1998 ANNUAL REPORT

constantly seeking a better way to serve our customers

CEMEX

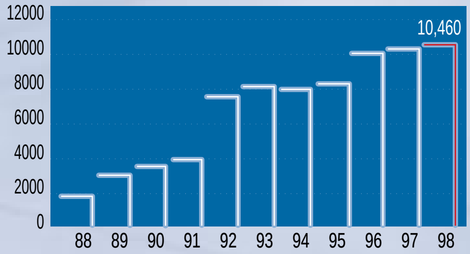

bag by bag… ton by ton

CEMEX recognizes that a strong global cash flow depends on local sales of its products. It is with the local market in mind that CEMEX leverages strategic distribution channels in high-growth economies. The company enhances local market operations by introducing its best practices to further strengthen each local brand's reputation, competitive position and revenue generation.

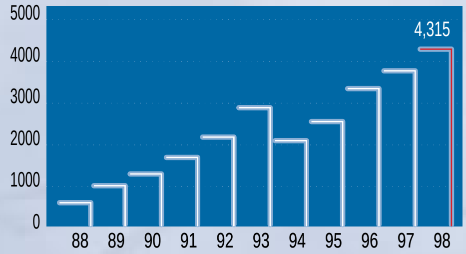
CEMEX uniquely combines a global perspective with a relentless commitment to local brands. This local commitment drives sales, increases cash flow and creates greater value for its customers, stockholders and employees.

CEMEX's strong financial performance again proves the importance of its geographically diverse portfolio. Despite international market volatility, CEMEX continued its growth strategy while strengthening its capital structure.

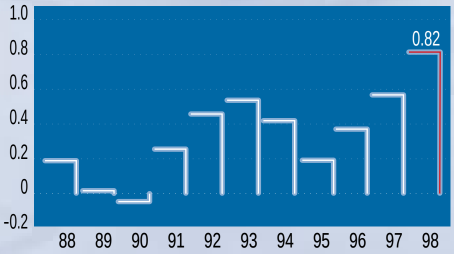
Assets
millions of US dollars



Consolidated net sales
millions of US dollars



Cash earnings per share
US dollars



Although cash earnings are not recognized under international accounting principles, CEMEX considers them to be an alternative measure of its financial performance. Under Mexican GAAP, net income reflects the effect, positive or negative, of noncash accounts consisting of inflation (monetary position) and exchange rate changes.

TABLE OF CONTENTS

cash earnings surged by over 40%

CEMEX, S.A. DE C.V. AND SUBSIDIARIES AS OF DECEMBER 31, 1998	MILLIONS OF CONSTANT PESOS			MILLIONS OF US DOLLARS[1]		
	1998	1997	% CHANGE	1998	1997	% CHANGE
Net Sales	42,720	38,464	11.1	4,315	3,788	13.9
Operating Profit	11,660	9,089	28.3	1,178	895	31.6
Consolidated Net Income	8,343	8,807	(5.3)	843	867	(2.9)
Net Income, Majority Interest	7,952	7,725	2.9	803	761	5.5
Cash Earnings	10,263	7,316	40.3	1,037	721	43.3
EBITDA[2]	14,697	12,116	21.3	1,485	1,193	24.5
Total Assets	103,551	103,878	(0.3)	10,460	10,231	2.2
Total Liabilities	52,682	56,198	(6.2)	5,321	5,535	(3.8)
Consolidated Stockholders' Equity	50,868	47,681	6.7	5,138	4,696	9.4
Net Debt / EBITDA[2]	3.09	3.97	(22.2)	3.09	3.97	(22.2)
Interest Coverage	3.03	2.41	25.7	3.03	2.41	25.7
Cash Earnings per Share*	8.13	5.70	42.6	0.82	0.56	46.4
Earnings per Share*	6.30	6.01	4.8	0.64	0.59	8.5

[1] Convenience translation from constant Mexican pesos to US dollars at the year-end exchange rate.
The exchange rate of the Mexican peso to the US dollar at December 31, 1998, and 1997 was $9.90 and $8.07, respectively.
[2] EBITDA equals earnings before interest, tax, depreciation and amortization.
** Based on an average of 1,262 million shares for 1998 and an average of 1,283 million shares for 1997.*

we are a stronger and more profitable company

Dear Fellow Stockholders:

Nineteen ninety-eight was a record year for CEMEX. It has never been stronger financially or operationally than it is today.

Our 1998 consolidated sales and operating cash flow (EBITDA) surged to US$4.31 billion and US$1.48 billion, respectively, an increase of 14% and 24% from just over a year ago. We expect solid sales growth and healthy operating cash flow growth this year.

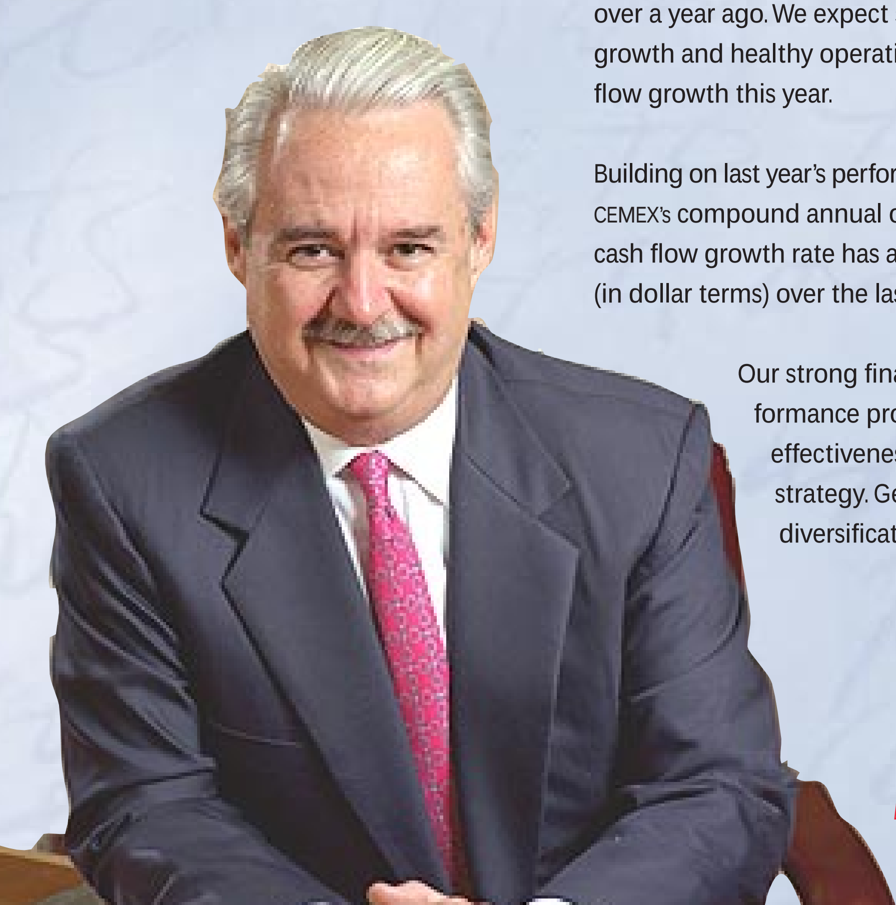
Building on last year's performance, CEMEX's compound annual operating cash flow growth rate has averaged 25% (in dollar terms) over the last ten years.

Our strong financial performance proves the effectiveness of our strategy. Geographic diversification enables us to operate in multiple regions with different business cycles. For the long term, we are trying to ensure that no one market accounts for more than one third of our business.

Yet we do not diversify simply to balance cyclic downturns and upswings. We do not see volatility as an occasional, random element added to the cost of doing business in an interconnected global marketplace.

We plan for volatility. We prepare for it. We have learned how to profit from it.

With its geographically diverse portfolio and position as the world's largest cement trader, CEMEX is truly a global presence. This fact allows us to capitalize on individual market declines. For example, the downturn in Asia enables us to purchase low-cost cement from China for our California concrete operations. The positive impact of this move on our cost structure is significant; for 1998, operating margins in the United States nearly doubled.



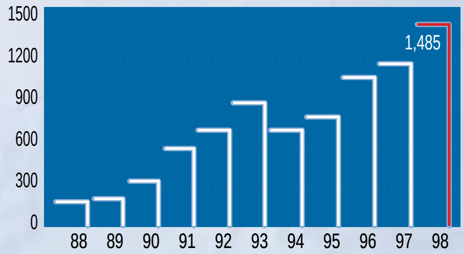
Lorenzo H. Zambrano, Chairman of the Board and CEO

We are constantly evaluating the returns we get on each of our assets to maximize the value of the company for our stockholders. Though we do not look forward to divestitures, we will, in volatile times, divest nonstrategic assets and invest the proceeds elsewhere to ensure overall growth and get a better return for you.

This year, for instance, we redeployed some of our assets to obtain higher returns and, over the long term, higher growth rates. Specifically, we sold a cement plant in Spain near the peak of that market and purchased Indonesian assets at a favorable price for the company. We effectively exchanged one million metric tons of production capacity in Spain for the equivalent of approximately four million metric tons of capacity in Southeast Asia, a higher long-term growth market.

Thus, CEMEX acquired a minority stake in PT Semen Gresik, Indonesia's leading cement producer. Gresik enjoys a very good strategic location within Southeast Asia. Its low production costs and ability to export cement will enable it to weather market turbulence and thrive in the long term.

Operating cash flow
millions of US dollars



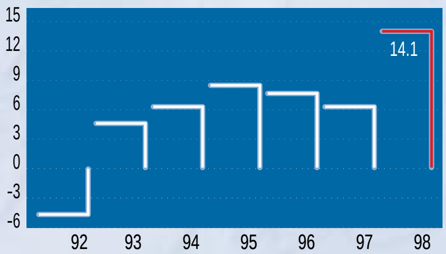
For the past ten years, CEMEX's compound annual EBITDA growth rate has averaged 25%.

We are well positioned to take advantage of opportunities for acquisitions available around the world today. Right now, there are certain regions that look attractive to a strategic investor like CEMEX. Markets that were once closed to foreign direct investment are now open. Companies that seemed resistant to acquisition are being sold at attractive prices.

In broad terms, we view Southeast Asia, Latin America and, to a lesser extent, Eastern Europe, the Middle East and North Africa as good target regions for investment. Although these regions offer different kinds of opportunities, each offers the prospect of high returns.

Like our trading and acquisition strategies, our financial structure is designed for just the type of contingencies that we are experiencing today. In advance of this year's market volatility, we established committed credit lines sufficient to avoid the cost of tighter money. We expect to maintain these types of facilities or develop others like them to reduce the financial risks of volatile markets and to permit CEMEX to capitalize on opportunities.

CEMEX USA operating margin
percentage



CEMEX USA's operating margin nearly doubled because of the company's ability to import low-cost cement from China.

Our strategies are sound, and our ability to execute them is unparalleled. CEMEX has one of the most entrepreneurially focused leadership teams in the industry. In 1998, to more closely support and manage our worldwide business, we regrouped our operations into three distinct regions: North America, South America & Caribbean, and Europe & Asia. This new structure ensures that we have the capabilities in place to take the company into the next millennium.

We see only one genuine threat to our company: complacency.

Our entrepreneurial spirit is, however, combating complacency and reshaping CEMEX's operations worldwide. One example is our trading team in Egypt. Together with other traders, we began distributing cement through a floating silo. We did not become complacent with this profitable operation. Always seeking new opportunities, we continued to collect and analyze information about the Egyptian market, and were prepared to capitalize on a high rate of continuous long-term growth. As soon as the indicators were positive, we reached an agreement with Egypt's largest distributor to build a permanent cement terminal. As a result, we are significantly enhancing our position in the Egyptian market. Thus, by constantly looking for opportunities to provide a better supply of cement to our customers, we create new business opportunities.

Results like these stem from the entrepreneurial culture we instill in our teams at CEMEX. This culture is born of a company-wide effort to orient the thinking of every worker to our strategic goals.

Consider our customized M.B.A. program, designed to give managers the training they need to become innovative executives. We have also initiated programs to guarantee that every worker has at least a high-school degree or its equivalent. We won't rest until all of our employees are able to see their work in the context of CEMEX's strategic place in the world.

We are proud of achieving this year's strategic, financial and cultural successes. But where do we go from here?

I pledge to you that CEMEX will continue to thrive in these turbulent times.

Despite CEMEX's strong financial performance and underlying fundamentals, its stock price nevertheless suffered from the year's capital market volatility.

In large part, this price performance is due to the risk associated with the Asian economic crisis, especially its potential impact on Mexican and other Latin American markets.

Our intermediate objective is for CEMEX to achieve an investment-grade rating. This rating will help to ensure access to different sources of capital and increase the market valuation of our stock. We are totally committed to reaching this financial objective.

This level of commitment explains why CEMEX is a strong long-term investment. This company possesses the management, finances, strategy and people to capitalize on future opportunities. One of the greatest challenges facing the industry, however, is not external but internal. The cement industry lags far behind other industries in sales, marketing, distribution and logistics. Even in highly competitive markets, the industry sees customers as almost a nuisance. Consequently, one of our most important strategic initiatives for 1999 is to reinforce the trust of our customers.

Because cement is essentially a consumer product in many of our developing markets, we have a huge opportunity to gain a competitive advantage by differentiating our brands and better serving the customer. We are, therefore, devoting ourselves to developing greater brand loyalty to achieve higher sustainable cash flows and to create more value for our customers and for you, our stockholders.

You have placed your trust in our ability to produce profitable growth for our company. And we have done so.

Even during these times of uncertainty, I see many great opportunities. I am confident that we have the strategic, financial and cultural tools in place to take on any future challenges and to capitalize on the many opportunities for continued growth the world has to offer.

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

Customer-focused solutions

As the world's largest cement trader, we are able to move cement from markets with excess supply and meet customers' needs for quality cement all over the world.

In the wake of the Mexican peso devaluation, we shipped cement and clinker from Mexico to the then-booming Asian economies. Today, however, we are helping our Asian trading partners to place their cement surpluses to meet North America's growing construction needs. Furthermore, because we understand the realities of the shipping business, we maintain good relationships with suppliers and shippers; these relationships translate into lower costs and better prices for our customers.

quality cement, available anywhere, any time

Egypt is a growing market. To meet this country's demand for cement, we are working with its primary cement distributor to complete a land terminal near the busy Suez Port. Through this and other facilities, we hope to supply up to 2 million metric tons of cement and clinker this year.

Customer-focused solutions

Customers are the primary focus of our activities. CEMEX's people stay in constant contact with their customers to exchange ideas and obtain valuable feedback. It is only through close relationships and an ongoing dialogue with our customers that we are able to develop new products and improve existing ones to better serve their needs.

By listening to the needs of its customers, CEMEX created a new product that safeguards groundwater supplies and the health and safety of communities around the world. CEMEX has developed an innovative mix of anti-bacterial concrete. This product is used in chicken and pig farming facilities, public swimming pools, schools and hospitals, to name just a few.

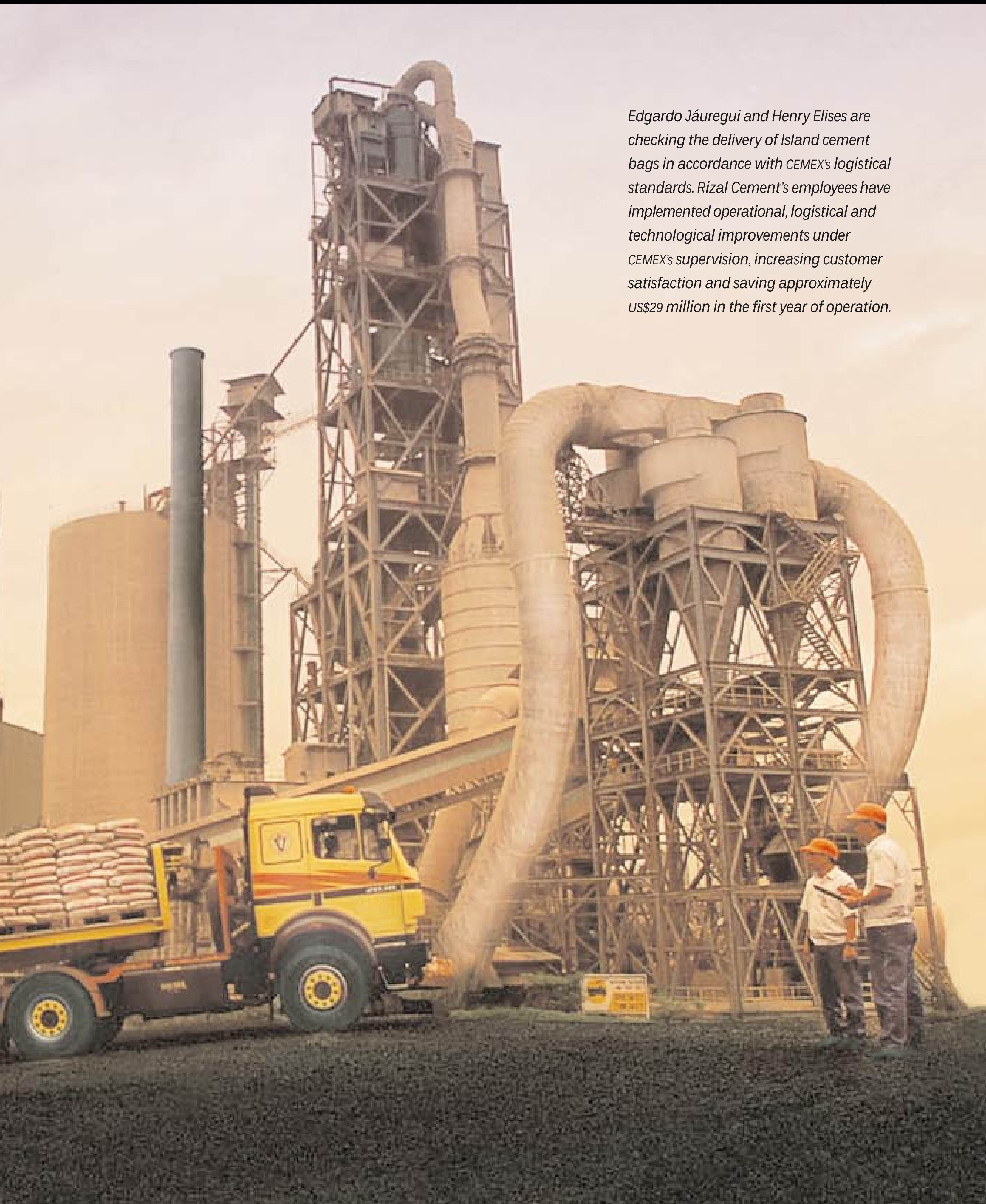
setting new standards: listening to our customers' needs

Bely Mercado receives important medical attention thanks to CEMEX's "To Your Health" program. In conjunction with state university doctors, CEMEX Mexico organizes a regular first-aid program that provides basic medical assistance for the local construction workers. The company supplies bus transportation for the program. A questionnaire completed by each participant provides important demographic and product information for the company's database.

building partnerships...

Where others may see obstacles, we see opportunities. Experience in developing economies has taught CEMEX how to turn economic instability into business advantage for the company, its customers and stockholders. Despite the region's continuing economic turmoil, CEMEX is pursuing mutually beneficial partnerships with Southeast Asia's blue-chip companies, most recently Indonesia's PT Semen Gresik and the Philippines' Rizal Cement.

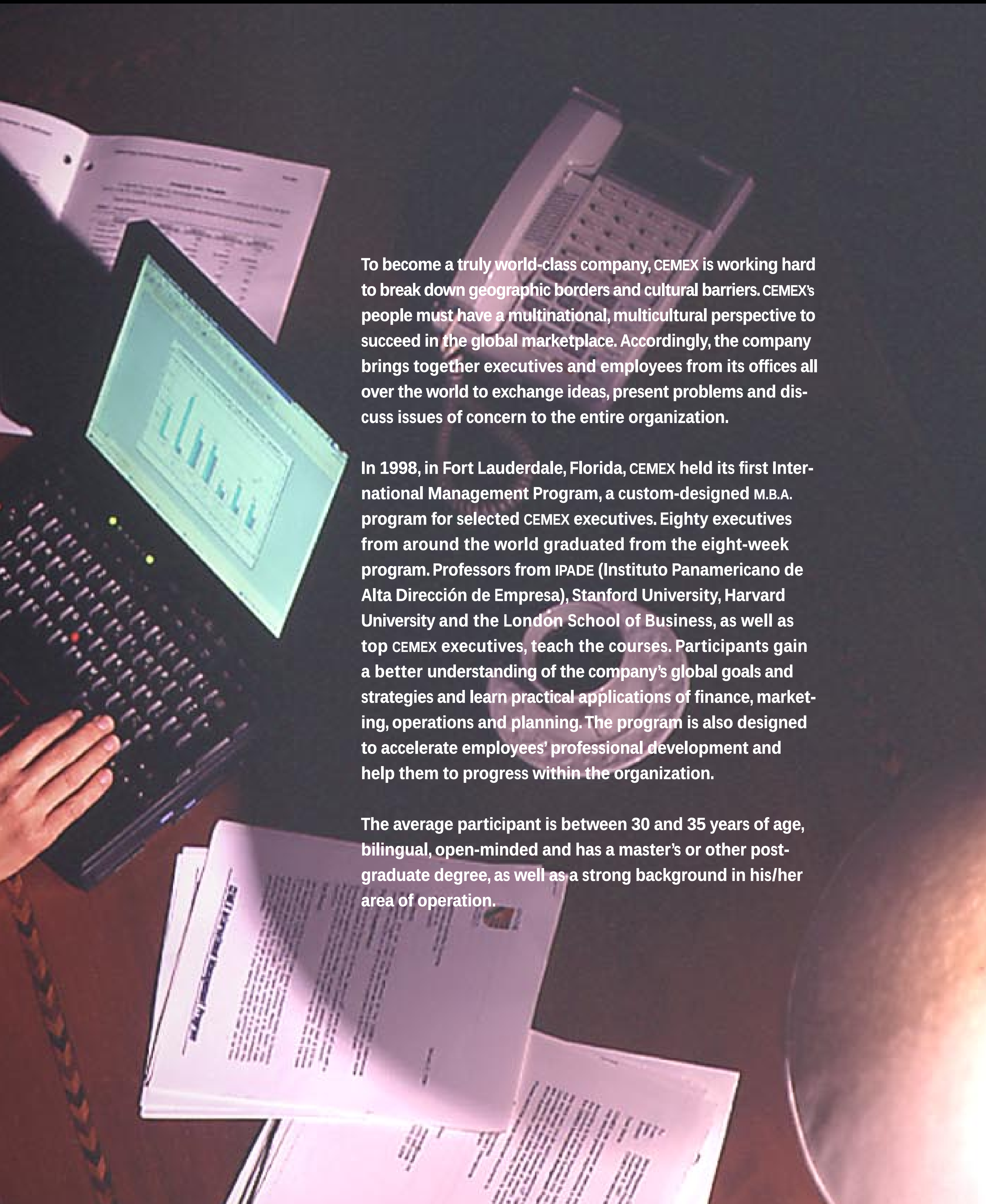
Our venture into the Philippines has yielded positive long-term training and professional development for our employees. Highlights include: (1) the establishment of a standardized compensation and benefits plan; (2) the selection of company executives for personalized training abroad; and (3) the institution of individualized career management for selected employees.



Edgardo Jáuregui and Henry Elises are checking the delivery of Island cement bags in accordance with CEMEX's logistical standards. Rizal Cement's employees have implemented operational, logistical and technological improvements under CEMEX's supervision, increasing customer satisfaction and saving approximately US$29 million in the first year of operation.

erasing borders, eliminating barriers

Magda González, a CEMEX executive, is studying for tomorrow's class in the customized M.B.A. program given to selected CEMEX executives. She looks forward to sharing the knowledge that she gains from this program to improve the performance of her team and achieve the objectives of the company's North American operations.



To become a truly world-class company, CEMEX is working hard to break down geographic borders and cultural barriers. CEMEX's people must have a multinational, multicultural perspective to succeed in the global marketplace. Accordingly, the company brings together executives and employees from its offices all over the world to exchange ideas, present problems and discuss issues of concern to the entire organization.

In 1998, in Fort Lauderdale, Florida, CEMEX held its first International Management Program, a custom-designed M.B.A. program for selected CEMEX executives. Eighty executives from around the world graduated from the eight-week program. Professors from IPADE (Instituto Panamericano de Alta Dirección de Empresa), Stanford University, Harvard University and the London School of Business, as well as top CEMEX executives, teach the courses. Participants gain a better understanding of the company's global goals and strategies and learn practical applications of finance, marketing, operations and planning. The program is also designed to accelerate employees' professional development and help them to progress within the organization.

The average participant is between 30 and 35 years of age, bilingual, open-minded and has a master's or other postgraduate degree, as well as a strong background in his/her area of operation.

Customer-focused solutions

Energy represents the single largest expense in the production of cement and cement products. In an effort to lower these costs, CEMEX's corporate development team created a large-scale power plant project involving three parties: CEMEX, Pemex (Mexico's state-owned oil company) and a consortium made up of Alstom of France and Sithe Energies of the United States. This project, a culmination of several years of study, is designed to provide a stable, low-cost supply of energy for CEMEX Mexico's cement plants well into the next century.

In 1998, the parties reached an agreement to bring Mexico's largest private-sector electricity project to life. The consortium has agreed to finance, build and operate the plant for 20 years, beginning in 2002, after which the plant will be turned over to CEMEX. Pemex has committed to supply fuel for the plant's operation for the first 20 years. CEMEX will purchase all the power produced by the project. The power plant is expected to supply approximately 60% of the electricity needs of 12 of CEMEX's cement plants in Mexico at a low and stable cost.

breaking the mold: turning costs into profits

Enrique Sánchez and his cousin, Juan, are buying Tolteca cement to build a new room for Enrique's house. While they don't know it, the supply of their favorite brand of cement is now guaranteed at a more stable cost for the next twenty years. Thanks to CEMEX's resourcefulness, the power project will provide a consistent, lower-cost source of electricity for the benefit of the company, its partners and, ultimately, its customers.

our diversified portfolio yielded excellent results

NORTH AMERICA

Highlights

Mexico – CEMEX Mexico posted record results this year due to increased growth throughout the country. We experienced a high level of demand from the self-construction sector, which comprises 40% of the total market. Because individual consumption follows demographic trends, it is generally more stable and less susceptible to economic volatility.

Customer Value – In 1998, we invited all of our customers to visit our state-of-the-art Mexico City laboratory in an effort to share ideas and develop stronger relationships with our distributors.

Through these visits, we are working to increase customer value by co-inventing new products that better serve consumers' changing needs.

In Harmony with Nature – This year, the Mexican government designated CEMEX Mexico a "Clean Enterprise;" the distinction is indicated by a new green logo on our cement bags.

United States – October 1998 was a historic month for CEMEX USA, marking its highest monthly sales and operating cash flow since CEMEX began operations in the United States ten years ago. During the year, we took advantage of the strong U.S. economy to grow market share and increase profits due to higher prices in our core states: California, Texas and Arizona.

Value Opportunities

Continuous Improvement – "Continuous Improvement" is an ongoing program that allows for the constant flow and invaluable exchange of ideas among executives from different areas of CEMEX's operations. We are implementing the program in the United States this year and expect it to result in improved operating efficiencies and cost savings there, as it has for the company's other operations.

International Infrastructure – Thanks to our market knowledge, flexibility and international trading infrastructure, we are one of the largest cement importers in the United States, accounting for over 20% of the country's cement imports in 1998. In 1999, we will continue to tap quality, lower-cost Asian cement suppliers to meet our customers' growing construction needs.

Venezuela's Caruachi dam will require over 450,000 metric tons of cement.

Education – In Mexico, we are training 200 public school teachers to make better mixes and concrete products. These teachers will train 2,000 students, who, in turn, will teach 200,000 construction workers the skills they have learned.

SOUTH AMERICA & CARIBBEAN

Highlights

Venezuela – During the second quarter of 1998, we were awarded the contract to supply cement for the construction of the Caruachi dam in eastern Venezuela. This project will require more than 450,000 metric tons of cement over the next three years.

CEMEX is also the exclusive concrete supplier in the construction of the railroad from Caracas to Cua, which will require approximately 850,000 cubic meters of ready-mix from 1997 to 2001.

High-Performance Organization – During 1998, CEMEX Venezuela's employees received more than 255,000 hours of instruction on new operational technologies, management information systems, customer service and employee safety and health.

Colombia – We achieved significant cost reductions during 1998 due to the centralization of our contracts with suppliers and the volume discounts that CEMEX was able to negotiate from them. Implementation of CEMEX's corporate management software systems and more reliable communication systems have improved efficiency and helped us to identify new opportunities to reduce costs.

Value Opportunities

Best Practices – Our operations in the Dominican Republic apply the best practices from various CEMEX subsidiaries to improve the warehouse area, including: the petrovent automatic fuel supply (from Panama); bar code technology for inventory control (from Mexico); electronic remission for warehouse consumption (from Venezuela); and Spain's inventory replacement model.

Energy – We lowered CEMEX Panama's energy costs by 38% in 1998 by replacing 95% of its fuel oil with petcoke. Because of our product quality and on-time service, we were selected to supply cement for the construction of the Corredor Sur, the Panama-Colón highway and part of the Pan-American highway.

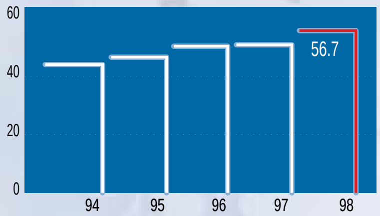
EUROPE & ASIA

Highlights

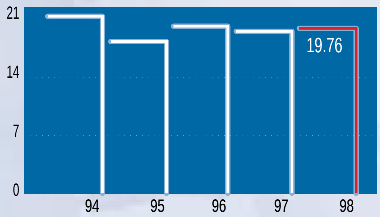
Spain – Nineteen ninety-eight was a record year for Spain. Total domestic cement consumption surged to 31 million metric tons, a 15% jump over the preceding year. For the year, our Spanish plants operated at 100% of their effective cement capacity.

Asset Redeployment – This year, we sold a cement plant in Spain near the peak of the market. With the proceeds from this sale, we were able to buy the equivalent of approximately 4 million metric tons of production capacity in Indonesia, which is Southeast Asia's second-largest cement market.

Production capacity
millions of metric tons/year



Personnel
thousands



CEMEX's diversified asset and employee base is a critical component of the company's international growth strategy.

Continuous Improvement – CEMEX's "Continuous Improvement" process is well underway in the Philippines, producing annual cost savings of US$29 million for the first year of operations.

Value Opportunities

Customer Service – The transition to the euro is an enormous undertaking for our customers and consumers. To accommodate this new currency, they must change every aspect of their business transactions, from programs and processes to fundamental purchasing philosophies. Using our own experience, we are working with them to make this adjustment so that they, too, can capitalize on this watershed event.

Southeast Asia – With our presence in the Philippines and Indonesia, two of Southeast Asia's largest cement markets, we will now be able to link our majority and minority interests with our international trading operations to create a strong position in the region.

TRADING

Market Highlights

Volume – Our 1998 total trading volume was 10.8 million metric tons of cement and clinker. Almost half of our trading volume came from third parties, including Chinese, Romanian, Bulgarian, Russian, Tunisian, Greek, Turkish, English, Ukrainian and Thai suppliers. By purchasing cement from China, we were able to reduce our costs by US$10 to US$15 million.

Partners – We market cement to over 60 countries worldwide. Our major international trading partners include customers from the United States, Egypt, the Caribbean, the Canary Islands, Nigeria, Morocco, Mauritius, the Ivory Coast and Portugal.

Exports – In 1998, 5.4 million metric tons of our total trading volume came from our Mexican, Venezuelan and Spanish operations. This figure includes 460,000 metric tons of white cement exported from Mexico and Spain.

Value Opportunities

Infrastructure Development – To meet global demand, we continue to expand our trading infrastructure. Over the course of the year, we built three new marine terminals in Israel, Turkey and Egypt. We have also further developed our regional trading offices in Spain (for Africa and the Mediterranean) and Singapore (for Asia).

The new Atlantis resort hotel in the Bahamas is a testament to CEMEX's quality cement.

CEMEX's worldwide operations

Increased Market Presence – This year, our trading operations will enable us to sell approximately 2.4 million metric tons of cement from Indonesia. Southeast Asian suppliers look to CEMEX because of its ability to manage cement supplies on a long-term basis across the globe.

THE YEAR 2000 (Y2K) OPPORTUNITY.

Solving the year 2000 (Y2K) problem is a priority at CEMEX. Thus, we continue to invest in information and production technology. Launched in 1997, the CEMEX 2000 program is a companywide initiative aimed at neutralizing and even capitalizing on the issues posed by the year 2000. By upgrading our technology worldwide, we are not just continuing business as usual, but doing business better.

Market characteristics -
In most of the markets in which we have a presence, cement is sold as a brand-name product in bags through exclusive and nonexclusive distributors.

CEMEX holds a leading position in Mexico, Spain, Venezuela, Panama and the Dominican Republic and a significant presence in the southwestern United States, Colombia, the Philippines and Indonesia.

In many of these countries, cement is the most commonly used building material, and brand positioning plays a major role in market share.

The major infrastructure needs and relatively low per-capita consumption of almost all of our markets, translate into important growth potential for the company.

CEMEX is also the largest cement trader in the world, trading more than 10 million metric tons/year in more than 60 countries.

	% OF TOTAL SALES	% OF TOTAL ASSETS	PRODUCTION CAPACITY MILLIONS OF METRIC TONS/YEAR	CEMENT PLANTS OWNED	CEMENT PLANTS JOINTLY OWNED	READY-MIX PLANTS	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	44.6	45.7	28.5	18	3	214	74	5
USA	12.4	5.0	1.1	1	–	48	8	5
Venezuela	11.1	10.0	4.3	3	–	42	17	5
Colombia	6.3	10.3	5.1	6	–	28	8	–
Panama	1.2	0.9	0.4	1	–	4	2	–
Caribbean	4.8	2.7	0.9	1	3	1	13	7
Spain	19.6	21.2	10.4	8	–	73	8	15
Philippines	–	3.1	2.8	2	–	–	–	–
Indonesia	–	1.1	3.2	–	4	–	–	–
TOTAL	100	100	56.7	40	10	410	130	37

As of December 31, 1998.

Selected consolidated financial information

In millions of constant pesos as of December 31, 1998, except share and per share amounts

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

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Compound Annual Growth 88-98
Income Statement Information												
Net Sales	9,481	14,790	15,393	17,720	20,754	25,729	27,687	33,924	35,540	38,464	42,720	16.2
Cost of Sales[1]	6,625	11,566	10,942	11,056	12,971	15,512	15,968	20,689	21,550	23,571	24,701	
Gross Profit	2,857	3,223	4,450	6,664	7,783	10,217	11,718	13,235	13,990	14,894	18,020	20.2
Operating Expenses	945	1,804	2,101	2,300	2,705	3,948	4,288	5,135	5,518	5,805	6,360	
Operating Income	1,912	1,419	2,349	4,364	5,078	6,268	7,434	8,100	8,472	9,089	11,660	19.8
Comprehensive Financing (Cost) Income, Net[2]	30	781	-63	1,290	1,693	221	-213	7,498	5,588	1,611	-1,309	
Other Income (Expenses), Net	1,083	65	-499	-489	-840	-895	-1,754	-2,142	-1,801	-1,396	-1,506	
Income Before Taxes & Others	3,026	2,267	1,787	5,166	5,931	5,597	5,466	13,456	12,259	9,304	8,845	11.3
Minority Interest[3]	399	369	351	619	663	861	595	1,440	1,256	1,083	391	
Majority Net Income	2,583	1,808	1,740	4,591	5,152	4,637	4,951	10,045	10,319	7,725	7,952	11.9
Earnings per Share[4][5][6]	2.31	1.62	1.57	4.11	4.88	4.39	4.60	7.81	7.95	6.01	6.30	10.6
Dividends per Share[4][7]	0.20	0.16	0.18	0.60	0.65	0.81	0.83	0.87	–[8]	n.a.	1.18	
Number of Shares Outstanding[4][5]	1,114	1,114	1,114	1,114	1,056	1,056	1,077	1,286	1,303	1,268	1,258	
Balance Sheet Information												
Cash and Temporary Investments	2,680	2,563	1,714	2,101	3,631	2,900	6,385	4,691	4,316	3,862	4,027	
Net Working Capital[9]	1,982	3,109	2,788	2,970	5,317	5,285	6,954	7,498	6,452	5,971	6,320	
Property, Plant & Equipment, Net	15,847	28,015	27,799	27,151	39,001	39,145	53,944	65,337	60,646	60,976	60,805	
Total Assets	24,262	40,439	40,541	39,977	70,533	71,212	104,027	110,738	104,998	103,878	103,551	15.6
Short-term Debt	975	4,958	3,077	1,493	8,360	6,073	8,534	11,515	8,609	6,674	10,948	
Long-term Debt	2,017	10,894	12,298	13,164	23,042	25,455	41,059	40,135	41,757	40,213	31,049	
Total Liabilities	5,038	18,624	18,472	16,689	36,856	35,723	56,546	60,901	59,197	56,198	52,682	26.5
Minority Interest[3]	2,578	4,215	5,587	4,242	6,141	6,845	10,158	11,758	10,562	11,992	12,384	
Stockholders' Equity, excluding Minority Interest	16,646	17,600	16,482	19,046	27,536	28,644	37,323	38,079	35,239	35,689	38,484	8.7
Total Stockholders' Equity	19,224	21,815	22,069	23,288	33,677	35,489	47,481	49,837	45,801	47,681	50,868	10.2
Book Value per Share[4][5]	14.93	15.79	14.80	17.10	26.09	27.12	34.65	29.62	27.15	27.80	30.49	
Other Financial Data												
Operating Margin	20.2%	9.6%	15.3%	24.7%	24.4%	24.4%	26.8%	23.9%	23.8%	23.6%	27.3%	
EBITDA Margin[10]	28.6%	17.9%	24.9%	33.2%	31.9%	31.6%	34.2%	31.8%	32.3%	31.5%	34.4%	
EBITDA[10]	2,712	2,648	3,826	5,885	6,616	8,120	9,471	10,786	11,483	12,116	14,697	18.4
Cash Earnings	2,848	145	-620	2,900	4,493	4,950	5,873	3,020	4,993	7,316	10,263	13.7
Cash Earnings per Share[4][6]	2.56	0.13	-0.56	2.60	4.25	4.69	5.45	2.35	3.85	5.70	8.13	12.2

Notes to Selected Consolidated Financial Information

1) Cost of sales includes depreciation.

2) Comprehensive financing (cost) income includes financial expense, financial income, gains (losses) on marketable securities, net foreign exchange variation and net monetary position.

3) In July 1995, a CEMEX subsidiary entered into a transaction pursuant to which it transferred a portion of the common stock of Valenciana in exchange for $40 billion pesetas, which as of December 31, 1998 represented 25.39% of such stock. This original amount was refinanced in August 1997 at US$320 million, and, since that date, the minority interest in the income statement has not been recognized since CEMEX, through its subsidiary, has retained dividend and voting rights over such shares and has the option to acquire them in three tranches, the last of which matures in August 2000. The company includes the cost of retaining its option in the financial expense account. Such shares are being treated as owned by a third party, thereby creating a minority interest over the consolidated stockholders' equity in Valenciana. As of December 31, 1998, such shares account for 38.2% of CEMEX's minority stockholders' equity.

4) On April 28, 1994, CEMEX declared a stock split of three shares per each share held by a shareholder. Additionally, as part of the transformation of CEMEX from a fixed to a variable capital company, and an increase in the variable portion of its capital stock, CEMEX issued a new share of variable capital of like series for every eight shares (after making the stock split effective). All share and per share amounts for 1988 through 1993 have been adjusted to make the effect of the stock split retroactive.

5) The number of shares outstanding represents the total shares outstanding at the close of each year, stated in millions of shares, and includes the total number of shares issued by CEMEX utilized in derivative transactions, and excludes the total number of shares issued by CEMEX and owned by subsidiaries.

6) For the periods ended on December 31, 1987 to 1995, the "Earnings per share" amount was determined by considering the total outstanding shares at the year's end. For the periods ended on December 31, 1996 to 1998, the "Earnings per share" and "Cash earnings per share" amounts were determined by considering the average number of shares outstanding each year, i.e., 1.298, 1.283 and 1.262 billion respectively, so as to comply with the provisions of Bulletin B-14 "Earnings per share", which have been in force since 1997 (see Footnote No. 19 to the financial statements).

7) Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year.

8) As a result of CEMEX's Share Repurchase Program in 1997, 24 million shares were acquired for an amount of approximately US$119 million. The shares acquired through this program account for approximately 2% of the shares outstanding.

9) Net working capital equals account receivables plus inventories minus trade payables.

10) EBITDA is earnings before interest, taxes, depreciation and amortization. Amortization of goodwill is not included in operating income, but 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.

Management discussion and analysis

Results of operations and analysis of financial condition of the company

EBITDA margin
percentage

CEMEX's diverse portfolio of cement assets generates consistently high operating cash flow margins.

Free cash flow vs. market capitalization
millions of US dollars

CEMEX's free cash flow continues its upward trend, reaching US$595 million, a 78% increase over 1997.

The Business

Founded in 1906, CEMEX is one of the three largest cement companies in the world, with more than 56 million metric tons of production capacity. CEMEX has operations in 23 countries and trade relations with over 60 countries worldwide. Through its operating subsidiaries, CEMEX is engaged in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker. In addition, the company is the world's leading producer of white cement and the world's largest trader of cement and clinker.

Mission

CEMEX's mission is to meet the global building needs of its customers and build value for all stakeholders by becoming the world's most efficient and profitable multinational cement company.

Business Strategy

CEMEX's strategy is to: (1) leverage its core cement and ready-mix concrete franchise; (2) concentrate on developing markets; and (3) maintain high growth by applying free cash flow toward selective investments that further its geographic diversification. CEMEX has created a portfolio of cement assets that produces sustainable high growth. Diversification in rapidly developing cement markets with complimentary business cycles enables the company to achieve more consistent and increasing cash flow generation.

The fundamentals that drive the business are CEMEX's: (1) management expertise; (2) core cement, ready-mix concrete and aggregates base; (3) low operating costs; (4) use of state-of-the-art management information systems and production technology; (5) innovative and resourceful financial management and capital structure; and (6) experience and focus in developing markets.

Investments

CEMEX's business portfolio is primarily concentrated in high-growth, highly profitable developing markets. CEMEX's geographic diversification capitalizes on the benefits of these markets, including their strong need for infrastructure development. The company's broad diversification in cement markets with different business cycles enables it to achieve consistently high growth rates, while strengthening its capital structure, and generating strong free cash flows to support its business and financial strategies.

Any acquisition must satisfy three investment criteria. First, it must benefit from CEMEX's management expertise and turnaround experience. Second, it must not adversely affect CEMEX's current financial structure and ability to meet stated financial targets. Third, it must offer superior long-term financial returns that exceed the company's weighted-average cost of capital.

As a result of this investment strategy, CEMEX has achieved high growth rates. Over the past 10 years, CEMEX's EBITDA has increased at a compound annual growth rate of 25% in US dollar terms.

CEMEX's strong cash flow generation solidifies the company's leadership position as one of the largest and most profitable cement producers in the world.

Financial Strategy

The objective of CEMEX's financial strategy is to lower the company's cost of capital by 1) reducing its financial risk, and 2) strengthening its capital structure.

CEMEX's innovative and resourceful financial management permits it to execute its business strategy and pursue attractive investment opportunities while continuously improving financial ratios.

The company is working to achieve an investment-grade rating that would further reduce its cost of capital and give it access to new and broader sources of funding. CEMEX believes that a lower cost of capital can be achieved through: (1) stable cash flow margins resulting from geographic diversification; (2) healthy financial ratios and longer debt maturities; (3) an improved balance between obligations and cash flow; and (4) effective use of CEMEX's subsidiaries in investment-grade countries.

In November 1997, Standard & Poor's upgraded CEMEX's long-term debt rating in foreign currency to BB+. In addition, Moody's upgraded CEMEX's rating to Ba3 in March 1998. The company's competitive position in the global cement industry, leadership in principal markets in which it participates and diversification of cash flows – together with a stronger balance sheet – have helped to improve the company's credit rating. As CEMEX continues to execute its financial strategy and strengthen its capital structure, the company should be well positioned to achieve an investment-grade rating.

Reduce Financial Risk

CEMEX reduces financial risk by improving its financial ratios. In response to greater volatility in the global capital markets, the company has targeted more conservative financial ratios for 1999. The company is aiming for financial leverage and interest coverage ratios of 3.3 times each in 1999.

To better manage the risk of refinancing maturing obligations during periods of market volatility, CEMEX established committed lines of credit sufficient to refinance short-term debt. CEMEX expects to maintain this proactive approach, based on contingency planning, to manage its short- to medium-term obligations.

Strengthen Capital Structure

From a financing standpoint, the company is comprised of two major funding vehicles: the Holding Company and CEMEX International. The Holding Company includes the Holding Company (CEMEX, S.A. de C.V.) and CEMEX's Mexican-based operations, while CEMEX International encompasses CEMEX's European operations and all other major international operations. This organizational structure allows CEMEX to take advantage of Spain's strong credit rating and related lower interest rates. This corporate structure has improved the capital structure, reduced financial expenses and provided a better balance of debt obligations versus EBITDA generation.

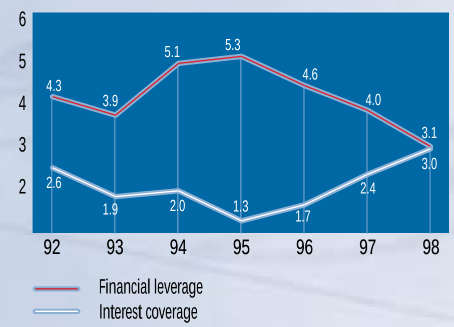
1998 Consolidated Results

Net sales grew 11% in real terms during the year compared to 1997, reaching $42.7 billion pesos. This increase is attributable to stronger pricing and higher domestic volumes in nearly all of the company's markets. In dollar terms, net sales increased 14% to US$4.315 billion.

Gross profit increased 21% in 1998 to $18.0 billion pesos (US$1.82 billion, a 24% increase in dollar terms). Gross margin expanded to 42.2% in 1998 from 38.7% in 1997, due primarily to higher sales in most subsidiaries accompanied by a decline in certain production costs, particularly energy-related costs.

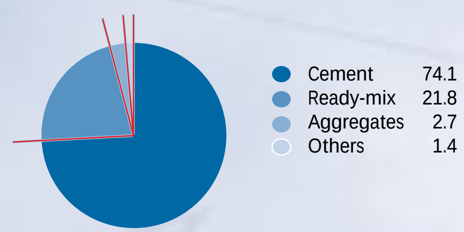
Operating income in 1998 rose 28% in real terms to $11.7 billion pesos (US$1.178 billion, a 32% increase in dollar terms over 1997). The operating margin widened to 27.3% in 1998 from 23.6% in 1997, due to the higher gross margin and a reduction of selling, general and administrative expenses as a percentage of sales.

Financial leverage and interest coverage
times



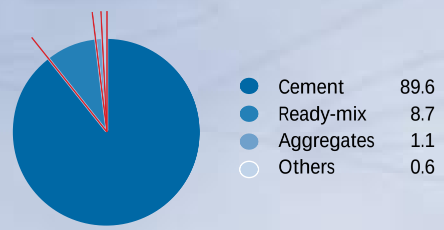
Increasing cash flows and lower financial expenses strengthen CEMEX's capital structure and give the company greater flexibility to execute its business strategy.

Distribution of sales in 1998
percentage



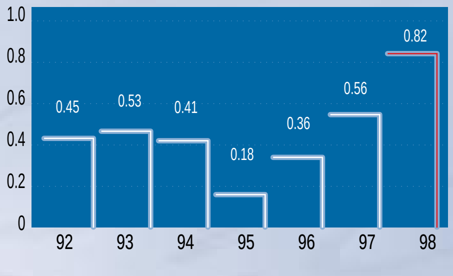
CEMEX leverages its core cement and ready-mix business to drive international sales.

Distribution of EBITDA in 1998
percentage



The low level of ready-mix consumption in developing countries provides high long-term growth potential for CEMEX in these markets.

Cash earnings per share
in US dollars per share



Cash earnings grew 43% to over US$1 billion.

EBITDA during the year was $14.7 billion pesos (US$1.485 billion), an increase of 21% (24% in dollar terms) over 1997. The EBITDA margin was 34.4% during the year, compared to 31.5% in 1997. The increase in EBITDA was due to strong volume growth, solid average prices in dollar terms, lower energy costs and lower operating expenses as a percentage of sales, resulting from CEMEX's continuous efforts to improve.

Cash earnings were $8.13 pesos per share, an increase of 43% over 1997, or a 46% increase in dollar terms, to US$0.82 per share.

Financial expenses for 1998 decreased 7% from 1997 to $4.8 billion pesos (US$485 million). This decrease was due to lower average debt and base rates. Further, despite volatility in the global capital markets, CEMEX's proactive contingency planning contributed to lower average credit spreads, which also helped to reduce financial expenses.

Net foreign exchange loss was $2.2 billion pesos in 1998 versus $0.1 billion pesos during the previous year due to the greater depreciation of the Mexican peso versus the US dollar in 1998 as compared to 1997.

Net monetary position gain during the year was $5.6 billion pesos, a decrease of 5% in real terms versus 1997, due to lower debt levels.

Other expenses, net were $1.5 billion pesos, 8% higher than those incurred in 1997. The cash amount of other expenses, net for 1998 was $158 million pesos (US$16 million), as compared to $708 million pesos (US$70 million) for 1997. These expenses include primarily the amortization of goodwill, dumping duties, provisions for severance payments and gains (or losses) from the sale of assets.

The effective tax rate was 7.4% for 1998, comprised of 5.2% income tax and 2.2% PTU (employees' statutory profit sharing). In anticipation of CEMEX's annual cash tax payments, the company paid approximately $535 million pesos against tax provisions accumulated in 1998, including taxes paid for fiscal year 1997.

The minority interest net income decreased 64% in 1998 to $391 million pesos (US$39 million) mainly as a result of the net losses in the Colombian operations.

Majority interest net income during 1998 was $7.952 billion pesos, an increase of 3% in real terms versus 1997. In dollar terms, majority interest net income for 1998 was $803 million dollars, an increase of 6% with respect to 1997.

GLOBAL REVIEW
North America major operations

Mexico

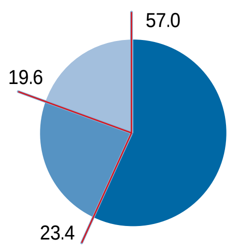
Mexico's 1998 economic activity was strong due to higher levels of private investment and domestic consumption. For 1999, the company expects moderate growth for the Mexican economy and a modest increase in domestic cement volume from the self-construction sector and a potential modest expansion in public investment.

CEMEX Mexico's net sales in 1998 were $19.3 billion pesos, a 17% increase in real terms versus 1997, from strong prices and volumes for domestic cement and ready-mix. In dollar terms, net sales rose 13% to US$1.9 billion. Of the total sales from Mexican operations, 70% came from domestic cement sales, 19% from ready-mix sales, 5% from exports and 6% from tourism and other sources.

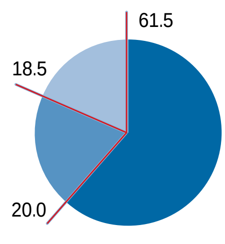
The volume of domestic gray cement sold grew 7% during the year. This increase was due in large part to higher private-sector demand fueled by continued strength in the self-construction segment, which accounts for approximately 40% of Mexican cement demand.

CEMEX's worldwide operations

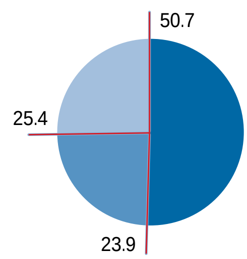
Distribution of sales by region
percentage



Distribution of EBITDA by region
percentage



Distribution of assets by region
percentage

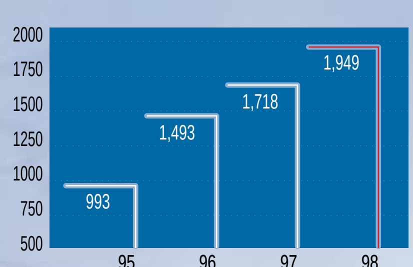


North America   South America & Caribbean   Europe & Asia

	Sales			EBITDA			Assets		
	1998	1997[1]	% Change	1998	1997[1]	% Change	1998	1997[1]	% Change
North America:									
Mexico	19.3	17.4	10.6	9.1	6.5	40.1	54.2	53.9	0.4
USA	5.4	4.5	19.5	0.9	0.5	101.6	6.7	6.6	1.1
South America & Caribbean:									
Venezuela	5.2	4.7	10.1	2.2	2.1	5.6	10.4	11.4	-8.9
Colombia	2.6	3.8	-30.6	0.6	1.4	-53.9	10.7	11.4	-6.4
Others	2.6	2.4	10.8	0.6	0.8	-21.9	4.1	4.0	4.2
Europe & Asia:									
Spain	8.9	7.4	19.7	3.2	2.6	24.9	22.2	24.8	-10.6
Asia	—	—	—	—	—	—	4.4	0.9	361.6
Others/eliminations	-1.3	-1.7	—	-1.9	-1.8	—	-9.1	-9.1	—
Consolidated	42.7	38.5	11.1	14.7	12.1	21.3	103.6	103.9	-0.3

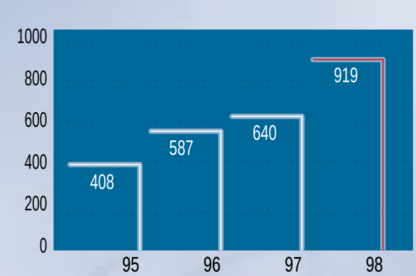
Billions of constant pesos as of December 31, 1998.
[1] *In constant pesos as of December 31, 1998, using a weighted average inflation factor of 1.2581.*

CEMEX Mexico sales
millions of US dollars



Strong demand from Mexico's self-construction sector and private sector investment fueled double-digit sales growth for the year.

CEMEX Mexico EBITDA
millions of US dollars



CEMEX Mexico's EBITDA reached a record US$919 million for 1998, a 44% increase over last year.

The volume of ready-mix expanded by 27%, driven by increases in industrial and commercial construction. In addition, CEMEX has developed new products for urban pavements and has entered new markets with lower, but consistent, ready-mix demand.

Export volumes declined 45% in 1998, primarily due to the elimination of exports to Southeast Asia following the Asian economic crisis. Exports from Mexico were distributed as follows:

Central/South America:	27%
The Caribbean:	30%
North America:	43%

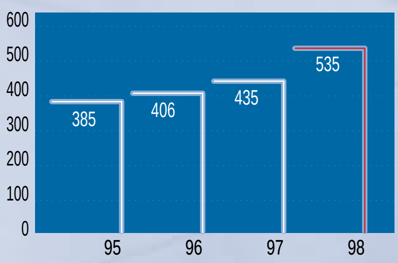
During 1998, CEMEX Mexico's average domestic price per ton of cement (invoiced) increased 14% in real terms (13% in dollar terms) compared to 1997. The average price of ready-mix grew 8% in constant pesos (7% in dollar terms) compared to the previous year. Greater customer service efforts and expansion into new niche markets supported solid prices.

The average cash cost of goods sold per ton (excluding depreciation) decreased 10% in real terms in 1998 vis-à-vis 1997, as fixed and variable costs declined 8% and 11%, respectively. CEMEX estimates that reduced energy costs saved nearly US$40 million during 1998 versus a year ago. In dollar terms, costs declined 13% compared to 1997.

CEMEX Mexico's operating margin widened to 40.4% in 1998 from 29.7% in 1997. Operating income grew 60% over 1997 to 7.8 billion pesos (US$788 million, representing a 55% increase in dollar terms).

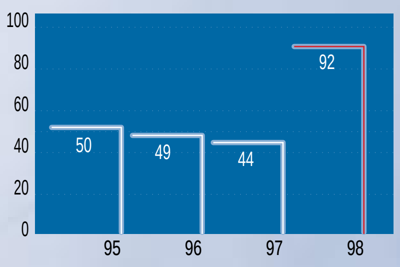
EBITDA at CEMEX Mexico increased 49% in real terms to a record $9.1 billion pesos. EBITDA margin grew to 47.1% during the year from 37.2% in 1997. In dollar terms, EBITDA in 1998 increased by 44% over 1997 to US$919 million.

CEMEX USA sales
millions of US dollars



Stronger cement and ready-mix prices and volumes caused CEMEX USA's 1998 sales to surge to US$535 million, a 23% increase over a year ago.

CEMEX USA EBITDA
millions of US dollars



CEMEX USA's EBITDA rose to a record US$92 million thanks to the company's ability to import low-cost cement from China.

United States

The United States continued to enjoy healthy economic growth during 1998. A solid housing sector and infrastructure investment fueled strong cement demand. The company expects these sectors to begin to decelerate in 1999, but total cement demand could show moderate growth due to recent federal legislation (TEA 21) that will significantly increase public funding for freeway construction over the next six years.

CEMEX USA's net sales rose 23% to US$535 million, driven by stronger cement and ready-mix prices and volumes.

CEMEX USA's cement sales volume increased by 21% in 1998 versus 1997 due to strong demand in its three states of operation – Texas, Arizona and California. Ready-mix and aggregates sales volumes grew 13% and 26%, respectively, during the year.

The average realized price of cement rose 9% during the year as local cement producers continued to operate at full capacity, while the average price of ready-mix increased 5%. The average price of aggregates remained stable in 1998.

The average cash cost of goods sold per ton (excluding depreciation) decreased 3% in real terms in 1998 versus 1997, as both fixed and variable costs declined 3%. CEMEX estimates that importing less expensive cement from Asia resulted in approximately US$15 million in cost savings during 1998.

Operating income increased 172% to US$75 million. The operating margin expanded to 14.1% in 1998 from 6.4% in the previous year.

EBITDA increased 107% to a record US$92 million, and EBITDA margin reached 17.2% compared to 10.2% in 1997.

South America & Caribbean major operations

Venezuela

Like Mexico, Venezuela enjoys strong demand from the self-construction sector. Demand from this sector is expected to be moderate in 1999, a fact which should reduce the impact of a decrease in formal sector spending and private investment. Most of the company's Venezuelan plants will reap significant benefits from their strategic proximity to the Caribbean. CEMEX expects increased exports to offset any decline in domestic cement volumes.

In 1998, CEMEX's Venezuelan operations posted net sales of $294.9 billion bolivars, a 3% decrease in real terms compared to 1997, primarily due to lower prices in constant bolivar terms, which offset higher domestic cement and ready-mix volumes. In dollar terms, net sales increased 13% to US$522 million, as the rate of inflation was 29.9% for the year while the bolivar devalued at a rate of 11.9% during the same period.

CEMEX's Venezuelan domestic cement sales volume increased 11% compared to the preceding year, primarily driven by private-sector demand. Ready-mix sales volume grew 24%. Cement demand was positively affected by several factors, including (1) the company's participation in a railroad concession project; (2) private-sector, concession-related spending; (3) long-term investment in the petroleum sector; and (4) Vencemos' award of the cement supply contract for the Caruachi dam project in eastern Venezuela.

The Venezuelan operations continued at full capacity during the year. As production shifted to meet rising domestic cement demand, the volume of Venezuelan exports decreased 14% for the year and represented 42% of total cement sales volumes, versus 48% in 1997. Exports from Venezuela were distributed as follows:

United States:	61%
The Caribbean & Central America:	27%
South America:	12%

In 1998, cement and ready-mix average realized prices declined 11% and 3%, respectively, in real terms, versus 1997. In dollar terms, both cement and ready-mix average prices rose 8% and 16%, respectively, due to the strength of the bolivar.

The average cash cost of goods sold per ton (excluding depreciation) decreased 4% in constant bolivars during 1998 compared to 1997. Fixed costs remained stable while variable costs decreased 10% due to lower costs associated with the grinding of raw materials. In dollar terms, cash costs increased 12% due to the strength of the bolivar.

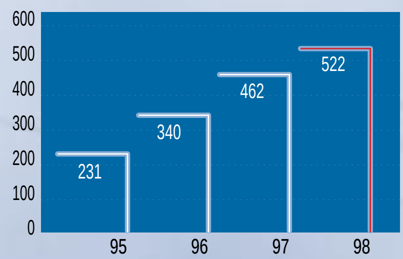
Operating margin for 1998 was 33.6% versus 34.6% in 1997. Operating income of $99.0 billion bolivars was 6% lower in real terms than in 1997. In dollar terms, it grew 9% to US$175 million.

EBITDA was $123.8 billion bolivars for the year, 7% less than in 1997. The EBITDA margin decreased to 41.9% in 1998 from 43.7% in the previous year. In dollar terms, EBITDA grew 8% to a record US$219 million.

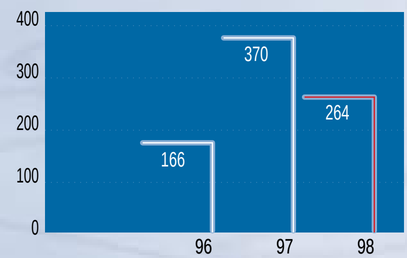
Colombia

At the beginning of 1998, Colombia experienced strong economic growth due to a more relaxed monetary policy. However, toward mid-year, turbulence in global markets aggravated the country's economic problems. In 1999, the company expects to see further reductions in public spending. A moderate increase in private investment, resulting from government concession projects, should partially compensate for these projected reductions.

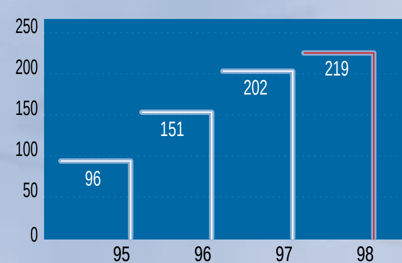
CEMEX Venezuela sales
millions of US dollars



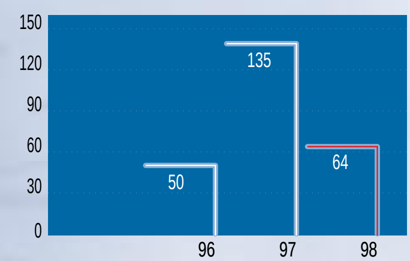
CEMEX Colombia sales
millions of US dollars



CEMEX Venezuela EBITDA
millions of US dollars



CEMEX Colombia EBITDA
millions of US dollars

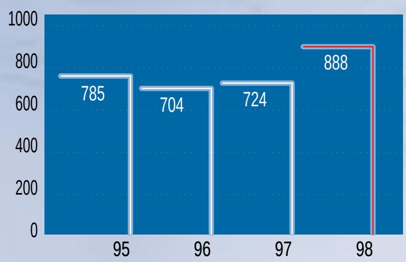


Venezuela's strong private-sector demand led to net sales of US$522 million, a 13% increase over 1997. EBITDA grew to a record US$219 million.

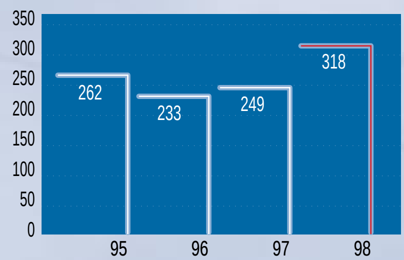
Net sales from CEMEX's Colombian operations decreased to US$264 million as high interest rates and inflation continue to impact the country's economy. EBITDA declined to US$64 million, 53% lower than 1997.

Net sales from the Colombian operations decreased to $406.5 billion Colombian pesos, 27% lower in constant terms than in 1997. In dollar terms, net sales declined 29% to US$264 million. High interest rates and inflation have impacted, and continue to impact, the Colombian economy and the construction sector. In 1998, increased competitive pressure caused average cement prices to decline by 14% in real terms (18% in dollar terms). Average ready-mix prices declined 5% in real terms in 1998 (10% in dollar terms). By year-end, cement prices had fully recovered in US dollar terms.

CEMEX Spain sales
millions of US dollars



CEMEX Spain EBITDA
millions of US dollars



Spain's 1998 net sales rose to US$888 million, a 23% increase over a year ago. Likewise, EBITDA grew to a record US$318 million.

Operating margin went down to 4.2% in 1998 from 22.1% in 1997, on operating income of $17.2 billion Colombian pesos, an 86% decline in real terms year-over-year. In dollar terms, operating income fell 86% to US$11.2 million during 1998.

EBITDA diminished 51% from 1997 to $98.2 billion Colombian pesos in 1998. EBITDA margin declined to 24.2% from 36.4%. In dollar terms, EBITDA of US$64 million was 53% lower than in 1997.

Europe & Asia major operations

Spain

The outlook for Spain remains positive. The Spanish government's convergence plan has lowered interest rates, which have, in turn, stimulated investment, consumption, and employment levels. For 1999, the company believes that the Spanish economy will continue its economic growth, generating another solid year for the construction industry.

Net sales for CEMEX Spain's operations were $126.1 billion pesetas during the year, representing a 15% increase over 1997. In dollar terms, sales rose 23%, reaching US$888 million. This increase was largely due to significant domestic cement and ready-mix volume growth as cement imports into Spain declined 14%.

CEMEX Spain's domestic cement volume grew 15% in 1998 versus 1997, due to strong demand in the housing and nonresidential segment and resumed public works spending. Likewise, ready-mix volume increased 19% during the year. Cement volumes grew despite the sale of CEMEX's plant in Alcalá de Guadaira (southern Spain) for $39 billion pesetas (approximately US$280 million) in the fourth quarter. The plant represented 10% of the Spanish operation's capacity. Export volumes declined 4% in 1998 to meet domestic demand.

The average realized price of cement rose 2% in peseta terms versus 1997, and 1% in dollar terms. Additionally, the average realized price of ready-mix increased 2% for the period (1% in dollar terms).

The average cash cost of goods sold per ton (excluding depreciation) grew 1% compared to 1997. A 3% increase in fixed costs was offset by a 1% decrease in variable costs from greater volume. The average cash cost in dollar terms rose 8%.

Operating margin expanded to 27.2% in 1998 from 21.5% in 1997, on operating income of $34.3 billion pesetas, 45% more than the preceding year. In dollar terms, operating income grew 55% to US$241 million.

EBITDA increased 20% to a record $45.2 billion pesetas, while in dollar terms it increased 28% to a record US$318 million. EBITDA margin widened to 35.8% in 1998 from 34.4% in 1997.

The Philippines

At December 31, 1998, the investment in Rizal Cement Co. was accounted under the purchase method, and only the balance sheet is included in CEMEX's consolidated financial statements, with figures as of November 30, 1998. As of December 31, 1997, the 30% investment in Rizal was accounted under the equity method, reflecting an investment of $432 million pesos in the Investment in Associated Companies account.

Indonesia

In CEMEX's consolidated financial statements as of December 31, 1998, the investment in PT Semen Gresik is registered under the equity method, reflecting an investment of $1.168 billion pesos in the Investment in Associated Companies account.

Financial Position

In 1998, CEMEX achieved ahead of schedule its goal of strengthening its financial leverage and interest coverage ratios. The company surpassed its financial leverage ratio objective of 3.5 times net debt to EBITDA, and its interest coverage of 3.0 times, for early 1999. The financial leverage ratio was reduced to 3.09 times in 1998 from 3.97 times in 1997. The interest coverage ratio improved to 3.03 times in 1998 compared to 2.41 times in 1997.

Net debt decreased by US$153 million to US$4.6 billion, representing a 3% reduction compared to 1997. CEMEX achieved this reduction despite capital expenditures of US$320 million and share purchases of US$177 million, including purchases of minority interests. On-balance sheet debt totaled US$4.2 billion, equity swaps totaled US$500 million and putable preferred capital securities totaled US$250 million. Cash and cash equivalents increased to US$407 million from US$380 million in 1997.

CEMEX periodically utilizes hedging instruments designed to mitigate the impact of fluctuations in interest rates, currency exchange rates and share prices. The financial effect of these hedging transactions is reflected in the company's financial expenses or as a part of stockholders' equity, as appropriate.

Relevant Financing and Events

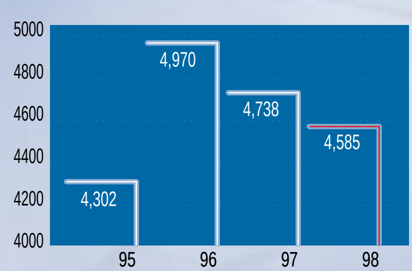
During 1998, CEMEX completed the following financial transactions:

- At the annual general stockholders' meeting on April 23, 1998, stockholders approved a dividend program in which holders of CEMEX A, B, and CPO series shares were given the right to elect a cash dividend of $1.00 peso per share or its equivalent in CPOs (representing series A shares) valued at a price of $33.3333 pesos per CPO.

Debt indicators at the end of 1998

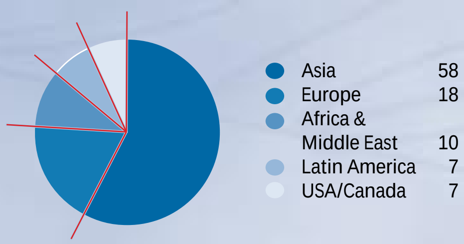
Balance sheet debt	US$	4.242 billion
Long-term debt (73.9%)		3.136 billion
Short-term debt (26.1%)		1.106 billion
Equity obligations		0.750 billion
Cash		0.407 billion
Net debt		4.585 billion
Denomination of on-balance sheet debt		
Dollars		96.8 %
Pesetas		2.1 %
Philippine pesos		0.7 %
Colombian pesos		0.3 %
Bolivars		0.1 %
Average cost of on-balance sheet debt		
Dollars		8.1 %
Pesetas		4.5 %
Philippine pesos		16.8 %
Colombian pesos		16.6 %
Bolivars		42.9 %
Interest coverage		3.03
Interest plus cash tax coverage		2.74
Financial leverage		3.09
Debt to total capitalization		46.6

Net debt
millions of US dollars



CEMEX cut net debt by US$153 million, a 3% reduction compared to 1997.

World cement consumption by region
percentage



(source: Cembureau)
1997 World consumption = 1.6 billion tons

Developing economies account for most of the world's current and future cement consumption.

Nearly 80% of stockholders elected the CPOs, and a total of 32,878,217 CPOs were issued on June 19, 1998. The remaining 20% of stockholders elected to receive the $1.00 peso per share cash dividend, and CEMEX paid a total of approximately $300 million pesos (US$33 million) in cash dividends.

- During the second quarter of 1998, CEMEX extended its US$600 million revolving credit facility through May 1999. The facility allows CEMEX to refinance up to US$600 million of outstanding debt and eliminate short-term refinancing risk for up to that amount. Any funds drawn under the facility may be converted to a mid-term loan with final maturity in May 2001. As of December 31, 1998, CEMEX had drawn down US$490 million of the original amount.

- In May 1998, CEMEX's Spanish subsidiary, Valenciana de Cementos Portland, through one of its subsidiaries, issued US$250 million of putable preferred capital securities at 9.66% per annum. Under this transaction, CEMEX has the option to purchase the outstanding capital securities on November 15, 2004. In addition, the preferred security holders have the option to sell the securities to CEMEX on May 15, 2005. The resources were used by CEMEX International, Valenciana's parent company, as a partial payment for the US$346 million acquisition of the Colombian operations (Cementos Diamante) from CEMEX Holding. The remaining balance of the transaction will be paid through an intercompany note. In turn, CEMEX used the proceeds to pay debt at the Holding company level.

- In June 1998, CEMEX paid the remaining US$459 million of the original US$1 billion Jumbo Bond. The payment was made with proceeds from the sale of CEMEX's Colombian operations to its Spanish subsidiary as well as with free cash flow and short-term debt.

Investments and Divestitures

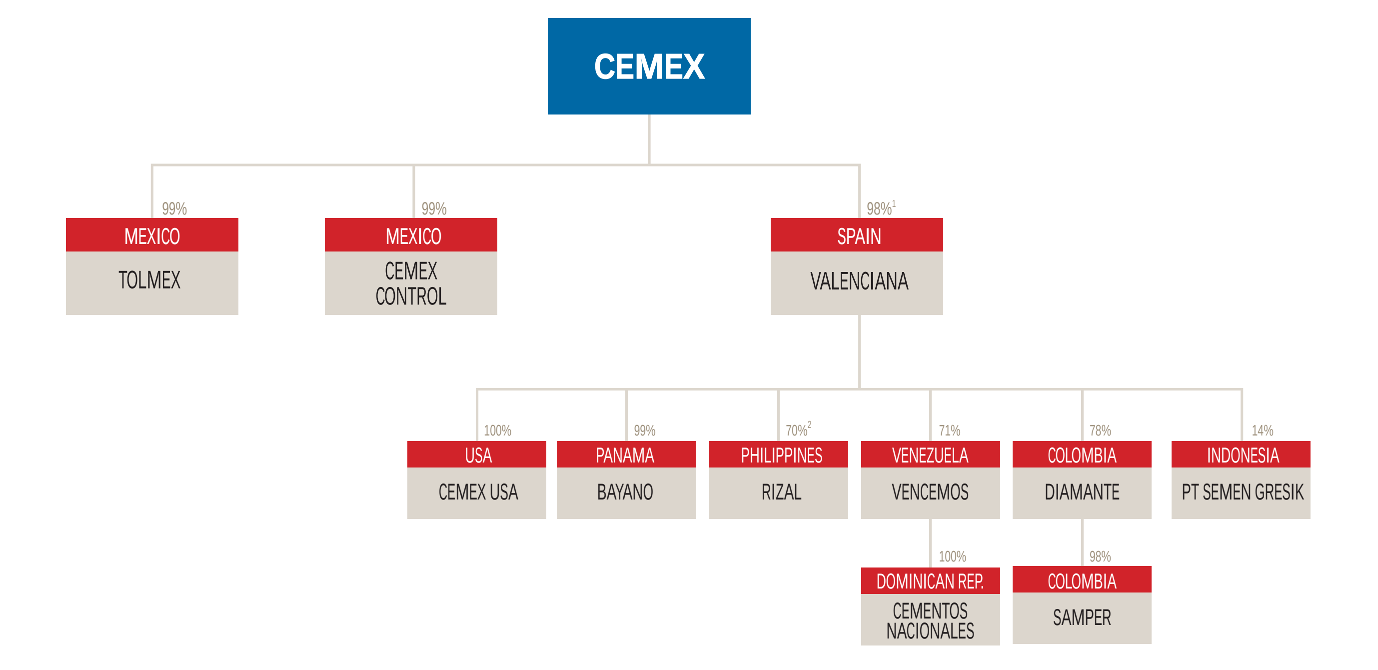
- In 1998, CEMEX invested US$262 million to support its geographic diversification strategy and US$177 million on share purchases, including purchases of minority interests. In addition, the company divested US$304 million in assets and plans to redeploy these funds in higher-growth and higher-return investments.

- In September 1998, CEMEX announced that the Indonesian government awarded it the right to purchase a 14% minority interest in PT Semen Gresik (Gresik), Indonesia's largest cement manufacturer. The transaction was valued at US$114.6 million, or US$1.38 per share. The Indonesian government retained a 51% interest in Gresik after the completion of the transaction. In addition, on November 24, 1998, CEMEX launched a tender offer for an additional 6% of Gresik's outstanding shares at the same per-share price of US$1.38, for a total of US$49.1 million. On January 4, 1999, CEMEX secured the additional 6% in Gresik.

  CEMEX and the Indonesian government have agreed to mutual rights of first refusal. Under the agreement, the Indonesian government will have the right to sell to CEMEX any or all of its remaining 51% interest for the same US$1.38 price per share plus 8.2% per annum for a period of 3 years.

- In November 1998, CEMEX's Spanish subsidiary sold its Alcalá de Guadaira plant and related assets in southern Spain to the Spanish corporation Grupo Valderrivas. The amount of the transaction was $39 billion pesetas (approximately US$280 million). The sale represented about 10% of the Spanish operation's installed capacity. The proceeds from this sale were applied to international investments such as Gresik, Rizal Cement Co. and the additional minority interest in Cementos Diamante in Colombia.

Simplified CEMEX structure (as of December 31, 1998)



- In November 1998, CEMEX increased to 70% its participation in the economic interest of Rizal Cement Co., a Philippine cement producer. The company acquired the economic rights to an additional 40% interest in Rizal for US$128 million. CEMEX had previously acquired a 30% participation in Rizal in a transaction completed in October 1997.

- In December 1998, CEMEX commenced a public tender offer to acquire the remaining 34.73% of the ordinary shares of its Colombian subsidiary, Cementos Diamante, for a price of $3,000 Colombian pesos per ordinary share. CEMEX paid US$47 million for a 21.96% additional interest in Diamante. Following the offer, CEMEX increased its ownership in Cementos Diamante to 78.34%.

- In addition, on December 21, 1998, CEMEX launched a tender offer to buy outstanding shares of its Mexican subsidiary, TOLMEX, S.A. de C.V., at a per-share price of $63.25 pesos. On January 22, 1999, CEMEX acquired a total of 1,326,061 shares, representing 0.33% of TOLMEX, for a total of $83.8 million pesos (US$8.2 million). Following the offer, CEMEX increased its ownership in TOLMEX to 99.64%.

Strategic Developments

- During the third quarter, CEMEX regrouped its operations into three distinct regions in order to more closely support and manage its global business. CEMEX Mexico and CEMEX International were reorganized into the regions of (1) North America, (2) South America & Caribbean, and (3) Europe & Asia. Francisco Garza heads the North America region; Víctor Romo directs the South America & Caribbean region; and José Luis Sáenz de Miera oversees the Europe & Asia region.

[1] CEMEX owned 70.58% of the capital stock of Valenciana and held the economic and voting rights to an additional 25.39% of such capital stock. In addition, CEMEX has an option to acquire an additional 2.25% of the capital stock of Valenciana and has voting rights and a portion of the economic rights with respect to such capital stock. 2.0% of Valenciana's capital stock was held as treasury stock.

[2] CEMEX owned 40% of the capital of Rizal and held the economic and voting rights to an additional 30% of such capital stock owned by a Philippine investor. The Philippine investor and CEMEX have an agreement that gives CEMEX the control over the operations that are not reserved for Philippine nationals, as well as the general management of the company.

- In October 1998, CEMEX agreed to engage the consortium formed by Alstom (France) and Sithe Energies (United States) to construct and operate a 230-megawatt electricity generation plant in Tamuín, Mexico. CEMEX will obtain electricity for 12 of its cement plants in Mexico from this facility for at least 20 years. While CEMEX is not required to provide investment capital for the project, it has committed to purchase the entire electrical output of the plant. CEMEX will also make available sufficient petcoke to the consortium to fuel the plant's operations through the application of a portion of the petcoke supply available to CEMEX under a 20-year contract with Pemex, the Mexican state-owned oil company. The plant is expected to generate electricity at a lower and more stable cost to CEMEX and to supply approximately 60% of the electricity needs of the 12 cement plants. The construction of the project is expected to last 30 months and is scheduled to begin operations in 2002.

- Due to global capital market volatility, the third-party investors' capitalization of CEMEX Investment Holdings Asia Pte. Ltd. (CIHA) was delayed. CIHA is the company's Singapore-based subsidiary, which was formed to undertake potential investments in Asia. Several of the venture capital investors are reconsidering their participation in CIHA with CEMEX. Though it remains to be seen whether those investors will participate in CIHA in the future, CEMEX will continue to work to attract investors to CIHA and expects renewed interest in CIHA once capital markets stabilize.

Employee Ownership Programs

- In January 1998, CEMEX introduced a new stock option plan as part of its variable compensation program for key executives. Under this plan, CEMEX granted ten-year options to acquire a total of 3,427,624 CEMEX B shares. Each option fully vests only if the 240-day moving average price of the stock reaches US$9.62 dollars by January 2003.

- To further align the interests of CEMEX's executives with those of its stockholders, the company initiated a fully hedged, voluntary employee stock option plan in February 1998. Under this program, executives elected to purchase a total of 6,810,000 and 14,255,000 five-year options on CEMEX B shares and CEMEX CPOs, respectively, with an escalating strike price indexed quarterly in dollar terms reflecting market-funding costs. In May 1998, CEMEX executives exercised a total of 5,760,875 options on CEMEX B shares.

Year 2000 (Y2K) Issue

In January 1997, CEMEX launched a company-wide program called "CEMEX 2000." The objective of this program is to assure continuous business operation for the year 2000 and beyond. Preparation for Y2K includes information technology, manufacturing technology and the extended business network. The program has been reviewed by IBM Global Services in order to identify areas of opportunity for process improvement and to reduce business risk. TAVA Technologies is providing assistance in the preparation of the manufacturing technology, the identification of potential problems and the implementation of solutions in our plants.

CEMEX's Y2K solution includes improvement of business practices and the replacement of certain technologies worldwide to provide for future benefits. As part of the program, CEMEX has also implemented a continuous follow-up plan to monitor the progress of its most important suppliers, customers and financial institutions and the government. As of December 1998, the total amount executed has been approximately US$13 million. The budget for executing this company-wide effort is expected to reach an estimated total of US$43 million.

The program is in the implementation and testing phases; we expect to be completed by mid-year 1999. The scope of the program also includes the implementation of selective contingency plans that support the continuous operation of the core business processes.

Financial statements

Auditors' report

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

(Thousands of Mexican pesos)

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 31,1998 and 1997, and the related consolidated and parent company-only statements of income, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of certain consolidated subsidiaries which were audited by other auditors. The financial statements of these subsidiaries reflect total assets and total revenues constituting 12% and 9% in 1998 and 9% and 9% in 1997, respectively, of the related consolidated totals. The parent company's investment in these subsidiaries was $15,046,147 and $14,153,613 as of December 31, 1998 and 1997, respectively, and its share in their net income (loss) was $(321,877) and $859,201 for the respective years then ended. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

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

In our opinion, based upon our audits and the reports of other auditors, 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, 1998 and 1997, and the consolidated and parent company-only results of operations, the changes in stockholders' equity and the changes in financial position for the years then ended, in accordance with generally accepted accounting principles in Mexico.

KPMG Cárdenas Dosal, S.C.

Rafael Gómez Eng

Monterrey, N.L., Mexico
January 19, 1999.

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, 1998. 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. The system of internal accounting control of some subsidiaries were examined by other auditors, whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the system of internal accounting control for such subsidiaries is based solely on the reports of other auditors.

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, based on our audit and the reports of other auditors, the system of internal accounting control of Cemex, S.A. de C.V. and Subsidiaries for the year ended December 31, 1998, 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.

Rafael Gómez Eng

Monterrey, N.L. Mexico
January 19, 1999.

The management of Cemex, S.A. de C.V. is responsible for the preparation and integrity of the accompanying consolidated financial statements and for 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 Company's system of internal control. This system is based on an organizational structure providing division of responsibilities and the selection and training of qualified personnel. Also, it includes polices, which are communicated to all personnel through appropriate communication channels. The system of internal control is supported by an internal audit function that operates at international level and reports its findings to management throughout the year. Management believes that, for the year ended December 31, 1998, 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.

Cemex, S.A. de C.V. engaged KPMG Cárdenas Dosal, S.C., the Company's principal independent auditors, to perform an audit of system internal control and express their opinion thereon for the year ended December 31, 1998. Their audit applied generally accepted auditing standards, which included a review and evaluation of control systems and performance of such test of accounting information records as they considered necessary in order to reach their opinion. Their report is presented separately.

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

Consolidated balance sheets

(Thousands of constant Mexican pesos as of December 31, 1998)

Cemex, S.A. de C.V. and Subsidiaries

ASSETS		December 31, 1998	1997
CURRENT ASSETS			
Cash and temporary investments	$	4,027,461	3,861,534
Trade accounts receivable, less allowance for doubtful accounts $605,904 in 1998 and $608,457 in 1997		4,992,549	4,623,930
Other receivables (note 3)		2,088,160	1,966,827
Inventories (note 4)		4,368,154	4,339,922
Other current assets (note 5)		795,550	807,440
Total current assets		16,271,874	15,599,653
INVESTMENTS AND NONCURRENT RECEIVABLES			
Investments in affiliated companies (note 6)		3,805,718	2,818,944
Other investments		262,524	574,889
Other accounts receivable		229,832	135,199
Total investments and noncurrent receivables		4,298,074	3,529,032
PROPERTY, MACHINERY AND EQUIPMENT (note 7)			
Land and buildings		28,771,020	29,639,063
Machinery and equipment		87,866,449	86,282,271
Accumulated depreciation		(59,325,703)	(57,563,372)
Construction in progress		3,492,908	2,618,198
Total property, machinery and equipment		60,804,674	60,976,160
DEFERRED CHARGES (note 8)		22,176,012	23,773,611
TOTAL ASSETS	$	103,550,634	103,878,456

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		December 31, 1998	1997
CURRENT LIABILITIES			
Bank loans (note 9)	$	3,967,564	3,556,158
Notes payable (note 9)		810,361	1,117,098
Current maturities of long-term debt (notes 9 and 10)		6,170,408	2,001,160
Trade accounts payable		3,041,024	2,993,102
Other accounts payable and accrued expenses		3,814,965	3,222,778
Total current liabilities		17,804,322	12,890,296
LONG-TERM DEBT (note 10)			
Bank loans		19,656,083	16,706,692
Notes payable		17,563,500	25,507,927
Current maturities of long-term debt		(6,170,408)	(2,001,160)
Total long-term debt		31,049,175	40,213,459
OTHER NONCURRENT LIABILITIES			
Pension plans and seniority premium (note 12)		957,611	542,777
Deferred income taxes (note 15)		1,074,498	1,351,826
Other noncurrent liabilities		1,796,579	1,199,524
Total other noncurrent liabilities		3,828,688	3,094,127
Total liabilities		52,682,185	56,197,882
STOCKHOLDERS' EQUITY (note 13)			
Majority interest:			
Common stock-historical cost basis		47,619	46,514
Common stock-accumulated inflation adjustments		2,432,037	2,431,931
Additional paid-in capital		14,902,046	13,694,112
Deficit in equity restatement		(38,719,659)	(33,996,585)
Retained earnings		51,870,072	45,788,005
Net income		7,952,097	7,724,682
Total majority interest		38,484,212	35,688,659
Minority interest		12,384,237	11,991,915
Total stockholders' equity		50,868,449	47,680,574
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	103,550,634	103,878,456

Consolidated statements of income

(Thousands of constant Mexican pesos as of December 31, 1998, except for earnings per share)

Cemex, S.A. de C.V. and Subsidiaries

	Years ended on December 31, 1998	1997
Net sales	$ 42,720,448	38,464,127
Cost of sales	(24,700,707)	(23,570,504)
Gross profit	18,019,741	14,893,623
Operating expenses:		
Administrative	(4,598,425)	(3,932,195)
Selling	(1,761,177)	(1,872,408)
Total operating expenses	(6,359,602)	(5,804,603)
Operating income	11,660,139	9,089,020
Comprehensive financing income (cost):		
Financial expenses	(4,805,256)	(5,178,351)
Financial income	106,302	1,050,537
Foreign exchange loss, net	(2,192,258)	(120,055)
Monetary position result	5,582,481	5,859,123
Net comprehensive financing income (cost)	(1,308,731)	1,611,254
Other expense, net	(1,506,124)	(1,396,442)
Income before income taxes, employees' statutory profit sharing and equity in income of affiliates	8,845,284	9,303,832
Income tax and business assets tax, net (note 15)	(457,437)	(508,233)
Employees' statutory profit sharing (note15)	(200,190)	(165,731)
Total income tax, business assets tax and employees' statutory profit sharing	(657,627)	(673,964)
Income before equity in income of affiliates	8,187,657	8,629,868
Equity in income of affiliates	155,157	177,525
Consolidated net income	8,342,814	8,807,393
Minority interest net income	390,717	1,082,711
Majority interest net income	$ 7,952,097	7,724,682
Basic Earnings Per Share (note 19)	$ 6.30	6.01
Diluted Earnings Per Share (note 19)	$ 6.28	5.92

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in financial position

(Thousands of constant Mexican pesos as of December 31, 1998)

Cemex, S.A. de C.V. and Subsidiaries

	Years ended on December 31, 1998	1997
Operating activities		
Majority interest net income	$ 7,952,097	7,724,682
Charges to operations which did not require resources (note 18)	4,423,118	5,290,200
Resources provided by operating activities	12,375,215	13,014,882
Changes in working capital, excluding effect of acquisitions		
Trade accounts receivable, net	(790,743)	(264,095)
Other receivable and other assets	(313,407)	278,077
Inventories	(516,810)	(279,603)
Trade accounts payable	376,406	723,333
Other accounts payable and accrued expenses	921,561	(619,643)
Net change in working capital	(322,993)	(161,931)
Net resources provided by operating activities	12,052,222	12,852,951
Financing activities		
Proceeds from bank loans (repayments), net	3,042,263	(79,070)
Notes payable, net, excluding foreign exchange effect (note 2D)	(6,960,161)	(4,157,720)
Investment by subsidiaries	(2,463,845)	(726,253)
Dividends paid	(1,642,615)	—
Issuance of common stock from reinvestment of dividends	1,200,492	—
Issuance of preferred stock by subsidiaries	2,475,000	—
Others financing activities, net	(424,126)	(477,717)
Acquisition of shares under shares repurchase program	—	(1,203,879)
Issuance of common stock	8,653	16,048
Resources used in financing activities	(4,764,339)	(6,628,591)
Investing activities		
Property, machinery and equipment, net	(3,227,909)	(3,398,235)
Acquisitions, net of cash acquired	(2,512,568)	(942,516)
Disposal of assets	2,385,609	—
Minority interest	(856,636)	(1,035,654)
Deferred charges	(40,373)	(670,947)
Other investments and monetary foreign currency effect	(2,870,079)	(631,854)
Resources used in investing activities	(7,121,956)	(6,679,206)
Increase (decrease) in cash and temporary investments	165,927	(454,846)
Cash and temporary investments at beginning of year	3,861,534	4,316,380
Cash and temporary investments at end of year	$ 4,027,461	3,861,534

See accompanying notes to consolidated financial statements.

Balance sheets

(Thousands of constant Mexican pesos as of December 31, 1998)

Cemex, S.A. de C.V. (Parent Company only)

		December 31,	
ASSETS		**1998**	**1997**
CURRENT ASSETS			
Cash and temporary investments	$	185,969	10,158
Other receivables (note 3)		563,264	520,227
Intercompany receivables (note 11)		1,435,522	693,527
Total current assets		2,184,755	1,223,912
INVESTMENTS AND NONCURRENT RECEIVABLES			
Investments in subsidiaries and affiliated companies (note 6)		67,389,468	67,899,718
Other investments		9,210	10,983
Long-term intercompany receivables (note 11)		974,716	—
Total investments and noncurrent receivables		68,373,394	67,910,701
PROPERTY AND BUILDINGS			
Land		1,126,493	1,116,147
Buildings		286,573	286,990
Accumulated depreciation		(146,013)	(141,861)
Total property and buildings		1,267,053	1,261,276
DEFERRED CHARGES (note 8)		1,991,438	1,801,937
TOTAL ASSETS	$	73,816,640	72,197,826

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		December 31, 1998	1997
CURRENT LIABILITIES			
Bank loans (note 9)	$	2,776,420	2,439,694
Notes payable (note 9)		93,591	919,785
Current maturities of long-term debt (note 9)		3,146,016	200,902
Other accounts payable and accrued expenses		650,638	540,704
Intercompany payables (note 11)		10,026,700	10,758,732
Total current liabilities		16,693,365	14,859,817
LONG-TERM DEBT (note 10)			
Bank loans		7,092,005	1,902,636
Notes payable		14,657,636	19,947,616
Current maturities of long-term debt		(3,146,016)	(200,902)
Total long-term debt		18,603,625	21,649,350
Other long-term liabilities		35,438	—
Total liabilities		35,332,428	36,509,167
STOCKHOLDERS' EQUITY (note 13)			
Common stock-historical cost basis		47,619	46,514
Common stock-accumulated inflation adjustments		2,432,037	2,431,931
Additional paid-in capital		14,902,046	13,694,112
Deficit in equity restatement		(38,719,659)	(33,996,585)
Retained earnings		51,870,072	45,788,005
Net income		7,952,097	7,724,682
Total stockholders' equity		38,484,212	35,688,659
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	73,816,640	72,197,826

Statements of income

(Thousands of constant Mexican pesos as of December 31, 1998, except for earnings per share)

Cemex, S.A. de C.V. (Parent Company only)

	Years ended on December 31, 1998	1997
Equity in income of subsidiaries and affiliates	$ 6,341,712	5,732,624
Rental income	120,110	136,160
License fees	498,195	374,269
Total revenues (note 11)	6,960,017	6,243,053
Administrative expenses	(103,603)	(84,943)
Operating income	6,856,414	6,158,110
Comprehensive financing (cost) income:		
Financial expenses	(4,454,517)	(3,635,305)
Financial income	34,969	468,201
Foreign exchange loss, net	(1,903,164)	(229,431)
Monetary position result	5,817,079	4,183,633
Net comprehensive financing (cost) income	(505,633)	787,098
Other income, net	33,495	102,583
Income before income taxes	6,384,276	7,047,791
Income tax benefit and business assets tax, net (note 15)	1,567,821	676,891
Net income	$ 7,952,097	7,724,682
Basic Earnings Per Share (note 19)	$ 6.30	6.01
Diluted Earnings Per Share (note 19)	$ 6.28	5.92

See accompanying notes to financial statements.

Statements of changes in financial position

(Thousands of constant Mexican pesos as of December 31, 1998)

Cemex, S.A. de C.V. (Parent Company only)

	Years ended on December 31, 1998	1997
Operating activities		
Net income	$ 7,952,097	7,724,682
Charges to operations which did not require resources (note 18)	(6,262,542)	(5,624,183)
Resources provided by operating activities	1,689,555	2,100,499
Changes in working capital		
Other receivables	(43,037)	(342,221)
Short-term intercompany receivables and payables, net	(1,474,027)	13,055,983
Other accounts payable and accrued expenses	109,934	(62,961)
Net change in working capital	(1,407,130)	12,650,801
Net resources provided by operating activities	282,425	14,751,300
Financing activities		
Proceeds from bank loans, net	5,526,095	1,646,529
Notes payable	(9,125,307)	(5,301,557)
Issuance of common stock	8,653	16,048
Acquisition of shares under share repurchase program	—	(1,203,879)
Dividends paid	(1,642,615)	—
Issuance of common stock from reinvestment of dividends	1,200,492	—
Others	(104,464)	—
Resources used in financing activities	(4,137,146)	(4,842,859)
Investing activities		
Long-term intercompany receivables, net	(974,716)	—
Net change in investment in subsidiaries	5,332,341	(11,010,992)
Dividends received	—	686,134
Deferred charges	(327,093)	(40,580)
Resources provided by (used in) investing activities	4,030,532	(10,365,438)
Increase (decrease) in cash and temporary investments	175,811	(456,997)
Cash and temporary investments at beginning of year	10,158	467,155
Cash and temporary investments at end of year	$ 185,969	10,158

See accompanying notes to financial statements.

Statements of changes in stockholders' equity

(Thousands of constant Mexican pesos as of December 31, 1998)

Cemex, S.A. de C.V. and Cemex, S.A. de C.V. and Subsidiaries

	Common stock	
	Series A	Series B
Balances at December 31, 1996	$ 1,520,833	958,568
Adquisition of shares under share repurchase program	(400)	(578)
Appropriation of net income from prior year	—	—
Issuance of common stock (note 13B)	—	22
Result from holding nonmonetary assets	—	—
Updating of investments and other transactions relating to minority interest	—	—
Investment by subsidiaries (note 6)	—	—
Net income	—	—
Balances at December 31, 1997	1,520,433	958,012
Dividends declared ($1.18 pesos per share)	1,199	—
Appropriation of net income from prior year	—	—
Issuance of common stock (note 13B)	—	12
Result from holding nonmonetary assets	—	—
Updating of investments and other transactions relating to minority interest	—	—
Investment by subsidiaries (note 6)	—	—
Net income	—	—
Balances at December 31, 1998	$ 1,521,632	958,024

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

Additional paid-in capital	Deficit in equity restatement	Retained earnings	Net income	Majority interest	Minority interest	Total stockholders' equity
13,678,086	(27,909,120)	36,672,278	10,318,628	35,239,273	10,562,150	45,801,423
—	—	(1,202,901)	—	(1,203,879)	—	(1,203,879)
—	—	10,318,628	(10,318,628)	—	—	—
16,026	—	—	—	16,048	—	16,048
—	(4,169,431)	—	—	(4,169,431)	—	(4,169,431)
—	—	—	—	—	347,054	347,054
—	(1,918,034)	—	—	(1,918,034)	—	(1,918,034)
—	—	—	7,724,682	7,724,682	1,082,711	8,807,393
13,694,112	(33,996,585)	45,788,005	7,724,682	35,688,659	11,991,915	47,680,574
1,199,293	—	(1,642,615)	—	(442,123)	—	(442,123)
—	—	7,724,682	(7,724,682)	—	—	—
8,641	—	—	—	8,653	—	8,653
—	(1,238,675)	—	—	(1,238,675)	—	(1,238,675)
—	—	—	—	—	1,605	1,605
—	(3,484,399)	—	—	(3,484,399)	—	(3,484,399)
—	—	—	7,952,097	7,952,097	390,717	8,342,814
14,902,046	(38,719,659)	51,870,072	7,952,097	38,484,212	12,384,237	50,868,449

1.- DESCRIPTION OF BUSINESS

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

2.- SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The accompanying Parent Company-only financial statements have been prepared in order to comply with legal requirements in Mexico. The Company also presents consolidated financial statements.

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

B) PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

In accordance with Bulletin B-15 "Foreign Currency Transactions and Translation of Foreign Currency Financials Statements," the inflation restatement factors applied to the financial statements of prior periods were calculated based upon a weighted average index that takes into consideration the inflation rates of the countries in which the subsidiaries operate and change in the exchange rate of each country vis-a-vis the Mexican peso. The inflation restatement factors of prior periods for the Parent Company-only financial statements were determined based on inflation in Mexico.

Inflation restatement factor using weighted average index	1.2581
Inflation restatement factor for inflation in Mexico	1.1861

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

C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of Cemex and the subsidiary companies in which Cemex holds a majority interest and/or has control.

The main subsidiaries are:

- Cemex Control, S.A. de C.V.
- Tolmex, S.A. de C.V.
- Cemex Central, S.A. de C.V.
- Sunbelt Enterprises
- Turismo Cemex, S.A. de C.V.
- Compañía Valenciana de Cementos Portland, S.A.
- Corporación Venezolana de Cementos, S.A.C.A.
- Cemex USA, Inc.
- Cementos Diamante, S.A.
- Cemento Bayano, S.A.
- Cementos Nacionales, S.A.

All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

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

E) CASH AND TEMPORARY INVESTMENTS

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

F) INVENTORIES AND COST OF SALES (NOTE 4)

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

G) INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES (NOTE 6)

In the Parent Company-only financial statements, investments in common stock representing between 10% and 100% of the issuer's common stock are accounted for by the equity method. In the consolidated financial statements, investments in common stock in which the Company holds between 10% and 50% of the issuer's capital stock are accounted for by the equity method. Under the equity method, the investments are stated at cost, adjusted for the Company's equity in the investee's earnings after acquisition and the effects of inflation on the investee's equity.

H) PROPERTY, MACHINERY AND EQUIPMENT (NOTE 7)

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

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

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

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

I) DEFERRED CHARGES AND AMORTIZATION (NOTE 8)

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

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

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

J) PENSION PLANS AND SENIORITY PREMIUM (NOTE 12)

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

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

Other benefits to which employees may be entitled are recognized as an expense in the year in which they are paid.

K) INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING (NOTE 15)

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

L) MONETARY POSITION GAIN OR LOSS

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

M) DEFICIT IN EQUITY RESTATEMENT

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

N) DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments such as interest rate swaps, forward contracts, options and futures in order to reduce its exposure to market risks from changes in interest rates, foreign exchange rates, the price of the Company's shares and the price of energy. These financial instruments have been designated as hedges of the Company's cost, debt or equity and their economic effects are recognized as part of the cost of sales, comprehensive financing income (cost) or in stockholders' equity, according to their designation. The realized and unrealized gains and losses of forward contracts that have been designated to hedge the Company's investment in foreign subsidiaries are charged or credited directly to stockholders' equity as part of the foreign currency translation gain or loss.

3.- OTHER RECEIVABLES

Other current receivables consist of:

	1998		1997	
	Consolidated	Parent	Consolidated	Parent
Non-trade receivables	$ 1,283,235	11,600	1,223,463	25
Refundable income tax	634,541	526,461	470,675	515,738
Other refundable taxes	170,384	25,203	272,689	4,464
	$ 2,088,160	563,264	1,966,827	520,227

4.- INVENTORIES

Inventories are summarized as follows:

	Consolidated	
	1998	1997
Finished goods	$ 997,566	855,095
Work-in-process	485,161	257,531
Raw materials	508,601	559,230
Supplies and spare parts	1,986,643	2,191,761
Advances to suppliers	170,222	233,959
Inventory in transit	31,053	37,462
Real estate held for sale	188,908	204,884
	$ 4,368,154	4,339,922

5.- OTHER CURRENT ASSETS

Other current assets include $472,810 and $607,243, as of December 31, 1998 and 1997, respectively, of non-cement related assets which are intended to be sold in the short-term, and that are stated at their estimated realizable value. These assets include securities and assets for lines of business other than the Company's.

6.- INVESTMENT IN SUBSIDIARIES AND AFFILIATED COMPANIES

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

	1998		1997	
	Consolidated	Parent	Consolidated	Parent
Contribution or book value at acquisition date	$ 2,461,384	31,175,110	1,483,870	41,040,808
Equity in income and other changes in stockholders' equity of subsidiaries and affiliated companies	1,344,334	36,214,358	1,335,074	26,858,910
	$ 3,805,718	67,389,468	2,818,944	67,899,718

Investments held by subsidiaries in the Parent Company, amounting to $3,810,676 and $6,272,016 as of December 31, 1998 and 1997, respectively, are offset against majority interest stockholders' equity in the accompanying financial statements.

In September 1998, a subsidiary of the Company acquired 14% of the common stock of PT Semen Gresik (Gresik) for US dollars 114.6 million. Gresik is an Indonesian company with several cement plants. The investment in Gresik is included in the consolidated financial statements under the equity method of accounting and totals $1,168,161 at December 31, 1998.

In November 1998, a subsidiary of the Company increased to 40% its equity in Rizal Cement, Inc. (Rizal), a Philippine cement producer, for an amount of approximately US dollars 130 million. Furthermore, as part of this transaction, a Philippine investor, by suscription of a special series of shares, took part in the acquisition of an additional 30% of stock. The Philippine investor and Cemex, created an alliance which grants the Company control of the operations not reserved to Philippine nationals and control of the management of Rizal. The Company has 70% of the economic benefits of Rizal. As of December 31, 1998, the acquisition of Rizal was accounted for by the purchase method of accounting and the accounts of Rizal are included in the Company's consolidated financial statements based upon Rizal's November 30, 1998 amounts. As of December 31, 1997, the 30% investment in Rizal was included in the consolidated financial statements under the equity method of accounting and the Company's investment was $431,897.

Certain condensed financial information of Rizal is presented below as of November 30, 1998:

Current assets	$ 446,747
Non-current assets	1,680,893
Current liabilities	345,832
Non-current liabilities	141,424
Stockholders' equity	1,640,384

In December 1998, through a public offering, the Company acquired an additional 21.96% of shares of common stock of its subsidiary in Colombia. The transaction amounted to approximately US dollars 47.3 million.

7.- PROPERTY, MACHINERY AND EQUIPMENT

In 1998, the Company sold a cement plant of its Spanish subsidiary and its related assets for approximately US dollars 260 million (39,000 million pesetas). The sale included the ready-mix concrete, mortar and aggregate operations.

8.- DEFERRED CHARGES

Deferred charges are summarized as follows:

	1998		1997	
	Consolidated	Parent	Consolidated	Parent
Excess of cost over book value of subsidiaries and affiliated companies acquired	$ 23,007,320	1,631,203	24,640,978	1,429,131
Terminal installation costs and other intangibles	45,840	—	99,018	—
Deferred financing costs	415,296	341,324	388,530	232,811
Others	2,933,099	989,637	2,242,379	599,877
Accumulated amortization	(4,225,543)	(970,726)	(3,597,294)	(459,882)
	$22,176,012	1,991,438	23,773,611	1,801,937

9.- SHORT-TERM BANK LOANS AND NOTES PAYABLE

Short-term debt is summarized by currency as of December 31, 1998 and 1997, as follows:

	Consolidated	
	1998	1997
US Dollars	$10,227,230	5,183,006
Spanish Pesetas	381,298	1,450,067
Philippine Pesos	196,118	—
Colombian Pesos	143,687	19,520
Venezuelan Bolivars	—	21,823
	$10,948,333	6,674,416

10.- LONG-TERM BANK LOANS AND NOTES PAYABLE

The consolidated long-term debt is summarized as follows:

	1998	Rate	1997	Rate
A) Bank Loans				
Syndicated loans denominated in foreign currency, due from 1999 to 2003	$ 9,496,594	6.1% - 8.2%	10,107,642	5.8% - 8.6%
Bank loans denominated in foreign currency, due from 1999 to 2003	5,308,489	3.9% - 19.8%	6,599,050	5.3% - 20.9%
Revolving line of credit in foreign currency, due from 2000 to 2001	4,851,000	6.6%	—	—
	19,656,083		16,706,692	
B) Notes Payable				
Euro Medium-term Notes Programme denominated in foreign currency, due from 1999 to 2006	13,015,092	8.5% - 12.8%	18,764,935	8.5% - 12.8%
Commercial paper denominated in foreign currency with revolving maturities every one or two years	1,920,600	5.3% - 7.7%	3,655,032	5.8% - 6.4%
Yankee Notes, due in 2003	1,734,082	8.4%	1,776,752	8.4%
Other notes denominated in foreign currency, due from 1999 to 2007	893,726	6.7% - 9.8%	1,311,208	6.3% - 10.0%
	17,563,500		25,507,927	
	37,219,583		42,214,619	
Current maturities.	(6,170,408)		(2,001,160)	
	$31,049,175		40,213,459	

As of December 31, 1998, the Company has negotiated interest rates collars and swaps to protect up to US dollars 50 million and 7,500 million pesetas of the debt negotiated at variable rate in a range of Libor and Mibor. Additionally, there are forwards range swaps contracts covering up to US dollars 405 million to protect the financial cost of the debt negotiated at variable rate. The Company has these interest rate hedge instruments as part of its strategy to decrease financial cost. The gains or losses resulting from these instruments are recorded as part of the comprehensive financial result. As of December 31, 1997, the hedge in these instruments was US dollars 550 million and 7,500 million pesetas.

The maturities of long-term debt as of December 31, 1998 are as follows:

	Consolidated	Parent Company
2000	$10,528,017	6,616,145
2001	11,817,805	8,422,333
2002	1,568,320	1,147
2003	3,459,520	—
2004 and thereafter	3,675,513	3,564,000
	$31,049,175	18,603,625

A total of 97% and 98% of the long-term consolidated debt is denominated in US dollars in 1998 and 1997, respectively. A total of 99% and 100% of the long-term debt of the Parent Company is denominated in US dollars in 1998 and 1997, respectively.

The following subsidiaries guarantee indebtedness of the Company for an aggregate of US dollars 2,010 million: Tolmex, S.A. de C.V., Serto Construcciones, S.A. de C.V., Cemento Portland Nacional, S.A. de C.V., Cementos Mexicanos, S.A. de C.V. and Cemex Control, S.A. de C.V. The combined summarized financial information of these guarantors as of December 31, 1998 is as follows:

Net sales	$ 7,598,888
Operating income	2,283,128
Net income	3,323,319
Total assets	56,104,378
Total liabilities	11,802,000
Stockholders' equity	44,302,378

As of December 31, 1998 the Company and its subsidiaries have the following lines of credit at annual interest rates ranging from 5.3% to 12.8%, in accordance with the negotiated currency:

	Line of Credit	Available
Euro Medium-term Notes (US Dollars 1,250 million)	$12,375,000	5,742,000
Revolving lines of credit (US Dollars 600 million)	5,940,000	1,089,000
European commercial paper (US Dollars 600 million)	5,940,000	5,346,000
US commercial paper (US Dollars 300 million)	2,970,000	1,643,400
Current line of credit (US Dollars 250 million)	2,475,000	1,548,360
Lines of credit of foreign subsidiaries	4,730,841	3,091,477
Other lines of credit from Mexican banks	5,323,335	3,796,500
Other lines of credit from foreign banks	5,583,780	249,549
	$45,337,956	22,506,286

At December 31, 1998 and 1997 there are current liabilities amounting to US dollars 168 and US dollars 752 million, respectively, classified as long-term debt due to the ability of the Company to refinance such indebtedness with the available amounts of the long-term lines of credit.

As of December 31, 1997 the Company established deposits amounting to US dollars 25 million to repay certain long-term debt. These deposits have been offset against the corresponding debt in the accompanying balance sheets.

Certain credit agreements are guaranteed by the Company and/or its subsidiaries and contain restrictive covenants that limit the sale of assets, require the Company to maintain control of the shares of certain subsidiaries, establish liens and require the Company to comply with certain financial ratios. At December 31, 1998, the Company was in compliance with or has received waivers for the required financial ratios.

11.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The most important balances receivable and payable from and to affiliated companies as of December 31, 1998 and 1997 are the following:

Parent Company	1998		
	Assets		Liabilities
	Short Term	Long Term	Long Term
Sunbelt Enterprises	$ —	974,716	1,079,879
Centro Distribuidor de Cemento, S.A. de C.V.	820,951	—	—
Cemex Control, S.A. de C.V.	358,634	—	—
Badenoch Corporation	114,286	—	—
Aviación Comercial de América, S.A. de C.V.	94,339	—	—
Concretos de Alta Calidad y Agregados, S.A. de C.V	28,665	—	—
Concreto y Precolados, S.A.	15,240	—	—
Cementos Mexicanos, S.A. de C.V.	1,594	—	—
Proambiente, S.A. de C.V.	1,134	—	—
Cemex México, S.A. de C.V.	—	—	8,867,823
Petrocemex, S.A. de C.V.	—	—	63,688
Productora de Bolsas de Papel, S.A. de C.V.	—	—	15,070
Others	679	—	240
	$ 1,435,522	974,716	10,026,700

Parent Company	1997	
	Short Term	
	Assets	Liabilities
Cemex Control, S.A. de C.V.	$ 323,500	—
Cegusa, S.A.	256,857	—
Cementos Monterrey, S.A. de C.V.	38,989	—
Badenoch Corporation	31,951	—
Concreto y Precolados, S.A.	19,768	—
Concretos Monterrey, S.A. de C.V.	12,607	—
Cementos Mexicanos, S.A. de C.V.	2,460	—
Cemex Central, S.A. de C.V.	1,480	—
Productora de Bolsas de Papel, S.A. de C.V.	1,381	—
Concreto Premezclado Nacional, S.A. de C.V.	1,306	—
Cementos Guadalajara, S.A. de C.V.	1,225	—
Cementos Anáhuac, S.A. de C.V.	938	—
Cementos del Norte, S.A. de C.V.	—	6,857,723
Centro Distribuidor de Cemento, S.A. de C.V.	—	1,378,733
Sunbelt Enterprises	—	1,340,404
Grupo Empresarial Maya, S.A. de C.V.	—	1,181,529
Others	1,065	343
	$ 693,527	10,758,732

The principal transactions carried out with affiliated companies are:

Parent Company	1998	1997
Rental income	$ 120,110	136,160
License fees	498,195	374,269
Financial expenses	(1,878,861)	(934,061)
Financial income	23,365	423,257
Dividends received	—	686,134

12.- PENSION PLANS AND SENIORITY PREMIUM

The net periodic pension cost of the pension plans and seniority premium mentioned in note 2J were determined based on computations prepared by independent actuaries as of December 31, 1998 and 1997 and are summarized as follows:

	1998	1997
Service cost	$ 154,351	19,333
Interest cost	126,704	137,764
Return of plan assets	(5,594)	(4,197)
Amortization of past service costs and other items	22,067	(15,202)
	$ 297,528	137,698

The actuarial present value of benefit obligations and the funded status of the plans as of December 31, 1998 and 1997 are as follows:

	1998	1997
Actuarial present value of benefit obligations	$ 1,137,507	604,521
Excess (deficit) of projected benefit obligations over present value of benefit obligations	182,027	(27,302)
Projected benefit obligation	1,319,534	577,219
Plan assets at fair value	(183,862)	(64,642)
Deficit in plan assets	1,135,672	512,577
Unrecognized prior service cost	(558,539)	19,673
Unrecognized net transition asset	40,965	10,527
Additional minimum liability	339,513	—
Liability recognized in the consolidated balance sheet	$ 957,611	542,777

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

	1998	1997
Range of discount rates for plans	4.5% - 6.0%	4.5% - 5.5%
Rate of return on plan assets	7%	7%

Commencing in January 1998, most of the subsidiaries of the Company in Mexico were incorporated to the pension plan. Therefore, the initial actuarial valuation of the labor obligation for these subsidiaries was made as of January 1, 1998.

13.- STOCKHOLDERS' EQUITY

A) CAPITAL STOCK

Capital stock of the Company as of December 31, 1998 is as follows:

	Series A [1]	Series B [2]
Subscribed and paid shares	1,006,377,904	422,407,595
Treasury shares	8,996,788	—
Trust subscribed shares without value	—	69,618,806
	1,015,374,692	492,026,401

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

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

Of the total shares, 1,089,000,000 correspond to the fixed portion and 418,401,093 correspond to the variable portion.

During 1998, at the annual stockholders' meeting, shareholders reinvested dividends declared in the meeting, acquiring a total of 32,878,317 series "A" shares, generating a paid-in capital of $1,199,293.

B) EXECUTIVE STOCK OPTION PLAN

The Company has adopted a stock option incentive plan for Series "B" shares of the variable portion of the common stock. This plan grants to eligible personnel, designated by a Technical Committee, stock option "rights" to subscribe up to 72,100,000 shares. As of December 31, 1998 and 1997 the option balances are as follows:

	December 31, 1998		December 31, 1997	
	Number of shares	Price *	Number of shares	Price *
Granted	30,399,005	31.96	21,152,885	28.03
Exercised	(2,481,194)	25.65	(2,246,523)	25.87
Outstanding	27,917,811		18,906,362	

* Weighted average exercise price.

The options rights might be exercised up to 25% per year of the granted option rights during the first four years subsequent to the date of grant. The options rights expire after a maximum of ten years or when the employee leaves the Company. A portion of the options have an exercise maturity period of five years which can be extended to ten years if certain conditions are met during the first five years.

The outstanding options as of December 31, 1998 have an average maturity exercise period of approximately 8 years.

Shares issued from the exercise of options were issued at their assigned value, generating additional paid-in capital of $84,332 and $75,691 as of December 31, 1998 and 1997, respectively.

Under this type of stock option program, the Company has no obligation to recognize a liability for the amount of options.

C) RETAINED EARNINGS

Retained earnings as of December 31, 1998 include $36,204,744 earnings generated by subsidiaries and affiliated companies, which may be distributed by the Company when the respective dividends are declared by these companies. Furthermore, retained earnings include a reserve to repurchase the Company's shares in the amount of $10,685,994.

Net income of the year is subject to a 5% allocation to constitute a legal reserve, until such reserve equals one fifth of the capital stock. As of December 31, 1998, the legal reserve amounted to $1,231,578.

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

D) EFFECTS OF INFLATION

The effects of inflation on the majority interest of the stockholders' equity as of December 31, 1998 are summarized as follows:

	Historical cost	Inflation adjustment	Total
Common stock	$ 47,619	2,432,037	2,479,656
Additional paid-in capital	7,568,876	7,333,170	14,902,046
Deficit in equity restatement	—	(38,719,659)	(38,719,659)
Retained earnings	22,315,064	29,555,008	51,870,072
Net income of the year	7,322,204	629,893	7,952,097

E) FOREIGN CURRENCY TRANSLATION

Net foreign currency translation adjustments of $2,861,718 and $229,418 in 1998 and 1997, respectively, have been charged directly to stockholders' equity and are summarized as follows:

	1998	**1997**
Foreign currency translation adjustment	$ 5,870,851	675,856
Foreign exchange loss [1]	(3,009,133)	(446,438)
	$ 2,861,718	229,418

The translation adjustment includes foreign exchange gains or losses resulting from financing related to the acquisition of foreign subsidiaries generated by the subsidiary of the Company in Spain for $452,480 and $(851,634), in 1998 and 1997, respectively.

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

F) OTHER EQUITY TRANSACTIONS

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

As of December 31, 1998 there are financial transactions totaling US dollars 608 million, some of which include guarantees, which have been offset for presentation purposes in the Company's consolidated balance sheet. These financial transactions have been offset as follows: US dollars 78 million for instruments representative of shares of the Parent Company; US dollars 422 million for a minority interest without voting rights or dividend rights of the subsidiary in Spain; and US dollars 108 million for the transfer of assets to a trust. These financial transactions require certain collateral guarantees and mature at various dates from 1999 through 2007. The Company has the option to reacquire the related assets at different dates.

14.- DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 1998, the Company has entered into various derivative financial instrument transactions in order to reduce its risks resulting from changes in interest rates, foreign exchange rates and the price of its common shares. These instruments have been negotiated with major institutions and corporations which have a solid financial capacity. Therefore, the Company considers that there is no risk of non-compliance of the obligations agreed upon by such counterparties.

The Company has forward price share agreements to purchase its outstanding common stock or ADR's and has sold put options to buy its shares from a third party for a nominal amount of approximately US dollars 137 million as of December 31, 1998. At maturity, these agreements provide for physical or net cash settlement, at the Company's option, and gains and losses are recognized in stockholders´ equity. In addition, the Company has forwards related to its Series "B" and "CPO" shares in order to cover its voluntary stock option plans for employees for up to US dollars 84 million. Through these programs, the Company's executives elected to purchase options for up to 3,407,187 ADR's of Series "B" shares and 7,127,500 ADR's Series "CPO" of the Company. Both options are exercisable quarterly over a period of 5 years, and they have an exercise price in dollars which increases quarterly in dollars taking into account the funding cost in the market. For the sale of the options, the Company received a premium equivalent to a percentage of the option price at the beginning of the program. As of December 31, 1998 there are options not exercised for 522,375 ADR's Series "B" and 7,127,500 ADR's Series "CPO" shares.

Additionally, the Company entered into a derivative instrument wherein its return depends on the performance of its common shares in relation to the Price and Quotation Index in Mexico. The effects derived from this transaction are included in the statements of income. As of December 31, 1998 the estimated fair value of this instrument amounts to US dollars (1.3) million.

The Company has entered into foreign exchange forward contracts up to US dollars 250 million in order to protect itself from variations in foreign exchange rates. These contracts have been designated as a hedge on the Company's net investment in foreign subsidiaries. The effects arising from these instruments are accounted for as part of the translation effect of foreign subsidiaries (see note 13E).

During 1997 the Company entered into a derivative financial instrument in order to protect the anticipated dividend rate of the preferred shares issued in 1998. Gains or losses derived from this instrument are amortized as part of the comprehensive financial result over the outstanding period of the preferred shares. As of December 31, 1998 the unamortized balance is approximately US dollars 9 million.

15.- INCOME TAX, BUSINESS ASSETS TAX AND EMPLOYEES' STATUTORY PROFIT SHARING

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

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

The Company and its subsidiaries in Mexico consolidate for Income Tax and Business Assets Tax purposes. Therefore, the amounts for these items included in the accompanying consolidated financial statements represent the consolidated result for these taxes. For Employees' Statutory Profit Sharing purposes, the amount presented represents the sum of the individual results of each company.

Income Tax benefit (expense) is summarized as follows:

	1998		1997	
	Consolidated	Parent	Consolidated	Parent
Current Income Tax	$ (1,314,541)	(1,007,104)	(1,331,277)	(1,077,450)
Received from subsidiaries	—	1,717,821	—	902,212
Utilization of tax loss carryforwards	857,104	857,104	852,129	852,129
Effects of inflation (note 2B)	—	—	(29,085)	—
	$ (457,437)	1,567,821	(508,233)	676,891

Total Income Tax includes $290,070 and $240,324 from foreign subsidiaries and $167,367 and $267,909 from Mexican subsidiaries for 1998 and 1997, respectively.

The Company, as a holding company, prepares its Income Tax and Business Assets Tax returns on a consolidated basis, which resulted in tax benefits of $1,567,821 in 1998 and $676,891 in 1997.

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

Year in which tax loss occurred	Amount of carryforward	Year of expiration
1994	$ 2,949,809	2004
1995	6,716,290	2005
	$ 9,666,099	

For the year ending December 31, 1998, the Company utilized accumulated tax loss carryforwards against taxable income of the period of its operations in Mexico in the amount of $2,520,895, which generated a benefit of $857,104.

Business Assets Tax levied in excess of Income Tax for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the Income Tax levied exceeds Business Assets Tax levied in such period.

The recoverable Business Assets Tax as of December 31, 1998 is as follows:

Year in which Business Assets Tax exceeded Income Tax	Amount of carryforward	Year of expiration
1989	$ 17,758	1999
1990	26,742	2000
1996	4,624	2006
1997	210,078	2007
1998	164,311	2008
	$ 423,513	

As of December 31, 1998, there are temporary differences on which the effect of deferred income taxes is recognized. The effect of these differences is summarized below:

	Consolidated
Tax depreciation exceeding book depreciation	$ 594,869
Inventories	264,279
Financing costs capitalized and other items	215,350
	$ 1,074,498

The effects of inflation are not recognized for tax purposes in some countries in which the Company operates, or they are recognized in a manner different from the accounting principles used by the Company. These effects, as well as other differences between accounting and tax bases generate differences between the expected income tax rate and the effective rate shown in the income statements.

16.- FOREIGN CURRENCY POSITION

The exchange rate of the Mexican peso to the US dollar as of December 31, 1998 and 1997 was $9.90 and $8.07 pesos per dollar, respectively. As of January 19, 1999, the exchange rate was $10.35 pesos per dollar.

As of December 31, 1998 and for the year then ended, the principal balances denominated in foreign currencies, as well as non-monetary assets in Mexico of foreign origin are denominated as follows:

	Thousands of US dollars		
	Mexico	Foreign	Total
Current assets	182,115	1,033,091	1,215,206
Non-current assets	761,405[1]	4,930,082	5,691,487
Total assets	943,520	5,963,173	6,906,693
Current liabilities	792,531	870,751	1,663,282
Long-term liabilities	2,064,816	1,264,493	3,329,309
Total liabilities	2,857,347	2,135,244	4,992,591

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

Mexican operations in foreign currencies are summarized as follows:

	Thousands of US dollars	
	1998	**1997**
Export sales	92,170	131,773
Import purchases	36,563	43,452
Interest income	24,035	12,652
Interest expense	202,748	225,300

17.- GEOGRAPHIC SEGMENT DATA

A summary of condensed selected financial information by main geographic locations in which the Company operates as of December 31, 1998 and 1997 is presented below:

	Net Sales		Operating Income		Depreciation and Amortization	
	1998	**1997**	**1998**	**1997**	**1998**	**1997**
Mexico	$19,299,520	17,444,126	7,797,262	5,173,430	1,440,993	1,507,981
Spain	8,900,108	7,433,506	2,420,763	1,600,416	776,323	974,890
Venezuela	5,167,334	4,695,000	1,734,475	1,625,717	517,912	523,736
United States	5,351,696	4,479,010	752,018	284,293	200,978	224,070
Colombia	2,609,513	3,761,207	110,557	830,833	520,161	536,643
Others	5,356,711	5,426,582	(1,154,936)	(425,669)	433,663	479,996
	46,684,882	43,239,431	11,660,139	9,089,020	3,890,030	4,247,316
Eliminations	(3,964,434)	(4,775,304)	—	—	—	—
Consolidated	$42,720,448	38,464,127	11,660,139	9,089,020	3,890,030	4,247,316

	Total Assets		Investment in Fixed Assets *	
	1998	**1997**	**1998**	**1997**
Mexico	$ 54,151,725	53,921,377	604,923	821,216
Spain	22,192,966	24,816,657	364,857	437,982
Venezuela	10,401,315	11,419,342	600,692	405,133
United States	6,667,522	6,597,551	154,403	120,445
Colombia	10,665,430	11,397,090	1,111,492	624,124
Asia	4,350,359	—	—	—
Others	12,104,242	10,064,040	612,325	481,780
	120,533,559	118,216,057	3,448,692	2,890,680
Eliminations	(16,982,925)	(14,337,601)	—	—
Consolidated	$103,550,634	103,878,456	3,448,692	2,890,680

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

18.- CHARGES TO OPERATIONS NOT REQUIRING RESOURCES

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

	1998		1997	
	Consolidated	Parent	Consolidated	Parent
Depreciation of property, machinery and equipment	$ 3,000,119	4,570	3,027,190	5,295
Amortization of deferred charges and credits, net	889,911	74,600	1,220,126	103,146
Seniority premium	297,528	—	137,698	—
Equity in income of subsidiaries and affiliates	(155,157)	(6,341,712)	(177,525)	(5,732,624)
Minority interest	390,717	—	1,082,711	—
	$ 4,423,118	(6,262,542)	5,290,200	(5,624,183)

19.- EARNINGS PER SHARE

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

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

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

	Basic (1)	Diluted
December 31, 1998	1,262,093,925	1,265,792,315
December 31, 1997	1,283,994,608	1,302,900,970

(1) Included in 1998 and 1997, are 39,639,869 and 62,577,742 shares related to the financial transactions, respectively, (see note 13F).

20.- CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

At December 31, 1998, Cemex, S.A. de C.V. has signed as guarantor for loans made to certain subsidiaries for approximately US dollars 166 million.

B) TAX ASSESSMENTS

As of December 31, 1998, the Company and some of its subsidiaries in Mexico have been notified of several tax assessments determined by the Tax Authorities related to years prior to 1996. These tax assessments total approximately $750 million. The tax assessments result primarily from: (i) disallowed deductions resulting from employee benefit plans; and (ii) recalculation of the inflationary tax deduction, since the tax authorities purport that "Advance Payments to Suppliers" are not by their nature credits. The companies involved have legally contested the assessments by seeking legal remedies available before the courts.

On April 30, 1998, three indirect subsidiaries of the Company in Colombia were individually notified by the Domestic Taxes and Customs Office of Colombia ("DIAN") of possible assessments corresponding to income taxes for the 1995 fiscal year, for approximately US dollars 176 million. The Colombian subsidiaries filed a timely response to such possible assessments within the required legal period. The DIAN recently issued a formal deficiency notice, and the Colombian subsidiaries have a period that expires on February 28, 1999 to contest such notice.

C) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce ("DOC") imposed an anti-dumping duty order on imports of clinker from Mexico. As a result, certain subsidiaries of the Company, as importers of record, have been subject to payment of anti-dumping duty deposits estimated on imports of gray Portland cement and clinker from Mexico since April 1990. The order is likely to continue for an indefinite period, however, it will be reviewed by the United States government no later than July 2001, taking into consideration the World Trade Organization new rules in order to determine whether the conditions for imposing the order still exist. The Company and its subsidiaries have defended their position in this matter and will continue to do so through the available means in order to determine the actual dumping margins within each period of the administration reviews carried out by the DOC.

As of December 31, 1998, the Company has accrued a liability of US dollars 52 million, including accrued interest, for the difference between the amount of anti-dumping duties paid on imports and the latest findings by the DOC in its administrative reviews for all of the reviewed periods.

As of December 31, 1998, the DOC has issued a final resolution for some administrative review periods and has not yet issued final resolution of the anti-dumping obligations for other periods. Therefore, the final results could vary from the amounts recorded in the consolidated financial statements.

D) LEASES

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

Year ending December 31,	Thousands of US dollars
1999	29,737
2000	26,905
2001	25,993
2002	21,346
2003	21,161
2004 and thereafter	121,960
	247,102

Rental expense for the years ended December 31, 1998 and 1997 was approximately US dollars 25 and 22 million, respectively.

E) PLEDGE ASSETS

At December 31, 1998 there are liabilities amounting to US dollars 32 million secured by property, plant and equipment.

21.- YEAR 2000 PROGRAM

In 1997 the Company began a program "CEMEX 2000" for all its operations. The objective of this program is to ensure continuity of the Company's operations in the year 2000 and in the future, through preparation of the operations sensitive to the Year 2000 Problem ("Y2K"). This includes information technology, operating processes, as well as all of the business network.

The program has been reviewed by IBM Global Services in order to identify additional areas of opportunity for process improvement and to reduce business risk. TAVA Technologies participates in the preparation of manufacturing technology to identify potential problems and to implement their solutions in the cement plants.

In order to obtain greater benefits in the future, Y2K solution includes the practices of improvement and substitution of certain information technology in all the operations and countries where the Company does business. As part of the CEMEX 2000 program, the Company has established a follow-up plan to review the progress of its most important suppliers, clients, commercial partners, financial partners and government.

As of December 31, 1998, approximately US dollars 13 million have been expensed under this program. The total budget of the CEMEX 2000 program is approximately US dollars 43 million.

As of December 31, 1998, the program is in the implementation and test stage, and it is expected to be ready by mid-1999. The scope of the program includes selective contingency plans which support the on-going operation of the fundamental business processes.

22.- SUBSEQUENT EVENTS

On January 8, 1999, the Company increased by US dollars 102.5 million an existing financial transaction with a financial institution related to shares of its subsidiary in Spain. The effects of this operation were recorded in advance with effect as of December 31, 1998 (see note 13F).

Subsequent to December 31, 1998, the Company has carried out derivative transactions with other institutions and companies involving sales of its own common shares.

On January 11, 1999, the Company announced an agreement with the Philippine Firm, JG Summit Holdings, Inc., to invest in the Philippine cement company APO Cement Corporation ("APO"). The Company, along with Philippine investors and through a Philippine firm, plans to acquire 99.9% of the shares of APO Cement Corporation. As part of the agreement reached and subject to the requirements of this country, the Company will be entitled to designate the members of the Board of Directors of APO. The Company plans to invest US dollars 400 million, which will grant it the economic rights for the 99.9% of the suscribed and paid capital of APO.

On January 12, 1999, the Company announced that it had acquired 6% of PT Semen Gresik, in an independent operation and through a public purchase offer at US dollars 1.38 per share. The total of this transaction amounts to approximately US dollars 49 million. With this investment, the Company increased its equity in the Indonesian cement company to 22%.

the terms we use

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.

Cash earnings equals EBITDA less net financial expense.

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

Comprehensive financing income (cost) includes financial expense, financial income, gains (losses) on marketable securities, net foreign exchange variation and net monetary position result.

EBITDA is earnings before interest, taxes, 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.

Effective tax rate is defined as income tax plus employees' statutory profit sharing, divided by net income before income taxes but after comprehensive financing income (cost), depreciation and amortization.

Financial leverage is defined as net debt divided by EBITDA for the previous twelve months.

Free cash flow is defined as EBITDA less net financial expense, capital expenditures, taxes paid, net working capital investment, and dividends.

Gray Portland cement is a hydraulic binding agent with a composition by weight of at least 95% clinker and 0 to 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. Today, our research and development focuses on blended cements. These special cements not only meet our customers' more stringent demands, but they also reduce our energy consumption.

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 to 20% less than installed capacity.

Interest coverage is defined as EBITDA before operating lease payments and cost restatements for inflation, divided by the sum of financial expenses and dividends on preferred capital securities, all for the previous twelve months.

Metric ton is the equivalent of 1.102 short tons.

Net debt equals balance sheet debt plus equity swaps and the preferred capital securities minus cash and cash equivalents. CEMEX is conservatively adding the preferred capital securities (US$250 million) because of CEMEX's put option under this structure.

Net working capital equals account receivables plus inventories minus trade payables.

Ready-mix concrete is a mixture of cement, aggregates and water. It is a building material that is produced in batching plants and delivered directly to the building site. Stringent controls during the manufacturing process guarantee the quality and consistency of the finished product.

White cement is a strategic, high-potential specialty cement, which is particularly suited for the world's developing markets. It is used not only for decorative purposes, but also has a wide range of uses as a structural building material.

an experienced management team

BOARD OF DIRECTORS

CHAIRMAN
Lorenzo H. Zambrano

HONORARY CHAIRMAN
Marcelo Zambrano Hellion

EXAMINER
Luis Santos de la Garza

ALTERNATE EXAMINER
Fernando Ruiz Arredondo

DIRECTORS
Juan F. Muñoz Terrazas
Eduardo Brittingham
Lorenzo Milmo
Armando J. García
Rodolfo García Muriel
Bernardo Quintana Isaac
Rogelio Zambrano
Roberto Zambrano
Dionisio Garza Medina
Alfonso Romo Garza

ALTERNATE DIRECTORS
Mauricio Zambrano Villarreal
Jorge García Segovia
Tomás Brittingham Longoria

OFFICERS

Lorenzo H. Zambrano, 54
Chairman of the Board and Chief Executive Officer
Mr. Zambrano joined CEMEX in 1968 and has been involved in all operational aspects of the business. He holds a degree in industrial engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and an M.B.A. from Stanford University. He is a member of the Boards of Directors of Alfa, S.A. de C.V., Empresas ICA, S.A. de C.V., Cydsa, S.A. de C.V. and Vitro, S.A. de C.V. He is also Chairman of the Board of ITESM and a member of the Advisory Committee of the Stanford Graduate School of Business.

Héctor Medina, 48
Executive Vice President of Planning and Finance
Mr. Medina, who joined CEMEX in 1988, is a graduate of ITESM with a degree in chemical engineering. He received an M.S. degree in administration 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 planning and finance worldwide strategies.

Francisco Garza, 43
President of the North America Region
Mr. Garza is a graduate of ITESM 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 U.S. and the company's Trading unit.

Víctor Romo, 40
President of the South America & Caribbean Region
Mr. Romo joined CEMEX in 1985. He earned his Bachelor's degree in accounting and his M.S. degree in administration from ITESM. Before assuming his current position, Mr. Romo was President of Vencemos, CEMEX's Venezuelan subsidiary. He is now responsible for CEMEX's interests and operations in Venezuela, Colombia, Panama, the Caribbean and the Dominican Republic.

José Luis Sáenz de Miera, 52
President of the Europe & Asia Region
Mr. Sáenz de Miera, who joined CEMEX in 1994, has a degree in economics and accounting. He has held several management positions within CEMEX. Recently appointed to this position, he is directly responsible for supervising CEMEX's interests and operations in Spain, the Philippines and Indonesia.

Armando J. García, 46
Executive Vice President of Development
Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, is a graduate of ITESM and has an M.B.A. from the University of Texas. He is responsible for managing CEMEX's operations technology, human resources, energy, and research and development departments.

Mario de la Garza, 59
Vice President of Administration
Mr. de la Garza, who joined CEMEX in 1965, is a C.P.A. He graduated from the Universidad Autónoma de Nuevo León with a degree in philosophy and attended the "Programa de Alta Dirección de Empresas, AD2" at the Instituto Panamericano de Alta Dirección de Empresa.

Rodrigo Treviño, 42
Chief Financial Officer
Mr. Treviño, who joined CEMEX in 1996, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, reporting, capital markets, treasury and investor relations.

Directory

Headquarters
Av. Constitución 444 Pte.
C.P. 64000 Apdo. Postal 392
Monterrey, N.L., México
Phone: (52-8) 328-3000
Fax: (52-8) 328-3188

Amsterdam
Riverstaete Building
Amsteldijk 166
1079 LH Amsterdam, The Netherlands
Phone: (31-20) 642-4288
Fax: (31-20) 642-0053

Bogotá
Carrera 14 No. 93 B-32 Piso 2
Bogotá, Colombia
Phone: (57-1) 622-7232
Fax: (57-1) 622-7615

Caracas
Edificio Vencemos
Calle Londres
Entre c/ Nueva York y Trinidad
Urbanización Las Mercedes
Caracas, 1060 Venezuela
Phone: (582) 999-7000
Fax: (582) 999-7302

Houston
One Riverway, Suite 2200
Houston, Texas 77056 U.S.A.
Phone: (713) 881-1000
Fax: (713) 881-1012

Indonesia
Jakarta Stock Exchange Building
Tower II, 24th Floor
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190 Indonesia
Phone: (62-21) 5299 3400
Fax: (62-21) 5299 3440

Madrid
Hernández de Tejada No. 1
C.P. 28027, Madrid, España
Phone: (34-1) 377-9200
Fax: (34-1) 377-9203

Mexico City
Av. Presidente Masarik 101 Piso 18
Polanco. C.P. 11570
México, D.F.
Phone: (52) 5726-9040
Fax: (52) 5203-2542

New York
IBM Building
590 Madison Ave., 41st Floor
New York, N.Y. 10022 U.S.A.
Phone: (212) 317-6000
Fax: (212) 317-6047

Panama City
Edificio Plaza Panamá, Piso 28
Calle 50 Entre c/59 y 60
Bella Vista, Panamá 5
C.P. 7262 República de Panamá
Phone: (507) 210-1300
Fax: (507) 210-1325

Philippines
25th Floor, Petron Mega Plaza
358 Sen. Gil J. Puyat Avenue
Makati City, Philippines 1200
Phone: (63-2) 849-3600/3700
Fax: (63-2) 849-3639

Singapore
3 Temasek Avenue
#22-01 Centennial Tower
Singapore 039190
Phone: (65) 433-0700, 433-0704
Fax: (65) 433-0780, 433-0781

Internet
www.cemex.com

Investor and media information

Exchange listings:

Mexican Bolsa, Mexico
Over-the-counter (OTC), USA
PORTAL, USA

Share series:

A shares (available only to Mexican citizens)
B shares
CPO shares (nonvoting A shares)

Bolsa ticker symbols:

CEMEXA, CEMEXB, CEMEX CP

ADR ticker symbols:

CMXBY (B share), CXSSY (CPO share)

Media relations contact:

Jorge Pérez
webmaster@cemex.com
Phone: (52-8) 328 7038

Investor relations contact:

Carlos Jacks
cjacks@cemex.com
Phone: (52-8) 328 3393

Analyst relations contact:

Amy Figueroa, CFA
afigueroa@cemex.com
Phone: (212) 317 6008