GOOD RESULTS IN BAD TIMES
GREAT RESULTS IN GOOD TIMES

another great year

2004 ANNUAL REPORT

CEMEX
Building the future™

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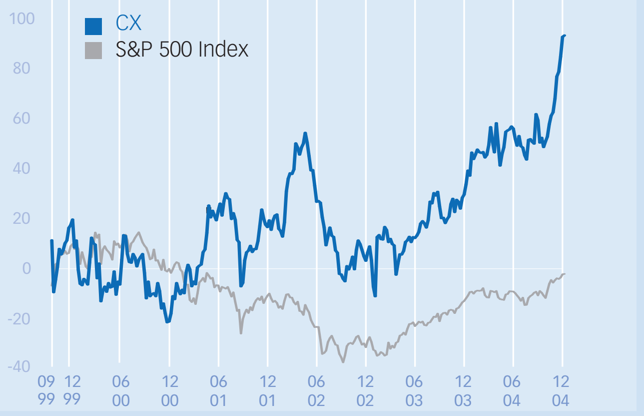
CEMEX vs. S&P 500 INDEX
total cumulative return



By the end of 2004, our stock had outperformed the S&P 500 Index by more than 90 percentage points since we first listed our shares on the NYSE in September of 1999.

OPERATING INCOME AND FREE CASH FLOW
thousands of US dollars

Our consistent profitability validates our growth strategy. In the past five years alone, we have generated more than U.S.$7.9 billion in operating income and U.S.$5.6 billion in free cash flow.

Our track record of performance

Our record of performance is unparalleled in our industry. From a Mexican company, to a Latin American company, to a global company, we have followed a path that no competitor can match. And in the process we have built a company that is regularly the most profitable global enterprise in our industry.

We have prospered through the ebb and flow of the global economic cycle, producing good results in bad times and great results in good times. Over the past 10 years, we have grown our operating income and free cash flow at compounded annual growth rates of 13% and 19%, respectively.

And we have consistently delivered superior returns to our stockholders. Since September of 1999, when we listed our shares on the New York Stock Exchange, the total compounded annual return on our stock has averaged more than 13% per year. We have also allocated our capital investments wisely and realized an average return on capital employed of close to 12% for the past five years.

As we look forward to our second century, we have the people, the experience, and the proven strategy to extend our record of profitability. We invite you to read further and learn about some of our ongoing strategic initiatives.

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In 2004 we launched our new Al-Fanar brand Type II cement, designed for use along Egypt's more than 2,450 kilometers of coastal shoreline.

Putting our customers first

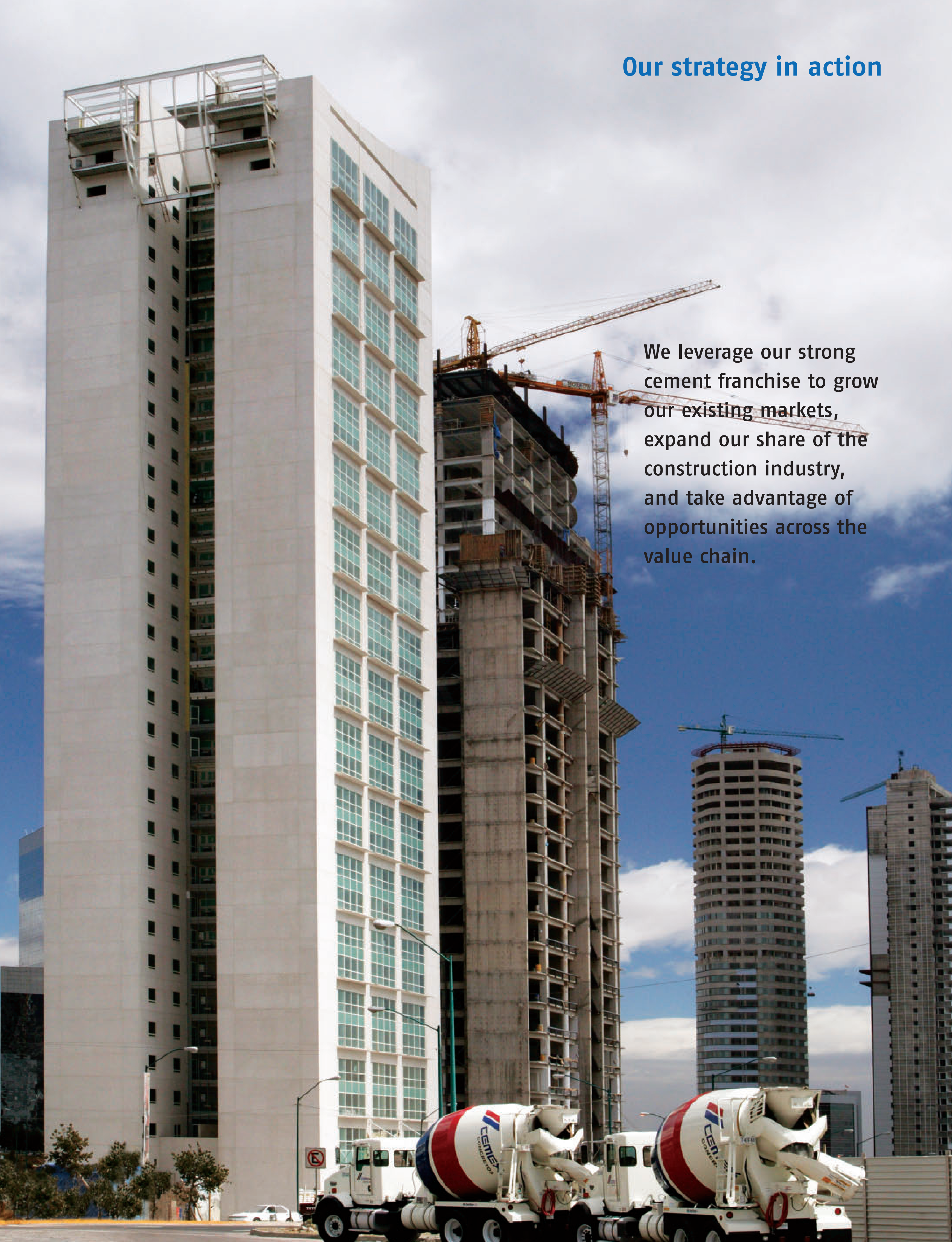
Our aim is to help our customers achieve their goals more efficiently and effectively, no matter what their construction project. In order to provide our clients with more dynamic and specialized products and services, we segment our markets—both horizontally and vertically—and develop targeted solutions for each market sector and channel.

Ready-mix concrete is an integral distribution channel for our cement and aggregates. So we have designed and deployed advanced customer-service initiatives to reinforce this important part of the value chain. For example, our web-based inventory management system enables our customers to focus on what matters most—their construction projects—without worrying whether there's sufficient cement in their silos. At no additional cost, our new system automatically 1) communicates and coordinates cement deliveries among three related parties—our customer, our carrier, and us; 2) allows us to monitor, replenish, and optimize cement-inventory levels at our customers' ready-mix plants; and 3) keeps our customers apprised of the status of their cement deliveries.

Across our international network, we tailor our products to fit the needs of our local market segments. For example, as a result of our market intelligence, we recently discontinued our 30-year-old Costa Rican cement brand, Cempa, and introduced several brands, including Sansón—a Portland cement that may be used for structural construction work. In the Dominican Republic, our new Titán brand high-resistance cement is well suited for concrete-block producers. And in Venezuela, our new Construlisto Vencemos brand dry mortar is ideal for do-it-yourself home repairs. Through these and other customer initiatives, we work to position CEMEX as the construction industry's preferred provider and partner.

Our strategy in action

We tailor our initiatives to suit the specific needs of the different customer segments we serve.



Our strategy in action

We leverage our strong cement franchise to grow our existing markets, expand our share of the construction industry, and take advantage of opportunities across the value chain.

Through our pilot California promotion program, we have captured significant cement and ready-mix volumes.

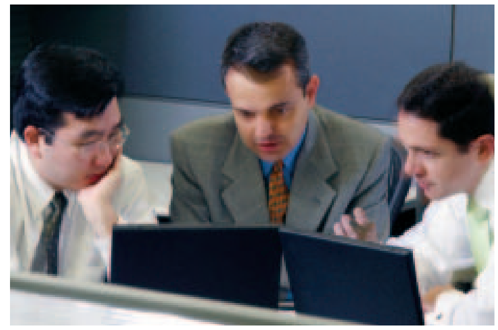
Expanding our piece of the pie

We see considerable opportunity to enlarge cement's share of the construction industry by promoting and demonstrating the advantages of cement over competing building materials. For high-potential market segments such as paving and residential construction, cement is more durable, is easier to maintain, and can cost less overall than other products.

In Mexico—our largest market—we are going the extra mile to stimulate municipalities' and developers' use of our ready-mix concrete for paving roads. For example, we are lending developers machinery that enables them to pave roads more easily with our concrete, and we are providing them with technical assistance to ensure project quality and efficiency.

We are also working with municipalities to improve their return on investment in road construction. By factoring in anticipated traffic, climate, and other relevant conditions, we help cities develop their bid specifications and recommend the right paving material for their project needs. In areas subject to higher traffic and varying climates, concrete can offer a safer and better long-term return on their investment. Where less traffic and more stable temperatures are the norm, however, we advise these clients to use an alternate paving material. In this way, we not only promote the use of our products; we also foster lasting relationships built on trust.

Similarly, in the United States—our second-largest market—we are beginning to reap the benefit of our efforts to realize cement's tremendous growth potential. Through our pilot California promotion program, we have targeted and captured significant cement and ready-mix volumes in parking, road construction and paving, and residential and commercial construction. We are expanding this successful initiative to Texas and other promising U.S. markets.



Our standardized information-technology systems enable us to share market intelligence and ensure a more transparent procurement process for our suppliers.

Continuously seeking improvement

We relentlessly search for new ways to make our operations even better. Over the past year, for example, we have implemented a number of initiatives to optimize the efficiency and productivity of our procurement process. Recognizing that much of our procurement budget is for plant maintenance, we have developed and deployed a dynamic maintenance program that allows us to plan each month's purchases three months in advance. We have consolidated and centralized the negotiation process to take full advantage of our sizable global demand for items ranging from trucks to computers. We also have implemented standardized information-technology systems that enable us to share market intelligence, ensure a more transparent process for our suppliers, and implement additional cost-saving initiatives such as reverse auctions. As a result of our efforts, we have obtained not only better purchase prices and other terms but also a considerable reduction in our working capital.

In 2004 our long-standing commitment to flexible and efficient energy management paid off again. Despite the year's volatile global energy environment, during which energy prices rose considerably, our average energy cost per metric ton increased by only three percent thanks to our continuing strategic energy initiatives, including our conversion to alternate fuels and our development of self-supply power-generation facilities.

Our strategy in action

Our ongoing initiatives in procurement, energy, and information technology enable us to control our costs and manage our company with greater agility.

Our strategy in action

Our employees are disciplined, motivated people who possess a passion for change. They are the key to our success.

From Caracas, Venezuela, to Cairo, Egypt, we are a global organization of individuals from many different countries, cultures, and backgrounds.

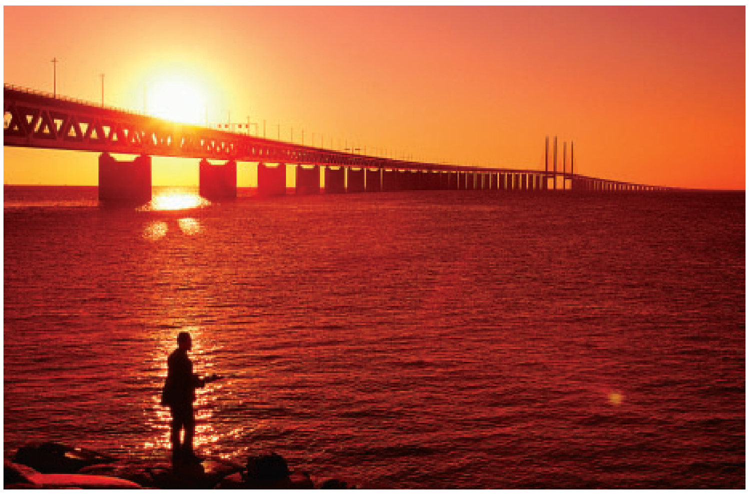
Nurturing tomorrow's leaders today

We are a learning organization, deeply devoted to our employees' development. Each year we invest considerable time and money to provide training and educational opportunities for all of our employees. In the United States, for example, we have provided more than 725,000 hours of employee training over the past four years.

We have a profound understanding of the underlying diversity of our markets; we train our people to think globally and operate locally. Our global leadership and international management programs prepare young executives to move into top management positions within our organization. Our online courses—from language instruction to project and customer-relationship management—offer employees the skills they need to succeed in a continually evolving business environment. And our employees' international assignments foster their multicultural development while allowing them to share our best practices across geographic borders. Today several hundred managers—at multiple levels—are working on assignments outside of their home countries.

We aim to treat our employees as customers. Through our Your Opinion Counts and Best Place to Work campaigns, for example, we encourage employees to share their ideas for enhancing our business and the quality of our work environment. In 2004 our Your Opinion Counts campaign garnered more than 800 employee proposals from across the United States to improve various aspects of our business—from cost reduction and workplace safety to customer service and product promotion. And through our country- and company-wide awards programs, we reward exemplary internal customer service on a monthly and annual basis.

Our acquisition of RMC



The RMC acquisition will enhance our growth platform and diversify our geographic base.

Our acquisition of RMC Group reinforces our growth strategy. Beyond our increased scale and global reach, our greater vertical integration and exposure to new markets will better position us to grow more profitably, serve our customers better, and deliver more value to all of our stakeholders.

In short, the acquisition meets all of our rigorous investment criteria. First, it will provide returns well in excess of our risk-adjusted cost of capital. It is immediately accretive to our free cash flow and cash earnings per share, and it will yield our target return on capital employed of 10% by 2007. In addition, our increased geographic diversification in Europe, North America, and Asia will enhance our cash-flow stability and lower our weighted-average cost of capital.

Second, the transaction will enable us to maintain our solid capital structure. Because of our financial discipline and track record of profitable growth, we obtained acquisition financing on favorable terms and conditions. As a result, we will lower our cost of capital and our average cost of debt. As we have repeatedly demonstrated in the past, we have the capacity to regain our financial flexibility quickly after we complete an acquisi-

The integration of the Czech Republic, Poland, and Hungary into the European Union will significantly increase these countries' consumption of cement and related products.

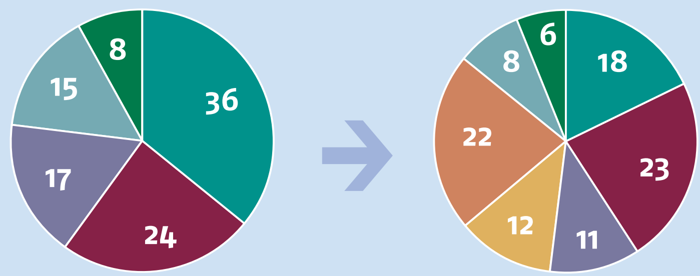
tion. This acquisition will not change that. We expect to reach our target net-debt-to-EBITDA ratio of 2.7 times by the end of 2005 and to maintain our interest coverage ratio at over 5.0 times.

Third, the acquisition will enhance our global network and enable us to leverage our management expertise and integration skills. RMC's geographically diversified positions in the ready-mix, aggregates, and cement business will complement our strengths along the cement value chain. Among other important benefits, the transaction will build on our existing distribution channels and create greater value for our customers. It will also increase our exposure to Western and Eastern Europe—including Poland, the Czech Republic, and Hungary, whose consumption of cement and related products will significantly increase as the process of convergence with the European Union accelerates.

Although this acquisition is premised on much more than its potential synergies, we expect to realize approximately U.S.$200 million of annual cost savings by 2007. These synergies will flow mainly from our centralized management platforms and operating systems, our global trading network, and our shared best practices.

SALES BY COUNTRY

percentage before the acquisition and pro-forma including RMC

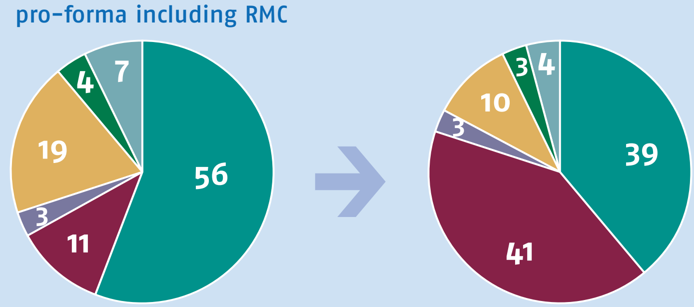


On a combined basis, the RMC acquisition will allow us to continue our long-term track record of high growth while maintaining a healthy return on capital employed and achieving a more effectively diversified asset base.

- Mexico
- US
- Spain
- UK
- Rest of Europe
- South & Central America & Caribbean
- Others

EMPLOYEES BY REGION

percentage before the acquisition and pro-forma including RMC



This acquisition will strengthen our already-considerable pool of talent.

- North America
- Europe
- Africa and Middle East
- South & Central America & Caribbean
- Asia
- Headquarters & other businesses

Financial highlights in millions of US dollars,[1] except per-ADR data

	2004	2003	change
Net sales	8,149	7,164	14%
Operating income	1,852	1,455	27%
EBITDA	2,538	2,108	20%
Consolidated net income	1,328	659	101%
Earnings per ADR[2]	3.93	1.99	97%
Free cash flow	1,478	1,143	29%
Total assets	17,381	16,016	9%
Net debt[3]	5,588	5,641	(1%)
Stockholders' equity, majority interest	7,831	6,234	26%

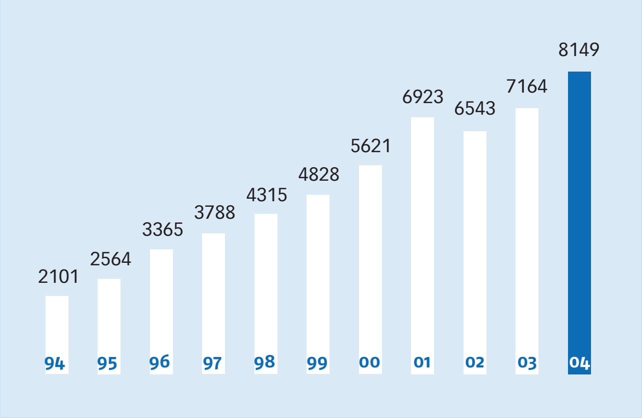
[1] For your convenience, US dollar amounts are calculated by converting the constant Mexican peso amounts at the end of the year using the end-of-year Mexican peso/US dollar exchange rate for each year. The exchange rates used to convert results for 2003 and 2004 are 11.24 and 11.14 Mexican pesos per US dollar, respectively.

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

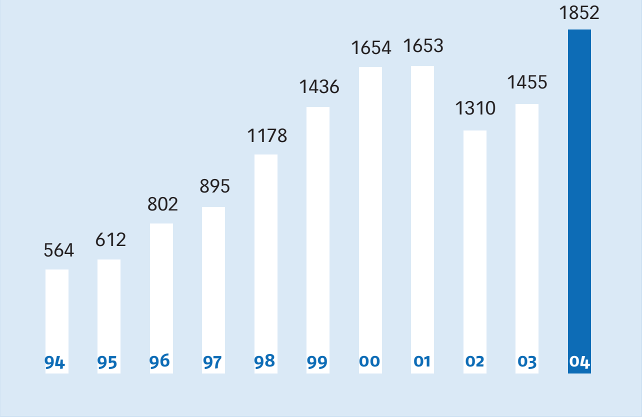
[3] Net debt for 2004 includes the acquisition of 50 million RMC shares representing approximately 18.8% of the issued share capital of RMC.

Our performance underscores the strength of our business model. Over the past 10 years, we have increased our sales and operating income at compounded annual growth rates of 15% and 13%, respectively.

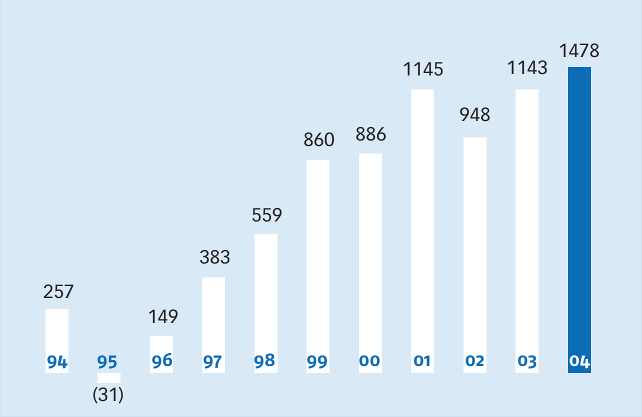
CONSOLIDATED NET SALES
millions of US dollars



OPERATING INCOME
millions of US dollars



FREE CASH FLOW
millions of US dollars



Dear fellow stockholders:

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

This was another great year for CEMEX. In 2004 our top- and bottom-line results exceeded our expectations. Our consolidated net sales and operating income increased by 14% and 27%, respectively, over those of 2003. And our majority net income rose by 108% for the year to U.S.$1.3 billion.

Our positive results build on our track record of performance. Over the past 15 years, we have increased our revenue and operating income at compounded annual growth rates of 15% and 22%, respectively. And we have translated those results into sustainable value for you, producing an average return on equity of more than 16% over the past five years.

Our consistently strong results throughout the business cycle tell you a lot about our company, our people, and our business strategy. So what is our strategy for growth?

We leverage our strong cement franchise to grow our existing markets, expand our share of the construction industry, and take advantage of opportunities across the value chain. Over the past 15 years, we have built a market portfolio with sustainable, long-term, organic growth potential. And in some of our markets, such as the United States and Mexico, we still have significant

Our consistently strong results throughout the business cycle tell you a lot about our company, our people, and our business strategy.

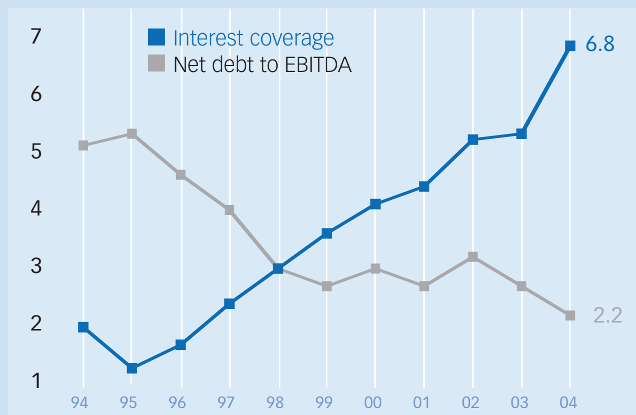
opportunities to increase cement's share of the overall construction industry.

The story gets even better when you look down the cement value chain—including aggregates, ready-mix, and distribution. There we see ample opportunity to deepen our customer relationships by focusing on more integrated building solutions rather than isolated products.

We consistently put our customers first. When they succeed, we succeed. So we segment our markets and tailor our initiatives to suit the specific needs of the different customers we serve.

We continually improve our company in order to grow more efficiently and profitably. Our ongoing structural initiatives in procurement, energy, and information technology enable us to control our costs, make better-informed decisions, and manage our company with greater agility. For example, our standardized information-technology platform and business processes allow us to work more closely with our customers, particularly those in the high-value-added segment of the marketplace; identify and share best practices across our global network; and integrate acquisitions smoothly and systematically.

FINANCIAL INDICATORS
times



For 2004, we committed to reduce debt—and we did. At year end, our net-debt-to-EBITDA ratio improved to 2.2 times from 2.7 times at the end of 2003. And our interest coverage for 2004 was 6.8 times, up from 5.3 times for 2003.

DIVIDENDS PER ADR
US dollars

**CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and shareholders approved, a share repurchase program.*

We allocate our capital efficiently and effectively to ensure the most productive use of your investment dollars. Our capital allocation and budgeting processes enable us to invest our free cash flow in projects that not only meet our investment criteria but also contribute to our increasing profitability. Our target is to achieve a healthy return on capital employed of over 10% for every acquisition that we make.

Our financial discipline also allows us to strengthen our balance sheet, increase our liquidity, and recover our flexibility quickly after an acquisition. Consequently, we are always ready to embrace attractive industry opportunities whenever they arise.

We maximize value through acquisitions that leverage our network, our management and integration skills, and our best practices. Our highly disciplined investments create value for stockholders, customers, and employees alike. In that light, our recent acquisition of RMC is the right acquisition, at the right time, on the right terms.

Our stronger positions across the cement value chain, larger scale, and exposure to new markets will position us to serve our customers better, grow more profitably, and generate more value for all of our stakeholders.

We see ample opportunity to deepen our customer relationships by offering more integrated building solutions.

Our greater vertical integration will significantly improve our ability to deliver integrated solutions that offer an enhanced value proposition to our customers. We will complement our Latin American base with important European positions, strengthen our company's U.S. operations, and open new high-growth markets—such as Eastern Europe. Furthermore, we will expand the opportunities available to our employees.

At the end of the day, our success stems from our people—disciplined, motivated employees who possess a passion for change and who can deliver consistently positive results in up and down markets. So we provide our employees with the tools and the environment necessary to succeed, including advanced training, education, health, and safety programs and user-friendly information platforms.

With each acquisition, we grow even stronger. We strengthen our already-considerable pool of talent with people who share our beliefs. We believe in teamwork, we believe in identifying and sharing best practices, and we believe we can make the good better if we work hard enough and smart enough.

To the men and women of CEMEX, thank you. We have asked you to commit—to our customers, to our stockholders, to the communities in which we live and operate, and to each other—and you have delivered. Through your passion, discipline, and dedication, you have successfully positioned us for the challenges and opportunities that lie ahead. Together we will translate those challenges and opportunities into accomplishments.

We have the people, the systems, the network, and the experience to integrate RMC smoothly and effectively and to produce the kinds of results that you have come to expect from CEMEX. As we continue on our path of profitable growth, I trust that you will come along with us.

Sincerely,

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

Selected consolidated financial information

IN MILLIONS OF US DOLLARS, EXCEPT ADRs AND PER-ADR AMOUNTS

CEMEX, S.A. de C.V. and subsidiaries

	1994	1995	1996	1997	1998	1999	2000	2001
Operating results								
Net Sales	2,101	2,564	3,365	3,788	4,315	4,828	5,621	6,923
Cost of Sales(1)(2)	(1,212)	(1,564)	(2,041)	(2,322)	(2,495)	(2,690)	(3,141)	(3,894)
Gross Profit	889	1,000	1,325	1,467	1,820	2,138	2,480	3,029
Operating Expenses(2)	(325)	(388)	(522)	(572)	(642)	(702)	(826)	(1,376)
Operating Income	564	612	802	895	1,178	1,436	1,654	1,653
Financial Expense	(359)	(652)	(668)	(510)	(485)	(488)	(467)	(412)
Financial Income	86	65	53	37	37	31	25	41
Comprehensive Financing Result(3)	(16)	567	529	159	(132)	(29)	(174)	265
Other Income (Expenses), Net	(133)	(162)	(171)	(138)	(152)	(296)	(234)	(417)
Income before Taxes and Others	415	1,017	1,160	916	893	1,111	1,246	1,501
Minority Interest Net Income(4)(5)(6)	45	109	119	107	39	56	78	153
Majority Interest Net Income	376	759	977	761	803	973	999	1,178
Millions of ADRs Outstanding(7)(8)(11)	215	257	261	254	252	273	278	292
Earnings per ADR(8)(9)	1.75	2.95	3.76	2.97	3.18	3.87	3.65	4.14
Dividends per ADR(8)(10)(11)	0.31	0.33	–	0.60	0.70	0.79	0.98	1.02
Balance-sheet information								
Cash and Temporary Investments	484	355	409	380	407	326	308	428
Net Working Capital(12)	528	567	611	588	638	669	813	933
Property, Plant, and Equipment, Net	4,093	4,939	5,743	6,006	6,142	6,922	9,034	8,940
Total Assets	7,894	8,370	9,942	10,231	10,460	11,864	15,759	16,230
Short-Term Debt	648	870	815	657	1,106	1,030	2,962	1,028
Long-Term Debt	3,116	3,034	3,954	3,961	3,136	3,341	2,709	4,345
Total Liabilities	4,291	4,603	5,605	5,535	5,321	5,430	8,111	8,078
Minority Interest(4)(5)(6)	771	889	1,000	1,181	1,251	1,253	2,398	1,975
Majority Interest	2,832	2,878	3,337	3,515	3,887	5,182	5,251	6,177
Total Stockholders' Equity	3,603	3,767	4,337	4,696	5,138	6,435	7,649	8,152
Book Value per ADR(8)	13.15	11.2	12.8	13.85	15.45	18.95	18.9	21.15
Other financial data								
Operating Margin	26.9%	23.9%	23.8%	23.6%	27.3%	29.8%	29.4%	23.9%
EBITDA Margin(12)	34.2%	31.8%	32.3%	31.5%	34.4%	37.1%	36.1%	32.6%
EBITDA(12)	719	815	1,087	1,193	1,485	1,791	2,030	2,256
Free Cash Flow(12)	257	(31)	149	383	559	860	886	1,145

2002	2003	2004	Compounded annual growth 03-04	94-04
6,543	7,164	8,149	14%	15%
(3,656)	(4,130)	4,586		
2,888	3,034	3,563		
(1,577)	(1,579)	(1,711)		
1,310	1,455	1,852	27%	13%
(333)	(381)	(372)		
45	17	23		
(329)	(267)	133		
(389)	(457)	(484)		
592	731	1,501		
37	30	21		
520	629	1,307	108%	13%
304	324	339		
1.74	1.99	3.93	97%	8%
1.04	1.02	n.a.		
361	291	342		
699	576	525		
8,963	9,265	9,613		
15,934	16,016	17,381		
1,393	1,329	1,044		
4,374	4,537	4,887		
8,983	9,250	9,161		
1,207	532	389		
5,744	6,234	7,831		
6,951	6,766	8,220		
17.25	17.55	23.10		
20.0%	20.3%	22.7%		
29.3%	29.4%	31.1%		
1,917	2,108	2,538	20%	13%
948	1,143	1,478	29%	19%

1. Cost of sales includes depreciation.

2. In years 2004, 2003, 2002, and partially during 2001, the expenses related to the distribution of the company's products were classified as selling expenses on the income statement. Partially during 2001 and fully between the years 1994 and 2000, such expenses were recognized as part of cost of sales. This reclassification had no effect on operating income, net income, and/or earnings per ADR for the years before 2002 if the mentioned expenses were recognized consistent with the current classification. For illustrative purposes, for the years ended December 31, 1999 and 2000, the distribution expenses recognized as part of cost of sales were approximately U.S.$225 and U.S.$374 million, respectively, and the partial amount recognized as part of the cost of sales in 2001 was U.S.$156 million.

3. Comprehensive financing result includes financial expense, financial income, realized and unrealized gains and losses on derivative financial instruments and marketable securities, foreign exchange results, and the net monetary position result.

4. In July 1995, a subsidiary of CEMEX transferred a portion of CEMEX Spain's (formerly known as Valenciana) shares, which represented 24.77% of the common stock, in exchange for 40 billion pesetas. During the life of the transaction, such shares were treated as owned by a third party, thereby creating a minority interest in the consolidated stockholders' equity. The original amount was refinanced in August 1997 at U.S.$320 million and, subsequently, in February 1999 at U.S.$500 million. Since the first refinancing, the minority interest was not recognized on the income statement because CEMEX, through its subsidiary, retained dividends and voting rights over such shares and had the option to acquire them in three tranches, the latter to mature in June 2001. In August 2000, CEMEX anticipated the exercise of its call option and terminated this transaction. During the life of the transaction, the company included the cost of retaining its option as part of the financial interest.

5. In November 2000, a Dutch subsidiary of CEMEX issued preferred stock for U.S.$1.5 billion in connection with the financing required for the CEMEX, Inc. (formerly Southdown) acquisition. In October 2003, CEMEX early redeemed the total outstanding amount of the preferred stock. The preferred stock's redemption was mandatory in February and August 2004 and granted its holders 10% of the subsidiary's voting rights, as well as the right to receive a variable guaranteed preferred dividend. After redemptions of preferred stock made during the life of this transaction, the outstanding amount of preferred stock as of December 31, 2000, 2001, and 2002, was U.S.$1,500 million, U.S.$900 million, and U.S.$650 million, respectively, and was included as minority interest in each year (see note 16E to the 2004 annual report's Financial Statements).

6. In 1998 a subsidiary of CEMEX in Spain issued U.S.$250 million of capital securities at 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, pursuant to the early redemption, in excess of the nominal amount of the capital securities of approximately U.S.$20 million was recorded against stockholders' equity. The balance outstanding as of December 31, 2003 and 2002, was U.S.$66 million. In 2004, through the exercise of a repurchase option, CEMEX liquidated the remaining capital securities. After May 15, 2005, the holders of the instrument would have had the right to sell it to CEMEX. This transaction was recorded as minority interest (see note 16E to the 2004 annual report's Financial Statements).

7. The number of ADRs outstanding represents the total ADR equivalent units outstanding at the close of each year, stated in millions of ADRs, and includes the total number of ADR equivalents issued by CEMEX in underlying derivative transactions, and excludes the total number of ADR equivalents issued by CEMEX and owned by subsidiaries. Each ADR listed on the New York Stock Exchange represents five CPOs.

8. On September 14, 1999, CEMEX concluded an exchange offer of its old series "A" and "B" shares and its old CPOs for new CPOs. As a result, most of the holders of the old series "A" and "B" shares and old CPOs received for each one of their titles a new CPO, which represents the participation in two new series "A" shares and one new series "B" share of CEMEX. As a part of the exchange offer, on September 15, 1999, CEMEX made a stock split of two series "A" shares and one series "B" share for each of the old shares of any series. The proportional equity interest participation of the stockholders in CEMEX's common stock did not change as a result of the exchange offer and the stock split mentioned above. Earnings per ADR and the number of ADRs outstanding for the years ended December 31, 1994 through 1998, have been adjusted to make the effect of the stock split retroactive. In order to comply with Mexico's accounting principles, in the Financial Statements these figures are presented on a per-share basis (see note 22 to the 2004 annual report's Financial Statements).

9. For the periods ended December 31, 1994 and 1995, earnings-per-ADR amounts were determined by considering the total outstanding ADR equivalents at the year's end. For the periods ended December 31, 1996 through 2004, the earnings-per-ADR amounts were determined by considering the average number of ADR equivalent units outstanding during each year, i.e., 259.6, 256.6, 252.4, 251.2, 275.0, 284.4, 299.2, 315.2, and 332.9 million, respectively.

10. Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year. CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and shareholders approved, a share repurchase program (see paragraph below).

11. As a result of CEMEX's Share Repurchase Program in 1997, 24.1 million CPOs were acquired for an amount of approximately U.S.$119 million. The CPOs acquired through this program accounted for approximately 2% of the CPOs outstanding on that date.

12. Please refer to page 75 for the definition of terms.

A growing global company

Business

We are a growing global building-solutions company that provides products of consistently high quality and reliable service to customers and communities across four continents. We advance the well-being of those we serve through our relentless focus on continuous improvement and our efforts to promote a sustainable future.

Our company was founded in Mexico in 1906, and we have grown from a small local player to one of the top global cement companies, with more than 26,000 employees as of the end of 2004. Today we are strategically positioned in the Americas, Europe, Asia, and Africa. Our operations network produces, distributes, and markets cement, ready-mix concrete, aggregates, and clinker to customers in more than 30 countries, and—as one of the world's largest cement traders—we maintain trade relationships with more than 60 nations.

Business strategy

Over the past 15 years, we have built a portfolio of assets with sustainable, profitable, long-term growth potential. Looking forward, we aim to strengthen our global leadership position by

> focusing on our core business of cement, ready-mix concrete, and aggregates
> providing our customers with the best value proposition
> growing profitably through integrated positions across our industry's value chain
> allocating capital effectively
> continuously improving our operating efficiency and productivity

Focus on our core business of cement, ready-mix concrete, and aggregates

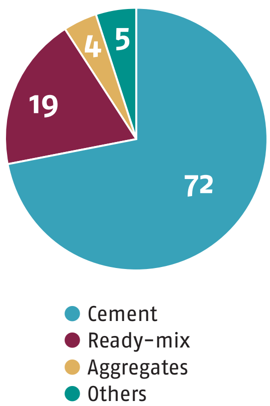
Our portfolio of cement, ready-mix, and aggregates assets is concentrated in markets that provide sustainable top- and bottom-line growth throughout the economic cycle. In 2004 our

Global markets

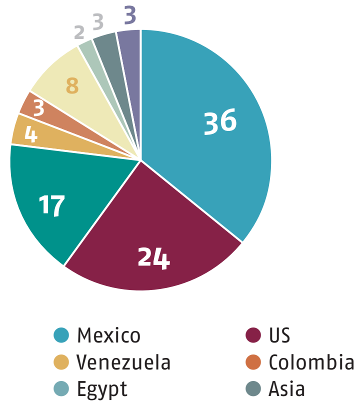
As of December 31, 2004	PRODUCTION CAPACITY MILLION METRIC TONS/YEAR	CEMENT PLANTS CONTROLLED	CEMENT PLANTS MINORITY PART.	READY-MIX PLANTS	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	27.2	15	3	211	68	8
US	14.3	13	4	97	48	6
Spain	11.0	8	0	77	11	19
Venezuela	4.6	3	0	35	12	4
Colombia	4.8	5	0	22	2	0
Central America & Caribbean*	4.0	5	6	36	12	10
Egypt	4.9	1	0	3	4	1
Philippines	5.8	3	0	0	7	3
Indonesia	4.4	0	4	9	25	10
Thailand	0.7	1	0	0	0	0
TOTAL	81.7	54	17	490	189	61

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

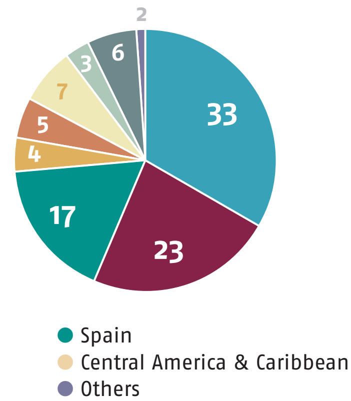
SALES DISTRIBUTION
by product



SALES DISTRIBUTION
by country



ASSET DISTRIBUTION
by country



portfolio produced revenue growth of 14% and almost U.S.$1.5 billion of free cash flow. We expect to improve on these measures going forward.

Moreover, our ongoing customer-service and cost-reduction initiatives offer even greater potential for top- and bottom-line growth. Additionally, we intend to continue geographically diversifying our cement, ready-mix concrete, and aggregates assets and vertically integrating our operations in new and existing markets by acquiring or developing complementary assets along the cement value chain. By managing our cement, ready-mix concrete, and aggregates assets as an integrated business rather than as distinct businesses, we make them more efficient and profitable.

Offer our customers the best value proposition

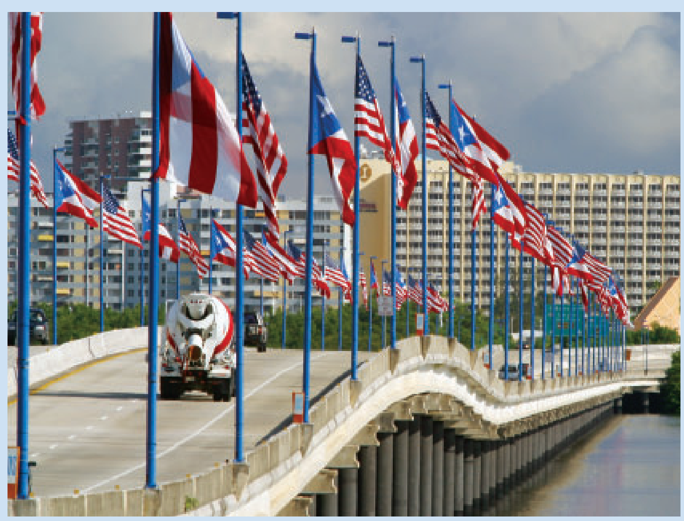
From our popular Construrama commercial network to our 24-hour bulk-cement dispatch system, we always work to provide superior building solutions in the markets we serve. We also look to develop and expand our share of the construction industry. In countries such as Mexico and the United States, we are paving more roads and parking areas with our concrete, which is more durable, is easier to maintain, and costs less overall than other materials. Efforts like this aim to enhance our growth and gain market share by promoting the advantages of increased cement usage.

We also see abundant opportunities to deepen our customer relationships by focusing on more vertically integrated building solutions rather than separate products. By developing our integrated offerings, we can provide customers with more reliable, higher-quality service and more consistent product quality.

Grow profitably through integrated positions across the value chain

Our portfolio is concentrated in markets that provide solid, long-term, organic growth potential. Looking at the past performance of the markets in which we now operate, our existing portfolio offers potential sales growth in the mid-single digits per year, excluding market-share gains. Also, in some of our markets we see tremendous potential to increase cement's share of the construction-materials industry.

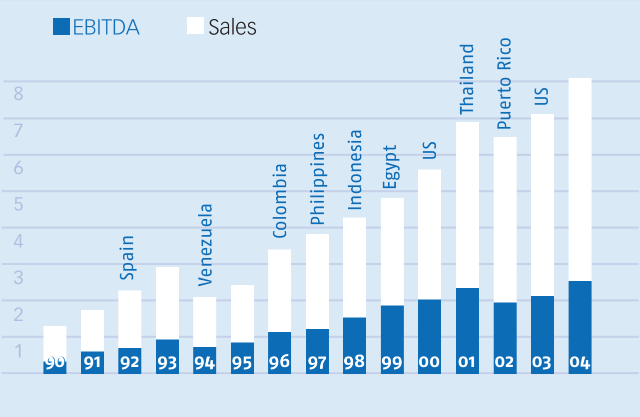
Additionally, our potential for growth increases substantially when we look down the cement value chain. Today we estimate that our industry's total value chain produces revenue of approximately U.S.$400 billion and EBITDA of approximately U.S.$63 billion. In 2004 we generated revenue of U.S.$8.1 billion and EBITDA of U.S.$2.5 billion or approximately 2% and 4% of our industry's totals, respectively. Thus, we see substantial opportunity for us to acquire new operations and leverage our



For more than a decade, we have complemented our business's organic growth with strategic international acquisitions.

We provide products of consistently high quality and reliable service to customers and communities across four continents.

SALES, EBITDA, AND MAJOR ACQUISITIONS
millions of US dollars



Our acquisitions have consistently supported our top- and bottom-line growth.

existing assets, expertise, and infrastructure to intensify our strategic growth across the value chain.

Allocate capital effectively

For more than a decade, we have complemented our business's organic growth with strategic international acquisitions. As a leading industry consolidator, we take a disciplined approach to capital allocation. We evaluate potential acquisitions in light of three main investment criteria:

1. The acquisition should provide a long-term return on our investment that is higher than our cost of capital and offer a minimum return on capital employed of at least 10 percent.
2. The acquisition should allow us to maintain our financial strength and investment-grade credit quality.
3. Factors that we can influence—particularly the application of our management and turnaround expertise—should principally drive the potential for increasing the acquisition's value.

We will make only those acquisitions that meet all of these criteria and are consistent with our business strategy.

To maintain the flexibility necessary to pursue future growth opportunities, we aim to strengthen our financial structure by optimizing our borrowing costs and debt maturities and increasing our access to various capital sources.

In 2004 we continued to strengthen our financial structure and flexibility. As a result of our efforts, we lowered our net-debt-to-EBITDA ratio to 2.2 times from 2.7 times at the end of 2003. We increased our interest coverage for the year to 6.8 times—well above the 5.3 times that we achieved for 2003. And we successfully refinanced U.S.$1.5 billion of our debt maturities during the year. The average maturity of our debt is now 3.2 years.

Continuously improve our operating efficiency and productivity

We always look for ways to improve our productivity and operating efficiency. As part of this process, we have implemented several standardized worldwide platforms designed to reduce our costs, streamline our processes, and extract synergies from our global operations. Through these platforms, we have developed and deployed centralized management-information systems throughout our operations—including administrative, accounting, purchasing, customer-management, budget-preparation, and control systems—to help us lower our costs. We have also taken various steps over the past several years to improve our overall product quality and the environmental impact of our operations.

With each international acquisition, we have refined the technological and managerial processes required to integrate acquisitions more rapidly and smoothly into our corporate structure.

Our financial discipline allows us to strengthen our balance sheet, increase our liquidity, and recover our financial flexibility quickly following an acquisition.

Consequently, we have been able to consolidate our acquisitions more quickly and efficiently. Moving forward, we will continue to eliminate redundancies at all levels of our organization, streamline our corporate structures, and centralize our administrative functions to increase our efficiency and lower our costs.

Alignment with investor interests

employee stock-ownership plan

To better align our executives' interests with those of our stockholders, we will offer a new executive stock-ownership plan starting in 2005. The plan's goal is to move our company's long-term incentives from stock options to programs based on restricted stock, which we believe is more highly valued by our executives and our stockholders. In order to support this transition, we implemented two initiatives in 2004. Early in the year, we offered our executives the opportunity to exchange their existing stock options for new options that can be exercised into restricted stock instead of cash. In the fourth quarter of the year, we offered our executives an early-exercise program to accelerate the transition to restricted stock. These initiatives represent another important step in our efforts to simplify our capital structure; they will also allow for a more orderly unwinding of the equity derivatives put in place to hedge exposure arising from our prior executive stock-option program.

corporate governance

We are committed to the highest standards of corporate governance. Our company's Board of Directors is composed of qualified directors who provide appropriate oversight. Four of our five audit committee members are independent, and a member of our audit committee meets the requirements of a "financial expert" as defined by the Sarbanes-Oxley Act of 2002 (SOX).

Furthermore, we have designed and deployed 1) a formal internal process to support the certification by our chief executive officer and our executive vice president of planning and finance of the information we present in CEMEX's periodic reports to the Securities and Exchange Commission; 2) a system to ensure that relevant information reaches senior management in a timely manner; 3) a system for anonymously and confidentially communicating to the audit committee complaints and concerns regarding accounting and audit issues; 4) a process for anonymously and confidentially submitting complaints related to misuse of assets; and 5) a task force to follow legal requirements and best corporate-governance practices and, when appropriate, propose further improvements. Moreover, we have modified our code of ethics to reflect the requirements of SOX.

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

Our standardized management processes and company-wide programs allow us to reduce our costs, streamline our systems, and extract synergies from our global operations.

Consolidated results

Net sales increased 14% to U.S.$8.15 billion. The increase was due mainly to higher cement and ready-mix volumes in most of our markets, the continued price recovery of our products, and increased sales from our multiproduct strategy in Mexico. Our improved cement and ready-mix volumes were driven mainly by the housing and infrastructure sectors, including street-and-highway construction.

Selling, general, and administrative (SG&A) expenses increased 8%. As a percentage of net sales, our SG&A expenses decreased 1.04 percentage points versus 2003. In 2004 transportation costs increased throughout our markets as a result of higher worldwide energy costs. However, our ongoing cost-reduction initiatives have produced significant savings at the corporate and operating levels, which have offset these higher costs.

Operating income was up 27% to U.S.$1.85 billion, while EBITDA totaled U.S.$2.54 billion, 20% more than in 2003. For the year, our EBITDA margin increased to 31.1% from 29.4% in 2003. These increases were mainly the result of higher volumes and a price recovery in many of our markets. We also improved our operating efficiency, reduced our cost of goods sold and SG&A as a percentage of sales, lowered our redundancy costs, and improved our utilization rates.

Interest expenses declined 2% to U.S.$372 million as a result of our lower average debt in 2004. Our interest coverage ratio increased to 6.8 times from 5.3 times for 2003.

We recognized a gain on marketable securities of U.S.$120 million in 2004 compared with a loss of U.S.$60 million in 2003. This gain is due to an increase in the fair value of our derivative positions.

We incurred a U.S.$24 million foreign-exchange loss for the year, versus a loss of U.S.$172 million for 2003. This loss was due primarily to the appreciation of the Japanese yen against the Mexican peso.

Majority interest net income for the year increased 108% to U.S.$1.31 billion as a result of our strong operating performance, a significantly lower foreign-exchange loss, and the positive effect of our derivative positions.

Free cash flow increased 29% to U.S.$1.48 billion, which was used primarily to reduce debt. We also used our free cash flow to acquire minority interests in CEMEX Asia Holdings, to purchase and settle our appreciation warrants, and for other investments.

Net debt was U.S.$5.59 billion at the end of 2004 compared with U.S.$5.64 billion at year-end 2003. By the end of the third quarter of 2004, we had cut our net debt by nearly U.S.$1.0 billion, applying more than 80 percent of our free cash flow to debt reduction. In the fourth quarter, we drew approximately U.S.$800 million from the RMC-acquisition financing facilities to acquire 50 million shares of RMC. At year-end 2004, our net-debt-to-EBITDA ratio stood at 2.2 times, down from 2.7 times at the end of 2003.

For the year, we engaged in short-term debt-refinancing transactions totaling approximately U.S.$1.55 billion. In 2004 our debt ratings remained unchanged: Standard & Poor's and Fitch Ratings maintained their investment-grade ratings of BBB- and BBB, respectively, and Moody's maintained its Ba1 rating.

Global review of operations

Mexico

In 2004 CEMEX Mexico's net sales reached U.S.$2.92 billion, an 11% increase compared with 2003, and EBITDA increased 8% to U.S.$1.26 billion.

Cement and ready-mix volumes grew 2% and 16%, respectively, driven mainly by government infrastructure spending and low- and middle-income housing construction, both of which offset a flat self-construction sector.

In 2004, 535,000 mortgages were originated, approximately 2% more than in 2003. The commercial-banking sector continued to improve its mortgage-origination levels, albeit from a very low starting point. In 2004 government spending benefited from a budget surplus of approximately U.S.$3.2 billion, resulting from oil prices that were higher than those assumed in the federal budget. Approximately U.S.$1.6 billion of that surplus was assigned to the states for infrastructure development.

In 2004 we launched Construcard, a financing mechanism aimed at low- and middle-income customers in the upgrading/refurbishing segment. A product of our strategic alliance with GE Capital Bank, the card enables customers to purchase Construrama's entire line of products—from home décor items to lighting fixtures. By the end of the year, we had issued more than 80,000 cards and generated approximately U.S.$15 million in sales through Construcard. Also, our multiproduct strategy continued to show strong growth, producing sales of approximately U.S.$264 million—up 53% from 2003.

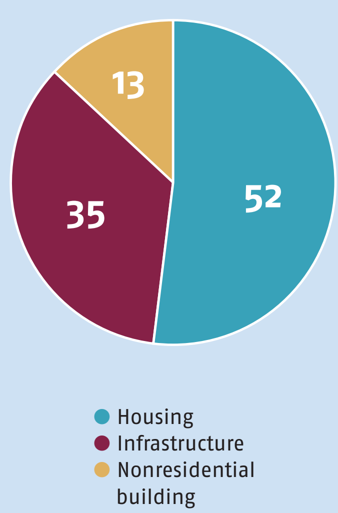
United States

Our U.S. operations' sales increased 14% to U.S.$1.96 billion in 2004. EBITDA reached U.S.$462 million, a 25% increase over 2003. Increased sales were due to our higher cement and ready-mix volumes and prices. Our cement volumes increased 9%—while our average price was 5% higher than in 2003—and our ready-mix volumes and prices increased 8% and 11%, respectively, versus 2003.

Construction activity was strong in 2004. The main drivers of cement demand were the residential sector—with construction spending up 14% for the year—and the public sector. The industrial and commercial sector, which declined about 6% in 2003, made a strong recovery, with construction spending up 6% in 2004.

A favorable interest-rate environment and positive demographics and household formation in the Sunbelt region were the main drivers of growth in the residential sector. Public-sector construction spending put in place was up 3% for the year, with spending on street-and-highway construction up 4% over that of 2003.

CEMENT DEMAND DRIVERS IN MEXICO
ten-year consumption breakdown
percentage



Favorable demographics and the need for housing and infrastructure are the main drivers of growth in our emerging-market countries.

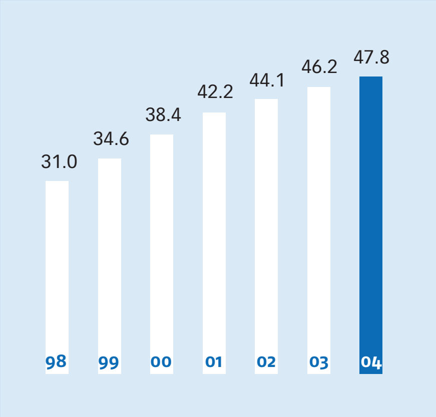
Spain

Our net sales in Spain increased 14% to U.S.$1.36 billion in 2004, supported by increased cement and ready-mix volumes and prices as well as the euro's appreciation versus the U.S. dollar. EBITDA reached U.S.$418 million, 23% more than in 2003.

In 2004 Spain recorded one of the strongest rates of GDP growth in Europe—coming in at close to 3%. Stronger-than-expected GDP growth, combined with robust construction-sector activity, led to increases in cement and ready-mix volumes of 3% and 2%, respectively, exceeding our original estimates for the year.

With housing starts at close to 700,000 for the year—up approximately 10% over those of 2003—the residential sector was a stellar performer and one of the main drivers of cement demand. The growth in housing starts has been driven by Spain's favorable mortgage environment, economic performance, and migration dynamics.

CEMENT CONSUMPTION IN SPAIN
millions of metric tons



Spain continues to reach record levels of cement consumption, spurred by strong public-works and housing construction.

Source: Economy Ministry, Oficemen, CEMEX Spain

Public-works spending remains an important component of cement consumption in Spain.

Public-works spending remains an important component of cement consumption. The government is finalizing the successor to its 2000 infrastructure plan, which is expected to extend from 2005 to 2020 and has an estimated total budget of U.S.$300 billion. The new plan will represent an annual increase of U.S.$4 billion over the preceding plan—a gain of more than 25% per year.

Venezuela

In 2004 our Venezuelan operations' net sales increased 10% to U.S.$350 million. At U.S.$158 million, EBITDA was 4% higher than in 2003. Year over year, our domestic cement volumes increased 20%, and our export cement volumes increased 26%.

The self-construction and commercial sectors are the primary drivers of cement demand growth. Also contributing to the recovery are infrastructure investments from the public and private sectors. Private-sector construction is increasing with improving confidence in the economy.

We launched our successful Construrama customer-service network during 2004. By the end of the year, it had grown into the largest building-materials chain in Venezuela, with 98 points of sale across the country. We also introduced several new products to address the needs of our local market segments.

Colombia

In Colombia, our net sales were U.S.$263 million, a 21% year-over-year improvement. EBITDA increased 17% to U.S.$152 million.

Cement volumes grew 8% in 2004, driven primarily by the formal sector—mostly on the commercial side—which grew approximately 30%. The residential construction sector also contributed to this growth, increasing 12% compared with 2003. The self-construction sector was flat year over year.

In 2004 our employees logged more than 5,500 hours of course work at CEMEX Colombia's Corporate University. Since 2002 more than 400 employees have received instruction at the university, which serves to strengthen our corporate culture and hone employees' skills in such areas as finance, management, and teamwork.

We launched our successful Construrama customer-service network in Venezuela during 2004. By the end of the year, it had grown into the largest building-materials chain in Venezuela.

Our leading position in the Central America and Caribbean region is supported by our integrated operations network.

Central America and the Caribbean

Our net sales in the Central America and Caribbean region—which includes our operations in Costa Rica, the Dominican Republic, Nicaragua, Panama, and Puerto Rico—rose 18% to U.S.$662 million. EBITDA grew to U.S.$187 million, up 40% from 2003. These increases were due mainly to the recovery of prices throughout the region.

In 2004 our cement volume remained flat, and our ready-mix volume decreased 1%.

In the Dominican Republic, we progressed on the installation of a new kiln with an annual installed capacity of 1.6 million metric tons of clinker. This kiln, which we expect to complete in 2005, will increase our total clinker production capacity in the Dominican Republic to 2.2 million metric tons per year.

millions of US dollars	SALES 2003	2004	CHANGE	EBITDA 2003	2004	CHANGE	ASSETS 2003	2004	CHANGE
Mexico	2,629	2,920	11%	1,166	1,264	8%	4,966	5,779	16%
US	1,718	1,959	14%	370	462	25%	4,162	4,019	(3%)
Spain	1,195	1,359	14%	339	418	23%	3,130	2,944	(6%)
Venezuela	319	350	10%	153	158	4%	773	759	(2%)
Colombia	217	263	21%	130	152	17%	672	822	22%
Central America & Caribbean	562	662	18%	134	187	40%	1,081	1,221	13%
Egypt	132	191	44%	58	87	51%	369	543	47%
Asia region	187	201	7%	19	55	185%	1,082	1,098	1%
Other/eliminations	204	244	20%	(260)	(245)	(6%)	(219)	197	n/a
TOTAL	**7,164**	**8,149**	**14%**	**2,108**	**2,538**	**20%**	**16,016**	**17,381**	**9%**

In 2004 our Island brand cement received the Philippines National Shoppers Choice Award as the preferred brand among more than 100,000 consumers surveyed countrywide.

Asia

The net sales from our Asian operations—which include Bangladesh, the Philippines, Taiwan, and Thailand—were U.S.$201 million, representing a 7% gain over those of 2003. Recovering cement prices in the Philippines and our continued reduction in SG&A expenses enabled us to increase the region's EBITDA 185% to U.S.$55 million in 2004.

Our regional cement volume decreased 4% in 2004, as infrastructure development remained at a low level in the region.

We launched several new higher-margin products in the Philippines over the course of the year. Targeted at underserved market segments, these products accounted for 26% of our total 2004 domestic cement volume in the Philippines.

Egypt

Our Egyptian operations reported a year-over-year net sales increase of 44%, to U.S.$191 million, and 51% EBITDA growth, to U.S.$87 million. The increase in net sales and EBITDA was due mainly to the recovery of cement prices. Our continued cost-reduction initiatives also helped our results.

Cement volumes decreased 6% compared with those of 2003, due mainly to a slowdown in government infrastructure spending, which we partially offset through an increase in exports of more than 170%. In 2004 increased tourism revenues supported private-sector demand.

As part of our commitment to fulfilling our customers' needs, in 2004 we introduced our Al-Fanar brand Type II cement for coastal construction. Given Egypt's more than 2,450 kilometers of coastal shoreline, this new product offers high growth potential; indeed, it already represents approximately 3% of our portfolio's sales mix.

Trading

Our global trading network—one of the largest in the world—helps us to optimize our worldwide production capacity, direct excess cement to where it is most needed, and explore new markets without the necessity of making immediate capital investments.

Thanks to our trading operations, we were prepared to face a host of industry issues in 2004, including a cement shortage in our second-largest market. When U.S. cement producers could not meet demand, we took advantage of our trading expertise to fill gaps in domestic supply and satisfy our customers' needs countrywide. As a result, we were able to solidify our long-term customer relationships.

For 2004, our total trading volume was approximately 10 million metric tons of cement and clinker. Of this total, we acquired approximately 4 million metric tons from third parties and exported 6 million metric tons from our operations around the world.

Acquisitions, divestitures, and other financial activities

Acquisition of RMC

On September 27, 2004, CEMEX announced the recommended acquisition of RMC Group p.l.c.—one of Europe's largest producers of cement and aggregates and the world's largest supplier of ready-mix concrete—for U.S.$4.1 billion in cash. Including the assumption of debt, the enterprise value of the transaction was approximately U.S.$5.8 billion. The boards of directors of both companies unanimously approved the transaction. After receiving the appropriate regulatory approvals, the transaction closed in March 2005.

With this acquisition CEMEX becomes one of the world's largest building-materials companies, with pro-forma revenue of more than U.S.$15 billion. In 2003 RMC sold approximately 15.7 million tons of cement, 55.5 million cubic meters of ready-mix concrete, and 158 million tons of aggregates and generated revenue of U.S.$7.9 billion—excluding joint ventures and associated undertakings.

The terms of the acquisition represented a premium of approximately 39% over the volume weighted-average price of approximately 615 pence per RMC share over the 30-day period ending September 24, 2004. The terms of the acquisition valued the existing issued share capital of RMC at approximately U.S.$4.1 billion.

Divestiture of U.S. assets

On November 15, 2004, CEMEX announced that it had signed a letter of intent with Votorantim Participaçoes S.A. for the sale of certain CEMEX assets in the Great Lakes region of the United States. Votorantim presented a nonbinding offer for the Charlevoix and Dixon-Marquette cement plants and other associated operating assets in the region, and the transaction, valued at U.S.$389.5 million, was completed on March 31, 2005.

CEMEX began evaluating alternatives to divest these assets at the beginning of 2004, after reviewing its strategic position in the United States. The transaction was structured as a sale of assets, with CEMEX keeping its Detroit distribution terminal.

The total production capacity of both cement plants is close to 2.0 million metric tons a year, representing approximately 9% of our U.S. operations' EBITDA generation in 2004.

Stock–dividend program

On June 4, 2004, CEMEX announced the completion of its stock-dividend program. Under this program, CEMEX stockholders who elected to receive stock received one new CPO for each 22.608 CPOs held. CEMEX shareholders had the option to receive a cash payment of MXP2.35 per CPO (MXP11.75 per ADS) in lieu of the stock dividend. A total of 75,433,165 CPOs were issued on June 4, 2004, and distributed to holders of 96% of CEMEX's stock. The remaining holders elected to receive cash in lieu of stock for a total of approximately U.S.$14 million paid by CEMEX.

Expiration of appreciation and American depository warrants

On December 21, 2004, CEMEX announced that its appreciation and American depository warrants (ADWs)—each ADW representing five appreciation warrants—expired in accordance with their respective terms. Holders of appreciation warrants and ADWs received an appreciation value equal to U.S.$2.041231 (or about MXP22.84) per appreciation warrant (U.S.$10.206154, or MXP114.21, per ADW) less any applicable Mexican withholding tax. Holders of appreciation warrants received their appreciation value in the form of CPOs. ADW holders received their appreciation value in the form of CEMEX American depository shares (ADSs).

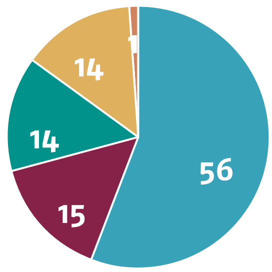
DEBT BREAKDOWN

millions of US dollars as of December 31, 2004

Total debt	5,931
Long-term	4,887
Short-term	1,044
Cash and cash equivalents	342
Net debt	5,588

CURRENCY DENOMINATION OF DEBT

percentage



US dollars
Yen
Euro
British pounds
Others

Of the 103,790,945 appreciation warrants (including appreciation warrants represented by ADWs) originally issued, 9,240,194 appreciation warrants (including appreciation warrants represented by ADWs) were outstanding as of their expiration date—due primarily to CEMEX's purchase of close to 90% of the outstanding appreciation warrants under a cash tender offer consummated in January 2004 (the purchase price paid by CEMEX for the appreciation warrants and ADWs tendered in the offer was MXP8.10 per appreciation warrant and MXP40.50 per ADW) and several transactions between CEMEX and its subsidiaries and pension funds that held appreciation warrants. Consequently, the total appreciation value that CEMEX paid for the outstanding appreciation warrants and ADWs was approximately U.S.$18,861,368.

Tender offer for 2006 and 2009 notes

On October 14, 2004, CEMEX announced the completion of its cash tender offers for its 12.75% notes due 2006 and its 9.625% notes due 2009. Holders tendered 2006 notes in the aggregate principal amount of U.S.$39,749,000, representing 43.4% of the total 2006 notes outstanding. And holders tendered 2009 notes in the aggregate principal amount of U.S.$138,484,000, representing 69.2% of the total 2009 notes outstanding. CEMEX also announced that it received consents from holders representing a majority of the principal amount of its outstanding 2006 notes, which authorized certain proposed amendments to the indenture governing the 2006 notes. CEMEX previously announced that the requisite holders of the 2009 notes had authorized certain amendments to the indenture governing the 2009 notes in a related consent solicitation that expired on October 4, 2004.

Derivative instruments

In compliance with the guidelines established by our risk management committee, we use derivative financial instruments such as interest-rate and currency swaps, currency and equity-forward contracts, options, and futures to, among others, change the risk profile associated with changes in interest rates and foreign-exchange rates of debt agreements; reduce financing costs; and hedge forecasted transactions, net assets in foreign subsidiaries, and CEMEX's stock-option plans.

Until December 31, 2004, under Mexican GAAP ("Bulletin C-2"), companies were required to recognize all derivative financial instruments on the balance sheet as assets or liabilities, at their estimated fair market value, with changes in such fair values recorded on the income statement. The exceptions to this rule, as they pertained to CEMEX, were presented when transactions were entered into for cash-flow hedging purposes. In such cases, changes in fair value of the hedging instruments were accrued in equity and were subsequently reclassified to earnings as the effects of the related hedged items were also recognized through the income statement.

We have recognized increases in assets and liabilities that resulted in a net liability of U.S.$192 million arising from the fair value recognition of our derivatives portfolio as of December 31, 2004. The notional amounts of derivatives substantially match the amounts of the underlying assets or equity transactions on which the derivatives are being entered into.

	notional amounts[1]
Equity derivatives	1,157
Foreign-exchange derivatives	6,016
Interest-rate derivatives	2,118

[1] Millions of US dollars as of December 31, 2004.

The estimated aggregate fair market value of our company's derivative instruments was U.S.$97 million on December 31, 2004.

Independent auditors' report

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

We have audited the consolidated and parent company-only balance sheets of CEMEX, S.A. de C.V. and CEMEX, S.A. de C.V. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated and parent company-only 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, 2004. 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 generally accepted auditing standards in 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 and are prepared in accordance with generally accepted accounting principles in Mexico. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits the consolidated and parent company-only financial statements referred to above present fairly, in all material respects, the financial position of CEMEX, S.A. de C.V. and CEMEX, S.A. de C.V. and Subsidiaries at December 31, 2004 and 2003, and the consolidated and parent company-only 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, 2004, in accordance with generally accepted accounting principles in Mexico.

KPMG Cárdenas Dosal, S.C.

Castillo

Leandro Castillo Parada

Monterrey, N.L., Mexico
January 15, 2005.

Management's responsibility for internal control

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

We have performed a study and evaluation of the system of internal accounting control of CEMEX, S.A. de C.V. and Subsidiaries for the year ended December 31, 2004. The management of CEMEX, S.A. de C.V. is responsible for establishing and maintaining a system of internal accounting control. Our responsibility is to express an opinion on this system of internal control based on our review. We conducted our study and evaluation in accordance with generally accepted auditing standards.

Because of inherent limitations in any system of internal accounting control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of CEMEX, S.A. de C.V. and Subsidiaries for the year ended December 31, 2004, taken as a whole, was sufficient to meet management's objectives and to provide reasonable assurance that material errors or irregularities will be prevented or detected in the normal course of business.

KPMG Cárdenas Dosal, S.C.

Leandro Castillo Parada

Monterrey, N.L., Mexico
January 15, 2005.

The management of CEMEX, S.A. de C.V. is responsible for the preparation and integrity of the accompanying consolidated financial statements and for designing, managing and maintaining a system of internal control to provide reasonable assurance to shareholders, to the financial community and other interested parties, that transactions are executed in accordance with management authorization, accounting records are reliable as a basis for the preparation of the consolidated financial statements and to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the internal control system of the Company. This system is based on an organizational structure providing division of responsibilities and the selection and training of qualified personnel. Also, it includes policies, which are communicated to all personnel through appropriate communication channels. The system of internal control is supported by an internal audit function that operates worldwide and reports its findings to management throughout the year. Management believes that, for the year ended December 31, 2004, the internal control system of the Company provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period and is cost effective.

KPMG Cárdenas Dosal, S.C., the principal independent auditors of the Company, performed a review of the internal control system and expressed their opinion thereon for the year ended December 31, 2004. Their review was performed in accordance with generally accepted auditing standards in Mexico, which included a review and evaluation of the internal accounting control system and performance of tests of the accounting information records, as they considered necessary in order to express their opinion. Their report is presented separately.

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

(Millions of constant Mexican pesos as of December 31, 2004)

Consolidated balance sheets

ASSETS		December 31, 2004	December 31, 2003
CURRENT ASSETS			
Cash and investments (note 4)	$	3,813.5	3,479.5
Trade accounts receivable, less allowance for doubtful accounts (note 5)		4,767.8	5,606.9
Other receivables (note 6)		5,064.4	4,826.9
Inventories (note 7)		7,046.8	7,100.1
Other current assets (note 8)		1,048.8	796.3
Total current assets		21,741.3	21,809.7
INVESTMENTS AND NONCURRENT RECEIVABLES (NOTE 9)			
Investments in affiliated companies		16,903.3	7,349.3
Other noncurrent accounts receivable		3,644.9	2,199.1
Total investments and noncurrent receivables		20,548.2	9,548.4
PROPERTIES, MACHINERY AND EQUIPMENT (NOTE 10)			
Land and buildings		55,194.9	55,321.1
Machinery and equipment		155,381.2	158,701.3
Accumulated depreciation		(107,057.6)	(105,842.2)
Construction in progress		3,575.3	2,461.7
Net properties		107,093.8	110,641.9
INTANGIBLE ASSETS AND DEFERRED CHARGES (NOTE 11)		44,239.6	49,250.6
TOTAL ASSETS	$	193,622.9	191,250.6

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		DECEMBER 31, 2004	2003
CURRENT LIABILITIES			
Bank loans (note 12)	$	5,031.9	2,634.1
Notes payable (note 12)		319.9	3,173.0
Current maturities of long-term debt (note 12)		6,275.2	10,062.8
Trade accounts payable		5,964.6	5,831.9
Other accounts payable and accrued expenses (note 6)		9,282.1	12,084.4
Total current liabilities		26,873.7	33,786.2
LONG-TERM DEBT (NOTE 12)			
Bank loans		30,302.4	29,678.5
Notes payable		30,412.3	34,560.4
Current maturities of long-term debt		(6,275.2)	(10,062.8)
Total long-term debt		54,439.5	54,176.1
OTHER NONCURRENT LIABILITIES			
Pension and other postretirement benefits (note 15)		656.4	664.1
Deferred income taxes (note 19B)		12,828.3	12,580.5
Other noncurrent liabilities (note 13)		7,258.2	9,246.5
Total other noncurrent liabilities		20,742.9	22,491.1
TOTAL LIABILITIES		102,056.1	110,453.4
STOCKHOLDERS' EQUITY (NOTE 16)			
Majority interest:			
Common stock-historical cost basis		61.7	59.1
Common stock-accumulated inflation adjustments		3,624.6	3,624.5
Additional paid-in capital		41,339.8	38,171.5
Deficit in equity restatement		(73,725.9)	(73,101.3)
Cumulative initial deferred income tax effects (note 3K)		(6,100.2)	(6,100.2)
Retained earnings		107,471.8	104,282.8
Net income		14,562.3	7,508.4
Total majority interest		87,234.1	74,444.8
Minority interest (note 16E)		4,332.7	6,352.4
Total stockholders' equity		91,566.8	80,797.2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	193,622.9	191,250.6

(Millions of constant Mexican pesos as of December 31, 2004, except for earnings per share)

Consolidated statements of income

		YEARS ENDED DECEMBER 31, 2004	2003	2002
Net sales	$	90,783.9	85,552.6	79,724.6
Cost of sales		(51,091.9)	(49,318.4)	(44,540.6)
Gross profit		39,692.0	36,234.2	35,184.0
Operating expenses:				
Administrative		(9,225.5)	(9,483.0)	(10,022.3)
Selling		(9,838.8)	(9,374.1)	(9,195.0)
Total operating expenses		(19,064.3)	(18,857.1)	(19,217.3)
Operating Income		20,627.7	17,377.1	15,966.7
Comprehensive financing result:				
Financial expense		(4,146.6)	(4,545.5)	(4,051.7)
Financial income		260.9	199.3	543.5
Results from valuation and liquidation of financial instruments		1,335.1	(711.4)	(3,856.2)
Foreign exchange result, net		(262.5)	(2,049.1)	(939.4)
Monetary position result		4,298.6	3,912.8	4,290.6
Net comprehensive financing result		1,485.5	(3,193.9)	(4,013.2)
Other expense, net (notes 7, 10 and 11)		(5,390.2)	(5,454.0)	(4,743.2)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates		16,723.0	8,729.2	7,210.3
Income tax and business assets tax, net (note 19A)		(2,043.6)	(1,070.0)	(668.1)
Employees' statutory profit sharing (note 19A)		(330.2)	(202.9)	(125.5)
Total income tax, business assets tax and employees' statutory profit sharing		(2,373.8)	(1,272.9)	(793.6)
Income before equity in income of affiliates		14,349.2	7,456.3	6,416.7
Equity in income of affiliates		446.3	415.2	374.1
Consolidated net income		14,795.5	7,871.5	6,790.8
Minority interest net income		233.2	363.1	451.6
Majority interest net income	$	14,562.3	7,508.4	6,339.2
Basic earnings per share (notes 3A and 22)	$	2.92	1.58	1.41
Diluted earnings per share (notes 3A and 22)	$	2.90	1.55	1.41

See accompanying notes to consolidated financial statements.

(Millions of constant Mexican pesos as of December 31, 2004)

Consolidated statements of changes in financial position

		YEARS ENDED DECEMBER 31, 2004	2003	2002
Operating activities				
Majority interest net income	$	14,562.3	7,508.4	6,339.2
Charges to operations which did not require resources:				
Depreciation of properties, machinery and equipment		6,681.4	6,866.0	6,363.0
Amortization of deferred charges and credits, net		2,869.9	2,983.6	2,961.0
Impairment of properties and intangible assets		1,567.8	1,257.0	109.4
Pensions and other postretirement benefits		470.5	491.3	242.3
Deferred income tax charged to results		1,261.1	(465.6)	(483.6)
Equity in income of affiliates		(446.3)	(415.2)	(374.1)
Minority interest		233.2	363.1	451.6
Resources provided by operating activities		27,199.9	18,588.6	15,608.8
Changes in working capital, excluding acquisition effects:				
Trade accounts receivable, net		736.1	(671.8)	2,612.1
Other accounts receivables and other assets		(332.9)	270.2	1,265.9
Inventories		(151.2)	1,628.4	(386.1)
Trade accounts payable		156.7	849.9	619.3
Other accounts payable and accrued expenses		(2,780.2)	(1,961.3)	550.8
Net change in working capital		(2,371.5)	115.4	4,662.0
Net resources provided by operating activities		24,828.4	18,704.0	20,270.8
Financing activities				
Proceeds from bank loans (repayments), net		(5,734.3)	(3,248.8)	3,057.3
Notes payable, net, excluding foreign exchange effect		(7,090.4)	1,290.0	(363.2)
Bank loans financing the acquisition of RMC Group p.l.c.		8,756.0	—	—
Investment by subsidiaries		—	(23.9)	(5.3)
Liquidation of appreciation warrants		(1,053.0)	—	—
Dividends paid		(4,319.4)	(4,210.3)	(3,984.1)
Issuance of common stock from reinvestment of dividends		4,156.8	3,899.4	3,376.4
Issuance of common stock under stock option programs		67.2	45.3	79.9
Repurchase of preferred stock by subsidiaries		(791.0)	(7,801.5)	(4,920.2)
Disposal (acquisition) of shares under repurchase program		—	407.9	(425.6)
Other financing activities, net		(1,824.9)	3,743.2	3,594.7
Resources (used in) provided by financing activities		(7,833.0)	(5,898.7)	409.9
Investing activities				
Properties, machinery and equipment, net		(4,834.9)	(4,703.2)	(5,166.2)
Acquisition of subsidiaries and affiliates		(186.4)	(973.5)	(3,210.9)
Investment in RMC Group p.l.c.		(8,756.0)	—	—
Disposal of assets		709.3	167.1	653.8
Minority interest		(1,461.9)	(913.3)	(3,474.5)
Deferred charges		1,551.6	(604.1)	(2,263.7)
Other investments and monetary foreign currency effect		(3,683.1)	(6,699.3)	(7,852.2)
Resources used in investing activities		(16,661.4)	(13,726.3)	(21,313.7)
Increase (decrease) in cash and investments		334.0	(921.0)	(633.0)
Cash and investments at beginning of year		3,479.5	4,400.5	5,033.5
Cash and investments at end of year	$	3,813.5	3,479.5	4,400.5

See accompanying notes to consolidated financial statements.

(Millions of constant Mexican pesos as of December 31, 2004)

Balance sheets

ASSETS		DECEMBER 31, 2004	2003
CURRENT ASSETS			
Cash and investments	$	104.5	114.5
Other receivables (note 6)		984.6	750.5
Related parties receivables (note 14)		691.7	943.7
Total current assets		1,780.8	1,808.7
INVESTMENTS AND NONCURRENT RECEIVABLES (note 9)			
Investments in subsidiaries and affiliated companies		103,554.6	90,012.2
Other investments		77.2	75.6
Other noncurrent accounts receivable		793.1	1,003.8
Long-term related parties receivables (note 14)		33,045.7	36,292.6
Total investments and noncurrent receivables		137,470.6	127,384.2
LAND AND BUILDINGS			
Land		1,640.7	1,640.7
Buildings		420.5	420.5
Accumulated depreciation		(247.7)	(241.2)
Total land and buildings		1,813.5	1,820.0
INTANGIBLE ASSETS AND DEFERRED CHARGES (NOTE 11)		4,135.3	5,585.9
TOTAL ASSETS	$	145,200.2	136,598.8

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		DECEMBER 31, 2004	2003
CURRENT LIABILITIES			
Bank loans (note 12)	$	1,541.5	770.0
Notes payable (note 12)		-	1,991.8
Current maturities of long-term debt (note 12)		1,759.7	743.0
Other accounts payable and accrued expenses (note 6)		654.8	2,968.6
Related parties payables (note 14)		6,363.2	4,930.0
Total current liabilities		10,319.2	11,403.4
LONG-TERM DEBT (note 12)			
Bank loans		9,251.5	4,311.1
Notes payable		14,582.3	19,828.6
Current maturities of long-term debt		(1,759.7)	(743.0)
Long-term related parties payables (note 14)		24,206.5	25,447.6
Total long-term debt		46,280.6	48,844.3
Other noncurrent liabilities (note 13)		1,366.3	1,906.3
TOTAL LIABILITIES		57,966.1	62,154.0
STOCKHOLDERS' EQUITY (note 16)			
Common stock-historical cost basis		61.7	59.1
Common stock-accumulated inflation adjustments		3,624.6	3,624.5
Additional paid-in capital		41,339.8	38,171.5
Deficit in equity restatement		(80,999.1)	(80,374.5)
Cumulative initial deferred income tax effects (note 3K)		1,173.0	1,173.0
Retained earnings		107,471.8	104,282.8
Net income		14,562.3	7,508.4
Total stockholders' equity		87,234.1	74,444.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	145,200.2	136,598.8

(Millions of constant Mexican pesos as of December 31, 2004, except for earnings per share)

Statements of income

		Years ended December 31, 2004	2003	2002
Equity in income of subsidiaries and affiliates	$	13,295.7	3,159.5	5,405.0
Rental income		278.4	290.6	303.6
License fees		668.8	544.7	202.1
Total revenues (note 14)		14,242.9	3,994.8	5,910.7
Administrative expenses		(37.5)	(57.8)	(116.4)
Operating income		14,205.4	3,937.0	5,794.3
Comprehensive financing result:				
Financial expense		(2,606.9)	(3,249.9)	(3,261.8)
Financial income		1,494.8	3,236.3	3,579.4
Results from valuation and liquidation of financial instruments		445.8	15.6	(425.8)
Foreign exchange result, net		822.4	(2,706.9)	(939.3)
Monetary position result		1,069.4	840.4	(456.4)
Net comprehensive financing result		1,225.5	(1,864.5)	(1,503.9)
Other (expense) income, net (note 14)		(1,172.6)	4,603.1	(369.3)
Income before income taxes		14,258.3	6,675.6	3,921.1
Income tax benefit and business assets tax, net (note 19A)		304.0	832.8	2,418.1
Net income	$	14,562.3	7,508.4	6,339.2
Basic earnings per share (notes 3A and 22)	$	2.92	1.58	1.41
Diluted earnings per share (notes 3A and 22)	$	2.90	1.55	1.41

See accompanying notes to financial statements.

(Millions of constant Mexican pesos as of December 31, 2004)

Statements of changes in financial position

		YEARS ENDED DECEMBER 31, 2004	2003	2002
Operating activities				
Net income	$	14,562.3	7,508.4	6,339.2
Charges to operations which did not require resources:				
Depreciation of properties		6.5	5.5	5.5
Amortization of deferred charges and credits, net		344.3	336.9	205.7
Deferred income tax charged to results		1,053.6	577.0	(1,398.1)
Equity in income of subsidiaries and affiliates		(13,295.7)	(3,159.5)	(5,405.0)
Resources provided by (used in) operating activities		2,671.0	5,268.3	(252.7)
Changes in working capital:				
Other receivables		(234.1)	434.0	438.8
Short-term related parties receivables and payables, net		1,685.2	18,809.4	(1,296.3)
Other accounts payable and accrued expenses		(2,313.8)	(154.4)	2,050.6
Net change in working capital		(862.7)	19,089.0	1,193.1
Net resources provided by operating activities		1,808.3	24,357.3	940.4
Financing activities				
Proceeds from bank loans (repayments), net		5,712.0	(9,901.0)	3,523.4
Notes payable, net		(7,238.2)	(2,326.3)	4,467.3
Liquidation of appreciation warrants		(1,053.0)	—	—
Dividends paid		(4,319.4)	(4,210.3)	(3,984.1)
Issuance of common stock from reinvestment of dividends		4,156.8	3,899.4	3,376.4
Issuance of common stock under stock option plan		67.2	45.3	79.9
Disposal (acquisition) of shares under repurchase program		—	407.9	(425.5)
Other financing activities, net		(540.0)	379.3	802.6
Resources (used in) provided by financing activities		(3,214.6)	(11,705.7)	7,840.0
Investing activities				
Long-term related parties receivables, net		2,005.8	(10,883.9)	58,037.6
Net change in investment in subsidiaries		(1,358.9)	(7,397.9)	(69,166.9)
Dividends received		283.4	5,844.6	2,546.1
Deferred charges		267.5	(50.1)	(103.1)
Other noncurrent accounts receivable		198.5	(452.7)	129.8
Resources (used in) provided by investing activities		1,396.3	(12,940.0)	(8,556.5)
Increase (decrease) in cash and investments		(10.0)	(288.4)	223.9
Cash and investments at beginning of year		114.5	402.9	179.0
Cash and investments at end of year	$	104.5	114.5	402.9

See accompanying notes to financial statements.

(Millions of constant Mexican pesos as of December 31, 2004)

Statements of changes in stockholders' equity

		COMMON STOCK	ADDITIONAL PAID–IN CAPITAL
Balances at December 31, 2001		3,677.4	30,369.1
Dividends ($0.82 pesos per share)		2.4	3,374.0
Issuance of common stock (note 17A)		0.1	79.8
Share repurchase program (note 16A)		(0.3)	—
Restatement of investments and other transactions relating to minority interest		—	—
Investment by subsidiaries (note 9)		—	—
Comprehensive net income (loss) (note 16G)		—	—
Balances at December 31, 2002		3,679.6	33,822.9
Dividends ($0.85 pesos per share)		3.6	3,895.8
Issuance of common stock (note 17A)		0.1	45.2
Share repurchase program (note 16A)		0.3	407.6
Restatement of investments and other transactions relating to minority interest		—	—
Investment by subsidiaries (note 9)		—	—
Comprehensive net income (loss) (note 16G)		—	—
Balances at December 31, 2003		3,683.6	38,171.5
Dividends ($0.82 pesos per share)		2.6	4,154.2
Issuance of common stock (note 17A)		0.1	67.1
Liquidation of appreciation warrants (note 16F)		—	(1,053.0)
Restatement of investments and other transactions relating to minority interest		—	—
Investment by subsidiaries (note 9)		—	—
Comprehensive net income (loss) (note 16G)		—	—
Balances at December 31, 2004	$	3,686.3	41,339.8

See accompanying notes to financial statements.

	DEFICIT IN EQUITY RESTATEMENT	CUMULATIVE INITIAL DEFERRED INCOME TAX EFFECTS	RETAINED EARNINGS	TOTAL MAJORITY INTEREST	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
	(61,933.4)	(6,100.2)	106,563.3	72,576.2	23,211.6	95,787.8
	—	—	(3,984.1)	(607.7)	—	(607.7)
	—	—	—	79.9	—	79.9
	—	—	(425.3)	(425.6)	—	(425.6)
	—	—	—	—	(8,959.0)	(8,959.0)
	269.6	—	—	269.6	—	269.6
	(8,239.9)	—	6,339.2	(1,900.7)	451.6	(1,449.1)
	(69,903.7)	(6,100.2)	108,493.1	69,991.7	14,704.2	84,695.9
	—	—	(4,210.3)	(310.9)	—	(310.9)
	—	—	—	45.3	—	45.3
	—	—	—	407.9	—	407.9
	—	—	—	—	(8,714.9)	(8,714.9)
	(2,865.9)	—	—	(2,865.9)	—	(2,865.9)
	(331.7)	—	7,508.4	7,176.7	363.1	7,539.8
	(73,101.3)	(6,100.2)	111,791.2	74,444.8	6,352.4	80,797.2
	—	—	(4,319.4)	(162.6)	—	(162.6)
	—	—	—	67.2	—	67.2
	—	—	—	(1,053.0)	—	(1,053.0)
	—	—	—	—	(2,252.9)	(2,252.9)
	(3,274.0)	—	—	(3,274.0)	—	(3,274.0)
	2,649.4	—	14,562.3	17,211.7	233.2	17,444.9
	(73,725.9)	(6,100.2)	122,034.1	87,234.1	4,332.7	91,566.8

Notes to the consolidated and parent company only financial statements

1. DESCRIPTION OF BUSINESS

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

2. OUTSTANDING EVENT IN 2004

On September 27, 2004, CEMEX announced a public offer to purchase the outstanding shares of RMC Group p.l.c. ("RMC") for approximately U.S.$4,100 million in cash. Including the assumption of debt, the enterprise value of the transaction is approximately U.S.$5,800 million. RMC, headquartered in the United Kingdom, is a leading international producer and supplier of materials, products and services used primarily in the construction industry. RMC is one of Europe's largest producers of cement and one of the world's largest supplier of ready-mix concrete and aggregates. As part of the acquisition process in 2004, CEMEX acquired approximately 18.8% of RMC shares for £432 million (U.S.$786 million).

In 2003, according to public information, RMC sold approximately 15.7 million tons of cement, 55.5 million cubic meters of ready-mix concrete and 158 million tons of aggregates.

The boards of directors of both companies approved the transaction on September 27, 2004, subject to shareholder approval in the case of RMC and clearance from antitrust authorities in Europe and the United States of America. On November 17, 2004, more than 99% of RMC shareholders approved the transaction in an extraordinary shareholders meeting; consequently, shareholders were committed to sell their shares to CEMEX. On December 8, 2004, the European Commission authorized the transaction under the European Community's Merger Regulation. As of December 31, 2004, the acquisition of RMC is pending pre-merger clearance from the antitrust authorities in the United States of America, which could be received at the end of January or at the beginning of February 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The financial statements of the Parent Company, presented in addition to the consolidated financial statements, are included in order to comply with legal requirements in Mexico as an independent legal entity.

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

When reference is made to "pesos" or "$", it means Mexican pesos. When reference is made to "dollars" or "U.S.$", it means currency of the United States of America. Likewise, when reference is made to "£" or pounds, it means U.K. pounds sterling. Except when specific references are made to "U.S. dollar millions", "earnings per share", and "option prices", the amounts in these notes are stated in millions of constant Mexican pesos as of the latest balance sheet date.

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

Certain amounts reported in the consolidated financial statements and their notes as of December 31, 2003 and 2002 have been reclassified to conform the 2004 presentation.

B) RESTATEMENT 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. The restatement factors for prior periods amounts of the Parent Company were calculated based upon Mexican inflation.

	2003 to 2004	2002 to 2003	2001 to 2002
Restatement factor using weighted average inflation	1.0624	1.1049	1.0916
Restatement factor using Mexican inflation	1.0539	1.0387	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 more than 50% of their common stock and/or has control. All significant balances and transactions between related parties have been eliminated in consolidation. As of December 31, 2004, the main operating subsidiaries, ordered by holding company, and the percentage of interest directly held by their immediate holding company, are as follows:

SUBSIDIARY		COUNTRY	% INTEREST
CEMEX México, S. A. de C.V.	1	Mexico	100.0
CEMEX España, S.A.	2	Spain	99.7
CEMEX Venezuela, S.A.C.A.		Venezuela	75.7
CEMEX, Inc.		United States	100.0
CEMEX (Costa Rica), S.A.	3	Costa Rica	98.7
Assiut Cement Company		Egypt	95.8
CEMEX Colombia, S.A.	4	Colombia	99.6
Cementos Bayano, S.A.		Panama	99.3
Cementos Nacionales, S.A.		Dominican Republic	99.9
Puerto Rican Cement Company, Inc.		Puerto Rico	100.0
CEMEX Asia Holdings Ltd.	5	Singapore	99.1
Solid Cement Corporation	6	Philippines	99.1
APO Cement Corporation	6	Philippines	99.1
CEMEX (Thailand) Co. Ltd.	7	Thailand	100.0

1. CEMEX México, S.A. de C.V. ("CEMEX Mexico") holds 100% of the shares of Empresas Tolteca de México, S.A. de C.V. and Centro Distribuidor de Cemento, S.A. de C.V. ("Cedice"). Through Cedice, CEMEX Mexico indirectly holds CEMEX España, S.A. and subsidiaries.

2. In June 2002, Compañía Valenciana de Cementos Portland, S.A. changed its legal name to CEMEX España, S.A. ("CEMEX España").

3. In July 2003, Cementos del Pacífico, S.A. changed its legal name to CEMEX (Costa Rica), S.A.

4. In August 2002, Cementos Diamante, S.A. changed its legal name to CEMEX Colombia, S.A.

5. In August 2004, 6.83% of CEMEX Asia Holdings Ltd. ("CAH") shares were acquired, which in addition to the shares exchange occurred in July 2002, increased the interest in CAH to approximately 99.1% (note 9A).

6. Represents the Company's interest held through CAH. The direct economic benefits of CAH in Solid and APO Cement Corporation is 100%. On December 23, 2002, Rizal was merged with Solid.

7. In July 2002, Saraburi Cement Company Ltd. changed its legal name to CEMEX (Thailand) Co. Ltd.

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. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date and the resulting foreign exchange fluctuations are recognized in earnings, 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 foreign subsidiaries are restated in their functional currency based on the subsidiary country's inflation rate and subsequently translated by using the foreign exchange rate at the end of the reporting period for balance sheet and income statement accounts. The peso to U.S. dollar exchange rate used by CEMEX is an average of free market rates available to settle its foreign currency transactions.

E) CASH AND INVESTMENTS (note 4)

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 7)

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.

The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired. When an impairment situation arises, the inventory balance is adjusted to its net realizable value, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results of the period.

G) INVESTMENTS AND NONCURRENT RECEIVABLES (note 9)

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

Other long-term investments, included under this caption, are recognized at their estimated fair value and their changes in valuation are included in the results of the period as part of the Comprehensive Financing Result.

H) PROPERTIES, MACHINERY AND EQUIPMENT (note 10)

Properties, machinery and equipment are presented at their restated value, 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, and are depreciated by the straight-line method over the estimated useful lives, which fluctuate from 50 years for administrative buildings to 10 to 35 years for industrial buildings, machinery and equipment. Properties, machinery and equipment are subject to periodic impairment evaluations (note 3U).

The Comprehensive Financing Results, arising from indebtedness incurred during the construction or installation period of fixed assets, are capitalized as part of the carrying value of such assets.

I) INTANGIBLE ASSETS, DEFERRED CHARGES AND AMORTIZATION (note 11)

In accordance with Bulletin C–8, *"Intangible Assets"*, intangible assets acquired as well as costs incurred in the development stages of intangible assets are capitalized when associated future benefits are identified and the control over such benefits is demonstrated. Expenditures not meeting these requirements are charged to earnings as incurred. Intangible assets are presented at their restated value and are classified as having a definite life, which are amortized over the benefited periods, and as having an indefinite life, which are not amortized since the period cannot be accurately established in which the benefits associated with such intangibles will terminate. Amortization of intangible assets, except for goodwill, is calculated under the straight-line method.

Intangible assets acquired in a business combination are separately accounted for at fair value at the acquisition date, unless the value cannot be reasonably estimated, in which case, such amounts are included as part of goodwill, which was amortized until December 31, 2004, in accordance with current accounting standards. Until that date, CEMEX amortized goodwill under the present worth or sinking fund method, which was intended to provide a better matching of goodwill amortization with the revenues generated from the acquired companies. Goodwill generated before 1992 was amortized over a maximum period of 40 years, while goodwill generated from 1992 to December 31, 2004 was amortized over a maximum period of 20 years. Starting January 1, 2005, in compliance with the rules established by the new Bulletin B-7 (note 24), goodwill balances will cease to be amortized but will remain subject to periodic impairment tests.

Direct costs incurred in debt issuances are capitalized and amortized as part of the effective interest rate of each transaction over its maturity. These costs include discounts on debt issuance, bank fees, fees paid to attorneys, agents, printers and consultants. Likewise, direct costs incurred in the development stage of computer software for internal use are capitalized and amortized through the operating results over the estimated useful life of the software, which is approximately 4 years.

Preoperative expenses and other deferred charges recognized in prior years under former Bulletin C-8 will continue to be amortized over their original periods. Intangible assets are subject to impairment evaluations (note 3U). The adoption of Bulletin C-8 only affected the grouping of intangible assets in the categories indicated above (note 11).

J) PENSIONS AND OTHER POSTRETIREMENT BENEFITS (note 15)

The costs related to benefits to which employees are entitled by pension plans and other postretirement benefits, including medical expenses, life insurance and seniority premiums, legally or by Company grant, are recognized in the operating results as services are rendered, based on actuarial estimations of the benefits' present value. The amortization of prior service cost (transition asset) and of changes in assumptions and adjustments based on experience is recognized over the employee's estimated active service life. For certain pension plans, 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).

Until December 31, 2004, other postretirement benefits, including severance benefits, were recognized as an expense in the year in which they were paid. In some circumstances, however, provisions were made for these benefits. Starting January 1, 2005, as a result of modifications to Bulletin D-3, *"Labor Obligations"*, the costs related to postretirement benefits will be recognized over the estimated active service life of the employees.

K) INCOME TAX ("IT"), BUSINESS ASSETS TAX ("BAT"), EMPLOYEES' STATUTORY PROFIT SHARING ("ESPS") AND DEFERRED INCOME TAXES (note 19)

The IT, BAT and ESPS reflected in the income statements, include amounts incurred during the period and the effects of deferred IT and ESPS. Consolidated deferred IT represents the summary of the effect determined in each subsidiary by the assets and liabilities method, by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, considering when the effects became available and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. The effect of a change in the effective statutory tax rate is recognized in the income statement for the period in which the change occurs and is officially declared. The effect of deferred ESPS is recognized for those temporary differences, which are of a non-recurring nature, arising from the reconciliation of the net income of the period and the taxable income of the period for ESPS.

The cumulative initial effect, arising from the adoption of the asset and liability method, was recognized on January 1, 2000 in stockholders' equity under the caption "Cumulative initial deferred income tax effects". Consolidated balances of assets and liabilities and their corresponding taxable amounts substantially differ from those of the Parent Company. The cumulative initial deferred income tax effects presented in the statement of changes in stockholders' equity correspond to the consolidated entity. The difference between the Parent Company's and the consolidated accumulated initial deferred IT effects is included under the caption "Deficit in Equity Restatement".

L) MONETARY POSITION RESULT

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is calculated by applying the inflation rate of the country of each subsidiary to its net monetary position (difference between monetary assets and liabilities).

M) DEFICIT IN EQUITY RESTATEMENT (note 16)

The deficit in equity restatement includes: (i) the accumulated effect from holding non-monetary assets; (ii) the currency translation effects from foreign subsidiaries' financial statements, net of exchange fluctuations arising from foreign currency indebtedness directly related to the acquisition of foreign subsidiaries and foreign currency related parties balances that are of a long-term investment nature (notes 3D and 16D); 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 (note 3N).

N) DERIVATIVE FINANCIAL INSTRUMENTS (notes 12 and 18)

In compliance with the guidelines established by the Risk Committee, CEMEX uses derivative financial instruments, in order to change the risk profile associated with changes in interest rates and foreign exchange rates of debt agreements, as a vehicle to reduce financing costs (note 12) and as an alternative source of financing (note 18), as well as hedges of: (i) forecasted transactions, (ii) net assets in foreign subsidiaries and (iii) executive stock option programs. These instruments have been negotiated with institutions with significant financial capacity; therefore, the Company considers the risk of non-performance of the obligations agreed to by such counterparties to be minimal. As of December 31, 2004 and 2003, some of these instruments have been designated as hedges of debt or equity instruments. In other cases, although some derivatives complement the Company's financial strategy, such derivatives have not been designated as hedge instruments as accounting hedge requirements were not met.

Effective January 1, 2001, in accordance with Bulletin C–2, *"Financial Instruments"*, the Company recognizes all derivative financial instruments as assets or liabilities in the balance sheet at their estimated fair value and the changes in such values in the income statement for the period in which they occur.

The exceptions to the rule, as they refer to the transactions designated by the Company and that meet hedging requirements, are the following:

a) Beginning in 2002, changes in the estimated fair value of interest rate swaps to exchange floating rates for fixed rates, designated as accounting hedges of the cash flows related to interest rates of a portion of contracted debt, as well as those instruments negotiated to hedge the interest rates at which certain forecasted debt is expected to be contracted or renegotiated, are recognized temporarily in stockholders' equity (note 16G) and reclassified to earnings, in the case of the forecasted debt, once the related debt is recognized in the balance sheet and its related financial expense is accrued.

b) The changes in the estimated fair value of foreign currency forwards, designated as hedges of a portion of the Company's net investments in foreign subsidiaries, are recorded in stockholders' equity, as part of the foreign currency translation result (notes 3D and 16D). The accumulated effect in stockholder's equity will be reversed through the income statement upon disposition of the foreign investment.

c) 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 the comprehensive financing result, as part of the costs related to such programs. The results derived from equity forward contracts on the Company's own shares not designated as hedges of the stock option programs, as well as from equity instruments (such as the appreciation warrants refered to in note 16F), are recognized in stockholders' equity upon settlement (notes 17 and 18).

d) Changes in fair value of foreign currency derivative instruments negotiated to hedge a firm commitment, are recognized through stockholders' equity, and are reclassified to the income statement once the operation underlying the firm commitment takes place, as the effects from the hedged item are reflected in earnings. In respect to hedges of the foreign exchange risk associated with a firm commitment for the acquisition of a net investment in a foreign country (note 18B), the accumulated effect in equity is reclassified to earnings when the purchase occurs.

For balance sheet presentation purposes, a portion of the assets or liabilities resulting from the estimated fair value recognition of Cross Currency Swaps ("CCS"), 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. CCS are negotiated to change the profile of the interest rate and currency of existing debt, required to present the indebtedness as if it had been originally negotiated in the exchanged interest rates and currencies. The non-reclassified portion, resulting from the difference between the forward exchange rates 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. As a result of new accounting pronouncements, starting January 1, 2005, the above reclassification will be discontinued; therefore, for balance sheet presentation, debt will remain in the original currencies and rates (note 24).

The periodic cash flows generated by interest rate swaps and CCS are recognized as financial expense, adjusting the effective interest rate of the related debt. For all other derivative instruments, cash flows are recognized within the same item where the effects of the primary instrument subject to the accounting or economic hedge relationship are classified. In the case of derivatives not associated with an identified exposure, related cash flows are recognized in earnings as part of the results from valuation and liquidation of financial instruments. Premiums paid on hedge derivative instruments are deferred and amortized over the life of the instrument or immediately upon settlement. In other cases, premiums are recognized in earnings when paid or received.

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 by the net present value of projected cash flows or through mathematical valuation models. The estimated fair values of derivative instruments, determined by CEMEX and used 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.

O) REVENUE RECOGNITION

Revenue is recognized upon shipment of cement and ready-mix concrete to customers, and they assume the risk of loss. Income from activities other than the Company's main line of business is recognized when the revenue has been realized, thorough goods delivered or services rendered, and there is no condition or uncertainty implying a reversal thereof.

P) CONTINGENCIES AND COMMITMENTS

Obligations or losses, related to contingencies, are recognized as liabilities in the balance sheet when present obligations exist, as a result of past events, it is probable that the effects will materialize and can be reasonably quantified. Otherwise, a qualitative disclosure is included in the notes to the financial statements. The effects of long-term commitments established with third parties, such as supply contracts formalized with suppliers or clients, are recognized in the financial statements on the incurred or accrued basis, considering the substance of the agreements. Relevant commitments are disclosed in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

Q) COMPREHENSIVE NET INCOME (LOSS) (note 16G)

The Company presents comprehensive net income (loss) and its components as a single item in the statement of changes in stockholders' equity. Comprehensive net income (loss) 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 date of the financial statements, as well as the reported amounts of revenues and expenses during the period. The main captions subject to estimations and assumptions include the book value of fixed assets, allowances for doubtful accounts, inventories and assets for deferred IT, the fair market values of financial instruments and, the assets and liabilities related to labor obligations. 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 2004, 2003 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

Other income and expense, in the statements of income, consists primarily of goodwill amortization, anti-dumping duties, results from the sales of fixed assets, impairment losses of long-lived assets, results from the early extinguishment of debt and other unusual or non-recurrent transactions.

U) IMPAIRMENT OF LONG LIVED ASSETS (notes 10 and 11)

The Company evaluates the balances of its machinery and equipment, intangible assets of definite life and other investments to establish if factors such as the occurrence of a significant adverse event, changes in the operating environment in which the Company operates, changes in projected use or in technology, as well as expectations of operating results for each cash generating unit, provide elements indicating that the book value may not be recovered, in which case an impairment loss is recorded in the income statement of the period when such determination is made, resulting from the excess of carrying amount over the net present value of estimated cash flows related to such assets.

Likewise, CEMEX periodically evaluates the balances of goodwill and other intangible assets of indefinite life by determining the cash flows to be generated by the reporting units to which those assets relate. A reporting unit refers to a group of one or more cash generating units. Cash flows are discounted at present value and an impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit.

V) ASSET RETIREMENT OBLIGATIONS (note 13)

Effective January 1, 2003, in accordance with Bulletin C-9, *"Liabilities, Accruals, Contingent Assets and Liabilities, and Commitments"*, the Company recognizes unavoidable obligations, legal or assumed, to restore the site or the environment when removing assets at the end of their useful lives. These obligations represent the net present value of expected cash flows to be incurred in the restoration process and are initially recognized against the related assets' book value. The additional asset is depreciated to operating results during its remaining useful life, while the increase of the liability, by the passage of time, is charged to results of the period. Adjustments to the obligation for changes in the estimated cash flows or the estimated disbursement period are made against fixed assets and depreciation is modified prospectively.

As of the implementation date, the Company had already created liabilities for the known situations; however, an analysis was performed throughout all subsidiaries in the different countries in order to identify additional possible existing situations and proceed to calculate them and if applicable reflect them in the accounting record. Asset retirement obligations in the case of CEMEX are related mainly to future costs of demolition, cleaning and reforestation, derived from commitments, both legal and assumed, so that at the end of the operation, the sites where raw material is extracted, the maritime terminals and other production sites, are left in acceptable conditions. For those situations identified and quantified, effective January 1, 2003, a remediation liability was recorded for approximately $537.2, against fixed assets for $388.1, deferred IT assets for $58.0 and an initial cumulative effect for $91.1, which was recorded in stockholders' equity as an element of comprehensive net income.

W) EXECUTIVE STOCK OPTION PROGRAMS (note 17)

The Company recognizes the cost associated with executive stock options programs by means of the intrinsic value method, for those programs in which, as of the granted date, is not known the exercise price at which the underlying shares will be exercised, because this exercise price is growing (variable) over the life of the options. Through the intrinsic value method, the changes in the appreciation of options represented by the difference between the market price of the CPO and the exercise price of the option is recognized as cost in the Company's income statement, within the Comprehensive Financing Result. The Company does not recognize cost for those programs in which the exercise price is equal to the CPO price at the date of grant of the option and it remains fixed for the life of the option.

4. CASH AND INVESTMENTS

Consolidated cash and investments as of December 31, 2004 and 2003 consists of:

		2004	2003
Cash and bank accounts	$	1,615.7	1,767.1
Fixed-income securities		1,720.4	1,367.4
Investments in marketable securities		477.4	345.0
	$	3,813.5	3,479.5

5. 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, 2004 and 2003 include allowances for doubtful accounts of $756.4 and $671.5, respectively.

The Company has established sales of trade accounts receivable programs with financial institutions ("securitization programs"). These programs were originally established in Mexico during 2002, in the United States during 2001 and in Spain in 2000. Through the securitization programs, CEMEX effectively surrenders control, risks and the benefits associated with 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 (note 6). The balances of receivables sold pursuant the securitization programs as of December 31, 2004 and 2003 were $7,114.0 (U.S.$638.6 million) and $6,507.1 (U.S.$584.1 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 $125.7 (U.S.$11.3 million) in 2004, $113.6 (U.S.$10.2 million) in 2003 and $127.4 (U.S.$11.4 million) in 2002.

6. OTHER ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other accounts receivable as of December 31, 2004 and 2003 consist of:

		2004		2003	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Non-trade receivables	$	1,210.1	229.6	1,688.6	298.1
Prepayments and receivables from valuation of derivative instruments (notes 12 and 18)		1,837.2	391.2	520.4	115.9
Interest and notes receivable		1,196.9	—	1,064.2	—
Advances for travel expenses and loans to employees		432.8	—	326.1	—
Refundable income tax		—	—	—	8.4
Other refundable taxes		387.4	363.8	1,227.6	328.1
	$	5,064.4	984.6	4,826.9	750.5

Non-trade receivables are mainly originated by the sale of assets. Interest and notes receivable include $1,161.6 (U.S.$ 104.3 million) in 2004 and $1,022.9 (U.S.$91.8 million) in 2003, arising from securitization programs (note 5). Other refundable taxes include $926.8 in 2003 for tax advances.

Other accounts payable and accrued expenses as of December 31, 2004 and 2003 consist of:

		2004		2003	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Other accounts payable and accrued expenses	$	1,856.8	1.2	2,648.0	1,563.1
Interest payable		575.2	206.3	715.1	336.8
Tax payable		1,453.4	173.1	3,187.4	511.8
Dividends payable		17.8	4.4	95.5	5.2
Provisions		3,584.4	—	3,135.5	7.3
Advances from customers		812.9	—	915.2	—
Accounts payable from valuation of derivative instruments (notes 12 and 18)		981.6	269.8	1,387.7	544.4
	$	9,282.1	654.8	12,084.4	2,968.6

Short-term provisions primarily consist of: (i) remuneration and other personnel benefits accrued at the balance sheet date; (ii) accruals for insurance payments; and (iii) accruals related to the portion of legal assessments to be settled in short-term, such as the case of anti-dumping fees (note 23C) and environmental remediations (note 23G). Commonly, these amounts are revolving in nature and are to be settled and replaced by similar amounts within the next 12 months.

7. INVENTORIES

Inventories in the consolidated balance sheet as of December 31, 2004 and 2003 are summarized as follows:

		2004	2003
Finished goods	$	1,676.1	1,467.9
Work-in-process		1,603.7	1,921.6
Raw materials		666.2	587.0
Supplies and spare parts		2,506.7	2,533.6
Advances to suppliers		265.4	255.1
Inventory in transit		328.7	334.9
	$	7,046.8	7,100.1

In December 2004, based on periodic impairment analysis on the inventory balances (note 3F), impairment losses of approximately U.S.$16.9 million ($188.3) were recognized within other expenses.

8. OTHER CURRENT ASSETS

Other current assets in the consolidated balance sheet as of December 31, 2004 and 2003 consist of:

		2004	2003
Advance payments	$	471.1	376.0
Non-cement related assets		577.7	420.3
	$	1,048.8	796.3

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.

9. INVESTMENTS AND NONCURRENT RECEIVABLES

A) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2004 and 2003, investments in subsidiaries and affiliated companies, accounted for by the equity method, are summarized as follows:

		2004		2003	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Book value at acquisition date	$	13,175.3	65,187.8	4,149.2	67,530.2
Equity in income and other changes in stockholders' equity		3,728.0	38,366.8	3,200.1	22,482.0
	$	16,903.3	103,554.6	7,349.3	90,012.2

Investments held by subsidiaries in CEMEX shares, amounting to $12,512.1 (154,014,032 CPOs) at December 31, 2004 and $9,814.6 (153,594,177 CPOs and 30,709,083 appreciation warrants) at December 31, 2003 are offset against majority interest stockholders' equity in the accompanying financial statements.

The Company's principal acquisitions and divestitures during 2004, 2003 and 2002 are as the following:

I. On September 27, 2004, as a result of a public offer to purchase the outstanding shares of RMC, CEMEX acquired 50 million shares for approximately £432 million (U.S.$786 million), which represents approximately 18.8% of RMC's outstanding stock. RMC, headquartered in the United Kingdom, is a leading international producer and supplier of materials, products and services used primarily in the construction industry. The acquisition of the remaining 81.2% is subject to several authorizations and may conclude during the first quarter of 2005 (note 2).

II. On November 15, 2004, CEMEX announced that it had reached a preliminary understanding with a Brazilian company to sell the cement plants in Charlevoix, Michigan, and Dixon, Illinois, both located in the United States. The transaction, valued at approximately U.S.$400 million, is expected to close in the first quarter of 2005, subject to definitive documentation and the satisfaction of customary conditions precedent. The combined capacity of these plants is close to 2 million tons and in 2004 revenues from those operations represented around 10% of CEMEX operations in that country.

III. In August 2004, a subsidiary acquired 6.83% (695,065 shares) of CAH equity for approximately U.S.$70 million. In addition, in 2004, 1,398,602 CAH shares were exchanged for 27,850,713 CPOs with an approximate value of U.S.$172 million ($1,916.0). In 2003, 84,763 CAH shares were exchanged for 1,683,822 CPOs, with an approximate value of U.S.$7.8 million ($93.2). Exchanges during 2004 and 2003 resulted from the agreements established on July 12, 2002, through which in 2003, 1,483,365 CAH shares would be acquired by a forward exchange requiring delivery of 28,195,213 CPOs. In April 2003, the original settlement date was modified with respect to 1,398,602 CAH shares, which were acquired during 2004. In 2002, 25,429 CAH shares were acquired for U.S.$2.3 million. For accounting purposes, the 1,483,365 CAH shares were consolidated since July 2002, recognizing an account payable of U.S.$140 million, equivalent to the price of 28,195,213 CPOs as of the date of the exchange agreements. In 2004, CEMEX recorded a loss in stockholders' equity for approximately $1,000.4 representing the excess in the price paid over the book value of the CAH shares held by minority interests. Through the transactions mentioned above, the Company's share in CAH increased to 99.1%.

IV. In August and September 2003, for a combined price of approximately U.S.$99.7 million ($1,190.5), CEMEX, Inc. acquired Mineral Resource Technologies, Inc. ("MRT"), distributor of minerals used in manufacturing of ready-mix concrete, and a cement plant and quarry with an annual production capacity of 560 thousand tons located in Dixon, Illinois, United States. The operating results of MRT and the Dixon plant are included in the consolidated financial statements since the respective acquisition dates. During 2002, CEMEX, Inc. sold aggregate quarries and other equipment for an approximate amount of U.S.$49 million.

V. On July 30, 2002, through a public tender offer, a subsidiary of the Company acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc. ("PRCC"), for approximately U.S.$180.2 million. As of December 31, 2002, 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.

VI. In July 2002, a Company subsidiary acquired the 30% remaining economic interest of Solid from third parties for approximately U.S.$95 million. Prior to this purchase, CEMEX indirectly had a 70% economic interest in Solid through CAH. As a result of this acquisition and the subsequent increases in CAH's equity interest held by CEMEX, the approximate indirect economic interest of CEMEX in Solid increased from 54.2% to 99.1%.

Certain condensed financial information of Dixon and MRT, companies acquired in 2003, that were consolidated in the Company's financial statements in the year of acquisition is presented below:

Total assets	$ 1,301.6
Total liabilities	119.4
Stockholders' equity	1,182.2
Sales	$ 197.6
Operating income	12.2
Net income	12.1

As of December 31, 2004 and 2003, the consolidated investments in affiliated companies are as follows:

	ACTIVITY	COUNTRY	% EQUITY INTEREST	2004	2003
RMC Group p.l.c.	Concrete	United Kingdom	18.8	$ 9,186.8	—
PT Semen Gresik, Tbk.	Cement	Indonesia	25.5	2,774.3	2,919.4
Control Administrativo Mexicano, S.A. de C.V.	Cement	Mexico	49.0	2,238.5	2,087.9
Trinidad Cement Limited	Cement	Trinidad	20.0	297.8	341.0
Cementos Bío Bío, S.A.	Cement	Chile	11.9	472.6	438.2
Cancem, S.A. de C.V.	Cement	Mexico	10.0	228.7	212.3
Lehigh White Cement Company	Cement	U.S.	24.5	142.3	127.4
Societe des Ciments Antillais	Cement	Antilles Fr.	26.1	198.6	170.8
Caribbean Cement Company Limited	Cement	Jamaica	5.0	116.7	109.0
Others	—	—	—	1,247.0	943.3
				$ 16,903.3	7,349.3

During 2003, the management of PT Semen Padang ("Padang"), subsidiary of Gresik, by different means obstructed the ownership rights of Gresik, by not acknowledging the Padang's administration designated by Gresik in May's 2003 stockholders' meeting. In September 2003, pursuant to a court order, the management appointed by Gresik finally assumed its duties. In addition, the former management failed to provide financial information to Gresik, required for consolidation purposes. Therefore, the consolidated financial statements of Gresik, at December 31, 2002, included unaudited information of Padang. The external auditors of Gresik, who were also auditors of Padang, abstained from giving an opinion since Padang represented around 16% of the combined net assets. In December 2003, Gresik designated new auditors to review the 2002 and 2003 consolidated financial statements. The in-depth troubles persist and are related to the agreements of 1998 between the Indonesian government and CEMEX. According to these agreements, the government would sell to CEMEX the majority interest of Gresik and subsidiaries, which has not occurred mainly due to the opposition of the provincial administration of West Sumatra, which has argued that the original sale of Padang by the government to Gresik in 1995 is invalid, since certain necessary approvals were not obtained. As a result of this situation, in December 2003, CEMEX filed before the International Center for the Settlement of Investments Disputes, a request for arbitration against the Indonesian government.

The arbitration tribunal was constituted in May 2004 and held its first session in July 2004, at which, the Indonesian government objected the tribunal's jurisdiction. As of December 31, 2004, the tribunal was still determining if it has jurisdiction to hear the dispute. The resolution of in-depth issues can take several years. Based on the information arising from the procedures indicated before, CEMEX will evaluate its investment in conformity with its accounting policies. As of December 31, 2004 and 2003, CEMEX used the best information available in order to valuate and update its investment in Gresik.

B) NONCURRENT ACCOUNTS RECEIVABLE

Consolidated amounts include assets for the valuation of derivative instruments (notes 12 and 18) of $1,660.0 in 2004 and $1,206.0 in 2003. Furthermore, they include investments in private funds, recorded at fair value of U.S.$8.4 million ($93.3) in 2004 and U.S.$16.1 million ($192.3) in 2003. Of the private funds in 2003, U.S.$9.3 million ($103.8) were reclassified to cash and investments in 2004, since their liquidation is expected within a three-month-period or less. In 2004 and 2003, approximately U.S.$2.3 million ($25.6) and U.S.$7.3 million ($87.2) were contributed to these funds, respectively.

10. PROPERTIES, PLANT AND EQUIPMENT

In December 2004 and 2003, based on periodic impairment analysis (note 3U), losses of approximately $1,130.6 and $318.1, respectively, were recognized within other expenses, derived from the closing of cement assets in the Philippines and Mexico in 2004, and for maritime terminals in the Asian region that are out of service and the closing of cement assets in Mexico in 2003. The impaired assets in Mexico in 2003 were first adjusted in 1999 when they ceased operations to their estimated realizable value and their depreciation was suspended. The approximate effect of having suspended the depreciation in 2002 was $43.3.

11. INTANGIBLE ASSETS AND DEFERRED CHARGES

As of December 31, 2004 and 2003, intangible assets of definite and indefinite life and deferred charges are, summarized as follows:

	2004		2003	
Intangible assets of indefinite useful life:	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Goodwill	$ 47,833.3	2,080.6	50,311.8	2,088.7
Accumulated amortization	(10,213.1)	(187.2)	(8,815.1)	(157.9)
	37,620.2	1,893.4	41,496.7	1,930.8
Intangible assets of definite useful life:				
Cost of internally developed software	3,014.7	—	3,225.1	—
Additional minimum liability (note 15)	911.6	—	1,177.2	—
Accumulated amortization	(1,937.4)	—	(1,509.5)	—
	1,988.9	—	2,892.8	—
Deferred Charges:				
Prepaid pension costs (note 15)	440.3	—	412.0	—
Deferred financing costs	551.5	196.9	619.7	405.4
Deferred income taxes (note 19B)	1,913.9	1,970.2	2,276.8	3,186.9
Others	3,567.0	379.0	3,316.0	438.0
Accumulated amortization	(1,842.2)	(304.2)	(1,763.4)	(375.2)
	4,630.5	2,241.9	4,861.1	3,655.1
	$ 44,239.6	4,135.3	49,250.6	5,585.9

As a result of the impairment evaluations (note 3U), CEMEX recognized within other expenses, impairment losses of goodwill for $248.9 in 2004, $936.9 in 2003 and $109.4 in 2002. Such losses consist of those related to the Company's information technology business unit, which were $248.9 in 2004, $167.2 in 2003 and $109.4 in 2002 and those related to the business units in the Asian region in 2003 were $769.7.

The amortization expenses of intangible assets and deferred charges were $2,869.9 in 2004, $2,983.6 in 2003 and $2,961.0 in 2002, of which, 66%, 69% and 65% were recognized in other expenses, respectively, while the difference in each year was recognized within operating expenses.

12. SHORT-TERM AND LONG-TERM BANK LOANS AND NOTES PAYABLE

The short-term and long-term consolidated debt, by type of financing and currency, as well as the interest rates information, which include the effects of the related derivative financial instruments, are summarized as follows:

AS OF DECEMBER 31, 2004	ORIGINAL RATE	WEIGHTED EFFECTIVE RATE	CARRYING AMOUNT [2]	RELATION TO DERIVATIVES [1]	AMOUNT SUBJECT TO DERIVATIVES	% SUBJECT TO DERIVATIVES
Short-term bank loans						
Lines of credit in Mexico	Variable	2.9%	530.5	CCS	744.3	100.0%
Lines of credit in foreign countries	Variable	1.4%	4,501.4	—	—	—
			5,031.9		744.3	14.8%
Short-term notes payable						
Foreign commercial paper program	Variable	2.5%	252.0	—	—	—
Other notes payable	Variable	7.4%	67.9	—	—	—
			319.9		—	—
			5,351.8			
Current maturities			6,275.2			
			11,627.0			
Long-term bank loans						
Syndicated loans, 2005 to 2009	Variable	3.7%	22,391.4	—	—	—
Syndicated loans, 2005 to 2009	Fixed	1.4%	2,098.7	—	—	—
Bank loans, 2005 to 2007	Variable	2.8%	5,734.3	—	—	—
Bank loans, 2005 to 2007	Fixed	7.4%	78.0	—	—	—
			30,302.4		—	—
Long-term notes payable						
Euro medium-term notes, 2005 to 2009	Fixed	11.1%	1,263.3	—	—	—
Medium-term notes, 2005 to 2008	Variable	3.7%	8,420.7	CCS	6,611.3	78.5%
Medium-term notes, 2005 to 2015	Fixed	5.7%	19,576.8	CCS	5,098.4	26.0%
Other notes, 2005 to 2015	Variable	3.8%	955.4	—	—	—
Other notes, 2005 to 2009	Fixed	3.3%	196.1	—	—	—
			30,412.3		11,709.7	38.5%
			60,714.7			
Current maturities			(6,275.2)			
			54,439.5			

Debt by currency [2]	TOTAL DEBT	SHORT-TERM	EFFECTIVE RATE	LONG-TERM	EFFECTIVE RATE
Dollar	36,874.5	3,322.0	4.5%	33,552.5	4.9%
Japanese yen	9,363.0	3,202.7	0.5%	6,160.3	1.5%
Euros	10,089.8	4,898.8	2.7%	5,191.0	3.5%
Sterling pounds	9,286.9	—	—	9,286.9	5.5%
Mexican pesos	415.5	192.5	7.3%	223.0	5.3%
Egyptian pounds	11.0	11.0	13.5%	—	—
Other currencies	25.8	—	—	25.8	15.6%
	66,066.5	11,627.0		54,439.5	

AS OF DECEMBER 31, 2003	ORIGINAL RATE	WEIGHTED EFFECTIVE RATE	CARRYING AMOUNT [2]	RELATION TO DERIVATIVES [1]	AMOUNT SUBJECT TO DERIVATIVES	% SUBJECT TO DERIVATIVES
Short-term bank loans						
Lines of credit in Mexico	Variable	2.1%	783.4	—	—	—
Lines of credit in foreign countries	Variable	1.0%	1,850.7	—	—	—
			2,634.1		—	—
Short-term notes payable						
Mexican commercial paper programs	Variable	6.3%	2,007.8	CCS	2,007.8	100.0%
Foreign commercial paper programs	Variable	2.6%	1,134.3	—	—	—
Other notes payable	Variable	7.4%	30.9	—	—	—
			3,173.0		2,007.8	63.3%
			5,807.1			
Current maturities			10,062.8			
			15,869.9			
Long-term bank loans						
Syndicated, 2004 to 2007	Variable	2.2%	12,594.1	CCS	1,358.3	10.8%
Syndicated, 2004 to 2006	Fixed	7.4%	6,567.8	IRS	6,567.8	100.0%
Bank loans, 2004 to 2007	Variable	1.8%	7,821.9	—	—	—
Bank loans, 2004 to 2006	Fixed	7.4%	2,694.7	IRS	2,536.9	94.1%
			29,678.5		10,463.0	35.3%
Long-term notes payable						
Euro medium-term notes, 2004 to 2009	Fixed	8.0%	3,871.7	CCS	797.9	20.6%
Medium-term notes, 2004 to 2007	Variable	3.0%	7,796.6	CCS	6,883.0	88.3%
Medium-term notes, 2004 to 2015	Fixed	5.8%	19,636.0	CCS	6,227.9	31.7%
Other notes, 2004 to 2010	Variable	2.1%	2,804.2	—	—	—
Other notes, 2004 to 2009	Fixed	6.6%	451.9	IRS	448.4	99.2%
			34,560.4		14,357.2	41.5%
			64,238.9			
Current maturities			(10,062.8)			
			54,176.1			

Debt by currency [2]	TOTAL DEBT	SHORT-TERM	EFFECTIVE RATE	LONG-TERM	EFFECTIVE RATE
Dollar	47,613.8	5,287.8	4.4%	42,326.0	5.5%
Japanese yen	9,573.9	4,799.9	0.6%	4,774.0	1.2%
Euros	12,443.7	5,591.6	2.8%	6,852.1	3.4%
Mexican pesos	251.5	102.4	7.3%	149.1	7.3%
Egyptian pounds	114.7	76.8	11.3%	37.9	10.9%
Other currencies	48.4	11.4	11.5%	37.0	12.6%
	70,046.0	15,869.9		54,176.1	

1 IRS or Interest Rate Swaps are instruments used to exchange interest rates (note 12A). CCS or Cross Currency Swaps are instruments to exchange both interest rates and currencies (note 12B).

2 Include the effects for currencies exchange originated by the CCS.

Of the Parent Company short-term debt, considering the effects of CCS, a total of 90.1% in 2004 and 69.9% in 2003 is denominated in dollars. Relating to long-term debt, 84.0% in 2004 and 89.0% in 2003 is denominated in dollars. The remaining debt in 2004 and 2003 is primarily denominated in Mexican pesos.

The most representative exchange rates to the financial debt are as follows:

	2004	2003
Mexican pesos per dollar	11.14	11.24
Japanese yen per dollar	102.49	107.39
Euros per dollar	0.7383	0.7948
Sterling pounds per dollar	0.5218	0.5599

The maturities of long-term debt as of December 31, 2004 are as follows:

	CONSOLIDATED	PARENT
2006	$ 19,929.1	6,177.8
2007	13,697.8	10,104.2
2008	8,044.5	3,489.6
2009	6,666.6	2,302.5
2010 and thereafter	6,101.5	—
	$ 54,439.5	22,074.1

In the consolidated balance sheet at December 31, 2004 and 2003, there were short-term debt transactions amounting to U.S.$847.2 million ($9,438.1) and U.S.$395 million ($4,716.8), respectively, classified as long-term debt due to the Company's ability and the intention to refinance such indebtedness with the available amounts of committed long-term lines of credit.

As of December 31, 2004, 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 0.5% and 15.6%, depending on the negotiated currency:

	LINE OF CREDIT	AVAILABLE
European commercial paper (U.S.$600 million)	$ 6,684.0	6,684.0
Revolving credit facility (U.S.$ 800 million)	8,912.0	5,102.1
Mexican commercial paper	3,000.0	3,000.0
Long-term credit in current account	1,671.0	—
Other lines of credit in foreign subsidiaries	11,378.7	4,599.8
Other lines of credit from banks	6,561.5	1,559.6
	$ 38,207.2	20,945.5

Credit lines information included in the table above does not include lines of credit agreed with financial institutions for approximately U.S.$5,050 million for the acquisition of RMC (note 2).

In June 2004, CEMEX negotiated a revolving syndicated line of credit maturing in three years for U.S.$800 million. Resources from this transaction and other lines of credit were used to prepay the remaining outstanding U.S.$700 million of the multi-currency credit of U.S.$1,150 million negotiated in 2003 and to liquidate the U.S. commercial paper program for U.S.$300 million. On October 15, 2003, a Dutch subsidiary negotiated a multi-currency credit for an equivalent at that date of U.S.$1,150 million. Funds were obtained as follows: Euro 256.4 million maturing in two years and U.S.$550 million and yen 32,688 million maturing in three years. Such amounts were used mainly to repay a revolving credit facility of U.S.$400 million and for the early redemption in 2003 of the remaining outstanding prefered stock financing of U.S.$650 million related to the purchase of CEMEX Inc. (note 16E).

In March 2004, CEMEX Spain negotiated a multi-currency syndicated loan of 400 million euros, divided as follows: 1) a 364-day revolving line of credit; 2) a five-year multicurrency loan, and 3) a fixed rate 5-year credit denominated in yen. In addition, in April 2004, CEMEX Spain through one of its subsidiaries, made a private debt issuance of 11,068 million yen (U.S.$100.2 million) to a group of insurance companies and pension funds in the United States. Proceeds obtained from this transaction were used to refinance short-term debt and for other general corporate purposes.

In October 2004, CEMEX completed a tender offer for its 9.625% Notes due in 2009 of U.S.$200 million and for the remaining outstanding balance of its 12.7% Notes due in 2006 of U.S.$91.6 million, which had been previously reduced as a result of a tender offer that culminated in 2002. In the 2004 offer, U.S.$138.5 million ($1,542.9) and U.S.$39.7 million ($442.3) of these Notes were retired, respectively. As of December 31, 2004, the outstanding balance of the 9.625% Notes was U.S.$61.6 millon ($686.2) and of the 12.7% Notes was U.S.$51.9 million ($578.2), which original amount was U.S.$300 million. As of December 31, 2003, and as a result of the tender offer in 2002, the Company had an outstanding balance of U.S.$91.6 million ($1,093.8) of its 12.7% Notes. Expenses related to the offer and the premiums paid to the notes holders as a result of the early retirement, which amounted to approximately U.S.$54 million ($657.9) in 2002 and U.S.$38 million ($423.3) in 2004, were recognized within other expenses.

As of December 31, 2004 and 2003, in order to: (i) hedge contractual cash flows of certain financial debt with floating rates or exchange floating for fixed interest rates on a debt portion (note 12A), and (ii) reduce the financial cost of debt originally contracted in dollars or pesos (note 12B), the Company has negotiated derivative financial instruments related to short-term and long-term debt, which are described below:

A) Interest Rate Swaps Contracts

As of December 31, 2004 and 2003, information with respect to interest rate swaps ("IRS") related to short-term and long-term financial debt is summarized as follows:

(U.S. DOLLAR MILLIONS) RELATED DEBT	NOTIONAL AMOUNT	DEBT CURRENCY	MATURITY DATE	CEMEX RECEIVES*	CEMEX PAYS	EFFECTIVE RATE	ESTIMATED FAIR VALUE
Interest Rate Swaps in 2004							
Not assigned [1]							
Long-term debt	U.S.$ 1,950	Dollar	Oct 2009	L + 26 bps	5.6%	5.8%	U.S.$ (174.2)
Interest Rate Swaps in 2003							
Long-term							
Syndicated loans	U.S.$ 550	Dollar	Mar 2008	LIBOR	6.5%	7.4%	U.S.$ (70.3)
Bank loans	250	Dollar	Mar 2008	LIBOR	5.4%	7.3%	(33.4)
	800						(103.7)
Not assigned [1]							
Long-term debt	1,050	Dollar	Feb 2009	LIBOR	3.5%	2.3%	(124.4)
	U.S.$ 1,850						U.S.$ (228.1)

* LIBOR ("L") represents the *London Interbank Offering Rate*, used in the market for debt denominated in U.S. dollars.

1 These instruments have optionality.

As of December 31, 2004 and 2003, the non-assigned interest rate swaps presented above, which are part of and complement the financial strategy of CEMEX, however, do not meet the accounting hedge criteria, consequently, changes in the estimated fair value of these instruments were recognized in earnings. As of December 31, 2003 interest rate swaps with a notional amount of U.S.$800 million were designated as accounting hedges of contractual cash flows (interest payments) of the related floating rate debt. Therefore, changes in the estimated fair value of these instruments were recognized in stockholders' equity (note 3N).

During 2004, the notional amount of interest rate swaps increased by U.S.$100 million as compared to 2003. This increase was mainly due to a new interest rate swap for a notional amount of U.S.$200 million, negotiated upon the exercise of interest rate options ("swaptions"). The increase was partially offset by the early settlement of interest rate swaps and cap options for a notional of U.S$100 million. As of December 31, 2003, of the approximate loss in the estimated fair value of interest rate swaps of U.S.$228.1 million ($2,723.8), losses of approximately U.S.$126 million ($1,504.6) correspond to the estimated fair value that swaptions, Forward Rate Agreements ("FRAs") and the floor and cap options had upon expiration or settlement. These losses were recognized in earnings of prior periods between origination of the contracts and their termination.

During 2004 and 2003, due to changes in the interest rate mix of the financial debt portfolio, interest rate swaps were settled in agreement with the financial counterparties for notional amounts of U.S.$100 million and U.S.$1,106 million, respectively. These settlements resulted in losses of U.S.$8.3 million ($92.5) in 2004 and losses of U.S$41.9 million ($500.4) in 2003, corresponding to the estimated fair value of the contracts on the settlement date, which were recognized in earnings in the respective periods.

As of December 31, 2003, there were swaptions for a notional amount of U.S.$200 million, with an estimated market loss of U.S.$24.9 million ($297.3), negotiated to exchange floating for fixed interest rates. These options were exercised in July 2004, and the counterparty elected to negotiate with CEMEX new interest rate swaps receiving a fixed rate and paying a floating rate for a five-year period. Likewise, during 2003, the Company sold and later settled options for a notional amount of U.S.$400 million, resulting in a net gain of approximately U.S.$1.1 million ($13.2). In 2003 and 2002, from the sale of swaptions, CEMEX received premiums for approximately U.S.$25.0 million ($298.5) and U.S.$57.6 million ($701.8), respectively. Premiums received as well as changes in the estimated fair value of the options, which represented gains of approximately U.S.$1.6 million ($19.1) in 2003 and losses of approximately U.S.$110.9 million ($1,351.3) in 2002, were recognized in earnings of each period. In addition, in 2003 and 2002, losses of approximately U.S.$23.9 million ($285.4) and U.S.$92.3 million ($1,124.7), respectively, were recognized in earnings as a result of the settlement or termination of the swaption contracts.

As of December 31, 2002, the Company held forward rate agreements ("FRAs") for a notional amount of U.S.$650 million, negotiated in 2001 to fix the interest rate of future debt issuances, which were not completed due to market conditions. These instruments were designated at the end of 2002 as accounting hedges of the interest rate of debt issuances, which were negotiated in 2003. These contracts expired in June 2003 and new interest rate swaps were negotiated. At maturity, an approximate loss of U.S.$37.6 million ($449.0) was recognized in stockholders' equity and is being amortized to the financial expense as part of the effective interest rate of the related debt. The amount amortized was U.S$4.3 million ($47.9) in 2004 and U.S$7.8 million ($93.1) in 2003. The changes in the estimated fair value of these contracts during 2002 represented losses of approximately U.S.$33.7 million ($410.6), which were recognized in earnings, except for a loss of U.S.$42.4 million ($506.3), which was recognized in stockholders' equity, corresponding to the change in valuation after these contracts were designated as accounting hedges.

As of December 31, 2002, there were floor and cap options for a notional amount of U.S.$711 million, with maturity in March 2008. These options were settled in May 2003, through the negotiation of interest rate swaps. These options were structured as part of an interest rate swap for the same notional amount that was settled in 2002. The changes in the estimated fair value of the floor and cap options until settlement represented losses of approximately U.S.$0.1 million ($1.6) in 2003 and U.S.$55.2 million ($672.4) in 2002. These losses were recognized in earnings in the respective periods.

B) Cross Currency Swap Contracts and Other Currency Instruments

As of December 31, 2004 and 2003, there were Cross Currency Swaps ("CCS"), through which the Company exchanges the originally contracted interest rates and currencies on notional amounts of related short-term and long-term debt. During the life of the contracts, the cash flows related to the exchange of interest rates under the CCS, match, in interest payment dates and conditions, those of the underlying debt.

If there is no early settlement, at maturity of the contracts and the underlying debt, the Company and the counterparty will exchange notional amounts, so the Company will receive the cash flow in the currency of the underlying debt necessary to cover its primary obligation, and will pay the notional amount in the exchanged currency of the CCS. As a result, the original financial risk profile related to interest rates and foreign exchange variations of the underlying debt has been effectively exchanged. As of December 31, 2004 and 2003, information with respect to the CCS is summarized as follows:

			CURRENCIES			INTEREST RATES		
(AMOUNTS IN MILLIONS) RELATED DEBT	MATURITY DATE	NOTIONAL AMOUNT	ORIGINAL AMOUNT	AMOUNT IN NEW CURRENCY	CEMEX RECEIVES *	CEMEX PAYS *	EFFECTIVE RATE	ESTIMATED FAIR VALUE
CCS in 2004								
Dollar to yen								
Short term notes	Jun 2005	U.S.$ 66.8	U.S.$ 67	Yen 1,904	L+127 bps	1.9%	2.9%	U.S.$ 92.9
Mexican peso to dollar								
Medium term notes	Jun 05–Jun 06	308.4	$ 3,804	U.S.$ 308	TIIE+55 bps	L+125bps	4.0%	33.3
Mexican peso to dollar								
Medium term notes	Apr 05–Apr 07	233.3	$ 3,369	U.S.$ 233	12.4%	L+97 bps	3.3%	87.8
Mexican peso to dollar								
Medium term notes	Mar 06–Dec 08	377.8	$ 4,022	U.S.$ 378	8.6%	4.6%	3.9%	2.8
Mexican peso to dollar								
Medium term notes	Oct 2007	79.9	$ 800	U.S.$ 80	CETES+145bps	4.3%	4.3%	(5.9)
Mexican peso to yen								
Euro-medium term notes	Jan 2006	51.8	$ 602	Yen 6,008	8.8%	2.6%	1.3%	(2.4)
		1,051.2						115.6
		U.S.$1,118.0						U.S.$ 208.5
CCS in 2003								
Mexican peso to dollar								
Short term notes	Jan 2004	U.S.$ 168.1	$ 2,018.6	U.S.$ 168	N/A	N/A	6.3%	U.S.$ 0.8
Mexican peso to dollar								
Medium term notes	Nov 04–Dec 07	468.9	$ 6,485	U.S.$ 469	TIIE+62 bps	L+121bps	2.7%	74.4
Mexican peso to dollar								
Medium term notes	Apr 05–Apr 07	233.3	$ 3,579	U.S.$ 233	12.4%	L+99 bps	1.9%	103.0
Mexican peso to dollar								
Medium term notes	Mar 06–Dec 08	377.8	$ 4,131	U.S.$ 378	8.6%	4.6%	3.8%	0.2
Mexican peso to dollar								
Medium term notes	Oct 2007	79.9	$ 850	U.S.$ 80	CETES+145bps	4.3%	4.3%	(8.9)
Mexican peso to yen								
Medium term notes	Jun 05–Jun 06	66.8	U.S.$ 67	Yen 1,904	L+127 bps	1.9%	9.3%	93.2
Mexican peso to yen								
Euro-medium term notes	Jun 05–Jan 06	51.8	$ 1,672	Yen 6,008	8.8%	2.6%	1.3%	(0.7)
		1,278.5						261.2
		U.S.$1,446.6						U.S.$ 262.0

* LIBOR ("L") represents the London Interbank Offering Rate, used in the market for debt denominated in U.S. dollars. TIIE represents the Interbank Offering Rate in Mexico, and CETES are public debt instruments issued by the Mexican government. As of December 31, 2004, the LIBOR rate was 2.56%, the TIIE rate was 8.95% and the CETES yield was 8.61% per annum.

The periodic cash flows underlying the CCS arising from the exchange of interest rates are determined over the notional amounts in the exchanged currency. The CCS have not been designated as accounting hedges; therefore, changes in their estimated fair values are recognized through the income statement. As mentioned in note 3N, portions of the assets and liabilities resulting from the estimated fair value recognition of the CCS 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. Through this presentation, 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 an early liquidation of the CCS, the related financial liabilities and their corresponding interest expense would be established in the rates and currencies originally contracted beginning as of the settlement date.

As of December 31, 2004 and 2003, related to the estimated fair value of the CCS, the Company recognized net assets of U.S.$208.5 million ($2,322.7) and U.S.$262.0 million ($3,128.7), respectively, of which U.S.$300.7 million ($3,349.8) in 2004 and U.S.$364.5 million ($4,352.7) in 2003 relates to a prepayment made to yen and dollar denominated obligations under the CCS. This is presented by decreasing the carrying amount of the related debt, while a loss of U.S$92.2 million ($1,027.1) in 2004 and a loss of U.S.$102.5 million ($1,224.0) in 2003 represents the net liabilities arising from the CCS' estimated fair value without prepayment effects.

In accordance with presentation guidelines applied by the Company to the assets or liabilities related to the CCS (note 3N); in connection to the net liabilities without prepayment effects in 2004 and 2003 described in the paragraph above, losses directly related to variations in exchange rates between the origination of the CCS and the balance sheet date of approximately U.S.$131.8 million ($1,468.3) in 2004 and U.S.$171.9 million ($2,052.8) in 2003, were presented as part of the related debt carrying amount. Likewise, gains of approximately U.S.$10.9 million ($121.4) in 2004 and U.S.$12.2 million ($145.7) in 2003, corresponding to the periodic cash flows exchange for interest rates, were presented as an adjustment of the related financing interest payable. The remaining net assets of U.S.$28.7 million ($319.7) in 2004 and U.S.$57.2 million ($683.0) in 2003 were presented in the consolidated balance sheet within short-term and long-term other assets, as applicable.

For the years ended December 31, 2004, 2003 and 2002, the changes in the estimated fair value of the CCS, excluding the effects of prepayments, resulted in a gain of approximately U.S.$10.3 million ($114.7) in 2004, and losses of approximately U.S.$149.7 million ($1,787.6) and U.S.$192.2 million ($2,341.8) in 2003 and 2002, respectively. These results were recognized in earnings of the respective periods.

Additionally, as of December 31, 2002, there were other currency instruments for a notional amount of U.S.$104.5 million, related to financial debt expected to be negotiated in the near future. These contracts matured in 2003, and a loss of approximately U.S.$3.6 million ($43.0) was recognized in earnings. In 2002, these contracts had an estimated fair value loss of approximately U.S.$6.8 million ($82.9), which was recognized in the income statement.

The estimated fair value 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 Company's overall 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, 2004 and 2003, CEMEX México, S.A. de C.V. and Empresas Tolteca de México, S.A. de C.V. jointly, fully and unconditionally guaranteed indebtedness of the Company for an aggregate amount of U.S.$3,087.8 million ($34,398.1) and U.S.$3,145 million ($37,555.6), respectively. The combined summarized financial information of these guarantors as of December 2004, 2003 and 2002 is as follows:

	2004	2003	
Assets	$ 152,696.3	149,153.5	
Liabilities	105,235.5	68,528.2	
Stockholders' equity	47,460.8	80,625.3	
			2002
Net sales	$ 26,037.3	25,931.6	25,535.0
Operating income	3,323.9	2,951.6	3,997.4
Net income	17,167.8	6,412.5	509.6

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.

13. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities are integrated as follows:

		2004		2003	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Valuation of derivative financial instruments (notes 12 and 18)	$	3,690.8	1,366.3	5,225.9	1,906.3
Accruals for legal assessments and other responsibilities		1,371.4	—	1,691.7	—
Asset retirement obligations and other environmental liabilities		865.9	—	944.5	—
Other liabilities and deferred credits		1,330.1	—	1,384.4	—
	$	7,258.2	1,366.3	9,246.5	1,906.3

Accounts payable from derivative financial instruments represent the accumulated valuation losses resulting from the estimated fair value recognition of these instruments (notes 12 and 18). Accruals for legal assessments and other responsibilities (note 23), refer to the best estimation of cash flows with respect to legal claims where the Company is determined to be responsible and which are expected to be settled in a period greater than twelve months.

During 2004, the balance of this caption decreased primarily as a result of the reduction of $317.3 in the anti-dumping duties provision, and as a result of the reduction of $1,228.2 in the accounts payable from valuation of derivative financial instruments. Asset retirement obligations and other environmental liabilities include the future estimated costs, mainly from demolition, cleaning and reforestation of production sites at the end of their operation (note 3V). The expected average period to settle these obligations is greater than 15 years.

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The main balances receivable from and payable to related parties as of December 31, 2004 and 2003 are:

PARENT COMPANY		2004			
		ASSETS		LIABILITIES	
		SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
CEMEX México, S.A. de C.V.	$	—	10,832.6	6,245.5	267.2
CEMEX International Finance Co		—	—	60.5	19,940.1
Empresas Tolteca de México, S.A. de C.V.		70.9	22,213.1	—	—
CEMEX Irish Investments Company Limited		—	—	22.7	3,863.9
Centro Distribuidor de Cemento, S.A. de C.V.		—	—	31.9	135.3
CEMEX Manila Investments B.V.		589.2	—	—	—
CEMEX Venezuela, S.A.C.A.		18.8	—	—	—
Latin Asia Investments, Pte. Ltd.		5.6	—	—	—
Others		7.2	—	2.6	—
	$	691.7	33,045.7	6,363.2	24,206.5

PARENT COMPANY		2003			
		ASSETS		LIABILITIES	
		SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
CEMEX México, S.A. de C.V.	$	785.7	36,082.3	—	—
CEMEX International Finance Co		—	—	41.7	21,203.6
Empresas Tolteca de México, S.A. de C.V.		—	—	4,738.8	—
CEMEX Irish Investments Company Limited		—	—	17.8	4,108.7
International Investors LLC		10.2	210.3	—	—
Centro Distribuidor de Cemento, S.A. de C.V.		2.8	—	—	135.3
CEMEX Asia Pte. Ltd.		—	—	125.0	—
CEMEX Manila Investments B.V.		58.6	—	—	—
Sunbelt Trading, S.A.		50.2	—	—	—
CEMEX Venezuela, S.A.C.A.		8.9	—	—	—
CEMEX Colombia, S.A.		7.1	—	—	—
Latin Asia Investments, Pte. Ltd.		5.9	—	—	—
Others		14.3	—	6.7	—
	$	943.7	36,292.6	4,930.0	25,447.6

The main transactions carried out during the last three years with related parties are:

PARENT COMPANY		2004	2003	2002
Rental income	$	278.4	290.6	303.6
License fees		668.8	544.7	202.1
Financial expense		(939.7)	(835.5)	(879.0)
Management service expense		(930.2)	(1,503.5)	(2,299.3)
Financial income		1,488.7	3,233.2	3,406.9
Dividends received		283.4	5,844.6	2,546.1

15. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

For the years ended December 31, 2004, 2003 and 2002, the net periodic cost of pension plans and other postretirement benefits (note 3J), was $470.5, $491.3 and $242.3, respectively, and is described as follows:

		PENSIONS			OTHER BENEFITS*		
Components of net periodic cost:		2004	2003	2002	2004	2003	2002
Service cost	$	308.0	305.4	291.8	40.4	33.3	30.3
Interest cost		362.4	302.6	286.0	34.4	48.2	45.9
Actuarial return on plan assets		(397.8)	(355.9)	(424.2)	(1.0)	(0.7)	(0.7)
Amortization of prior service cost, changes in assumptions and experience adjustments		131.7	139.4	50.6	(7.6)	16.0	14.6
Results from extinguishment of obligations		—	3.0	(50.3)	—	—	(1.7)
	$	404.3	394.5	153.9	66.2	96.8	88.4

As of December 31, 2004 and 2003, the reconciliation of the actuarial value of pensions plans and other postretirement benefit obligations, as well as the funded status (note 3J), are presented as follows:

		PENSIONS		OTHER BENEFITS*	
		2004	2003	2004	2003
Change in benefit obligation:					
Projected benefit obligation ("PBO") at beginning of year	$	6,776.1	6,035.3	852.9	958.5
Service cost		308.0	305.4	40.4	33.3
Interest cost		362.4	302.6	34.4	48.2
Actuarial result and amendments		(311.9)	700.7	(223.5)	(95.8)
Acquisitions		(1.0)	—	(0.2)	—
Initial valuation of other postretirement benefits		—	—	13.6	29.4
Foreign exchange fluctuations and inflation adjustments		(198.1)	(112.9)	(34.5)	(50.1)
Extinguishment of obligations		(8.9)	2.0	—	2.3
Benefits paid		(450.4)	(457.0)	(72.5)	(72.9)
Projected benefit obligation ("PBO") at end of year		6,476.2	6,776.1	610.6	852.9
Change in plan assets:					
Fair value of plan assets at beginning of year		5,852.3	5,360.3	36.2	18.9
Return on plan assets		476.0	863.6	1.0	2.2
Foreign exchange fluctuations and inflation adjustments		(189.8)	(223.5)	(0.1)	(1.8)
Employer contributions		175.1	133.8	—	16.9
Extinguishment of obligations		(9.0)	—	—	—
Benefits paid from the funds		(345.8)	(281.9)	(16.9)	—
Fair value of plan assets at end of year		5,958.8	5,852.3	20.2	36.2
Amounts recognized in the balance sheets consist of:					
Funded status		517.4	923.8	590.4	816.7
Prior service cost		(1,403.5)	(1,489.9)	(15.0)	(115.6)
Net actuarial results		(456.4)	(1,015.0)	71.6	(45.1)
Accrued benefit liability (prepayment)		(1,342.5)	(1,581.1)	647.0	656.0
Additional minimum liability		902.2	1,169.1	9.4	8.1
Net liability (prepayment) recognized	$	(440.3)	(412.0)	656.4	664.1

* The 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 grants to retirees.

As of December 31, 2004 and 2003, the combined actual benefit obligation ("ABO") of pensions and other postretirement benefits, equivalent to the PBO not considering salary increases, amounted to $6,110.1 and $6,315.1, respectively, of which the vested portion was $2,065.3 in 2004 and $2,134.3 in 2003.

An additional minimum liability (excess of the net actual liability over the net projected liability) is recognized in those cases when the ABO less the plan assets (net actual liability) is lower than the net projected liability. At December 31, 2004 and 2003, the Company recognized a minimum liability against an intangible asset for approximately $911.6 and $1,177.2, respectively.

Prior service cost and net actuarial results are amortized over the estimated service life of the employees under plan benefits. As of December 31, 2004, the average estimated service life for pension plans and other postretirement benefits is 13 years.

As of December 31, 2004 and 2003, the consolidated assets of the pension plans and other postretirement benefits are valued at their estimated fair value and are aggregated as follows:

		2004	2003
Fixed-income securities	$	1,940.3	2,626.3
Marketable securities		3,497.1	2,532.0
Private Funds and other investments		541.6	730.2
	$	5,979.0	5,888.5

The Company applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine postretirement benefit liabilities. The most significant assumptions used in the determination of the net periodic cost are summarized as follows:

	2004	2003	2002
Range of discount rates used to reflect the obligations' present value	4.5% – 8.0%	4.5% – 8.0%	3.0% – 7.0%
Weighted average rate of return on plan assets	7.6%	7.8%	7.8%

During 2003, the Company's units in Mexico implemented a voluntary early retirement program, through which, the retirement age was reduced by five years and all employees meeting the new requirements were given the option to retire. This program ended in May 2003, resulting in the early retirement of 230 employees and the increase of $604.4 in the projected benefit obligation and the non-amortized prior service cost of pensions and other postretirement benefits.

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 with 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 of December 31, 2002, the effect of writing off the PBO and the non-amortized items, net of the assets contributed, are displayed on the table of the net periodic cost of pension plans and other postretirement benefits.

16. STOCKHOLDERS' EQUITY

A) COMMON STOCK

The Company's common stock as of December 31, 2004 and 2003 is as follows:

	2004		2003	
	SERIES A (1)	SERIES B (2)	SERIES A (1)	SERIES B (2)
Subscribed and paid shares	3,703,634,244	1,851,817,122	3,547,614,432	1,773,807,216
Treasury shares (3)	249,133,670	124,566,835	287,097,712	143,548,856
Unissued shares authorized for Stock Option Plans	107,960,624	53,980,312	113,114,106	56,557,053
	4,060,728,538	2,030,364,269	3,947,826,250	1,973,913,125

(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 issued pursuant to the ordinary stockholders' meeting of April 24, 2003 that were not subscribed.

Of the total number of shares, 3,267,000,000 in 2004 and 2003 correspond to the fixed portion, while 2,824,092,807 in 2004 and 2,654,739,375 in 2003 correspond to the variable portion.

On April 29, 2004, the annual stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $4,169 (nominal amount), issuing shares as a stock dividend for up to 600,000,000 shares equivalent to up 200,000,000 CPOs, at a subscription price of $53.129 (nominal) per CPO, or instead, stockholders could have chosen to receive $2.35 (nominal amount) in cash for each CPO. As a result, shares equivalent to

75,433,165 CPOs were subscribed and paid, representing an increase in common stock of $2.6 and in additional paid-in capital of $4,154.2 considering a theoretical value of $0.0333 per CPO, while an approximate cash payment through December 31, 2004 was made for $167.4; and (iii) the cancellation of the corresponding shares held in the Company's treasury.

On April 24, 2003, the annual stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000.0 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $3,664.4 (nominal amount), issuing shares as a stock dividend for up to 750,000,000 shares equivalent to up to 250,000,000 CPOs, at a subscription price of $36.449 (nominal) per CPO, or instead, stockholders could have chosen to receive $2.20 (nominal amount) in cash for each CPO. As a result, shares equivalent to 98,841,944 CPOs were subscribed and paid, representing an increase in common stock of $3.60 and in additional paid-in capital of $3,895.8, considering a theoretical value of $0.0333 per CPO, while an approximate cash payment through December 31, 2003 was made for $71.0; and (iii) the cancellation of the corresponding shares held in the Company's treasury.

B) RETAINED EARNINGS

Retained earnings as of December 31, 2004 include $90,496.4 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 as of December 31, 2004 include a share repurchase reserve in the amount of $6,283.2. Net income for the year is subject to a 5% allocation toward a legal reserve until such reserve equals one fifth of the common stock. As of December 31, 2004 the legal reserve amounted to $1,591.1.

Earnings distributed as dividends, in excess of tax earnings, will be subject to a tax payment at a 30% rate; consequently, shareholders would receive only 70% after tax.

C) EFFECTS OF INFLATION

The effects of inflation on majority interest stockholders' equity as of December 31, 2004 are as follows:

		HISTORICAL COST	INFLATION ADJUSTMENT	TOTAL
Common stock	$	61.7	3,624.6	3,686.3
Additional paid-in capital		24,056.6	17,283.2	41,339.8
Deficit in equity restatement		—	(73,725.9)	(73,725.9)
Cumulative initial deferred income tax effects		(4,697.9)	(1,402.3)	(6,100.2)
Retained earnings		54,200.6	53,271.2	107,471.8
Net income	$	14,059.8	502.5	14,562.3

D) FOREIGN CURRENCY TRANSLATION

The foreign currency translation results recorded in stockholders' equity are summarized as follows:

YEARS ENDED DECEMBER 31,		2004	2003	2002
Foreign currency translation adjustment	$	3,250.7	5,491.8	7,477.6
Foreign exchange gain (loss) [1]		163.1	(1,661.8)	(3,024.7)
	$	3,413.8	3,830.0	4,452.9

[1] Foreign exchange results from the financing identified with the acquisitions of foreign subsidiaries.

The foreign currency translation adjustment includes foreign exchange results from financing related to the acquisition of foreign subsidiaries made by the Company's subsidiary in Spain of $2.9 in 2004, $63.1 in 2003 and $177.7 in 2002.

E) PREFERRED STOCK

In October 2003, CEMEX repurchased the remaining balance of preferred stock of U.S.$650 million ($7,761.9), which was to mature in February and August 2004. The preferred stock was issued in November 2000 by a Dutch subsidiary for U.S.$1,500 million with an original maturity in May 2002 and was related to the financing of the CEMEX Inc. (formerly Southdown, Inc.) acquisition. The preferred stock was mandatorily redeemable upon maturity and granted its holders 10% of the subsidiary's voting rights, as well as the right to receive a guaranteed variable preferred dividend, and the option, in certain circumstances, to subscribe for additional preferred stock or common shares for up to 51% of the subsidiary's voting rights. Until its liquidation, this transaction was included as minority interest. Preferred dividends declared for approximately U.S.$12.5 million ($153.6) in 2003 and U.S.$23.2 million ($275.9) in 2002, were recognized as a part of minority interest in the consolidated income statements.

In October 2004, the Company liquidated the remaining capital securities for approximately U.S$66 million ($735.2). The preferred shares were issued in 1998 by a Spanish subsidiary 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 holders in excess of the nominal amount of the capital securities pursuant the early redemption of approximately U.S.$20 million ($238.8) was recognized against stockholders' equity. The balance outstanding as of December 31, 2003 was U.S.$66 million ($788.1). As of December 31, 2003, this transaction was recorded as minority interest. During 2004 and until its termination, as a result of new accounting pronouncements, this transaction was recorded as financial debt. Preferred dividends declared on the capital securities during 2004 of approximately U.S.$5.6 million ($66.1), were recorded in earnings as part of financial expenses. Meanwhile, preferred dividends declared in 2003 and 2002 of approximately U.S.$6.4 million ($78.0) and U.S.$11.9 million ($140.9), respectively, were recognized as minority interest in the consolidated income statements.

F) OTHER EQUITY TRANSACTIONS

In December 2004, 13,772,903 appreciation warrants ("warrants") remaining from the public purchase offer that was announced in November 2003, and which was concluded in January 2004, were settled upon maturity. Through the prior offer 90,018,042 warrants were repurchased. Considering the results of the purchase of warrants in January 2004, the expiration in December 2004 and the direct expenses related to these transactions, approximately $1,053 was paid. This amount was recognized against stockholders' equity within additional paid-in capital. In November and December 2003, CEMEX announced a public offer to purchase in cash up to 90,018,042 warrants in the Mexican Stock Exchange ("MSE"), and warrants represented by American Depositary Warrants ("ADWs"). Each ADW representing five warrants, traded on the New York Stock Exchange ("NYSE"). The warrants purchased pursuant to the offer represented approximately 86.73% of the then total outstanding warrants and included approximately 34.9 million warrants owned by or controlled by CEMEX and its subsidiaries. The due date of the offer was January 26, 2004.

The single price at which CEMEX purchased the warrants and ADWs was determined at the end of the tender offer period, and depended on the prices at which warrants and ADWs were tendered by their holders, which were between a range from $5.10 pesos per warrant ($25.50 pesos per ADW) to $8.10 pesos per warrant ($40.50 pesos per ADW). The proposals were ordered starting from the lowest price per warrant offered and so forth, until arriving at a price that may cover the greater number of warrants, and which was used to acquire the 90,018,042 warrants. According to this procedure, a single price of $8.10 pesos per warrant was determined (representing $40.50 pesos per ADW).

The warrants and ADWs subject to the offer were originally issued in December 1999 by means of a public offer on the MSE and the NYSE, in which 105 million warrants and ADWs with December 2002 maturity were sold. In December 2001, in a simultaneous and voluntary public purchase and sale offer for the warrants and exchange offer for the ADWs, outstanding as of the offer date, under a one for one exchange ratio, 103,790,945 new warrants and ADWs with maturity in December 2004 were issued. The warrants and ADWs that were not exchanged in 2001 expired in December 2002. The warrants permitted the holders to benefit from the future increases in the market price of the Company's CPOs above the strike price, which as of December 31, 2003 was approximately U.S.$5.45 per CPO (U.S.$27.23 per ADS). The benefit was paid in CPOs. Until September 2003, the CPOs and ADSs required to cover future exercises of the new warrants, as well as the old warrants, were held in equity forward contracts with financial institutions. These forward contracts were settled in October 2003 as a result of a simultaneous secondary equity offering through trades on the MSE and the NYSE, made by the Company and the banks holding the shares (note 18A).

In addition, in December 2003, through the payment of U.S.$75.9 million ($906.3), CEMEX executed the option that it retained and repurchased the assets related to a financial transaction 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. During the life of the transaction and until maturity in 2007, periodic repurchases of the financial assets underlying in the trust were stipulated. Therefore, as of December 31, 2002, the outstanding balance of this transaction was approximately U.S.$90.6 million ($1,103.7). Moreover, during the life of the transaction, the Company maintained an option to reacquire the related financial assets at different dates. The cost of retaining this option was recognized in earnings as part of the financial expense for approximately U.S.$14.5 million ($173.2) in 2003 and U.S.$13.2 million ($160.6) in 2002. Until its settlement in December 2003, this transaction was included as part of the minority interest in stockholders' equity.

G) COMPREHENSIVE NET INCOME (LOSS)

The main items included in the comprehensive net income (loss) for the years ended December 31, 2004, 2003 and 2002, are as follows:

		2004	2003	2002
Majority interest net income	$	14,562.3	7,508.4	6,339.2
Deficit in equity restatement:				
Effects from holding non-monetary assets		(2,876.6)	(3,647.1)	(11,082.7)
Foreign currency translation adjustment		3,250.7	5,491.8	7,477.6
Capitalized foreign exchange result (note 16D)		163.1	(1,661.8)	(3,024.7)
Hedge derivative instruments (notes 12 and 18)		2,398.1	487.3	(2,548.4)
Deferred IT of the year recorded in stockholders' equity (note 19)		714.5	(228.7)	912.5
Excess of price paid over book value of minority interests		(1,000.4)	—	—
Equity instruments' early redemption results		—	(694.1)	(243.7)
Cumulative initial effects of asset retirement obligations		—	(91.1)	—
Inflation effect on equity [1]		—	12.0	269.5
Total comprehensive income (loss) items		2,649.4	(331.7)	(8,239.9)
Majority comprehensive net income (loss)		17,211.7	7,176.7	(1,900.7)
Minority interest		233.2	363.1	451.6
Consolidated comprehensive net income (loss)	$	17,444.9	7,539.8	(1,449.1)

[1] Relates to the adjustment resulting from the use of the weighted average inflation index for the restatement of stockholders' equity and the use of the index of inflation in Mexico to restate common stock and additional paid-in capital (note 3B).

17. 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, is summarized as follows:

OPTIONS	RESTRICTED PROGRAMS (A)	VARIABLE PROGRAM (B)	FIXED PROGRAM (C)	SPECIAL PROGRAM (D)	VOLUNTARY PROGRAMS (E)
As of December 31, 2002	—	98,592,824	6,575,525	4,963,775	16,049,305
Changes in 2003:					
Granted	—	22,346,738	—	2,682,985	38,583,989
Cancelled	—	(22,799)	(533,608)	—	(9,700,280)
Exercised	—	—	(1,352,582)	(17,500)	(38,884,926)
As of December 31, 2003	—	120,916,763	4,689,335	7,629,260	6,048,088
Changes in 2004:					
Granted	273,582,522	14,554,323	—	2,742,505	—
Cancelled	—	—	—	—	—
Exercised	(121,517,922)	(132,393,239)	(1,998,466)	(744,505)	(6,013,088)
As of December 31, 2004	152,064,600	3,077,847	2,690,869	9,627,260	35,000
Exercise Prices:					
Options exercised during the year*	U.S.$5.13	U.S.$5.07	$25.64	U.S.$4.65	U.S.$4.17
Options outstanding at year-end*	U.S.$7.32	U.S.$5.22	$30.11	U.S.$4.89	U.S.$5.92
Remaining average life	7.7 years	7.4 years	3.0 years	8.1 years	3.5 years
Options fully vested	93.3%	82.7%	96.9%	46.7%	100.0%

* Weighted average exercise price per CPO.

A) Restricted Programs

In February 2004, through a voluntary option exchange program with the purpose of restructure the employees' stock option programs, CEMEX invited employees to exchange their existing options for new options of equal fair value but different characteristics. The new options had an initial exercise price of U.S.$5.05 per CPO, which increases annually at a 7% rate, and includes a mandatory exercise condition when the CPO reaches U.S.$7.50. Any gain that would be obtained by an employee, resulting from the difference between the CPO market value and the exercise price would be paid in form of CPOs, which would be acquired at a 20% discount to market. These CPOs would be restricted for sale for a minimum period of two years and a maximum of four years, depending on the exercise date. This program intends that the employee would hold the CPOs for a long period and, by limiting the potential for gains, the hedge through equity forward contracts can be improved (note 18). As a result of the exchange, 112,495,811 options from the variable program and 1,625,547 options from the voluntary programs were redeemed, and 122,708,146 new options were granted with a remaining tenure of 8.4 years. As consideration to the employees resulting from the mandatory exercise condition and the sale restriction, CEMEX has granted an annual payment of U.S.$0.10 per option, net of taxes, growing annually at a 10% rate, to all outstanding new options during their tenure.

In December 2004, through a voluntary early exercise program to continue the restructuring of its employees' stock option programs, CEMEX invited employees to early exercise their existing options in exchange for cash, equivalent to the options intrinsic value, and new options equivalent in value to the exercised options remaining time value. The new options had an initial exercise price of U.S$7.46 per CPO, which was U.S.$0.50 higher than the CPO market price at the exercise date. Any gain that would be obtained by the employee, resulting from the difference between the CPO market value and the exercise price would be paid in the form of CPOs, which would be restricted for sale for a minimum period of two years and a maximum of four years, depending on the exercise date. This program intended to make a more efficient hedge through equity forward contracts (note 18). As a result of the early exercise, 16,580,004 options from the variable program, 120,827,370 options from February's restricted program and 399,848 options from the voluntary programs were redeemed, and 139,151,236 new options, with an exercise price increasing annually at a 5.5% rate, were granted with a remaining tenure of 7.5 years. Of the total number of new options, 120,827,370 options include a mandatory exercise condition at a CPO price of U.S.$8.50. The remaining 18,323,866 do not have exercise conditions. The cost for the early exercise program of approximately U.S.$61.1 million ($680.7), resulting from the 20% discount to market in the purchase of CPOs, was recognized in earnings. As consideration to the employees resulting from the initial exercise price being above market, the mandatory exercise condition and the sale restriction, CEMEX has granted an annual payment of U.S.$0.11 per option, net of taxes, growing annually at a 10% rate, to all outstanding new options during their tenure.

B) Variable Program

In November 2001, through a voluntary exchange program for options granted under the fixed program, the Company initiated an annual stock option program with exercise prices denominated in U.S. dollars increasing annually at a 7% rate. The employees who exchanged their options resigned their rights to subscribe CPOs in exchange for cash, equivalent to the options intrinsic value, and the issuance of 88,937,805 new options. The options of this program have a 10-year tenure and the employees option rights may be exercised up to 25% annually during the first four years after having been granted, except for those issued through the exchange, in which 50% of the options exercise rights were vested immediately, with an additional 25% vesting over the next two years. In 2004, as a result of the restricted option programs, 129,075,815 options granted under the variable program were exercised.

C) Fixed Program

From June 1995 through June 2001, CEMEX granted stock options with a fixed exercise price in pesos, equivalent to the market price of the CPO at the grant date and tenure of 10 years. Exercise prices are adjusted for stock dividends. The employees option rights vest up to 25% annually during the first four years after having been granted. As of December 31, 2004 and 2003, the new CPOs issued pursuant to the exercise of said options generated an additional paid-in capital of $67.1 and $45.2, respectively, and increased the number of outstanding shares.

D) Special Program
Starting in 2001, a stock option program to purchase CEMEX ADSs was established for eligible employees in the United States. The options granted have a fixed exercise price in dollars, equivalent to the market price of ADSs as of the grant date, and have a 10-year tenure. The employees option rights vest up to 25% annually during the first four years after having been granted. The options exercises are hedged using ADSs currently owned by subsidiaries, potentially increasing stockholders' equity and the number of shares outstanding. The amounts of these ADS programs are presented in terms of equivalent CPOs.

E) Voluntary Programs
During 2004, 3,927,693 options from voluntary programs were exercised, out of 36,468,375 options sold and issued to employees during 1998 and 1999 with a 5 year-tenure. The exercise price was denominated in dollars and increased annually reflecting the funding cost in the market. In 2003, 300,937 options were exercised, while 9,700,280 options expired and were cancelled.

As of December 31, 2004, there are 35,000 remaining options from voluntary programs, out of 2,120,395 options sold and issued to employees in April and May 2002. During 2004, mainly as a result of the exchange for restricted options, 2,085,395 options were exercised. From the issuance of the options in 2002, a premium of approximately U.S.$1.5 million ($17.8) was received. The exercise price of the options is denominated in dollars and increases annually to reflect the funding cost in the market.

In September 2003, 38,583,989 options were exercised, sold and issued to employees in January 2003 in exchange for a premium of approximately U.S.$9.7 million ($107.0). The options, which had an increasing U.S. dollar exercise price of approximately U.S.$3.58 per CPO, initially equal to the CPO market price at the date of the issuance of the option, and a five-year tenure, contained a mandatory exercise condition in case the market CPO price reached a specified level, a situation that occurred in 2003. According to agreed conditions, the executives' gain was paid in form of CPOs, which have a sale restriction for two years after exercise.

F) Options hedging activities
The potential exercise of options under the restricted, 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 (note 18A), 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 of the basic earnings per share.

Beginning in 2001, CEMEX recognizes the appreciation of the options under the variable, special and voluntary programs, and from 2004 of the restricted program, resulting from the difference between the CPO market price and the exercise prices established in the options, as an expense in the income statement, which for the years ended December 31, 2004, 2003 and 2002 was U.S.$50.6 million ($563.7), U.S.$45.3 million ($541.0) and U.S.$5.0 million ($60.9), respectively. Likewise, the Company recognizes through earnings the changes in the estimated fair value of equity forward contracts designated as hedges of these plans (note 18A), which resulted in a gain of approximately U.S.$44.8 million ($499.1), a gain of approximately U.S.$28 million ($334.3) and a loss of approximately U.S.$47.1 million ($573.9), for the years ended December 31, 2004, 2003 and 2002, respectively.

As of December 31, 2004, a provision of approximately U.S.$50 million has been generated against earnings, representing the net present value of expected payments in connection with the sales restriction contained in the new restricted programs. All costs related to the stock options programs, as well as the valuation of the equity forward contracts, are recognized in the Comprehensive Financing Result.

18. DERIVATIVE FINANCIAL INSTRUMENTS
As of December 31, 2004 and 2003, the Company's derivative financial instruments, other than those related to financial debt (note 12), are summarized as follows:

	U.S. DOLLARS MILLIONS			
	2004		2003	
	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE
A) Equity forward contracts	1,157.2	66.2	1,085.0	16.4
B) Foreign exchange instruments	4,897.9	63.4	1,445.9	(191.6)
C) Derivatives related to energy projects	168.1	(6.3)	174.5	(7.4)

Upon liquidation and at CEMEX's option, the equity forward contracts allow for physical or net cash settlement of the estimated fair value. The effects at settlement are recognized in the income statement or as part of stockholders' equity, according to their characteristics and use. 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 might 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 may receive from its subsidiaries, and/or may create minority interests affecting the ability to operate the Company.

A) On October 26, 2003, through a secondary equity offering agreed by CEMEX, launched simultaneously on the MSE and the NYSE, financial institutions offered 29.325 million ADSs (25.5 million in the offer plus an optional amount of 3.825 million ADSs in case of overallotments) held through forward contracts. The acquirers purchased all ADSs including the optional amount, resulting in the sale of 23.325 million ADSs (116.6 million CPOs) and 30 million CPOs (6 million ADSs), at a price of U.S.$23.15 per ADSs and $52.07 per CPO. Of the total sale proceeds of approximately U.S.$660 million ($7,881.3), net of the offering expenses, the financial institutions retained approximately U.S.$538 million ($6,424.4) as payment for the liquidation of the related forward contracts, while approximately U.S.$122 million ($1,456.9) was reimbursed to CEMEX. This transaction did not increase the number of shares outstanding.

As of December 31, 2002, CEMEX held forward contracts for a notional amount of U.S.$461.1 million. The maturity of these contracts was extended until December 2003, covering 24,008,392 ADSs (120,041,960 CPOs) and 33.8 million shares of CEMEX's subsidiary in Spain. In October 2003, these forwards were settled through a secondary equity offering (see preceding paragraph) that resulted in the write-off of accrued prepayments toward the forwards' final settlement price of U.S.$101.7 million ($1,214.9), recognized as part of other accounts receivable and a net gain in stockholders' equity of approximately U.S.$19.5 million ($232.9). These contracts were negotiated in 1999 to hedge future exercises under the 105 million warrants program that was liquidated in 2004. The shares underlying these contracts were sold by CEMEX during 1999 for approximately U.S.$905.7 million, and CEMEX simultaneously prepaid approximately U.S.$439.9 million toward the forwards' final settlement price. From execution of the contracts until their settlement, pursuant to the prepayment made in 1999 and the Company's retention of the economic and voting rights on the Spanish subsidiary's shares underlying the contracts, such shares were considered as owned by CEMEX.

As of December 31, 2004 and 2003, there are forward contracts with different maturities until October 2006, for notional amounts of U.S.$1,112 million and U.S.$789.3 million, respectively, covering 30,644,267 ADSs in 2004 and 29,314,561 ADSs in 2003, which are designated to hedge the future exercise of the options granted under the employee equity programs (note 17). Starting in 2001, changes in the estimated fair value of these contracts have been recognized in the balance sheet against the income statement, as a complement of the costs generated by the option programs. As of December 31, 2004 and 2003, the estimated fair value of these contracts were gains of approximately U.S.$44.8 million ($499.1) and U.S.$28.0 million ($334.3), respectively.

As of December 31, 2003 there were forward contracts with maturities in August and September 2004, for a notional amount of U.S.$122.9 million that covered 23,622,500 CPOs with a fair value gain of approximately U.S.$1.8 million ($21.5). These contracts were negotiated to hedge the purchase of CAH shares through the exchange for the Company's CPOs (note 9A). During 2004, these contracts were liquidated resulting in gains of U.S.$14.5 million ($161.5) that were recognized in stockholders' equity.

In addition, as of December 31, 2004 and 2003, there are forward contracts for notional amounts of U.S.$45.2 million and U.S.$172.8 million, respectively, with different maturities until January 2006, covering a total of 1,364,061 ADSs in 2004 and 5,268,939 ADSs in 2003. Until December 31, 2004, these contracts were treated as equity instruments; therefore, changes in their fair value were recognized in stockholders' equity when settled. Starting in 2005, due to new accounting pronouncements, changes in the fair value of these contracts will be recognized in earnings. As of December 31, 2004 and 2003, the estimated fair value of these contracts was a gain of U.S.$6.0 million ($66.8) and a loss of U.S.$27.1 million ($323.6), respectively. During 2004, contracts representing 2,509,524 CPOs that were held to meet the Company's requirements of shares under the warrants program (note 16F) were settled, resulting in a gain of U.S.$2.6 million ($29.0), recognized in stockholders' equity.

B) In order to hedge financial risks associated with variations in foreign exchange rates, CEMEX has negotiated foreign exchange forward contracts for notional amounts of U.S.$956.6 million and U.S.$559.3 million, at December 31, 2004 and 2003, respectively, with different maturities until 2007. 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 (note 16D). In addition, as of December 31, 2004 and 2003, there are foreign exchange options for notional amounts of U.S.$488.4 million and U.S.$886.6 million, respectively, with maturity in June 2005. For the sale of these options, the Company received premiums of approximately U.S.$62.8 million in 2003. The estimated fair value losses of U.S.$19.2 million ($213.9) in 2004 and U.S.$57.2 million ($683.0) in 2003 were recognized in earnings.

Beginning in September 2004, in connection with the commitment to acquire RMC (notes 2 and 9A) that is denominated in pounds sterling, CEMEX entered into a foreign exchange hedge program. The program is oriented to hedge the variability in cash flows associated with exchange fluctuations between the U.S. dollar, currency in which CEMEX will obtain the funds to purchase, and the pounds sterling. For this purpose, the Company negotiated foreign exchange forwards, collars and digital options, for a combined notional amount of U.S.$3,452.9 million. These contracts were designated as accounting hedges of the foreign exchange risk associated with the firm commitment agreed on November 17, 2004, the date on which RMC's shareholders committed to sell their shares at a fixed price. Changes in the estimated fair value of these contracts from the designation date, which represented a gain of approximately U.S.$132.1 million ($1,471.6), was recognized in stockholders' equity in 2004, and will be reclassified to earnings on the date when the purchase occurs, which is expected during the first quarter of 2005. Changes in the estimated fair value of these contracts from their origination until their designation in 2004 as hedges, were a gain of approximately U.S.$102.4 million ($1,140.7), which was recognized in earnings.

C) As of December 31, 2004 and 2003, CEMEX had a interest rate swap maturing in May 2017, with a notional amount of U.S.$159.0 million and U.S.$162.1 million, respectively, negotiated to exchange floating for fixed interest rates in connection with agreements entered into by CEMEX for the acquisition of electric energy for a 20-year period (note 23F). During the life of the swap and based on its notional amount, CEMEX will pay a LIBOR rate and will receive a 7.53% fixed rate until May 2017. In addition, during 2001, the Company sold a floor option with a notional amount of U.S.$168.1 million in 2004 and U.S.$174.5 million in 2003, related to the interest rate swap contract, pursuant to which, until 2017, CEMEX will pay the difference between the 7.53% fixed rate and the LIBOR rate. For the sale of this option CEMEX received a premium of approximately U.S.$22 million ($262.7). As of December 31, 2004 and 2003, the combined fair value of the swap and the floor option represented losses of approximately U.S.$6.3 million ($70.2) and U.S.$7.4 million ($88.4), respectively, recognized in earnings. 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 Company's exposure 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.

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

The income tax law in Mexico provides that companies must pay either IT or BAT depending on which amount is greater with respect to their Mexican operations. Both taxes recognize the effects of inflation, altough in a manner different from Mexican GAAP. ESPS is calculated on similar basis as IT without recognizing the effects of inflation.

A) IT, BAT AND ESPS

CEMEX and its Mexican subsidiaries generate IT and BAT on a consolidated basis; therefore, the amounts of these items included in the 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, the taxable income of those subsidiaries that have tax loss carryforwards generated before 1999 will be considered by the parent company according to equity ownership. 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 were scheduled to be decreased by 1% each year, beginning in 2003, until it reached 32% in 2005. Nevertheless, according to reforms approved to such law in November 2004, the tax rate for 2005 will be 30%, 29% for 2006 and 28% starting in 2007. In addition, the maximum of 60% for tax consolidation was eliminated, except in those situations when the subsidiaries would had generated tax loss carryforwards in the period from 1999 to 2004 or the parent company from 2002 to 2004. In those cases, the 60% factor will prevail in the IT consolidation, until tax loss carryforwards are extinguished in each company.

The IT (expense) benefit, presented in the income statements is summarized as follows:

	2004		2003		2002	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Current income tax	$ (994.2)	—	(1,597.1)	—	(1,053.9)	—
Received from subsidiaries	—	1,357.6	—	1,409.8	—	1,020.0
Deferred IT	(1,049.4)	(1,053.6)	539.9	(577.0)	461.9	1,398.1
Effects of inflation (note 3B)	—	—	(12.8)	—	(76.1)	—
	$ (2,043.6)	304.0	(1,070.0)	832.8	(668.1)	2,418.1

As of December 2004, 2003 and 2002, the total consolidated IT includes expenses of $1,258.7, $1,484.0 and $914.0, respectively, from foreign subsidiaries, and expense of $784.9 in 2004, income of $414.0 in 2003 and income of $245.9 in 2002 from Mexican subsidiaries. In addition the Company recognized a consolidated tax benefit, excluding deferred taxes of $1,357.6 in 2004, $1,409.8 in 2003 and $1,020.0 in 2002.

For its operations in Mexico, CEMEX 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, 2004 are as follows:

YEAR IN WHICH TAX LOSS OCCURRED	AMOUNT OF CARRYFORWARDS	YEAR OF EXPIRATION
2000	$ 360.0	2010
2001	3,527.9	2011
2002	4,053.6	2012
2003	811.7	2013
	$ 8,753.2	

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, 2004 is as follows:

YEAR IN WHICH BAT EXCEEDED IT	AMOUNT OF CARRYFORWARDS	YEAR OF EXPIRATION
1997	$ 150.4	2007

B) DEFERRED IT AND ESPS (note 3K)

The deferred IT result in earnings, represents the difference, in nominal pesos, between the beginning of year balance and the year-end balance of the deferred tax assets or liabilities. The tax effects of the main temporary differences that generate the consolidated deferred tax assets and liabilities are presented below:

	2004	2003
Deferred tax assets:		
Tax loss carryforwards and other tax credits	$ 7,382.8	6,551.9
Accounts payable and accrued expenses	261.6	118.7
Trade accounts receivable	6.7	9.0
Properties, plant and equipment	(3,342.0)	(3,301.5)
Others	(214.1)	23.5
Total deferred tax assets	4,095.0	3,401.6
Less – Valuation allowance	(2,206.1)	(1,124.8)
Net deferred tax assets	1,888.9	2,276.8
Deferred tax liabilities:		
Tax loss carryforwards and other tax credits	5,889.5	7,337.3
Accounts payable and accrued expenses	3,579.7	2,044.8
Trade accounts receivable	102.3	90.6
Properties, plant and equipment	(17,463.8)	(17,864.9)
Inventories	(156.6)	(948.3)
Others	(2,381.4)	(460.7)
Total deferred tax liabilities	(10,430.3)	(9,801.2)
Less – Valuation allowance	(2,097.2)	(2,779.3)
Net deferred tax liabilities	(12,527.5)	(12,580.5)
Net deferred tax position (liability)	(10,638.6)	(10,303.7)
Less – Deferred IT of acquired subsidiaries at the acquisition date	(4,810.5)	(4,810.5)
Total effect of deferred IT in stockholders' equity at end of year	(5,828.1)	(5,493.2)
Total effect of deferred IT in stockholders' equity at beginning of year	(5,493.2)	(5,804.4)
Change deferred IT for the period	$ (334.9)	311.2

The breakdown of the change in consolidated deferred income tax for the period is as follows:

	2004	2003	2002
Deferred IT charged (credited) to the income statement	$ (1,049.4)	539.9	461.9
Deferred IT applied directly to stockholders' equity	714.5	(228.7)	912.5
Deferred IT income (expense) for the period	$ (334.9)	311.2	1,374.4

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.

The Company's management considers that sufficient taxable income will be generated as 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 valuation allowance would be increased and reflected in the income statement.

Temporary differences between net income of the period and taxable income for ESPS generated expense of $211.7 in 2004, expense of $74.3 in 2003 and income of $21.7 in 2002, reflected in the income statement.

C) EFFECTIVE TAX RATE

The effects of inflation are recognized differently for IT and for accounting purposes. This situation, and other differences between the book and the IT basis, arising from the several income tax rates and laws in each of the countries in which CEMEX operates, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the consolidated income statement, as follows:

FOR THE YEARS ENDED DECEMBER 31,	2004 %	2003 %	2002 %
Approximated consolidated statutory tax rate	33.0	34.0	35.0
Additional deductions and other deductible items	(21.6)	(15.8)	(6.6)
Expenses and other non-deductible items	1.9	1.2	1.0
Non-taxable sale of marketable securities and fixed assets	0.4	—	(10.2)
Difference between book and tax inflation	1.6	(0.3)	(5.6)
Others [1]	(3.1)	(6.8)	(4.3)
Effective consolidated tax rate	12.2	12.3	9.3

[1] Includes the effects for the different IT rates enacted in the countries where CEMEX operates, and the difference between the 2004 rate in Mexico of 33% and those in effect in 2005 of 30% and in 2006 of 29%, until reaching a tax rate of 28% in 2007.

20. FOREIGN CURRENCY POSITION

As of December 31, 2004, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin, are presented as follows:

U.S. DOLLARS MILLIONS	MEXICO	FOREIGN	TOTAL
Current assets	18.5	2,934.4	2,952.9
Noncurrent assets	994.3 [1]	8,756.1	9,750.4
Total assets	1,012.8	11,690.5	12,703.3
Current liabilities	255.0	1,561.5	1,816.5
Long-term liabilities	2,170.9	3,616.7	5,787.6
Total liabilities	2,425.9	5,178.2	7,604.1

[1] Non-monetary assets in Mexico of foreign origin.

The peso to dollar exchange rate as of December 31, 2004, 2003 and 2002 was $11.14, $11.24 and $10.38 pesos per dollar, respectively. As of January 14, 2005, the exchange rate was $11.23 pesos per dollar.

Additionally, transactions of the Company's Mexican operations denominated in foreign currencies during 2004, 2003 and 2002, are summarized as follows:

U.S. DOLLARS MILLIONS	2004	2003	2002
Export sales	75.7	57.1	72.1
Import purchases	88.3	90.5	92.5
Financial income	12.5	7.5	11.1
Financial expense	337.6	389.0	275.6

21. GEOGRAPHIC SEGMENT DATA

The Company operates 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 management, selected condensed financial information of the Company's main business units for the years ended December 31, 2004, 2003 and 2002:

	NET SALES			OPERATING INCOME		
	2004	2003	2002	2004	2003	2002
Mexico	$ 32,529.4	31,388.5	30,254.9	12,207.8	12,088.5	11,553.9
Spain	15,370.9	14,505.1	11,987.1	3,735.2	3,167.0	2,795.7
United States	21,999.2	20,684.0	21,326.0	2,894.3	2,443.9	3,286.7
Venezuela	3,902.4	3,808.1	3,699.3	1,218.6	1,269.9	1,197.5
Colombia	2,731.7	2,637.9	2,363.0	1,245.3	1,096.6	985.6
Caribbean and Central America	7,671.1	7,084.1	6,107.2	1,756.9	1,253.2	1,149.0
Philippines	1,685.9	1,601.5	1,589.7	301.8	(150.9)	(76.9)
Egypt	2,114.7	1,608.3	1,825.9	638.7	355.4	235.6
Others	11,039.9	10,013.0	9,230.1	(3,370.9)	(4,146.5)	(5,160.4)
	99,045.2	93,330.5	88,383.2	20,627.7	17,377.1	15,966.7
Eliminations	(8,261.3)	(7,777.9)	(8,658.6)	—	—	—
Consolidated	$ 90,783.9	85,552.6	79,724.6	20,627.7	17,377.1	15,966.7

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 2004	2003	2002
Mexico	$ 1,817.7	1,747.6	1,890.8
Spain	1,446.1	1,454.2	1,195.3
United States	2,363.2	2,139.0	2,052.8
Venezuela	591.9	674.8	616.8
Colombia	430.4	881.9	564.7
Caribbean and Central America	610.4	639.9	471.1
Philippines	390.0	472.0	494.7
Egypt	198.6	376.5	516.7
Others	1,703.0	1,463.7	1,521.1
Consolidated	$ 9,551.3	9,849.6	9,324.0

For purposes of the preceding table, 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 2004	2003	INVESTMENT IN FIXED ASSETS [2] 2004	2003
Mexico	$ 64,380.1	59,296.8	1,176.7	1,333.2
Spain	32,796.3	37,381.4	601.3	706.3
United States	44,771.8	49,695.0	1,223.8	1,176.9
Venezuela	8,452.8	9,229.9	148.7	131.1
Colombia	9,160.1	8,025.9	101.9	72.6
Caribbean and Central America	13,597.4	12,913.9	315.4	726.0
Philippines	8,020.8	8,360.6	26.0	20.3
Other Asian	4,207.9	4,556.6	34.9	21.2
Egypt	6,043.5	4,408.9	92.8	171.7
Others [1]	83,545.9	78,575.2	1,052.4	421.8
	274,976.6	272,444.2	4,773.9	4,781.1
Eliminations	(81,353.7)	(81,193.6)	—	—
Consolidated	$ 193,622.9	191,250.6	4,773.9	4,781.1

(1) Includes, in addition to trade maritime operating assets and other assets, related party balances of the Parent Company of $33,737.4 and $37,236.3 in 2004 and 2003, respectively, which are eliminated in consolidation. In addition, other assets in 2004 include $9,186.8 related to the investment in RMC (notes 2 and 9A).

(2) Corresponds to investments in fixed assets 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 within "Properties, machinery and equipment, net", which considers the inflation effects in accordance with Bulletin B-10.

As of December 31, 2004 and 2003, of the consolidated financial debt amounting to $66,066.5 and $70,045.9, respectively, approximately 35% in 2004 and 2003 was in the Parent Company, 14% in 2004 and 2003 was in the United States, 15% in 2004 and 16% in 2003 in Spain and 36% in 2004 and 35% in 2003 was in other countries. Of the 36% and 35% of such consolidated debt in other countries in 2004 and 2003, respectively, 62% in 2004 and 57% in 2003 was in a Dutch subsidiary, guaranteed by the subsidiaries conducting Mexican operations and the Parent. The other 24% in 2004 and 31% in 2003 are in financial companies in the United States, guaranteed by the subsidiaries conducting Spanish operations.

22. 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 reflect on the weighted average number of common shares outstanding, the effects of any transaction carried out by the Company, which have a potentially dilutive effect on such number of shares. The amounts considered for calculations are summarized as follows:

	BASIC NUMBER OF SHARES	DILUTED NUMBER OF SHARES	MAJORITY INTEREST NET INCOME	BASIC EPS	DILUTED EPS
December 31, 2004	4,993,682,521	5,019,632,767	$ 14,562.3	$ 2.92	$ 2.90
December 31, 2003	4,728,201,229	4,837,194,188	7,508.4	1.58	1.55
December 31, 2002	4,487,527,392	4,496,213,613	6,339.2	1.41	1.41

The difference between the basic and diluted average number of shares in 2004, 2003 and 2002 is attributable to the additional shares to be issued under the Company's fixed employee stock option programs (note 17). In addition, beginning in 2003, the Company includes the dilutive effect on the basic number of shares resulting from the equity forward contracts in the Company's own stock, determined under the inverse treasury method.

23. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

As of December 31, 2004 and 2003, CEMEX, S.A. de C.V. had signed as guarantor of loans made to certain subsidiaries for approximately U.S.$1,355.0 million and U.S.$1,322 million, respectively. As of the same dates, 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.$25.8 million and U.S.$55.0 million, respectively.

B) TAX ASSESSMENTS

As of December 31, 2004, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments related to different tax periods, determined by the Mexican tax authorities according to its verification attributions. These tax assessments are for an amount of approximately $3,638.6. The tax assessments result primarily from: (i) recalculation of the inflationary tax deduction, since the tax authorities claim that "Advance Payments to Suppliers" and "Guaranty Deposits" are not by their nature credits; (ii) disallowed restatement of tax loss carryforwards in the same period in which they occurred; (iii) disallowed determination of tax loss carryforwards; and (iv) disallowed reduction of BAT by the controlling entity on the grounds that the creditable amount should be in proportion to the equity interest it has over the controlled entities. The companies involved are using the available defense actions granted by law in order to cancel the tax claims.

As of December 31, 2004, the Philippine Bureau of Internal Revenue ("BIR") assessed APO and Solid, which are CEMEX subsidiaries in Philippines. The assessments, which relate to different tax periods, are for an amount of approximately 3,069.1 million of Philippines pesos (approximately U.S.$54.8 million). The tax assessments result primarily from: (i) disallow APO's income tax holiday related income from 1998 to 2001; and (ii) deficiencies in national taxes of APO for the 1999 period and Solid for the 2000 period. In the first case, the tax credit is in process with the Court of Tax Appeal ("CTA"). In the second case, both companies continue to submit relevant evidence to the BIR to contest these assessments. The companies intend to contest these assessments with the CTA in case the BIR issues a final collection letter. In addition, Solid's 1998 tax year and APO's 1997 and 1998 tax years are under preliminary review for deficiency in the payment of taxes. Finalization of the assessments was held in abeyance by the BIR as APO and Solid continue to present evidence to dispute their findings.

C) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce ("DOC") imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, certain subsidiaries of the Company, as importers of record, have been subject to payment of anti-dumping duty deposits, estimated on imports of gray Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, until the United States of America ("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 through the International Trade Commission denied the Company's request to initiate a new review.

As of December 31, 2004, the Company has accrued a liability of U.S.$103.6 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, 2004, the Company is in the fourteenth review period by the DOC and expects a preliminary resolution in the second half of 2005. The DOC published, during September 2003, the final resolution with respect to the twelfth administrative review period, and on December 20, 2004, the DOC issued a final resolution for the thirteenth review period, determining an anti-dumping margin of 80.75% and 54.97% for these periods, respectively. With respect to the first five review periods, the seventh, twelfth and thirteenth review period, 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 differ from those liabilities recorded in the consolidated financial statements. CEMEX 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, the Ministry of Finance ("MOF") of Taiwan in response of the claim of five Taiwanese cement producers, initiated a formal anti-dumping investigation involving imported gray Portland cement and clinker from the Philippines and South Korea. APO, Rizal and Solid are among the cement producers under investigation and have received their anti-dumping questionnaires from the International Trade Commission under the Ministry of Economic Affairs ("ITC-MOEA"). 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. At the end of the same year ITC-MOEA informed the petitioners and the respondent producers of the results of the preliminary investigation and determined that there were 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 notified the petitioners and respondent 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 the petitioners and respondent producers of its resolution that the imports from South Korea and the Philippines had caused material damage to the Taiwanese industry. In July 2002, the MOF gave notice of a cement and clinker import duty, from imports on South Korea and the Philippines, beginning in July 19, 2002. The imposed tariff was 42% on imports from APO, Rizal and Solid (Rizal and Solid merged in December 2002). In September 2002, these entities appealed the anti-dumping duty before the Taipei High Administrative Council ("THAC"). In August 2004, the Company received an adverse response to its requests from the THAC. CEMEX will not appeal this resolution.

D) LEASES

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

YEAR ENDING DECEMBER 31,	U.S. DOLLARS MILLION
2005	110.2
2006	93.7
2007	79.3
2008	68.7
2009	42.9
2010	54.3
2011 and thereafter	35.6
	484.7

Rental expense for the years ended December 31, 2004, 2003, and 2002 was approximately U.S.$114 million ($1,270.0), U.S.$56 million ($668.7) and U.S.$57 million ($680.6), respectively.

E) PLEDGE ASSETS

As of December 31, 2004 and 2003, there are liabilities amounting to U.S.$2.2 million and U.S.$27.1 million, respectively, secured by properties, machinery and equipment.

F) COMMITMENTS

As of December 31, 2004 and 2003, the Company has future commitments for the purchase of raw materials for an approximate amount of U.S.$172.3 million and U.S.$113.0 million, respectively.

During 1999, the Company entered into agreements with an international partnership, which built and currently operates an electrical energy generating plant. According to the agreements, CEMEX will purchase, starting from the beginning of operations of the plant, all the energy generated for a term of no less than 20 years. The electrical energy generating plant started commercial operations on April 29, 2004. In addition, as part of the 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 Petróleos 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 80% of the electrical energy needs of CEMEX in Mexico. The Company is not required to make any capital investment in the project. At December 31, 2004, after eight months of operations, the energy generated by the plant has supplied electricity to 10 cement plants of CEMEX in Mexico, covering 83% of its needs and decreasing the electricity cost by 21%.

In March 2002, the distribution contract in Taiwan that CEMEX had with Universe Company since March 31, 2000, was terminated. As a result, for the year ended December 31, 2002, CEMEX recognized a loss of approximately U.S.$17.3 million ($209.1) within other expenses, net.

G) OTHER CONTINGENCIES

During 2004, in Colombia four claims were notified in protection of the public interest, which involve CEMEX Concretos de Colombia as co-accused. The first proceeding was received on April 14 and the last on December 16. The plaintiffs demand that the use of a raw material offered by the ready-mix concrete industry resulted in extreme danger to the public underground transportation system in Bogotá, known as Transmilenio, disputing that the basis of the material supplied by CEMEX Concretos Colombia, S.A., together with other suppliers, did not meet technical standards offered by the producers (quality deficiencies) and/or that suppliers provided insufficient or incorrect information about the product. The four claims intend for suppliers to repair the damage in order to guarantee the service during the period for which it was originally designed (20 years). Nevertheless, the claims do not estimate damages (repair costs). CEMEX Concretos de Colombia, S.A. has been defending its interests and will continue to do so during the following year. One of the proceedings was disregarded by the court based on arguments presented by CEMEX Concretos de Colombia, S.A. All other claims are in their initial phase. CEMEX Concretos de Colombia, S.A. has promptly responded to each of the proceedings notified. At this early stage, it is neither possible to determine the amount of damages nor other situation that the company may confront. Typically, this process will continue for several years before its final resolution.

As of December 31 2004, CEMEX, Inc., the Company's subsidiary in the United States, has accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately U.S.$28.3 million. The environmental matters relate to: a) in the past, in accordance with industry practices, disposing of various materials, which might be currently 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 remain in the preliminary stage, and a final resolution might take several years. For purposes of recording any provision, the subsidiary considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work and negotiations with or litigation against potential sources of recovery have been completed, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

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 approximately U.S.$60 million. As of December 31, 2004, as a result of the depreciation of the Colombian peso, this amount has decreased to approximately U.S.$55 million. This proceeding has reached the evidentiary 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 in Colombia, alleging that the Ibagué plants were causing capacity production damage to their lands due to the pollution they generate. On January 13, 2004, CEMEX Colombia, S.A. was notified that the court's decision was that plaintiffs should be paid in the amount of approximately U.S.$8.8 million. On January 15, 2004 CEMEX Colombia, S.A. appealed the decision, which was accepted and sent to the Superior Court of Ibagué. On March 23, 2004, CEMEX presented arguments that sustained the appeal. The claim is under revision in the Court of Appeals. Typically, this process will continue for several years before its final resolution.

24. NEW ACCOUNTING PRONUNCEMENTS

In April 2004, the Mexican Institute of Public Accountants issued Bulletin B-7, *"Business Acquisitions"*, which is effective for acquisitions beginning on January 1, 2005. The most important aspects are: a) adoption of the purchase method as the sole valuation method for the accounting of acquired business and investment in associates, pursuant to which, the pooling of interests method for the recognition and initial valuation of the net assets acquired was eliminated; b) requiring the allocation of the purchase price to all assets acquired and liabilities assumed based on their fair value as of the acquisition date; c) modification of the accounting treatment of goodwill pursuant to which of which amortization of goodwill is eliminated, while this item remains subject to periodic impairment evaluations; d) establishment of specific rules for the accounting for the acquisition of minority interests and for transfers of assets or exchange of shares between entities under common control; and e) including additional regulations to Bulletin C-8 *"Intangible Assets"*, to identify, value and recognize intangible assets in a business combination. The Company estimates that the adoption of this bulletin will have no significant impact on its financial position or operating results.

In March 2004, the Mexican Institute of Public Accountants issued Bulletin C-10, *"Derivative Financial Instruments and Hedging Activities"*, which is effective beginning January 1, 2005. Bulletin C-10 details and supplements issues related to the accounting of derivative financial instruments and supersedes other dispositions related to hedging activities established previously by Bulletin C-2, *"Financial Instruments"*. Among other aspects, Bulletin C-10 confirms the rule of Bulletin C-2, in the respect that all derivative financial instruments should be recognized as assets or liabilities at fair value. The Bulletin also establishes criteria for segregation of embedded derivatives and rules to classify and value from origination, financial assets and liabilities resulting from derivative financial instruments, as well as to value and classify hedging instruments. In addition, the Bulletin widens disclosure requirements regarding a company's exposure to financial risks. Beginning in 2001, CEMEX applies accounting policies for the valuation and recognition of derivative financial instruments that are consistent with those of new Bulletin C-10. Therefore, except for the requirement to evaluate effectiveness when there is a hedge of debt over the net investment in a foreign subsidiary, and the presentation effect described in the paragraph below, and subject to the conclusion of the analysis, the Company estimates that the adoption of this bulletin will have no significant impact on its financial position or operating results.

Starting in 2001, the Company has effectively changed the original profile of interest rates and currencies of financial debt associated to Cross Currency Swaps ("CCS") (note 12). Accordingly, debt subject to these instruments has been presented in the currencies negotiated in the CCS, through the recognition within debt, of the assets or liabilities resulting from the valuation of the derivative instruments. New Bulletin C-10 considers that such criteria represent the synthetic presentation of two financial instruments as if it would be a single instrument, and specifically prohibits such presentation. For this reason, beginning in 2005, the Company will recognized the assets and liabilities resulting from the valuation of CCS separately from the financial debt, through which, such debt will be presented in the currencies originally negotiated. This presentation effect will have no impact on stockholders' equity or net income.

In January 2004, the Mexican Institute of Public Accountants revised Bulletin D-3, *"Labor Obligations"*. The new requirements are effective from the issuance date of the Bulletin, except for the new rules for postemployment obligations (severance payments), which are effective beginning on January 1, 2005. The most relevant change of new Bulletin D-3 is the requirement to value and recognize postemployment obligations in a manner similar to pensions and other postretirement benefits. This means, recognizing the costs associated to these obligations during the service life of the employees, while the accounting rule until December 31, 2004 was to recognize these costs as they were incurred. The other new rules of the revised Bulletin, such as postretirement benefits, health care or life insurance, were already accounted for in accordance with the Bulletin, based on the supplementary application of the International Accounting Standards. The Company does not anticipate any material impact on stockholders' equity or net income, except for the cost to be determined in 2005 for postemployment obligations (severance payments), which is expected to be similar to the expense currently recognized on the basis of the "as incurred" accounting method.

The terms we use

Financial

EBITDA is operating income plus depreciation and amortization. Amortization of goodwill is not included in operating income but is instead recorded in other income (expense) below the operating line. EBITDA does not include certain extraordinary income and expenses that are not included in operating income under Mexican GAAP. EBITDA is not a GAAP measure.

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

Interest coverage equals EBITDA divided by financial expenses.

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

Net working capital equals operating accounts receivable (including other current assets received as payment in kind) plus historical inventories minus operating payables.

Return on equity equals operating income minus net financial expenses minus taxes and profit sharing minus net income attributable to minority interest, all divided by average stockholders' equity, majority interest.

Return on capital employed equals operating income minus taxes and profit sharing, divided by the sum of average net debt and consolidated stockholders' equity.

Industry

Aggregates are sand and gravel, which are mined from quarries. They give ready-mix concrete its necessary volume and add to its overall strength. Under normal circumstances, one cubic meter of fresh concrete contains two metric tons of gravel and sand.

Clinker is an intermediate cement product made by sintering limestone, clay, and iron oxide in a kiln at around 1,450 degrees Celsius. One metric ton of clinker is used to make approximately 1.1 metric tons of gray Portland cement.

Gray Portland cement is a hydraulic binding agent with a composition by weight of at least 95% clinker and 0-5% of a minor component (usually calcium sulfate). It can set and harden underwater and, when mixed with aggregates and water, produces concrete or mortar.

Installed capacity is the theoretical annual production capacity of a plant, whereas effective capacity is a plant's actual optimal annual production capacity, which can be 10-20% less than installed capacity.

Metric ton is the equivalent of 1.102 short tons.

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

White cement is a specialty cement that is used for decorative purposes and has a wide range of uses as a structural building material.

Board of directors

Directors

Lorenzo H. Zambrano
Chairman of the Board

Lorenzo Milmo Zambrano

Armando J. García Segovia

Rodolfo García Muriel

Rogelio Zambrano Lozano

Roberto Zambrano Villarreal*

Bernardo Quintana Isaac

Dionisio Garza Medina

Alfonso Romo Garza*

Mauricio Zambrano Villarreal*

Tomás Brittingham Longoria*

José Manuel Rincón Gallardo*

Alternate directors

Eduardo Brittingham Sumner*

Tomás Milmo Santos

Jorge García Segovia

Examiner

Luis Santos de la Garza

Alternate examiner

Fernando Ruiz Arredondo

Secretary (not a member of the Board)

Ramiro Villarreal Morales

Audit committee members

Roberto Zambrano Villarreal
President

Lorenzo Milmo Zambrano

Alfonso Romo Garza

Tomás Brittingham Longoria

José Manuel Rincón Gallardo

*Independent members of the Board

Executive officers

Lorenzo H. Zambrano, 60
Chairman of the Board and Chief Executive Officer
Mr. Zambrano joined CEMEX in 1968. He was named CEO in 1985 and has served as Chairman of the Board since 1995. He holds a B.S. degree in mechanical engineering from Tecnológico de Monterrey and an M.B.A. from Stanford University. He is a member of the IBM Board of Directors, the Citigroup International Advisory Board, the Chairman's Council of DaimlerChrysler AG, and the boards of other leading Mexican companies. Mr. Zambrano is also Chairman of the Board of Tecnológico de Monterrey and a member of the Advisory Council of the Stanford Graduate School of Business.

Héctor Medina, 54
Executive Vice President of Planning and Finance
Mr. Medina, who joined CEMEX in 1988, has a degree in chemical engineering from Tecnológico de Monterrey. He received an M.S.C. degree in management from the University of Bradford Management Center in England and an M.S. degree from the Escuela de Organización Industrial in Spain. Mr. Medina is responsible for CEMEX's worldwide strategic planning and finance.

Armando J. García, 52
Executive Vice President of Development
Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, holds a degree in mechanical engineering and business administration from Tecnológico de Monterrey and an M.B.A. from the University of Texas. He is responsible for managing CEMEX's operations technology, human resources, energy, and information technology.

Víctor M. Romo, 46
Executive Vice President of Administration
Mr. Romo joined CEMEX in 1985. He earned his bachelor's degree in accounting and his M.S. degree in administration from Tecnológico de Monterrey. Before assuming his current position, Mr. Romo served as President of the South America and Caribbean Region. He is now responsible for the areas of comptrollership, procurement, taxation, security, risk management, and administrative services and projects.

Francisco Garza, 49
President of the North America Region & Trading
Mr. Garza is a graduate of Tecnológico de Monterrey and has an M.B.A. from Cornell University's Johnson Graduate School of Management. Since he joined CEMEX in 1988, he has occupied several senior management positions in the company. Mr. Garza is directly responsible for CEMEX's interests and operations in Mexico and the United States and the company's trading unit.

Fernando González, 50
President of the Europe Region
Mr. González earned his B.A. and M.B.A. from Tecnológico de Monterrey. Since he joined CEMEX in 1989, he has held several senior management positions, including President of CEMEX Asia, President of CEMEX Venezuela, and Vice President of Strategic Planning. He was responsible for CEMEX's interests and operations in Central and South America and the Caribbean. Mr. Gonzalez is currently responsible for the Europe region, including the United Kingdom, France, Germany, the rest of Europe (other than Spain, Portugal, and Italy), and Israel.

José Luis Sáenz de Miera, 58
President of the Iberia, Middle East, Africa & Asia Region
Mr. Sáenz de Miera, who joined CEMEX in 1993, has a degree in economics from Universidad de Madrid and in accounting from Spain's Instituto de Censores Jurados de Cuentas. He has held several management positions at CEMEX, including President of the Europe, Middle East, and Asia Region. Mr. Sáenz de Miera is now responsible for Iberia, Italy, Africa, and Asia, including the United Arab Emirates and Malaysia.

Juan Romero, 47
President of the South America & Caribbean Region
Mr. Romero graduated from Universidad de Comillas, Spain, where he studied Law and Economic and Enterprise Sciences. He joined CEMEX in 1989 and has occupied several senior management positions, including the responsibility for the company's operations in Colombia and Mexico. Currently, he is directly responsible for CEMEX's operations and interests in the South America and Caribbean region.

Rodrigo Treviño, 48
Chief Financial Officer
Mr. Treviño, who joined CEMEX in 1997, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, capital markets, treasury, and investor relations.

Investor and media information

Exchange listings:
Bolsa Mexicana de Valores (BMV), Mexico
New York Stock Exchange (NYSE), United States

Share series:
CPO (representing two A shares and one B share)
ADR (representing five CPOs)

BMV ticker symbol:
CEMEX CPO

NYSE ticker symbol:
CX

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