

BUILDING
for future
generations

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about this report

We have always understood the value of sustainable development. Since 1906, when our company was founded, we have worked to build the infrastructure of our communities, improve the well-being of our neighbors and employees, and conserve our natural resources. We began publishing our environmental, health, and safety reports in 1996. This report, which we have based on the Global Reporting Initiative's *2002 Sustainability Reporting Guidelines*, discusses our approach to sustainable development and our economic, social, and environmental performance. We see this report as a valuable tool in our efforts to measure our progress, identify areas for improvement, and engage our stakeholders as we work toward greater sustainability.

message from our chairman
and chief executive officer

building for future generations



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

We believe that sustainable development is the key to our future and yours. We know that your participation is essential to our success as a global enterprise, and this report is an important way for us to cultivate an ongoing dialogue with you, our stakeholders.

In this, our first sustainability report, we integrate the elements of our sustainable development strategy, including information that we previously detailed in our environmental, health, and safety (EHS) and annual reports. Through narratives and examples of our commitment in action, we review our year-to-year progress in each of the three performance areas of sustainable development: social participation, environmental stewardship, and economic prosperity.

The health and safety of our employees is our top priority, and in 2003 we continued to make progress toward our goal—a lost-time accident rate of less than 1%. We reduced our accident rate for the seventh year in a row, to 1.6%. By strengthening our global safety management system and sharing best safety practices among our international operations, we aim to move even closer to our goal in 2004.

True to our longstanding commitment to society, we continued our efforts to improve the well-being of our communities around the world. For example, in Mexico we started Congruencia, a program that works to provide equal social and professional opportunities for disabled people and to eliminate the physical, cultural, and economic barriers to their development. And in Egypt we

joined the government's initiative to provide education for 500,000 girls in remote areas of the country. Through these and other programs, we look forward to extending our legacy of giving back to society in 2004.

On the environmental front, we continued to improve our ecoefficiency efforts and to raise awareness among our stakeholders and colleagues. We conserved natural resources by using alternative fuels and cementing materials. In August 2003, for example, we acquired Mineral Resource Technologies, Inc., the fourth-largest U.S. producer of fly ash, a cementitious material used for the production of high-quality concrete. We will continue to explore the use of alternative raw materials and fuels to make our products.

We know that there is strength in numbers. That is why we are dedicated to forming partnerships with a variety of stakeholder groups to address common issues and concerns. In 2003 we collaborated with environmental groups, governmental agencies, and academic institutions to support—either through direct involvement or financial assistance—more than 30 programs worldwide. Our longstanding partnerships with respected environmental organizations have enabled us to contribute to wildlife preservation and raise environmental awareness in our communities—two of our sustainable development goals.

By running a profitable and growing enterprise, we continue to create economic value for all of our stakeholders. We directly employ almost 26,000 people in more than 30 countries, and our solid financial results—consolidated sales and EBITDA growth of 9% and 10%, respectively, in 2003—enable us to continue to grow our core cement and ready-mix business. As a result, we are bringing our quality products and services to more communities around the world.

Our commitment to ethical behavior is so ingrained in our culture that it should go without saying. Given the events of recent years, however, it cannot. So I want to reinforce how seriously we take our ethical responsibilities—to all of our stakeholders. We work hard to ensure the transparency of our operations, and we take care to communicate our efforts clearly and fairly. Through our code of ethics, we require all of our employees to abide by the highest standards of conduct in their daily interactions.

Though we are proud of our track record for sustainable development, we appreciate the journey that lies ahead. While we can take some actions ourselves, we will continue to develop our stakeholder relationships so that, collectively, we can implement better and more innovative solutions to the constant challenges of sustainable development. So, as we passionately work to achieve our goals, we will continue to clearly and consistently share our progress with you.

We truly appreciate the trust and confidence you place in our company; we strive every day to ensure that we earn it. We also look forward to working with you to build a more sustainable cement industry, an ever more responsible and responsive CEMEX, and a better future for our society.

Sincerely,



Lorenzo H. Zambrano

Chairman of the Board and Chief Executive Officer

A low-angle photograph of a cable-stayed bridge at sunset. The bridge's tall, dark pylons and stay cables are silhouetted against a vibrant sky of orange, red, and purple. The sun is low on the horizon, creating a bright glow and reflecting on the water below. The bridge spans across the water, receding into the distance.

AND HERE IS

how we do it...

profile



We are committed to helping our customers, employees, communities, and stockholders build a better future. As a producer of quality cement and ready-mix concrete products, we work to provide building solutions for customers around the world and to create sustainable value for all of our stakeholders.

Cement shelters people, builds and connects communities, and provides a medium for artistic and religious expression.

our products and services

cement and ready-mix concrete

We make cement and ready-mix concrete, the world's most popular building materials. Because of cement's many qualities, it is used for a variety of private and public purposes: for community-development projects such as schools, libraries, hospitals, and museums; for major public works such as highways, bridges, and dams; and for architectural, artistic, and religious expression in homes, office buildings, and houses of worship.

working to satisfy our customers

We strive to ensure that our customers receive consistent, conscientious service at every stage in the process. Our comprehensive customer-service platform enables customers to order products from almost any location and ensures on-time delivery of our products. We also offer distributors and end-users a variety of building materials in convenient, one-stop locations to help them save time and money.



Cement's many qualities—strength, durability, water resistance, and versatility, among others—make it the world's most popular building material. About 1.6 billion metric tons of cement are sold each year.



Our global trading operations enable us to move cement from markets with excess supply and meet demand nearly anywhere in the world.

We seek to serve our customers by developing innovative materials and customized products that suit almost any building need, such as high-strength, architectural, and antibacterial concrete, as well as white cement for structural and decorative purposes.

our global trading network

Our global cement trading network plays a fundamental role in realizing our company's goals. It helps us to balance regional supply and demand, optimize our worldwide production capacity, direct excess cement to where it is most needed, and explore new markets without having to make immediate capital investments. And our consistent, yet flexible, trading strategy positions us to anticipate and take advantage of market changes.

Our shipping fleet and strategically located marine terminals serve customers in the world's most dynamic cement markets. In 2003 our total trading volume was approximately 10 million metric tons of cement and clinker. Of this total we acquired approximately 5.3 million metric tons from third parties and exported 4.4 million metric tons from our operations around the world.

Our global business model enables us to deliver sustained free cash flow through our entire business cycle and enhances our leadership position in a consolidating global industry. Our geographic diversification in different world markets allows us to take advantage of the off-setting effect of these markets' different business cycles and insulates us from cyclical market downturns.

CEMEX worldwide | operations at a glance



Founded in Mexico in 1906, CEMEX has grown from a small regional cement company to one of the world's most efficient global cement producers with operations in more than 30 countries on four continents.

We have

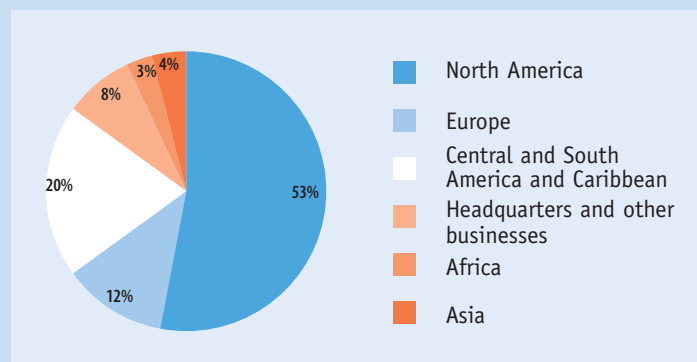
- > production capacity of more than 80 million metric tons of cement per year
- > 71 cement plants, 17 of which have minority participation
- > close to 500 ready-mix plants
- > 191 distribution centers
- > 60 marine terminals
- > trade relations with more than 60 countries throughout the world

key 2003 statistics

in millions of US dollars, except employee amount

| | |
|------------------|--------|
| Employees | 25,965 |
| Sales | 7,164 |
| Operating income | 1,455 |
| Assets | 16,016 |

employee breakdown by region





our strategy

an ongoing commitment to social responsibility

Our commitment to social responsibility is rooted in our company's 97-year history of helping our communities to build their infrastructure. Our philosophy of social responsibility guides and informs our strategy for sustainable development, which, at its most basic, is to run an efficient and profitable business while caring for the needs of our environment and our communities. An important element of our strategy is to create programs that benefit both our society and our company.

key objectives and strategies

Consistent with our longstanding commitment to social responsibility, our strategy for sustainable development focuses on the following seven areas.

employee health and safety

The safety, health, and well-being of our employees is our highest priority. Our primary goals in this area are to (1) ensure our employees' safety, (2) assure they receive proper medical care, and (3) instill in them a culture of good integral health. We work to accomplish these goals through our global safety management system and educational programs that promote safety awareness and preventive health.

employee development

We continually work to empower our people through internal training and education, scholarships, and employee support programs. The aim of these initiatives is two-fold: to help employees achieve their personal and professional goals, and to attract, retain, and develop talented people and future company leaders. For example, our international mobility policy encourages employees to accept assignments in different countries in order to expand their knowledge, gain interna-



In addition to our ecoefficiency efforts, we are dedicated to protecting the earth's biodiversity and promoting throughout our communities a consciousness of environmental issues.



We help our clients to build their businesses because we believe that, as they succeed, so do we.

tional experience, and further their career objectives. And our scholarship program enables qualified employees to pursue advanced degrees at some of the world's top universities.

ecoefficiency

The CEMEX Ecoefficiency Program is based on our belief that, as a company that relies on natural resources, we must use our best efforts to conserve them. By making our business processes more ecoefficient—for example, by using alternative fuels and raw materials—we cut costs and increase profitability while improving the environmental impact of our operations.

promoting environmental awareness

In addition to our ecoefficiency program, we are dedicated to helping protect the earth's biodiversity and promoting a consciousness of environmental issues. We contribute, through direct involvement or philanthropic activities, to programs that encourage environmental action and awareness in our society. One example of these efforts is our El Carmen Project, which promotes environmental awareness while also helping to preserve regional species and their habitats.

Part of our sustainable development strategy is to create mutual benefit programs that balance our different stakeholder responsibilities.

community health and development

We are committed to giving back to the communities in which we operate. We help improve the well-being of communities around the world through educational, cultural, infrastructure, and community-development programs. For example, we have built 11 schools to educate young girls in Egypt, and in 2004, we have plans to provide furniture for these schools and to build 10 more. Because our communities' needs are local, each business unit generally manages community-development programs at a local level.

We help improve the well-being of communities around the world through educational, cultural, infrastructure, and community-development programs.

customer satisfaction

Customer satisfaction is our top commercial priority. We are working hard to build trust, loyalty, and long-term relationships with our customers. For example, GINCO, our comprehensive ready-mix operations platform, allows us to control every aspect of our ready-mix order and delivery process so we can deliver our products when needed and help our customers keep on schedule. In most of our operations, we regularly gauge customer satisfaction in an effort to continually improve our service.

shareholder value creation

Our strategy for creating shareholder value has five primary components: (1) focus on our core cement and ready-mix concrete franchise, (2) minimize our production costs and maximize our operating efficiency, (3) create value around our cement brands, (4) optimize our logistics and regional cement systems, and (5) allocate our capital efficiently and effectively.



our approach to responsible

our ongoing commitment to environment, health, and safety (EHS)

Central to our sustainable development strategy is our EHS policy. First adopted in 1994, our EHS policy requires that all of our business and operating units, administrative offices, and subsidiaries adhere to the following primary actions to ensure the well-being of our employees, our communities, and the environment:

- > Employ cutting-edge technology in our operational processes in order to ensure energy efficiency and the optimum use of raw materials
- > Promote a culture of environmental awareness, integral health, and safety within our company and communities
- > Use the most effective equipment and systems to safeguard our people, neighboring communities, equipment, and environment

EHS steering committee

Our EHS steering committee, which is currently chaired by our President of the Europe, Middle East & Asia Region and includes eight other top-level CEMEX executives, formulates our sustainable development strategy, works to ensure the necessary corporate support for our sustainability programs, and periodically reviews the performance of these initiatives.

The steering committee, whose chair rotates on an annual basis, convenes regularly to discuss implementation of EHS policy and communicates EHS best practices to all of our worldwide operations. Managers in each business unit are responsible for implementing EHS policy and reporting to the steering committee their business unit's progress and performance indicators.



managing a and sustainable business

Our EHS steering committee comprises executives in the following positions:

- > President of the Europe, Middle East & Asia Region
- > President of the North America Region & Trading
- > President of the South America & Caribbean Region
- > Executive Vice President of Development
- > Executive Vice President of Planning and Finance
- > Executive Vice President of Administration
- > Senior Vice President of Organization and Human Resources
- > Vice President of Technology
- > Vice President of Corporate Communications

cement sustainability initiative

In 1999 we joined nine other leading global cement companies and the World Business Council for Sustainable Development to participate in the Cement Sustainability Initiative (CSI). The CSI's Agenda for Action, published in July 2002, outlines our collective vision for a sustainable cement industry and presents a strategy for moving our industry toward greater sustainability.

continuous improvement and innovation

Our philosophy of continuous innovation drives us to always seek new ways to improve the sustainability of our operations. Our standardized business processes and common information technology platform provide us with a simple, systematic method of identifying and sharing best practices across our global network. With this structure in place, we have the capacity to extract value from integrated acquisitions and undertake initiatives that foster our sustainable

development, locally and globally. For example, our recent post-merger integration of Puerto Rican Cement Company realized improvements and savings in a number of areas, including corporate overhead, cement delivery, cement bagging, energy efficiency, logistics, and supply-chain management. As a result, EBITDA growth from these operations was 27% in 2003.

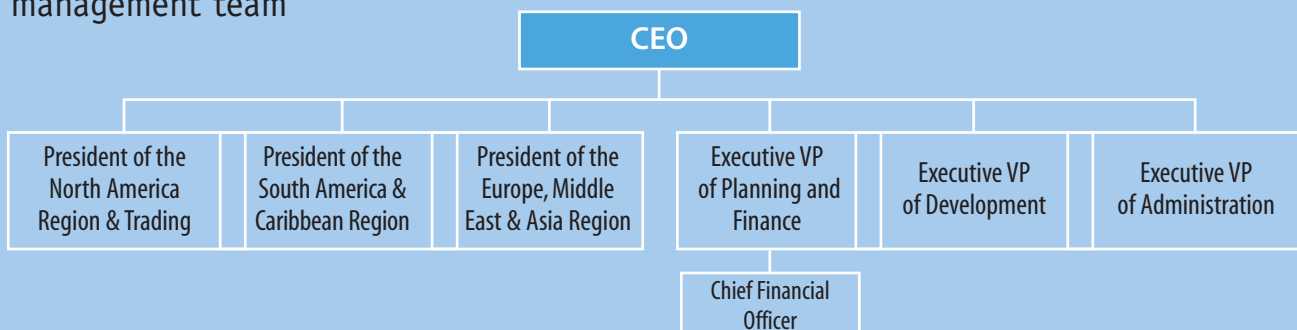
governance and organizational structure

board of directors

CEMEX's Board of Directors is responsible for supervising the overall operation of our company. Chaired by our CEO Lorenzo H. Zambrano, the Board consists of 12 directors and 3 alternate directors. Under Mexican law, at least 25% of our directors must qualify as independent directors.

The Board has established an audit committee, which comprises five independent members. Under our articles and bylaws, at least three of the members of the audit committee, including its president, must be independent directors. The audit committee is responsible for reviewing related-party transactions and is required to submit an annual report of its activities to the Board of Directors. The audit committee is also responsible for the appointment, compensation, and oversight of our auditors and must establish procedures for handling complaints regarding our accounting or internal control matters, including confidential methods for addressing concerns raised by employees.

management team



executive structure

At the executive level, our CEO and members of our executive team, including our three regional presidents, three vice presidents, and our CFO, oversee the day-to-day operation of our company. The executive team develops, refines, and directs the implementation of our business strategy and evaluates potential investment opportunities, pursuing those that, in their determination, will bring long-term profitable growth.

executive compensation

In 1995 we established our employee stock option plan (ESOP) in order to better align executive and stockholder interests. In 2004 we will begin implementing our new strategy to compensate eligible executives with restricted stock instead of stock options. As part of this strategy, in early 2004 we offered to exchange our executives' options for new options that they can exercise into restricted stock instead of cash. Also, to bring key executives' interests in line with those of our stockholders, our variable compensation plan distributes a bonus pool based on actual business results.

sarbanes-oxley act of 2002

We have taken a number of actions to ensure that we maintain the highest standards of corporate governance and comply with the Sarbanes-Oxley Act of 2002 and all applicable regulations. These measures include implementing confidential and anonymous whistle-blowing procedures and establishing a disclosure committee and an internal process for certifying public disclosures. An internal task force composed of members from the areas of internal control, legal, and finance coordinates all of these efforts.

disclosure of information

We aim to keep our investors fully and fairly informed of our activities and to ensure that our financial disclosure complies with all laws and regulations and meets the highest ethical standards. We communicate with our stockholders and their representatives on a regular basis through our quarterly and annual reports, quarterly earnings guidance releases and conference calls, and personal interactions.

encouraging employee involvement

To ensure that we maintain the highest standards with regard to all of our business processes, including our financial reporting procedures, we encourage all employees to comment on our reporting methods and processes and to voice any concerns they may have.



CEMEX Plaza, our intranet, eliminates cultural boundaries by encouraging the exchange of ideas and best practices between CEMEX employees in different countries. CEMEX Plaza receives an average of 10,000 visits every day.

For the reporting process, employees may submit—confidentially and anonymously—complaints or concerns regarding accounting and auditing matters through a secure internet site. Upon receipt of an employee's comments, our financial expert, an independent voting member of our Board of Directors' audit committee, reviews the comments and presents a report to the entire audit committee. The audit committee then determines the appropriate action. Employees may also direct comments to our financial expert by mail, e-mail, or telephone.

Our process assessment, or internal audit, department also has a secure external website through which employees may submit comments or voice complaints or concerns regarding damage to CEMEX's assets or any other matter related to our business processes. Messages sent through the site may be submitted anonymously and are handled confidentially. Our vice president of process assessment reviews all messages sent through the site and submits a report to management, which determines the appropriate action. Employees may also communicate with our vice president of process assessment by telephone, mail, and e-mail.

internal controls and process assessment

Our system of internal controls enables us not only to assess risk but also to measure and strengthen the performance of all of our business and operational processes. Our department of internal control designs, and supervises the implementation of, internal controls consistent with our company's objectives and strategies. These controls are independently evaluated by the internal auditors in our department of process assessment.

We rely on formal teams to develop and implement a variety of policies and procedures important to the effective, transparent operation of our company.

Process assessment employs (1) conventional audit procedures to manage risk and protect company assets, and (2) a testing, verification, and scoring system that tracks annual progress and identifies areas for improvement. To foster the worldwide sharing of best practices, this department also circulates to the CEO and all appropriate managers a report documenting the best practices of each business unit.

our code of ethics

We established our code of ethics to ensure that all of our employees abide by the same high standards of conduct in their daily interactions. The code governs our relationships with all of our stakeholders, workplace safety, health, environmental responsibility, protection of confidential information, conflicts of interest, financial controls and records, and preservation of assets.

Through our ethics committees, training programs, and secure internal communications channels, we ensure awareness and enforcement of the code. We periodically evaluate its provisions and update it when necessary. For example, we recently revised the code to add provisions with respect to protecting confidential information (see below); avoiding corruption; reporting actual or potential conflicts of interest; and reporting concerns relating to accounting, internal financial controls, or auditing matters.

protecting confidential information

The code contains specific rules regarding the protection of confidential information, including information regarding the following:

- > Accounting matters and financial projections
- > Mergers, acquisitions, associations, and expansion and business plans
- > Securities and financing transactions
- > Commercial or operating policies and practices
- > Legal or administrative controversies
- > Organizational changes
- > Research and development of new products
- > Personal employee information
- > Intellectual property such as trade secrets, patents, trademarks, and copyrights
- > Customer and supplier lists, cost structures, and pricing policies

All of our employees must sign a confidentiality agreement accepting responsibility for the correct use of information. All service providers and rating agencies that may receive confidential information are also required to enter into confidentiality agreements with our company. Our code, our insider trading policy, and our confidentiality agreements all expressly prohibit employees and all persons who receive confidential information from using that information for personal benefit.

We seek to engage our stakeholders through a variety of means, locally as well as globally.

| STAKEHOLDERS | MEANS OF ENGAGEMENT | |
|--------------------|---|--|
| | LOCAL | GLOBAL |
| Employees | Nuestra Voz (company newsletters), employee-satisfaction surveys, performance evaluations, educational programs | CEMEX Plaza, Global Service Center, educational programs, safety programs, secure reporting websites, code of ethics |
| Customers | Local sales representatives, customer-service centers, customer-satisfaction surveys, country websites | Toll-free telephone numbers, website, stakeholder survey |
| Investors | Road shows, investor presentations, annual analyst meetings | Annual reports, earnings releases, conference calls, investor tracking and behavioral analyses, press releases |
| Suppliers | B2B websites, surveys | CEMEX supplier website (with "suggestion box" e-mail address), global tracking tool |
| Communities | Community-development programs, community-relations coordinators (Mexico), Citizens Advisory Panel (U.S.), community meetings, partnerships with environmental groups, community-development projects | EHS and sustainability reports, website |
| Governments | Institutional relations officer/function, 20-F, personal communications, collaborative community-development/infrastructure projects | Annual and quarterly reports |

stakeholder engagement

2003 stakeholder survey

In 2003 we completed a survey of several stakeholder groups in Mexico, the United States, Spain, Colombia, and Panama. Employees, customers, distributors, investors, and construction professionals, including architects, engineers, and ready-mix companies, were interviewed by telephone, in person, in writing, and over the internet. The purpose of the survey was to determine these groups' perceptions of our company on a wide range of issues, including our value as an investment, our trustworthiness, our treatment of employees, our environmental consciousness, and our commitment to social responsibility in general. A total of 5,155 CEMEX employees and 2,471 external stakeholders and stakeholder representatives were interviewed. The results of this survey will serve as a guide in our efforts to improve stakeholder relations worldwide.

The following are examples of the tools we use to communicate with and engage our stakeholders:

| | |
|-------------|---|
| Customers | Through surveys such as our 2003 stakeholder survey, as well as customer surveys conducted in most of our markets, we measure customers' satisfaction and seek to address their concerns. We also encourage customer feedback through simple daily contact: local sales representatives within our country business units constantly communicate with our customers in person, online, or by telephone. |
| Employees | Through our 2003 stakeholder survey, our employee-satisfaction surveys, and our idea banks, our employees can express their concerns and offer their ideas for how we can improve our company. We also have secure communications channels through which employees can report concerns about our financial reporting and system of internal controls, damage to company assets, and employee misconduct. Through CEMEX Plaza, our intranet, employees can share ideas and best practices; participate in online training; learn company, industry, and general news; and make suggestions or ask questions. |
| Suppliers | Through our supplier website, we communicate directly with our suppliers and seek to fulfill their needs. Our global tracking tool enables suppliers to track order status, request down payments on orders, and comment on the process. The supplier site provides contact information for each member of our procurement team, and through our dedicated "suggestion box" e-mail address, suppliers may voice concerns and make suggestions. |
| Communities | Our business units address the particular needs of each of our communities on a local basis; community-engagement efforts, therefore, vary by country. For example, in Mexico, we have community-relations coordinators in all 14 of our cement plants; in the Philippines and other countries, the EHS officers address issues raised by community members. |
| Investors | In order to strengthen our relationships with investors and to ensure that we act in their best interests, we use quantitative and qualitative methods to gauge our performance. We visit major investors several times a year, and during our annual road shows, investors have the opportunity to learn about our company, raise concerns, and ask questions. We also seek to identify and analyze ownership trends. As part of our 2003 stakeholder survey, we interviewed different investor groups to determine their opinions and perceptions of CEMEX's value as a company. |
| Governments | We constantly communicate with governmental agencies to clarify regulations or report our efforts, and we often work in partnership with federal, state, and local governments on infrastructure and community-development projects. Because government agencies often interact with our company in different capacities—for example, as customer, regulator, or supplier—our code of ethics sets forth specific rules of conduct that govern each type of relationship. |

As stakeholder engagement is an ongoing process, we will continue to seek new and better ways to communicate with our stakeholders. Through this sustainability report, we aim to keep our stakeholders informed of our sustainable development efforts. We will also continue to work with our stakeholders to develop strategies based on a shared vision of sustainable development.

economic performance

We create economic value for all of our stakeholders by running an efficient, profitable, and growing business. To meet society's increasing need for housing and infrastructure development, we are committed to continuously improving our products and services, growing our core cement and ready-mix concrete business, attracting and retaining talented people, and working to build and connect communities around the world.

financial stability and flexibility

Our global business model gives us the financial flexibility to capitalize on strategic growth opportunities and to generate significant economic value for our stakeholders. Our broad geographic diversification in markets with different economic cycles enables us to deliver sustained free cash flow throughout the business cycle and to strengthen the financial structure of our corporation.

Our financial discipline enables us to build and maintain our financial strength and earn investment-grade credit ratings. We also use our balance sheet to acquire and integrate companies without compromising our financial flexibility. For

example, after we acquired U.S.-based Southdown in 2000, we committed to recapture our financial flexibility. Since then, we've increased our interest coverage to 5.3 times from 4.1 times and lowered our financial leverage to 2.7 times from 3.0 times.

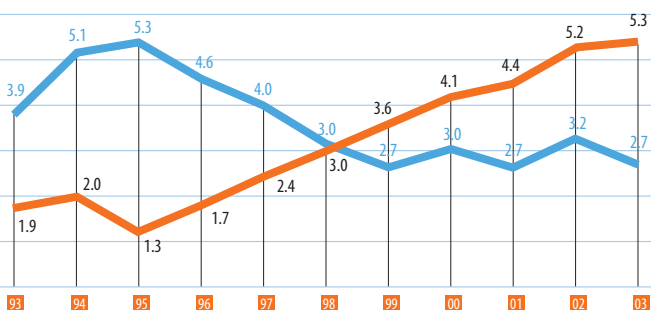
well positioned for long-term growth

Our business is concentrated mainly in dynamic markets with long-term economic growth potential, favorable demographics, and high potential demand. Also, in markets such as the United States, Spain, and Mexico, there is significant untapped potential for cement in highway, bridge, dam, and residential construction. We estimate that, in the United States, cement has penetrated approximately 27% of its potential share of promotable markets such as paving, water management, and residential construction. This implies more than 160 million metric tons of potential annual demand in that country alone.

Recently we introduced a new approach to promoting the use of our industry's products in the United States. We launched a pilot program in California that aims to increase cement and concrete usage by partnering with customers in three market segments: road construction and paving, parking, and residential construction. Furthermore, we successfully introduced EXTRA-500™, a highly crack-resistant concrete that is used primarily for residential construction, in Florida, Arizona, and Texas.

financial indicators
times

interest coverage net debt to EBITDA



Since our 2000 acquisition of U.S.-based Southdown, we have increased our interest-coverage ratio from 4.1 times to 5.3 times at year-end 2003, and we have lowered our financial-leverage (net-debt-to-EBITDA) ratio from 3.0 times to 2.7 times over the same period.

financial highlights

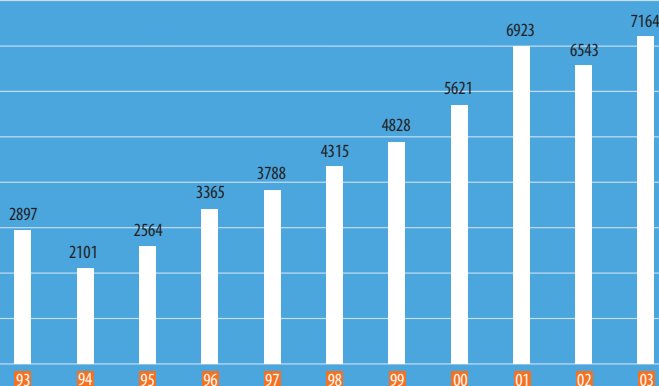
in millions of US dollars,¹ except per-ADR data

| | 2003 | 2002 | Change |
|--|--------|--------|--------|
| Net sales | 7,164 | 6,543 | 9% |
| Operating income | 1,455 | 1,310 | 11% |
| EBITDA | 2,108 | 1,917 | 10% |
| Consolidated net income | 659 | 557 | 18% |
| Earnings per ADR ² | 1.99 | 1.74 | 15% |
| Free cash flow | 1,143 | 948 | 21% |
| Total assets | 16,016 | 15,934 | 1% |
| Net debt | 5,641 | 6,122 | (8%) |
| Stockholders' equity, majority interest | 6,234 | 5,744 | 9% |

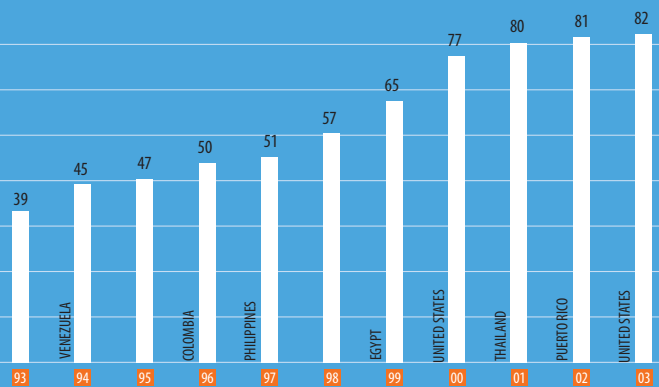
¹ For your convenience, US dollar amounts are calculated by converting the constant Mexican peso amounts at the end of the year using the end-of-year Mexican peso/US dollar exchange rate for each year. The exchange rates used to convert results for 2002 and 2003 are 10.38 and 11.24 Mexican pesos per US dollar, respectively.

² Based on an average of 315.2 and 299.2 million American Depositary Receipts (ADRs) for 2003 and 2002, respectively.

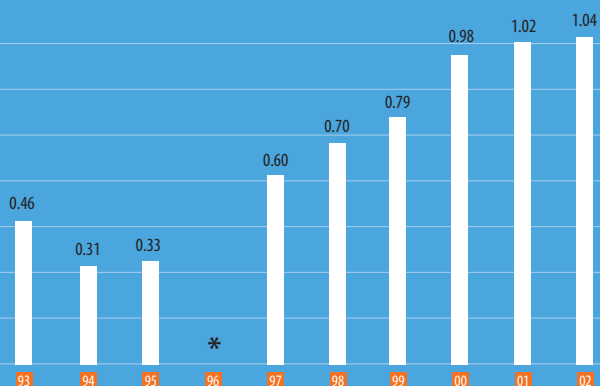
consolidated net sales
millions of US dollars



production capacity and major acquisitions
millions of metric tons/year



dividends per ADR
US dollars



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

By standardizing our most efficient processes worldwide and seeking innovative ways to reduce costs, we consistently create economic value for our stakeholders.

profitability through continuous improvement

We generate consistent economic value for our stakeholders by continually seeking innovative and cost-effective ways of doing business. We've become the industry leader in low-cost production by standardizing our most efficient processes worldwide and seeking innovative ways to reduce energy consumption and costs. At our plants in Mexico, the United States, Costa Rica, and Nicaragua, our energy control center allows us to monitor changes in energy prices and take advantage of lower off-peak rates in order to run each plant in the most energy-efficient manner. In Spain, we optimize our delivery fleet and lower our fuel costs by offering nighttime delivery to our ready-mix clients.

commitment in action: post-merger integration

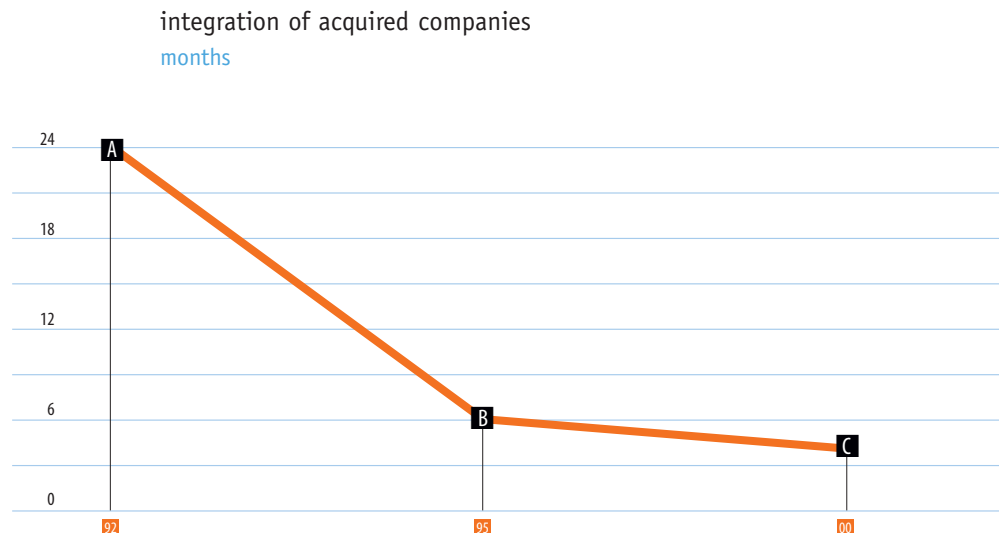
Through shared best practices, our post-merger integration (PMI) teams assimilate newly acquired companies into our network and quickly bring them up to our operating standards. Our PMI process improves—often dramatically—the efficiency and profitability of both the new operations and our company.

Over time we have continued to improve the efficiency of our PMI process. In 1992, when we began integrating our facilities in Spain, the process took two years. In 2000 we integrated U.S.-based Southdown, our largest acquisition to date, in four months. And in 2002 we integrated the backbone of our Puerto Rican operations in only two months.

commitment in action: Construrama

Through Construrama, our nationwide retail licensing network in Mexico, we partner with our distributors to provide convenient, one-stop shopping for our customers. Construrama leverages our extensive sales network to provide our customers with the service and convenience they need by offering more than 500 different products, including roofing, electrical, and plumbing supplies, bath fixtures, lumber, paint, stone, gravel, and sand. With 2,126 Construrama outlets throughout Mexico, we are expanding this initiative to our markets in South and Central America.

- A** Early Spanish acquisitions add 11.5 million metric tons/year of capacity; integrated in 2 years
- B** Venezuelan acquisition adds 4.3 million metric tons/year of capacity; integrated in 6 months
- C** US\$2.8 billion Southdown acquisition, largest to date, adds 11 million metric tons/year of capacity; integrated in 4 months



Through the years, we have dramatically improved the efficiency of our PMI process.

commitment in action: MRT acquisition—a good fit

In August 2003 we acquired Mineral Resource Technologies, Inc. (MRT), one of the four largest U.S. suppliers of fly ash, a cementitious material used to manufacture high-quality concrete. The acquisition fits our operations well: we already use fly ash in several of our ready-mix plants and have a fly ash operation in Brooksville, Florida.

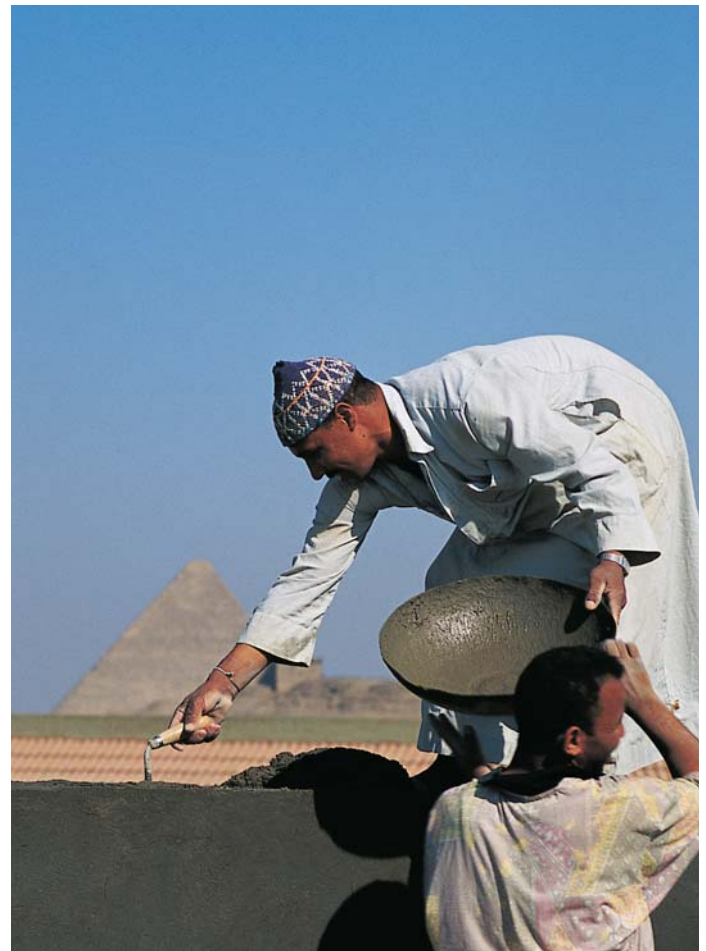
developing our customer relationships

We aim to provide quality products and reliable services for customers from start to finish. Through initiatives such as GINCO, we help our customers improve their efficiency, meet their project deadlines, and achieve their construction goals.

commitment in action: GINCO

With GINCO, our ready-mix operations platform, we can guarantee on-time ready-mix delivery. GINCO uses cutting-edge information technology to manage all aspects of our concrete business, from raw-material consumption to accounts receivable. It ensures consistent product quality and tightly controls concrete delivery times, thereby reducing waste.

GINCO, our comprehensive ready-mix operations platform, creates value through greater efficiency and savings for our clients and our company.



The Academy of Scientific Research & Technology granted CEMEX the Engineer Othman A. Othman award for its School of Laborers program in Egypt. The award is given annually to recognize initiatives to enhance the development of the construction industry.

GINCO has lowered our costs as well as those of our clients, engendering greater customer loyalty.

commitment in action: helping contractors and workers hone their skills

Begun in 2003, our School of Laborers program in Egypt helps to develop the country's construction industry by enhancing the skills of small construction contractors and workers. To spread knowledge throughout the country, we selected participants from several different governorates, offering courses such as concrete application and project management. Trainees not only learn new skills but also give us valuable feedback, which helps us improve our product and service offerings. Thus far, more than 400 individuals have participated in the program.



environmental performance

Our commitment to environmental stewardship means employing advanced technology, equipment, and design to make our operating processes and systems more energy-efficient and to ensure optimum raw-material use. It also means collaborating with our stakeholders to promote environmental awareness. Guided by our EHS policy, our EHS steering committee oversees and evaluates all of our environmental efforts.

global coordination of environmental efforts

In each country in which we operate, we have environmental, health, and safety (EHS) coordinators who implement our environmental policies and programs. The EHS coordinators constantly communicate with each other and gather once a year to share experiences and environmental best practices. The EHS coordinators also visit other CEMEX operations to better understand the ways in which their colleagues implement EHS policy.

ecoefficiency

The CEMEX Ecoefficiency Program, established in 1994, grew out of our long-held belief that balancing business and environmental interests is essential to our organizational growth. For us, ecoefficiency means reducing our environmental impact and producing economic and ecological benefits by optimizing our energy and raw-material usage through the following:

- > Developing and implementing innovative design, technology, and practices in our production processes
- > Using selective mining techniques and optimizing quarry operations
- > Recycling and reusing materials
- > Using alternative raw materials
- > Using natural cementing materials
- > Using alternative fuels

alternative fuels

We are working to increase our use of alternative fuels that allow us to produce high-quality cement while conserving fossil-fuel resources and reducing our production costs. In 2003 we revised our EHS policy to establish guidelines for the use of alternative fuels, including used tires, biomass such as rice husks, used oil, spent solvents, and solid waste, in our production processes (see the following page).

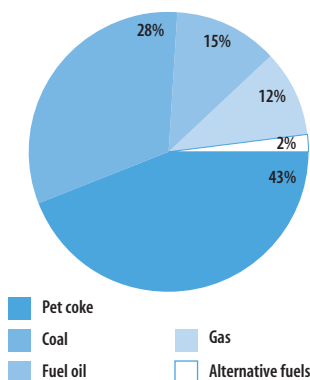
alternative cementing materials

To conserve raw materials and reduce energy consumption, we use alternative cementing materials such as pozzolana and fly ash, a cementitious byproduct of coal-fired electrical generation. In Costa Rica, for example, we purchased property with significant pozzolana reserves and, in 2003, opened a new pozzolana quarry. In the Dominican Republic, we began using fly ash in our production process. In Nicaragua, 17% of

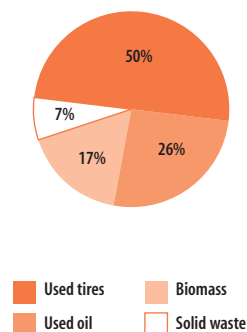
alternative fuel programs

| | |
|--------------------|--|
| Mexico | We use alternative fuels in most of our plants. In 1993 we created Pro Ambiente, a subsidiary whose primary purpose is to collect industrial wastes that meet certain criteria and transform them, using current technology, into a homogenized alternative fuel that we can use in our kilns. |
| Spain | We use alternative fuels in four of our plants; we use biomass and used oil in one plant and used tires and/or processed animal products in others. We are also performing tests and obtaining the permits necessary to use as alternative fuels such resources as chlorine-free plastics, dry sludge, liquid fuels, and wood waste from furniture production. |
| Thailand | We have completed our viability study regarding the installation of a waste-injection mechanism in the precalciners of our two kilns, which will allow us to increase the use of alternative fuels such as rice husks in our operations. We have begun the process of obtaining regulatory approval and will begin the installation in one of our kilns during the second half of 2004. We expect the mechanism to be operating in both kilns in the first half of 2005. |
| Philippines | In 2003 we began testing a new process for converting wastes into alternative fuels. Third-party evaluators and relevant authorities are currently analyzing the mechanism for this process. |
| Dominican Republic | We substantially increased our use of waste oil as fuel; this resource now accounts for 6.34% of our total energy needs. |
| Nicaragua | We use waste oil, which currently meets 1.62% of total fuel needs. We are also studying processes for using biomass such as rice husks and coffee husks as alternative fuels. |
| Panama | We finalized a plan to incorporate alternative liquid fuels in our operations, began testing for solid fuels, and are awaiting approval from authorities to use both kinds of fuels in 2004. |
| Venezuela | Two of our cement plants use alternative fuels. |

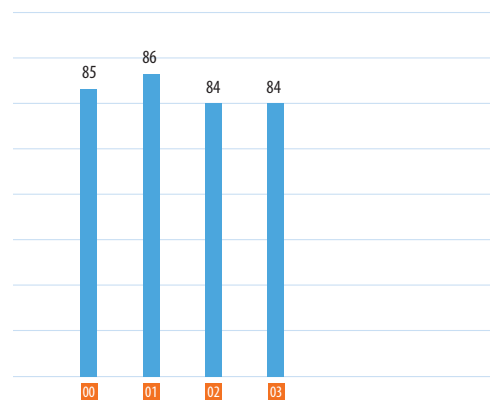
total fuel distribution
percentage of energy



alternative fuel distribution
percentage of energy



clinker factor in cement production
percentage of clinker content



We continue to seek ways to increase our use of alternative fuels in cement production, including used tires, used oil, solid waste, and biomass such as rice husks.

By using alternative cementing materials such as pozzolana and fly ash, we have decreased the amount of clinker in our cement production and reduced our total energy consumption per metric ton of cement.

By optimizing the energy and raw materials we use in our production processes, our ecoefficiency program helps us balance business and environmental interests.

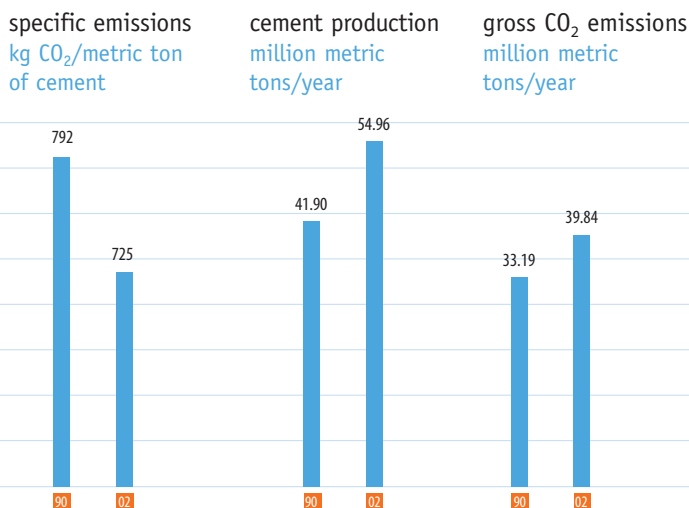
our cement is composed of pozzolana, and we are studying ways to recycle rice-husk byproducts (dust and ash) as cement additives. And in the United States, we recently purchased Mineral Resource Technologies, Inc., one of the country's largest suppliers of fly ash.

commitment in action: PMI and ecoefficiency

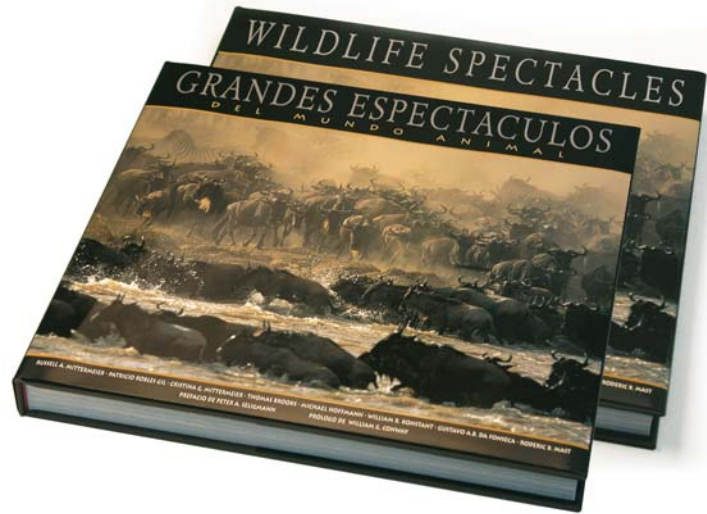
Our post-merger integration (PMI) processes generate tangible environmental benefits by enabling us to quickly bring new acquisitions up to our high ecoefficiency standards. For example, immediately upon acquiring Puerto Rican Cement Company, we began applying our more efficient operating practices throughout the facility. Within 12 months, we reduced by 21% the Kcal per Kg of clinker consumed in the kiln. We also lowered electricity usage 14%.

climate protection

In 1997 we established a corporate strategy to monitor and promote CO₂-reduction management in our operations. Our principal efforts to reduce CO₂ emissions are energy optimization, clinker substitution, and the use of alternative fuels. In the period 1990-2002, these actions allowed us to reduce by 8.5% our specific emissions (Kg CO₂/metric ton of cement). In this same period our cement production grew by more than 30% (see chart below).



In the period 1990-2002, we reduced our CO₂-specific emissions by 8.5%, thanks to our efforts in energy optimization, clinker substitution, and the use of alternative fuels.



Our most recent conservation book, *Wildlife Spectacles*, published in 2003, draws on the research of more than 20 environmental organizations and the work of some of the world's top photographers to document mass congregations of animal species around the globe.

Additionally, in 2003 we joined the Global Greenhouse Gas Register, developed by the World Economic Forum. This initiative stimulates the creation of a standard and transparent emissions-reporting platform worldwide.

ISO 14001 certification

While we do not require ISO 14001 certification at all of our cement plants, all 25 of our plants in Mexico, Spain, and the Philippines are now certified under ISO 14001 standards. In 2003 our cement plant in Egypt and three of our cement plants in Venezuela obtained ISO 14001 certification. In addition, each of our plants has an environmental management system that is certified locally.

promoting environmental awareness, education, and conservation

For years we have been working to promote a culture of environmental awareness within our company, our communities, and society at large. In 1993 we published the first in our series of conservation books illustrating approaches to protecting the world's biodiversity. We have worked with leading NGOs—including Agrupación Sierra Madre and Conservation International—and researchers and photographers from around the world to publish 11 books in the past 11 years. Approximately 200,000 copies of these publications have been distributed in the private sector and to universities, research institutions, and governments. In 2003 we worked with environmental groups, government agencies, and academic institutions to support, through direct involvement or financial assistance, more than 30 programs worldwide (see table on page 23).



Through El Carmen, our conservation model, we aim to create a long-term preservation plan for ecosystems, species, and biological corridors.

commitment in action: quarry restoration in Spain

In 2003 we began a pioneering project to restore 26 hectares (64.2 acres) of a spent quarry by planting more than 90,000 grapevines. To date, we have transformed 17.7 hectares (43.7 acres) with 54,000 grapevines and expect to plant an additional 36,400 vines in 2004.

By planting nectarine, peach, and plum trees, we are turning another spent quarry into an agricultural zone of 110 hectares (272 acres). Currently, 90% of the production of 1,000 metric tons of fruit is sold to countries throughout Europe. We estimate that, in 2006, with all trees at full capacity, production will reach 2,000 metric tons.

With another project we are transforming an old quarry near one of our plants into a park and are integrating it into the surrounding area. We have restored half of the area, which totals 33 hectares (81 acres); we plan to complete the restoration in 2005. In addition, we collect and divert 100% of the water from the area's heavy rainfalls to irrigate the park and to supply local helicopters with water to fight fires.

commitment in action: El Carmen, our conservation model

The El Carmen Project is a unique, private-public conservation model that contributes directly to our sustainable development efforts through environmental conservation. In 1992—at the suggestion of Agrupación Sierra Madre (ASM), a Mexico-based NGO—CEMEX and ASM began working together to help preserve El Carmen, an ecosystem located in northern Coahuila, Mexico, along the U.S. border. This area, combined with protected areas on the U.S. side of the border,

is one of the largest, most biodiverse, and most important conservation corridors in North America. CEMEX has acquired land and entered into conservation agreements with neighboring landowners, bringing the project's total area to 75,000 hectares (185,000 acres), 75% of which is part of the Maderas del Carmen Flora and Fauna Protection Area.

We are currently working to facilitate the recovery of areas affected by past human activities—until the first half of the 20th century, ranching, mining, and logging industries had heavily exploited the area. The region is home to more than 500 plant species, 400 bird species (including eagles), 70 mammal species, and 50 kinds of reptiles and amphibians.

commitment in action: Club Excelencia en Sostenibilidad

In Spain, we are working together with our peers to promote sustainable development through awareness and action. We are founding members of Club Excelencia en Sostenibilidad (CES), a nonprofit organization formed to promote sustainable development by setting sustainability benchmarks and creating a forum for stakeholder dialogue. Created in 2002 by CEMEX Spain and several other companies, including BASF, Iberdrola, Siemens, Telefonica Moviles, and Tetra Pak, CES now has around 15 member companies. To foster sustainable development among members and to raise awareness in the business community, CES organizes events, publishes materials, develops projects in collaboration with other businesses and public institutions, and creates alliances with foundations and business schools.

environmental programs worldwide

| COUNTRY | LOCATION | PARTNER | TYPE | DESCRIPTION |
|--------------------|---|---|----------------------------|---|
| Colombia | Payande | Instituto Integrado Educativo (Comprehensive Educational Institute) | Environmental education | Workshops on waste management for high school students |
| | La Calera | Natura Foundation and the Chingaza National Natural Park | Environmental education | Workshops on forest fire prevention |
| | Payande | Community leaders | Reforestation | Reforestation of river basin that feeds aqueducts; 3,300 trees planted in 2003 |
| Dominican Republic | Eastern region | National Botanical Garden | Environmental conservation | Conservation of endemic species of the eastern region |
| | Southernmost region | Secretary of the Environment | Environmental conservation | Iguana Conservation Project |
| | Countrywide | None | Environmental conservation | Host contest and award for environmental institutions |
| Mexico | Countrywide | SEMARNAT (Environment and Natural Resources Ministry) | Environmental awareness | Cruzada Nacional por un México Limpio (National Crusade for a Clean Mexico) |
| | Hermosillo, Sonora | IMADES, CECADESU | Environmental education | Recycling and proper waste management education for students and parents |
| | Countrywide | CONAFOR (National Forest Council) | Reforestation | Reforestation campaigns |
| | Countrywide | ECOCE (Ecology and Commitment) | PET recycling | Community cleaning campaigns |
| | Countrywide | COEDE (State Council for the Environment) in each state in which we have cement plants | Environmental awareness | Community cleaning campaigns |
| | Tamuín, San Luis Potosí | Asociación Viva la Huasteca | Conservation | Support trash collection in protected park |
| | Monterrey, Nuevo León | Comité Estatal de Reciclaje de Nuevo León (Nuevo León State Recycling Committee) | Environmental awareness | Sponsor award granted to winning displays in the fair; participate in monthly meetings and in recycling fair |
| | Huichapan, Hidalgo | Sendero Verde | Reforestation | Contribute fertile soil and loaned crane for local reforestation project |
| | Countrywide | PRONATURA | Conservation | Economic contribution |
| | Monterrey, Nuevo León | Parque Chipinque | Natural park | Economic contribution |
| | Countrywide | CONAFOR (National Forest Council) | Reforestation | Reforestation campaigns |
| | Nicaragua | San Rafael del Sur | Municipal government | Environmental conservation and education |
| Panama | Panama City | Estructuras Nacionales | Environmental conservation | Camino de Cruces urban development project respects natural topography and conserved 100-year-old trees within urban area |
| | Panama City | ANCON, Panama City Council | Environmental conservation | Infrastructure rehabilitation at Punta Patiño natural reservation |
| Philippines | San Jose, Antipolo City; Tina-an, Naga, and Cedu and vicinities | None | Environmental education | Waste segregation campaign on proper waste disposal |
| United States | Knoxville, Tennessee | National Adopt-a-Watershed Program and Holston Middle School | Environmental education | Program for seventh graders to study animals in their natural environment |
| | Charlevoix, Michigan | Tip of the Mitt Watershed Council (TOTMWC) | Environmental education | Support efforts of TOTMWC to educate public regarding simple ways to reduce pollution and preserve local watershed |
| | Fairborn, Ohio | Wright State University Department of Geology | Environmental education | Support Department of Geology's 20-year groundwater monitoring project and contribute to the Wright State University Foundation for Hydrogeologic Scholarship |
| | Victorville, California | Mojave Environmental Education Consortium | Environmental education | Developed environmental curriculum for area teachers |
| | Victorville, California | Mojave Desert Air Quality Management District | Environmental education | Support the Clean Air Fair: community awareness of air-quality issues in the High Desert |
| | Victorville, California | Cement Industry Environmental Consortium (created by the Mojave Desert Air Quality Management District) | Environmental conservation | Developed environmental control technologies for the cement industry |
| Venezuela | Countrywide | Instituto Nacional de Parques del Estado Anzoátegui | Environmental conservation | Support national campaign for environmental conservation |
| | Countrywide | Fundación para la Defensa de La Naturaleza (FUDENA) | Environmental conservation | Collaborate annually with the Clean Beaches program |
| | Countrywide | Guías Scouts de Venezuela Estado Anzoátegui | Environmental conservation | Support maintenance campaigns for parks and other public spaces |
| | Barquisimeto, Lara | Universidad Yacambu | Environmental education | Support training programs on emission controls and waste management |

social performance

employee health and safety

At CEMEX, employee well-being is our highest priority. Every day we work to improve our record of employee safety and move closer to our goal of a lost-time accident rate of less than 1%. In 2003 we reduced this rate for the seventh year in a row—to 1.60% from 1.65% in 2002. Yet, despite our best efforts in 2003, 12 people lost their lives in connection with our operations. This is unacceptable in any business, and we will reinforce our efforts to ensure a safe environment for our employees and eliminate fatalities from our workplace.

To foster workplace safety, we have implemented two valuable tools throughout our worldwide operations: regular and effective safety training for managers and employees, and programs that promote a culture of integral health.

a global commitment to safety

In all of our operations, we have instituted a global safety management system, the main component of which is SISTER, our electronic safety monitoring and tracking platform. SISTER enables us to monitor safety performance in real time and allows business-unit and plant managers to see other CEMEX facilities' safety methods and identify and implement best safety practices in their own operations.

We also promote safety through our safety manual, the CEMEX Safety Award, our communication networks, and specific country programs such as safety audits and risk analyses. Our safety program has enabled us to establish corporate guidelines, share experiences and best practices among our business units, and rapidly integrate new acquisitions into our safety culture.

Thanks to our continued efforts in the area of employee health and safety, we have been invited to lead the Cement Sustainability Initiative's Employee Health and Safety Task Force (TF3). TF3 is developing industry standards for employee health and safety and systems that enable companies to measure, monitor, and report health and safety performance. Individual companies may then adopt and implement these standards

Our social performance encompasses the following activities:

- > Ensuring our employees' safety and promoting a culture of integral health
- > Helping employees achieve their career objectives
- > Working for the health and development of our communities
- > Making safe and effective products
- > Maintaining integrity in all of our stakeholder interactions

Our commitment to these efforts generates tangible benefits for all of our stakeholders and ensures our continuing vitality as a company.



and systems. TF3 also seeks to facilitate the exchange of information so that companies can quickly share experiences, identify common causes of injury, and reduce accidents.

achieving integral health and balancing work and family

As part of our commitment to the health and well-being of our employees, we promote a culture of integral health and ensure that employees receive proper medical care. We focus on preventive measures and encourage them to participate in programs that help them manage stress and achieve a healthy balance between work and family.

To help employees improve their health and productivity, we are expanding our pilot program, Positive Indicators of Health, which identifies and evaluates employees' health indicators, including body mass; glucose, cholesterol, blood pressure, and fitness levels; and external stress factors such as cigarette smoking. The program correlates these factors to reference standards and, if warranted, suggests changes in employees' lifestyle, dietary, and exercise habits. The program helps raise awareness among employees of the factors that contribute to better health.

Through our permanent vaccination campaign, we foster good health and increased productivity by providing vaccine doses to employees in various CEMEX locations around the world. The vaccines are given to prevent illnesses such as hepatitis A and B, tetanus, rubella, flu, and yellow fever. We also alert our employees to infectious disease outbreaks and educate them regarding preventive actions.

commitment in action: highly protected risk designation

We take proactive steps to improve the risk characteristics of all our facilities worldwide. In 1997 we started a property-loss prevention program in collaboration with FM Global, one of the world's best-known property insurance companies. As part of this program, FM Global helped us develop a new, rigorous grading system to gauge risk levels in our facilities. As a result of this new grading system and our commitment to making continuous upgrades, in 2003 we received a Highly Protected Risk certification from FM Global at 93% of our cement plants.

safety management system

Our safety management system covers the following 14 areas:

- (1) leadership and administration participation
- (2) manager and supervisor training
- (3) task and procedure analysis
- (4) investigation of accidents and incidents
- (5) control of unsafe acts and conditions
- (6) training of technical personnel
- (7) emergency preparation
- (8) contractor safety
- (9) process risk management
- (10) mechanical and electrical maintenance management
- (11) safety promotion
- (12) health risk analysis
- (13) work condition evaluation
- (14) fire protection

empowering our people

As we grow as a company, our work becomes more complex and requires more time, energy, skill, and creativity. Moreover, to attract and retain talented people who can compete on a global scale, we must foster creative and effective leadership skills and a deep understanding of our company and our industry. To accomplish these goals, we offer an array of programs to empower our employees and help them attain their professional objectives (please see sidebar on next page).

CEMEX educational programs

We cultivate our future leaders from within our global organization, investing up to US\$13 million a year in educational and training programs, including:

CEMEX Graduate Scholarship Program - Awards full-time graduate scholarships to top international universities to full-time employees with seniority of at least two years who have shown high performance, potential, and commitment and are willing to relocate internationally.

Global Leadership Program - Develops high-potential executives for leadership positions. Individualized programs include formal education, professional coaching, team assignments with real-life challenges, and personal advice from a member of CEMEX's management team.

CEMEX International Management Program - Customized education that offers selected executives an opportunity to hone their finance, marketing, operations, and planning skills at some of the world's leading business schools. Participants also improve their leadership skills by working on a real-life project with colleagues from around the world.

New Talents Program - Aimed at high-potential employees or recent college graduates who want to actively build their professional future at CEMEX. Participants spend one year in key operational areas and six months in the functional area most suited to their skills and preferences.

Web-based Training - Through CEMEX Plaza, our employee portal, our people can access our Learning Management System and receive cross-functional instruction in areas such as customer service, finance, and project management.

ensuring high-quality, safe, and effective products

quality management

We constantly work to satisfy our clients by making products of consistent quality that meet their particular needs. To ensure the quality of our products, we

- > use state-of-the-art equipment, which allows us to optimize our production processes and precisely measure and control product quality
- > expand the automation of our processes
- > use standardized, automated information-management platforms to efficiently analyze quality data from all plants and quickly implement quality-management decisions
- > promote shared knowledge to maintain high levels of expertise among quality-control managers and to quickly implement best practices

We work to efficiently administer and improve our quality-control systems and productivity. In most of our plants, we have implemented formal quality-management systems based on ISO-certifiable quality management models. All of our cement plants in Colombia, Costa Rica, Egypt, Mexico, the Philippines, Spain, Thailand, and Venezuela are ISO certified, and we use a comparable audit system in the United States that guarantees the highest quality-management standards.

community health and development

To improve the health and well-being of the communities in which we operate, we develop and sponsor through donations a wide variety of community health, education, and development programs around the world (please see pages 30-31 for a worldwide overview of these programs).



All of our cement packages contain instructions on the proper use of our products and explicit warnings of the possible dangers of improper use.

Thanks to our continued efforts in the area of employee health and safety, we have been invited to lead the Cement Sustainability Initiative's Employee Health and Safety Task Force (TF3).

commitment in action: creating mutual benefit programs

We aim to balance our responsibilities to different stakeholder groups by developing programs that help meet the needs of our communities while promoting the use of our cement and other products.

Congruencia. Through this program, we help create productive opportunities and promote social equality and access for disabled people while raising community awareness. We help organizations that employ disabled people by buying their products, loaning equipment, and providing training. We also encourage communities to develop equal-access infrastructure while promoting the use of our cement.

Patrimonio Hoy. We organize low-income families in Mexico into self-financing cells, teach families to reduce waste and optimize space, provide credit, and facilitate housing construction, expediting the typical home-building process. In 2003 we expanded this program to 48 community offices serving 71,500 families.

Piso Firme. We have partnered with the Mexican government to replace dirt floors in homes lacking basic amenities with floors made of our antibacterial concrete, which helps lower risk of contamination and disease. This program has benefited close to 200,000 disadvantaged Mexican families in 20 states since 1995, including 14,067 in 2003. We have begun a similar initiative in Colombia.

Construmex. Through this program, Mexicans living in the United States can transfer money to Mexico for their families' construction needs. For a dollar each, our clients can transfer

orders directly through our network of more than 2,000 distributors across Mexico, who then deliver the building materials to the clients' designated recipients.

Cátedra Blanca. This collaboration between CEMEX and architecture schools in Barcelona, Valencia, and Madrid enables students to study theoretical and practical applications of white cement under an interdisciplinary team of architecture professors, renowned experts, and CEMEX research and technology specialists.

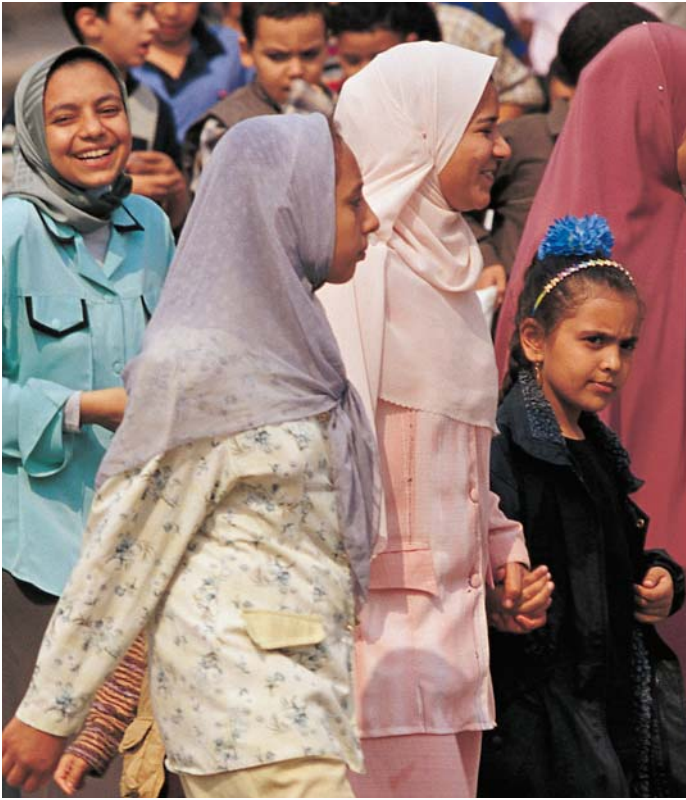
Building the basics. In 2003 we worked with the Social Investment Fund of Venezuela to build basic infrastructure in El Nogal, an urban community. Thanks to our technical consulting, we optimized the fund's resources to build streets, sidewalks, and a drainage system.

Exchanging shelters for homes. We work with the government of the Venezuelan state of Yaracuy to replace makeshift shelters with homes made with cement. We teach community members how to build homes, often in as little as three weeks, and optimize program resources by offering cement at a discount and delivering it directly to the community. We helped build 815 homes in 2003 and expect to help build more in 2004.

Concretemos Nuestra Cuadra. In 2003 we began working with municipal governments and neighborhood associations of rural Costa Rican communities to pave roads with our cement. We help optimize the communities' resources, lend equipment, and teach road maintenance.

2003 consolidated accident indicators

| Total directly employed: 25,965 | DIRECTLY EMPLOYED | CONTRACTORS | THIRD PARTIES |
|--|-------------------|-------------|---------------|
| Number of lost-time injuries (LTIs) | 414 | 35 | |
| Accident rate | 1.6% | | |
| LTI frequency rate (per million man-hours) | 8 | | |
| Number of fatalities | 7 | 4 | 1 |
| Fatality rate (per 10,000 directly employed) | 2.7 | | |
| Average severity rate | 43.1 | | |



We are proud to be a part of the Egyptian government's program to educate girls in economically deprived areas of the country. This important project is laying the groundwork for the socioeconomic advancement of Egyptian women.

commitment in action: educating young girls in Egypt

CEMEX Egypt has joined the Egyptian government's ongoing initiative, under the auspices of Suzanne Mubarak, the first lady of the Arab Republic of Egypt, to provide education for 500,000 girls in remote, deprived areas of the country. CEMEX provided technical assistance and finalized the turnkey construction of 11 one-classroom schools in 2003 and plans to build 10 more in 2004.

commitment in action: Tecnológico de Monterrey

The year 2003 marks the 60th anniversary of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), a multi-campus university system that CEMEX has supported for many years. The mission of ITESM, also known as Tecnológico de Monterrey, is to develop people who are socially, economically, and politically knowledgeable and responsible and who are able to compete internationally in their areas of knowledge. ITESM's mission includes fostering a commitment to community development and promoting research and extension studies on sustainable development.

We are proud to support this institution and, moreover, its tremendous contribution to higher education. Our Chairman and CEO, Lorenzo H. Zambrano, has been the Chairman of ITESM's Board of Trustees since 1998.

commitment in action: fostering cultural enrichment

We are dedicated to enriching the cultural experience of our neighbors through programs that promote the arts, education, and social awareness, including the following:

Premio Nuevo Periodismo CEMEX-FNPI. In December 2000 CEMEX and the Fundación para un Nuevo Periodismo Iberoamericano (FNPI), founded by Gabriel García Márquez—winner of the Nobel Prize in Literature—created this award to promote excellence in journalism and to honor journalists from Latin-American and Caribbean countries for their commitment to professional values. Each year the award recognizes the best journalistic works and honors one journalist who has dedicated at least 20 years of excellence to the profession.

MARCO. Through exhibitions and a variety of educational and interactive programs, the Museo de Arte Contemporáneo de Monterrey (MARCO) promotes the visual arts of Mexico and Latin America as well as international contemporary art. More than a museum, MARCO is a cultural center and pluralistic space devoted to all forms of contemporary artistic expression, including literature, music, film, and dance. Among its goals, MARCO seeks to make art an integral part of childhood learning and to instill in the public the value of art as a medium for human and cultural interaction.

Since the museum opened in 1992, CEMEX has been a contributor to MARCO, and our company's Chairman and CEO has served on its Board of Trustees. We frequently sponsor MARCO's exhibitions and indirectly sponsor its programs through annual giving.

conducting ourselves and our business with integrity

Our code of ethics outlines our principles of business conduct and guides us in all of our dealings with our stakeholders. All of our employees are required to familiarize themselves with and comply with the code. Employees must also report suspected violations of the code. We have established ethics committees at both the country and corporate levels to communicate our standards of conduct, encourage ethical behavior, and investigate reported misconduct. Our internal communications intranet, CEMEX Plaza, also provides training and workshops through which employees can familiarize themselves with the code.

recognition and awards

Costa Rica

Recipient, Bandera Ecológica Award. We received this award for our cement plant in Colorado, Guanacaste, in recognition of our policies and initiatives to preserve and protect the environment and the health of our employees.

Dominican Republic

Recognition. The Secretary of Labor recognized CEMEX for its support programs and safety efforts.

Recognition. The Asociación Dominicana de la Pequeña y Mediana Industria, an association of small and mid-sized businesses, recognized CEMEX for its efforts to help develop the rail and construction sectors.

Recognition. The Asociación Jóvenes en Desarrollo, a youth development foundation, recognized CEMEX for its role in the development of the construction industry.

Egypt

Recipient, Engineer Othman A. Othman Award. We received this award, granted by the Academy of Scientific Research & Technology, for encouraging the development of the construction industry through our School of Laborers program.

Mexico

Recipient, Industria Limpia Certificate. All of our cement plants have been awarded the Industria Limpia Certificate granted by the Federal Agency for the Protection of the Environment.

Recipient, Socially Responsible Company emblem. The Mexican Center for Philanthropy presented CEMEX with the Socially Responsible Company emblem, or ESR 2004, for the company's social responsibility performance in Mexico.

Nicaragua

Recipient, National Labor Board for Safety and Hygiene Award. The Nicaraguan government's National Labor Board for Safety and Hygiene honored CEMEX with this award in 2003 for excellence in its health and safety efforts.

Philippines

Nominee, Asian Corporate Social Responsibility (CSR) Awards. We were nominated for one of the prestigious Asian CSR Awards in the category of Support and Improvement of Education. The company was nominated for its initiatives to improve education through its CEMEX with a Heart Program.

Spain

Two of the industry associations in which we participate, AESPLA (Asociación Española de Empresas con Servicios de Prevención Laboral), of which we are also founding members, and ANEFHOP (Asociación Nacional de Empresas Fabricantes de Hormigón Preparado), received in 2003 a Prever award for their contribution to risk prevention.

United States

Recipient, North American Safety Award. The Balcones cement plant received the 2002 North American Safety Award as well as several other 2002 safety awards for innovative practices, zero lost-time accidents, and accident prevention.

Finalist, Outreach Award. In 2003 the Portland Cement Association and *Cement Americas* magazine named the Knoxville cement plant a runner-up in the Outreach category of their Cement Industry Environmental Awards for the plant's work with the Adopt-a-School and Adopt-a-Watershed programs.

Philippines

- 5 PLANT COMMUNITIES. © Department of Health; local government. *Provides consultation, medicine, and preventive education to community residents*
- CENTRAL POBLACION, NAGA. © Government program: PCs for Public High Schools; Philippine Business for Social Progress. *Provides computers and built a computer lab for Naga National High School*
- 5 PLANT COMMUNITIES. © Local government. *Promotes livelihood projects for community residents*

Mexico

- 14 PLANT COMMUNITIES. © Schools. *Program Excelenci@ provides computers to schools and scholarships to students*
- PLANT COMMUNITIES. © Mexican Institute for Social Security. *Sponsors preventive health campaigns and medical equipment*
- 8 PLANT COMMUNITIES. *Our Community Centers provide workshops to promote self-employment and convey sustainability values*
- 14 PLANT COMMUNITIES. © Community groups; sports clubs. *Organized or contributed to sports teams for children as well as family events*

USA

- LOUISVILLE, KY. © Adopt-a-Highway Program. *Volunteers clear litter from roadsides near plant*
- HOUSTON, TX. © Portland Cement Association. *Donates concrete to provide affordable housing to low-income families*
- WAMPUM, PA. © North Country Trail. *Donated right-of-way through CEMEX property to bring trail walkers into the community*
- BROOKSVILLE, FL. © Mine Safety and Health Administration, U.S. Department of Labor. *Stay Out, Stay Alive program promotes awareness in schools of dangers of trespassing on mine properties*
- KNOXVILLE, TN. © Adopt-a-School Program. *Supports two local schools with employee time, computers, printers, and books*
- LYONS, CO. © Lyons Junior-Senior High School. *Contributes building materials and school supplies*
- FLORIDA. © Masonry Apprentice Foundation. *Trains masonry apprentices for future jobs*

Costa Rica

- COLORADO, GUANACASTE. © Community action groups. *Developed education centers, improved school infrastructure, and contributed school materials*

Nicaragua

- SAN RAFAEL DEL SUR. © Local community. *Supports street lighting, road maintenance, and installation of signs on community roads*
- SAN RAFAEL DEL SUR. © Mayor's office; municipal baseball and soccer leagues. *Supports local baseball tournament; provides uniforms and equipment to local teams*

Spain

- ALICANTE. © Organic Chemistry Department, Alicante University. *Sponsors award for best doctoral thesis and undergraduate thesis*
- ALICANTE, CANARIA, BARCELONA, MALLORCA. © Various. *Supports local area teams*
- PLANT COMMUNITIES. © Municipal governments. *Participates in and contributes to socio-cultural programs and festivities*

Dominican Republic

- COUNTRYWIDE. © Fundación Jóvenes en Desarrollo. *Sponsors award for the most outstanding architecture and engineering students in their senior year*
- SAN PEDRO DE MACORIS AND BARAHONA. © Community action groups. *Supports basketball tournament for more than 20 neighborhoods*

Panama

- PLANT COMMUNITY. *Provides equipment, uniforms, and maintenance of facilities for youth soccer, tennis, and baseball teams*
- COUNTRYWIDE. © Junior Achievement Organization. *Develops children's entrepreneurial spirit, business knowledge, and awareness of sustainable development*
- PLANT COMMUNITY. © Community; school. *Provided materials and technical supervision for school and housing construction*
- PANAMA CITY. © EXPLORA Interactive Children's Museum. *Constructed museum building and technology exhibit hall*

Egypt

- ASSIUT. © Government of Egypt. *Provides technical assistance and construction of one-classroom schools*

Colombia

- CASA DE TEJA AND VILLA JACKY NEIGHBORHOODS, BOGOTA. © Junta de Acción Comunal. *Supports beautification of public space*
- STATE OF TOLIMA. © CORUNIVERSITARIA. *Promotes small and medium enterprises*
- PAYANDE, TOLIMA. © SENA Servicio Nacional de Aprendizaje. *Provides training in cooperative administration of small animal species*
- PAYANDE, TOLIMA. *Operates self-sustaining farm model and La Esmeralda training center*

Venezuela

- GUAYANA. © State government; FUNDASALUD. *Vaccination and health-awareness campaigns*
- PERTIGALETE. © Telesforo community. *Health campaign and medical attention*
- PERTIGALETE. © Pamatacualito community. *Donated land for local sports activities*
- PERTIGALETE. © Redoma de Guanta community. *Supports green-area maintenance program*
- PERTIGALETE. © Pamatacualito community. *Supports maintenance of water-treatment facilities*

program type

- community health
- community development
- education
- sports
- cultural
- © partner

glossary

industry

Accident rate is the result obtained by multiplying the number of lost-time accidents recorded in a one-year period by 100 and dividing the product by the number of personnel in the same period.

Aggregates are sand and gravel, which are mined from quarries and 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.

Average Severity Rate is the result obtained by dividing the number of lost work days by the number of lost-time accidents.

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

Ecoefficiency is the optimization of energy and raw materials to produce an economic and environmental benefit by reducing environmental impact.

Emissions are materials that enter the air and water, as well as noise, vibrations, light, heat, rays, and similar outflows, generated by productive processes, installations, or services.

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

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

Metric ton is the equivalent of 1.102 short tons.

Ready-mix concrete is a mixture of cement, aggregates, and water that is produced in batching plants and delivered directly to the construction 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 that has a wide range of structural and decorative uses.

financial

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

Free cash flow is defined as EBITDA less net financial expense, cash taxes (including statutory profit sharing), maintenance and expansion capital expenditures, changes in working capital, preferred dividend payments, and other cash expenses (including dumping duties). Free cash flow is not a GAAP measure.

Interest coverage is defined as EBITDA divided by the sum of financial expenses and preferred dividends, all for the previous twelve months.

Net debt equals total debt plus capital securities minus cash and cash equivalents. CEMEX is conservatively adding the preferred capital securities (US\$66 million) because of the put option to CEMEX under its structure.

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

The information presented herein contains certain forward-looking statements and information relating to CEMEX, S.A. de C.V. and its subsidiaries (collectively, "CEMEX") that are based on the beliefs of its management as well as assumptions made by and information currently available to CEMEX. Such statements reflect the current views of CEMEX with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of CEMEX to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic, political, governmental, and business conditions globally and in the countries in which CEMEX does business, changes in interest rates, changes in inflation rates, changes in exchange rates, the level of construction generally, changes in cement demand and prices, changes in raw material and energy prices, changes in business strategy, and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. CEMEX does not intend, and does not assume any obligation, to update these forward-looking statements. In addition, certain information presented herein was extracted from information published by various official sources. This information includes statistical information relating to the cement industry, certain reported rates of inflation, exchange rates, and information relating to the countries in which CEMEX operates. CEMEX has not participated in the preparation or compilation of any of such information and accepts no responsibility thereof.

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