to Bank of the Intermediate Forward Payment Amount payable on the Intermediate Forward Payment Date.

5. Conditions Precedent

The obligations of the parties under this Confirmation shall be subject to the conditions precedent that

- (i) each "Participant" identified in the Calculation Agency and Interbank Agreement shall have executed and delivered a Confirmation (as described therein); and
- (ii) Bank shall have received:
 - (A) an opinion of Ritch, Heather y Mueller, S.C., as special Mexican counsel to Bank, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction; and
 - (B) an opinion of Freshfields Bruckhaus Deringer LLP, as special U.S. counsel to Bank, in form and substance satisfactory to Bank, with

respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction.

6. Representations and Agreements Annex:

The Representations and Agreements Annex attached as Exhibit II to the First Confirmation is hereby incorporated into this Confirmation as if set forth in full herein, and the representations contained therein are representations for purposes of Section 3(d) of the Agreement.

7. Definitions

For purposes of this Confirmation, the following terms shall have the following meanings:

Adjusted Forward Payment Amount means the USD amount as determined by the Calculation Agent according to the following formula:

$PV \text{ of } (a - b - c - d)$

where

- a = Forward Payment Amount
- b = USD33,583,344.18 (FV1 of the Initial Forward Payment Amount)
- c = The FV2 of the Intermediate Forward Payment Amount
- d = Aggregate of all FV2 of the Advanced Forward Payment Amount

provided that, on and after the Termination Date, the "Adjusted Forward Payment Amount" will be the amount determined by the Calculation Agent to be equal to (a) the Forward Payment Amount less (b) USD33,583,344.18 less (c) the FV2 of the Intermediate Forward Payment Amount less (d) the

Aggregate of all FV2 of the Advanced Forward Payment Amount

Calculation Agency and Interbank Agreement means the Calculation Agency and Interbank Agreement dated as of December 13, 1999 between Empresas Tolteca de Mexico, S.A. de C.V., the Calculation Agent, and each of the banks or other financial institutions party thereto, as amended on December 13, 2002 and as further modified and supplemented and in effect from time to time.

FV2 means, with respect to any Advanced Forward Payment Amount or Intermediate Forward Payment Amount, the value on the Termination Date that, when discounted to the date of payment of such amount (on a 30/360 basis compounded quarterly) at the Swap Rate, equals such Advanced Forward Payment Amount or such Intermediate Forward Payment Amount, as the case may be. As used in this definition, Swap Rate means, as of any date of payment referred to above, the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the date of payment of such amount to but excluding the Termination Date, to three-month USD-LIBOR-BBA plus 125 bps (computed on a 30/360 basis

compounded quarterly) based upon the zero coupon swap curve in effect on the date of payment of such amount, as determined by the Calculation Agent in accordance with Section 3(b) of the Calculation Agency and Interbank Agreement.

Intermediate Forward Payment Amount means, with respect to any Intermediate Forward Payment Date, the USD550,816.00 (the USD amount as determined by the Calculation Agent according to the following formula:

$$(\text{Notional Amount} - \text{Initial Forward Payment Amount}) * ((1+r/4)^2 - 1)$$

where

"r" = the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including the Effective Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on the Effective Date).

Minimum Advanced Forward Payment Amount means USD990,000.00 (the USD amount equal to (i) 2.5% multiplied by (ii) the Forward Payment Amount minus the FV1 of the Initial Forward Payment Amount).

PV means, with respect to any Valuation Date and any specified amount, the present value of such specified amount, discounted from the Termination Date to such Valuation Date at a discount rate per annum equal to the fixed rate of interest (computed on a 30/360 basis) equivalent, for the period from and including such Valuation Date to but excluding the Termination Date, to three-month USD LIBOR plus 125 bps (computed on a 30/360 basis compounded quarterly) based upon the zero coupon swap curve in effect on such Valuation Date.

Valuation Dates means each of (i) December 20, 2002 and thereafter the last Business Day of each week up to and including December 12, 2003, (ii) any Early Termination Date, (iii) any Voluntary Early Termination Date and (iv) the Termination Date.

8. Agreement to Deliver Documents:

For the purpose of Section 4(a)(ii) of the Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Bank and Counterparty	Evidence of the authority, incumbency and specimen signature of each person executing any document upon behalf of such party or any Credit Support Provider of such party (including, in the case of Counterparty and each Credit Support Provider, notarized copies of the by-laws of and powers of attorney given by Counterparty or such Credit Support Provider to its officers, as the case may be)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	Evidence of the appointment of an agent of service of process for the Counterparty and each Credit Support Provider (including copies of appointment and acceptance letters and powers of attorney (executed in the presence of a Mexican notary) granted by Counterparty and each Credit Support Provider in favor of the process agent)	Upon the execution by such party or any Credit Support Provider of this Confirmation, any Credit Support Document with respect to such party or any other documentation relating to the Agreement or any such Credit Support Document	Yes
Counterparty	The Amendment to the Credit Support Document with respect to such party specified in Paragraph 9 of this Confirmation	On or prior to the execution by such party of this Confirmation	Yes
Bank and Counterparty	The Amendment to the Calculation Agency and Interbank Agreement	On or prior to the execution of this Confirmation	Yes
Counterparty	Opinion of internal legal counsel of Counterparty and each of its Credit Support Providers, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	Yes
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, with respect to the matters addressed in the opinion delivered by such counsel in connection with the First Transaction	On the Effective Date	No
Counterparty	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to Cemex, in form and substance satisfactory to Bank, certifying that the Registration Statement with respect to the Cemex ADS is effective and that no refusal	Not later than the tenth Business Day immediately succeeding the effectiveness of the Registration Statement	Yes

or stop order has been issued
by the United States
Securities and Exchange
Commission

Counterparty	Evidence of receipt of any necessary Mexican approvals by Counterparty and each of its Credit Support Providers	On or prior to the execution of this Confirmation	Yes
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9. Credit Support:

For purposes of this Transaction only, each of Cemex and Cemex Mexico, S.A. de C.V. shall be a Credit Support Provider in relation to Counterparty, and the Guarantee, dated as of December 13, 1999 and amended as of December 13, 2002, made by the Credit Support Providers in favor of Bank shall be a Credit Support Document in relation to Counterparty.

10. Representations:

In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation (and, with respect to Counterparty, Cemex) makes to the other party the representations and acknowledgements set forth in Paragraph 15 of the First Confirmation. In addition, each party to this Confirmation represents and warrants to the other party to this Confirmation that it is an "eligible contract participant" as such term is defined in Section 1a(12) of the U.S. Commodity Exchange Act.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing correctly sets forth the terms of the agreement between

us with respect to the particular Transaction to which this Confirmation relates, by manually signing this Confirmation and providing any other information requested herein and immediately returning an executed copy to Luc Francois at +1 212 278 5463. Hard copies should be returned to 1221 Avenue of the Americas, Equity Derivatives, 6th floor, New York, NY 10020, Attention: Luc Francois.

Yours sincerely,

SOCIETE GENERALE

By: /s/ Luc Francois

Name: Luc Francois
Title: Deputy Head of Equity Derivatives

Confirmed as of the
date first above written:

EMPRESAS TOLTECA DE MEXICO, S.A. DE C.V.

By: /s/ Humberto Moreira

Name: Humberto Moreira
Title: Attorney-in-fact

Acknowledged and Agreed solely for purposes of Paragraphs 2, 6, 9 and 10:

CEMEX, S.A. DE C.V.

By: /s/ Mario de la Garza

Name: Mario de la Garza
Title: Attorney-in-fact

Acknowledged and Agreed solely for
purposes of Paragraph 9:

CEMEX MEXICO, S.A. de C.V.

By: /s/ Victor Naranjo

Name: Victor Naranjo
Title: Attorney-in-fact

List of Subsidiaries

The following is a list of the significant subsidiaries of CEMEX, S.A. de C.V., including the name of each subsidiary and its country of incorporation:

CEMEX Mexico, S.A. De C.V.....	Mexico
Empresas Tolteca De Mexico, S.A. De C.V.....	Mexico
Centro Distribuidor De Cemento, S.A. De C.V.....	Mexico
CEMEX International Finance Company.....	Ireland
CEMEX Trademarks Holding Ltd.....	Switzerland
CEMEX Trademarks Worldwide Ltd.....	Switzerland
Mexcement Holdings, S.A. De C.V.....	Mexico
Sunward Acquisitions N.V.....	Netherlands
Sunward Holdings B.V.....	Netherlands
New Sunward Holding B.V.....	Netherlands
CEMEX Espana, S.A.....	Spain
CEMEX Caracas Investments B.V.....	Netherlands
CEMEX Colombia, S.A.....	Colombia
CEMEX Corp.....	United States (DE)
CEMEX, Inc.....	United States (LA)
CEMEX Hungary Kft.....	Hungary

Certification of Principal Executive and Financial Officers
Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 20-F of CEMEX, S.A. de C.V. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Lorenzo H. Zambrano, as Chief Executive Officer of the Company, and Hector Medina, as Executive Vice President of Planning and Finance of the Company, each hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer
Date: April 8, 2003

/s/ Hector Medina

Name: Hector Medina
Title: Executive Vice President of
Planning and Finance
Date: April 8, 2003

This certification accompanies the Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to CEMEX, S.A. de C.V. and will be retained by CEMEX, S.A. de C.V. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Principal Executive and Financial Officers
Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 20-F of CEMEX Mexico, S.A. de C.V. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Lorenzo H. Zambrano, as Chief Executive Officer of the Company, and Hector Medina, as Executive Vice President of Planning and Finance of the Company, each hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer
Date: April 8, 2003

/s/ Hector Medina

Name: Hector Medina
Title: Executive Vice President of
Planning and Finance
Date: April 8, 2003

This certification accompanies the Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to CEMEX Mexico, S.A. de C.V. and will be retained by CEMEX Mexico, S.A. de C.V. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Principal Executive and Financial Officers
Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 20-F of Empresas Tolteca de Mexico, S.A. de C.V. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Lorenzo H. Zambrano, as Chief Executive Officer of the Company, and Hector Medina, as Executive Vice President of Planning and Finance of the Company, each hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lorenzo H. Zambrano

Name: Lorenzo H. Zambrano
Title: Chief Executive Officer
Date: April 8, 2003

/s/ Hector Medina

Name: Hector Medina
Title: Executive Vice President of
Planning and Finance
Date: April 8, 2003

This certification accompanies the Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Empresas Tolteca de Mexico, S.A. de C.V. and will be retained by Empresas Tolteca de Mexico, S.A. de C.V. and furnished to the Securities and Exchange Commission or its staff upon request.

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference into (i) Post-Effective Amendment No. 3 to the Registration Statement on Form F-3 (File No. 333-11382) of CEMEX, S.A. de C.V., (ii) the Registration Statement on Form F-3 (File No. 333-86700) of CEMEX, S.A. de C.V., (iii) the Registration Statement on Form S-8 (File No. 333-13970) of CEMEX, S.A. de C.V. and (iv) the Registration Statement on Form S-8 (File No. 333-83962) of CEMEX, S.A. de C.V., of our report, dated January 15, 2003 (except for note 23, which is as of March 24, 2003), with respect to the consolidated balance sheets of CEMEX, S.A. de C.V. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the years in the three year period ended December 31, 2002, which report appears in this Annual Report on Form 20-F of CEMEX, S.A. de C.V.

KPMG Cardena Dosal, S.C.

/s/ Leandro Castillo Parada

Leandro Castillo Parada

Monterrey, N.L., Mexico
April 8, 2003

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference into (i) Post-Effective Amendment No. 3 to the Registration Statement on Form F-3 (File No. 333-11382) of CEMEX, S.A. de C.V., (ii) the Registration Statement on Form F-3 (File No. 333-86700) of CEMEX, S.A. de C.V., (iii) the Registration Statement on Form S-8 (File No. 333-13970) of CEMEX, S.A. de C.V. and (iv) the Registration Statement on Form S-8 (File No. 333-83962) of CEMEX, S.A. de C.V., of our reports dated January 11, 2001 relating to the financial statements of Compania Minera Atoyac, S.A. de C.V., Cementos Anahuac, S.A. de C.V., Cementos del Norte, S.A. de C.V., Provedora Mexicana de Materiales, S.A. de C.V., Compania de Transportes del Mar de Cortes, S.A. de C.V., Cementos Guadalajara, S.A. de C.V., Cementos de Oriente, S.A. de C.V., Autotransportes de Huichapan, S.A. de C.V., Cemex Concretos, S.A. de C.V. and Granos y Terrenos, S.A. de C.V., which reports appear in this Annual Report on Form 20-F of CEMEX, S.A. de C.V.

PricewaterhouseCoopers

/s/ Hector Puente S.

Hector Puente S.

Monterrey, N.L.
Mexico
April 7, 2003