CEMEX SA DE CV
Form 424B2
September 13, 2005

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Registration No. 333-86700

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 12, 2005

PROSPECTUS SUPPLEMENT

(To Prospectus dated April 19, 2002)

27,000,000 American Depositary Shares

CEMEX, S.A. de C.V.

Representing 270,000,000 Ordinary Participation Certificates

$ per ADS

This prospectus supplement relates to the offering of 27,000,000 American Depositary Shares, or ADSs, each representing ten Ordinary Participation Certificates, or CPOs, of CEMEX, S.A. de C.V., or CEMEX. Of the 27,000,000 ADSs that are being offered, ADSs are being offered in the United States and in other countries outside Mexico and the equivalent of ADSs are being offered in a concurrent offering in Mexico in the form of the underlying CPOs.

The ADSs and CPOs are being sold on our behalf by a Mexican trust created to sell the ADSs and CPOs in the offering. The CPOs offered in Mexico are being offered by means of a separate prospectus and upon similar terms as the offering and may be resold from time to time in the United States while a registration statement is required to be in effect. The trust has granted the underwriters an option to purchase up to 3,993,341 additional ADSs in the form of ADSs or CPOs, as necessary, to cover over-allotments.

The ADSs are listed on the New York Stock Exchange under the symbol CX, and the CPOs are listed on the Mexican Stock Exchange under the symbol CEMEX.CPO. On September 9, 2005, the last reported sales price of the ADSs on the New York Stock Exchange was $51.48 per ADS and the last reported sales price of the CPOs on the Mexican Stock Exchange was Ps54.95 per CPO ($5.14 per CPO at an exchange rate of Ps10.69 per U.S. dollar).

Investing in the ADSs involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement and on page 5 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per ADS	Total(2)
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to the Trust (before expenses)(1)	$	$

(1) The trust will apply the net proceeds it receives from the offering, as well as the net proceeds it receives from the Mexican offering, to pay to several banks party to forward contracts with us the forward purchase price thereunder in respect of the ADSs and CPOs sold by the trust in the offering and the Mexican offering, with any proceeds in excess of such forward purchase price to be distributed by the trust to us. As of September 9, 2005, the aggregate forward purchase price under these forward contracts in respect of the ADSs and CPOs being offered hereby would be approximately $1,128.6 million. See Use of Proceeds.

(2) The amounts listed in the table above do not include any proceeds the trust may receive from any exercise by the underwriters of the over-allotment option granted to them by the trust.

The underwriters expect to deliver the ADSs to purchasers on or about , 2005.

Citigroup **JPMorgan**

Wachovia Securities

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

Calyon Securities (USA) Inc.

Dresdner Kleinwort Wasserstien

Scotia Capital

UBS Investment Bank

, 2005

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Prospectus Supplement

Prospectus

We have not authorized any dealer, salesperson or other person to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should not rely on any unauthorized information. This prospectus supplement and the accompanying prospectus do not offer to sell or buy any securities in any jurisdiction in which it is unlawful. The information in this prospectus supplement is current as of the date on the cover.

References in this prospectus supplement to CEMEX, we, us or our refer to CEMEX, S.A. de C.V., a Mexican corporation, and its consolidated subsidiaries.

References in this prospectus supplement to U.S.$ and Dollars are to U.S. Dollars, references to £ and Pounds are to British Pounds, and, unless otherwise indicated, references to Ps and Pesos are to constant Mexican Pesos as of June 30, 2005.

Unless we specifically state otherwise, the information in this prospectus supplement does not take into account the sale of up to 3,993,341 ADSs in the form of ADSs and CPOs, which the underwriters have the option to purchase from the trust to cover over-allotments.

The CPOs underlying the ADSs being sold pursuant to this prospectus supplement have been registered with the Securities and Special Sections of the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional*

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***Bancaria y de Valores*), or the CNBV. Registration of the CPOs with the Securities and Special Sections of the National Securities Registry maintained by the CNBV does not imply any certification as to the investment quality of the CPOs, the solvency of CEMEX or the accuracy or completeness of the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus.**

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The ADSs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such ADSs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or the SEC, allows us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document filed by us with the SEC. Any information referenced this way is considered part of this prospectus supplement, and any information that we file after the date of this prospectus supplement with the SEC and incorporate by reference in this prospectus supplement will automatically update and supersede this information. Any statement contained in a document filed by us with the SEC before the date of this prospectus supplement and incorporated by reference shall be deemed to be modified or superseded for the purpose of this prospectus supplement by any contradictory statement in this prospectus supplement, but only to the extent such statement is contradictory. We incorporate by reference into this prospectus supplement the following documents:

Our annual report on Form 20-F for the year ended December 31, 2004, filed with the SEC on May 27, 2005; and

The descriptions of our ADSs, CPOs, series A shares and series B shares contained in Amendment No. 1 to our registration statement on Form 8-A/A (SEC File No. 1-14946), filed with the SEC on July 1, 2005, and any amendment or report filed for the purpose of updating such descriptions.

In addition, any future filings on Form 20-F made with the SEC under the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and prior to the termination of the offering of the ADSs, and any future reports on Form 6-K furnished by us to the SEC during such period or portions thereof that are identified in such forms as being incorporated into the registration statement of which the accompanying prospectus form a part, shall be considered to be incorporated in this prospectus supplement by reference and shall be considered a part of this prospectus supplement from the date of filing of such documents.

We will provide without charge upon written or oral request, a copy of any and all of the information that has been incorporated by reference in this prospectus supplement and that has not been delivered with this prospectus supplement. Requests should be directed to Abraham Rodríguez, Investor Relations, CEMEX, S.A. de C.V., Av. Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, Garza García, Nuevo León, México 66265, Tel: +011-5281-8888-4262 or toll-free: 1-800-317-6000.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, including the information incorporated by reference, contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the U.S. federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as may, should, could, anticipate, estimate, expect, plan, believe, predict, potential and intend or other similar words. These f statements reflect our current expectations and projections about future events based on our knowledge of present facts and circumstances and assumptions about future events. These statements necessarily involve risks and uncertainties that could cause actual results to differ materially from our expectations. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could have an impact us or our subsidiaries, include:

- the cyclical activity of the construction sector;
- competition;
- general political, economic and business conditions;
- weather and climatic conditions;
- national disasters and other unforeseen events; and
- the other risks and uncertainties described under Risk Factors and contained elsewhere or incorporated by reference in this prospectus supplement.

Readers are urged to read this entire prospectus supplement, including the information incorporated by reference, and carefully consider the risks, uncertainties and other factors that affect our business. The information contained or incorporated by reference in this prospectus supplement is subject to change without notice, and we are not obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by us with the SEC.

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

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SUMMARY

This summary highlights the information contained elsewhere in this prospectus supplement and the accompanying prospectus as well as in the documents incorporated in this prospectus supplement by reference. This summary does not contain all the information you should consider before making a decision to purchase any ADSs. You should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated in this prospectus supplement carefully.

CEMEX, S.A. de C.V.

Incorporated in 1920, CEMEX is the third largest cement company in the world, based on installed capacity as of June 30, 2005 of approximately 96.5 million tons, including approximately 17 million tons of installed capacity we acquired in our acquisition of RMC Group p.l.c., or RMC, in March 2005. We are the largest ready-mix concrete company in the world with annual sales volume of 75 million cubic meters, and one of the largest aggregates companies in the world with annual sales volume of 170 million tons, in each case based on our annual sales volumes combined with those of RMC for 2004. We are also one of the world s largest traders of cement and clinker, having traded, when combined with RMC, over 13 million tons of cement and clinker in 2004. We are a holding company primarily engaged, through our operating subsidiaries, in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker. On September 9, 2005, we had an equity market capitalization of approximately Ps193.5 billion (U.S.$18.1 billion).

We are a global cement manufacturer with operations in North America, Europe, South America, Central America, the Caribbean, Africa, the Middle East and Asia. As of June 30, 2005, we had worldwide assets of approximately Ps282.4 billion (U.S.$26.3 billion).

As of June 30, 2005, our main cement production facilities were located in Mexico, the United States, Spain, the United Kingdom, Germany, Poland, Croatia, Latvia, Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Egypt, the Philippines and Thailand. As of June 30, 2005, our assets, cement plants and installed capacity, on an unconsolidated basis by region, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of June 30, 2005		
	Assets (in billions of constant Pesos)	**Number of Cement Plants**	**Installed Capacity (millions of tons per annum)**
North America			
Mexico	Ps59.5	15	27.2
United States	64.5	12	13.2
Europe			
Spain	37.2	8	11.0
United Kingdom	23.7	3	2.7

Rest of Europe	34.4	9	13.4
South America, Central America and the Caribbean	31.9	13	13.2
Africa and the Middle East	8.9	1	4.9
Asia	11.3	4	10.9
Cement and Clinker Trading Assets and Other Operations	74.9		

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In the above table, Rest of Europe includes our subsidiaries in Germany, France, Ireland, Austria, Poland, Croatia, the Czech Republic, Denmark, Portugal, Hungary, Latvia and other assets in the European region, and, for purposes of the columns labeled Assets and Installed Capacity, includes our 34.5% interest, as of June 30, 2005, in a Lithuanian cement producer that operated one cement plant with an installed capacity of 2.7 million tons. In the above table, South America, Central America and the Caribbean includes our subsidiaries in Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Argentina and other assets in the Caribbean region. In the above table, Africa and the Middle East includes our subsidiaries in Egypt, the United Arab Emirates and Israel. In the above table, Asia includes our subsidiaries in the Philippines, Thailand, Malaysia, Bangladesh and other assets in the Asian region, and, for purposes of the columns labeled Assets and Installed Capacity, includes our 25.5% interest, as of June 30, 2005, in Gresik, an Indonesian cement producer. As of June 30, 2005, in addition to the four cement plants owned by our Asian subsidiaries, Gresik operated four cement plants with an installed capacity of 17.3 million tons. In the above table, Cement and Clinker Trading Assets and Other Operations includes intercompany accounts receivable of CEMEX (the parent company only) in the amount of Ps32.2 billion, which are eliminated in consolidation.

During the last 15 years, we have been engaged in a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from that of Mexico and which offer long-term growth potential. We have built an extensive network of marine and land-based distribution centers and terminals that give us marketing access around the world.

On March 1, 2005, we completed our acquisition of RMC, a leading international producer and supplier of cement, ready-mix concrete and aggregates, for a total purchase price of approximately U.S.$5.8 billion, which included approximately U.S.$1.7 billion of assumed debt. RMC was headquartered in the United Kingdom, had operating units in 22 countries, primarily in Europe and the United States, and employed over 26,000 people worldwide. Prior to the acquisition, RMC was one of Europe s largest producers of cement and one of the world s largest suppliers of ready-mix concrete and aggregates. In 2004, RMC sold 14.4 million tons of cement, 51.4 million cubic meters of ready-mix concrete and 131.6 million tons of aggregates. The cement assets we acquired from RMC include 13 cement plants, with a total installed capacity of approximately 17 million tons, and 8 cement grinding mills. The cement plants are located in the United Kingdom, the United States, Germany, Croatia, Poland and Latvia.

Business Strategy

We seek to continue to strengthen our global leadership by growing profitably through our integrated positions along the cement value chain and maximizing our overall performance by employing the following strategies:

- Focus on and vertically integrate our core businesses of cement, ready-mix concrete and aggregates;
- Geographically diversify our operations and allocate capital effectively by expanding into selected new markets;
- Leverage platforms to achieve optimal operating standards and quickly integrate acquisitions;
- Provide the best value proposition to our customers;
- Strengthen our financial structure; and

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

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Geographic Breakdown of Our 2004 Net Sales

The following chart indicates the geographic breakdown of our net sales without giving effect to the acquisition of RMC and before eliminations resulting from consolidation, for the year ended December 31, 2004:

Geographic Breakdown of Pro Forma 2004 Net Sales

The following chart indicates the geographic breakdown of our net sales on a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004 and before eliminations resulting from consolidation, for the year ended December 31, 2004:

Executive Offices

We are a Mexican corporation with our principal executive offices located at Av. Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, Garza García, Nuevo León, México 66265. Our main phone number is +011-5281-8888-8888.

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The Offering

The Offering	27,000,000 ADSs, each representing ten CPOs. The ADSs offered hereby are being sold on our behalf by a Mexican trust. Of the 27,000,000 ADSs being offered, ADSs are being offered in the United States and in other countries outside Mexico and the equivalent of ADSs are being offered in a concurrent offering in Mexico in the form of the underlying CPOs. The CPOs offered in Mexico are being offered by means of a separate prospectus and upon similar terms as the offering. This offering and the Mexican offering are sometimes referred to herein as the combined offerings.
Over-allotment Option	The trust acting on our behalf has also granted to the underwriters of the combined offerings an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 3,993,341 additional ADSs in the form of ADSs or CPOs to cover over-allotments, if any.
The Trust	We have created a Mexican trust to sell ADSs on our behalf in the offering and CPOs on our behalf in the Mexican offering. The ADSs and CPOs being sold on our behalf by the trust were transferred to the trust in connection with the unwinding of several forward transactions we entered into with several banks. The trust will use the proceeds it receives in the combined offerings to pay to such banks the forward purchase price in respect of the CPOs and ADSs sold by the trust in the combined offerings, with any proceeds in excess of such forward purchase price to be distributed by the trust to us. See Use of Proceeds. This Mexican trust is referred to herein as the trust and the banks that transferred the CPOs and ADSs to the trust in connection with the unwinding of forward transactions with us are referred to herein as the forward banks.
The ADSs	Each ADS represents ten CPOs. Each CPO represents two shares of our series A common stock, with no par value, or A shares, and one share of our series B common stock, with no par value, or B shares. The ADSs are evidenced by American Depositary Receipts, or ADRs. The ADSs have been issued pursuant to the Second Amended and Restated Deposit Agreement dated as of August 10, 1999, as amended by Amendment No. 1 thereto dated as of July 1, 2005, between us, Citibank, N.A., as depositary, and all holders and beneficial owners from time to time of ADSs evidenced by ADRs issued thereunder.
Use of Proceeds	The trust will receive the proceeds of sales of the ADSs and CPOs being sold on our behalf by the trust in the combined offerings. As described above under The Trust, the trust will use the proceeds it receives from the combined offerings to pay to the forward banks the forward purchase price we owe in respect of the CPOs and ADSs sold by the trust in the combined offerings, with any proceeds in excess of such forward purchase price to be distributed by the trust to us. As of September 9, 2005, the aggregate forward purchase price in respect of the 270,000,000 CPOs being offered by the trust in the form of ADSs

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	and CPOs in the combined offerings would be approximately $1,128.6 million, based on an average forward purchase price per CPO of approximately U.S.$4.18 as of that date.
	We intend to use a portion of the proceeds of the combined offerings and any exercise by the underwriters of their over-allotment option distributed to us by the trust to pay for any alternative hedging strategies we may enter into to cover our obligations in respect of the portion of our remaining stock options that is left unhedged as a result of the termination of the related forward contracts, as described below under The Offering. We intend to use the remaining portion of such proceeds for general corporate purposes, including the repayment of debt.
Listing	The ADSs are listed on the New York Stock Exchange under the symbol CX. The CPOs are listed on the Mexican Stock Exchange under the symbol CEMEX.CPO.

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RISK FACTORS

You should carefully consider the following risks and all the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision regarding our securities. The following risks are not the only risks we face.

We may not be able to realize the expected benefits from our acquisition of RMC or the expected benefits from future acquisitions.

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

On March 1, 2005, we completed our acquisition of RMC for a total purchase price of approximately U.S.$5.8 billion, which included approximately U.S.$1.7 billion of assumed debt. RMC, which is headquartered in the United Kingdom, has significant operations in the United Kingdom, Germany, France and the United States, as well as operations in other European countries and globally. As of June 30, 2005, we had identified approximately U.S.$360 million of annual savings that we expect to achieve by 2007 through cost-saving synergies, including approximately U.S.$80 million during 2005 on an annualized basis. Our success in realizing these cost savings and deriving significant benefits from this acquisition will depend on our ability to standardize management processes, capitalize on trading network benefits, consolidate logistics and improve global procurement and energy efficiency.

In addition, although we have substantially realized our expected benefits from acquisitions in the past, the acquired companies were primarily engaged in cement operations, which have traditionally been the focus of our business. Also, the companies we have acquired in the past have had significant operations in only one country. The integration of RMC s worldwide operations, which consist primarily of ready-mix concrete and aggregates operations, presents new challenges as it requires us to simultaneously integrate operations in many different countries and focus on ready-mix concrete and aggregates operations on a global scale, in addition to our traditional focus on cement operations.

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

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

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

We have incurred and will continue to incur significant amounts of debt, which could have an adverse effect on the price of our CPOs and ADSs. Our indebtedness may have important consequences, including increased interest costs if we are unable to refinance existing indebtedness on satisfactory terms. In addition, the debt instruments governing a substantial portion of our indebtedness contain various covenants that require us to

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maintain financial ratios, restrict asset sales and restrict our ability to use the proceeds from a sale of assets. Consequently, our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities could be limited. As of June 30, 2005, we had outstanding debt of approximately Ps118.6 billion (U.S.$11.0 billion), not including obligations under equity derivative transactions in our own stock. The aggregate amount of debt we incurred in connection with the RMC acquisition was approximately U.S.$5.8 billion, including our assumption of approximately U.S.$1.7 billion of RMC s debt.

We have to service our Dollar- and Yen-denominated debt with revenues generated in Pesos or other currencies, as we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar- and Yen-denominated debt. This could adversely affect our ability to service our debt in the event of a devaluation or depreciation in the value of the Peso, or any of the other currencies of the countries in which we operate.

A substantial portion of our outstanding debt is denominated in Dollars and Yen; as of June 30, 2005, the portions were 58% and 5%, respectively. This debt, however, must be serviced by funds generated from sales by our subsidiaries. Currently, we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar and Yen-denominated debt. Consequently, we have to use revenues generated in Pesos, Euros or other currencies to service our Dollar and Yen-denominated debt. A devaluation or depreciation in the value of the Peso, Euro or any of the other currencies of the countries in which we operate, compared to the Dollar or the Yen, could adversely affect our ability to service our debt. During the first half of 2005, Mexico, Spain, the United Kingdom and the Rest of Europe region, our main non-Dollar-denominated operations, together generated approximately 58% of our sales (approximately 21%, 11%, 10% and 16%, respectively), before eliminations resulting from consolidation. In the first half of 2005, approximately 21% of our sales were generated in the United States, with the remaining 21% of our sales being generated in several countries, with a number of currencies having material depreciations against the Dollar and the Yen. During the first half of 2005, the Peso appreciated 3.6% against the Dollar and appreciated 10.7% against the Yen, while the Euro depreciated 10.7% against the Dollar and depreciated 3.3% against the Yen. Although we have foreign exchange forward contracts and cross currency swap contracts in place to mitigate our currency-related risks and expect to enter into future currency hedges, they may not be effective in covering all our currency-related risks.

In connection with our acquisition of RMC, we incurred a substantial amount of debt denominated in Pounds. As of June 30, 2005, approximately 5% of our outstanding indebtedness was Pound-denominated. However, we believe that our generation of revenues in Pounds will be sufficient to service these obligations.

Our derivative instruments may have adverse effects on the market for our securities.

We have equity forward contracts in our own stock, which we entered into as a means of meeting our obligations that may require us to deliver significant numbers of shares of our stock under our employee stock option programs. As of September 9, 2005, there were 309,933,406 CPOs underlying these forward contracts with an aggregate notional amount of approximately U.S.$1.3 billion. Although we intend for a significant portion of these forward contracts to be terminated to the extent 270,000,000 of the underlying CPOs are sold in connection with the combined offerings, as described below under The Offering, 39,933,406 CPOs will remain subject to these forward contracts following the combined offerings, assuming no exercise by the underwriters of the over-allotment option. The estimated fair value of these equity forward contracts is linked to the market price of our CPOs or ADSs. Pursuant to the terms of our equity forward contracts, if the shares underlying our equity forward agreements suffer a substantial decrease in market value, we could be required to compensate for the decrease in market value. If we default on this obligation, the counterparties to our equity forward contracts have the option of either requiring us to repurchase the underlying shares or selling the underlying shares into the market, which may adversely affect the price of our CPOs and ADSs.

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

We have received notices from the Mexican tax authorities of tax claims in respect of several tax years between 1992 and 1997 for a total amount of approximately Ps723.6 million (U.S.$67.3 million), including interest and penalties through June 30, 2005. We believe that these claims will not have a material adverse effect on our net income.

Our operations are subject to environmental laws and regulations.

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

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

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

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

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

With the recent acquisition of RMC, our geographic diversity has significantly increased. We currently have operations in Mexico, the United States, Spain, the United Kingdom, the Rest of Europe region (including Germany and France), South America, Central America and the Caribbean (including Venezuela and Colombia), Africa and the Middle East and Asia. As of June 30, 2005, our Mexican operations represented approximately 17% of our total assets, our U.S. operations represented approximately 19% of our total assets, our Spanish operations represented approximately 11% of our total assets, our United Kingdom operations represented approximately 7% of our total assets, our Rest of Europe operations represented approximately 10% of our total assets, our South America, Central America and the Caribbean operations represented approximately 9% of our total assets, our Africa and the Middle East operations represented approximately 3% of our total assets and our Asia operations represented approximately 3% of our total assets. On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, as of and for the year ended December 31, 2004, before eliminations resulting from consolidation, our Mexican operations represented approximately 17% of our net sales, our U.S. operations represented approximately 23% of our net sales, our Spanish operations represented approximately 9% of our net sales, our United Kingdom operations represented approximately 13% of our net sales , our Rest of Europe operations represented approximately 20% of our net sales, our South America, Central America and the Caribbean operations represented approximately 8% of our net sales, our Africa and the Middle East operations represented approximately 3% of our net sales and our Asia operations represented approximately 1% of our net sales. Adverse economic conditions in any of these countries or regions may produce a negative impact on our net income from our operations in that country or region.

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

In recent years, Venezuela has experienced considerable volatility and depreciation of its currency, high interest rates, political instability and declining asset values. Additionally, Venezuela has experienced increased inflation, decreased gross domestic product and labor unrest, including a general strike. In response to this situation, and in an effort to shore up the economy and control inflation, Venezuelan authorities have imposed foreign exchange and price controls on specified products, including cement. Although the political uncertainty in Venezuela has diminished since the August 2004 referendum on President Chavez s presidency, following which President Chavez has consolidated his majority in Congress and his control over the Supreme Court, these foreign exchange and price controls remain in place. These developments have had and may continue to have an impact on cement prices and an adverse effect on the construction sector in Venezuela, reducing demand for cement and ready-mix concrete, which may continue to affect our sales and net income adversely.

We believe that Egypt also represents an important market for our future growth. Rising instability in the Middle East, however, has resulted from, among other things, civil unrest, extremism, the continued deterioration of Israeli-Palestinian relations and the war in Iraq. There can be no assurance that political turbulence in the Middle East will abate at any time in the near future or that neighboring countries, including Egypt, will not be drawn into the conflict or experience instability. In Egypt, extremists have engaged in a sometimes violent campaign against the government in recent years. There can be no assurance that extremists will not escalate their opposition in Egypt or that the government will continue to be successful in maintaining the prevailing levels of domestic order and stability. Since 2000, the Egyptian government devalued the pound four times, and in January 2003, it decided to let the pound trade as a freely floating currency. During 2003, the Egyptian pound depreciated approximately 35% against the Dollar; while during 2004, the Egyptian pound appreciated against the Dollar by approximately 1%. The potential impact of the floating exchange rate system and of measures by the Egyptian government aimed at improving Egypt s investment climate continues to be uncertain. Weakened investor confidence as a result of currency instability as well as any of the other foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and consequently on our Egyptian operations.

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

PT Semen Gresik (Persero) Tbk., or Gresik, an Indonesian cement producer in which we own a 25.5% interest, has experienced ongoing difficulties at PT Semen Padang, or Semen Padang, the subsidiary of Gresik

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that owns and operates the Padang plant, including the effective loss of operational and financial control of Semen Padang, the inability to prepare consolidated financial statements that include Semen Padang s operations and the inability of its independent auditors to provide an unqualified audit opinion on such financial statements. After the failure of several attempts to reach a negotiated or mediated solution to these problems involving Gresik, on December 10, 2003, CEMEX Asia Holdings, Ltd., or CAH, our subsidiary through which we hold our interest in Gresik, filed a request for arbitration against the Republic of Indonesia and the Indonesian government before the International Centre for Settlement of Investment Disputes, or ICSID, based in Washington D.C. CAH is seeking, among other things, rescission of the purchase agreement entered into with the Republic of Indonesia in 1998, plus repayment of all costs and expenses, and compensatory damages. ICSID has accepted and registered CAH s request for arbitration and issued a formal notice of registration on January 27, 2004. On May 10, 2004, an Arbitral Tribunal was established to hear the dispute. The Indonesian government has objected to the Tribunal s jurisdiction over the claims asserted in CAH s request for arbitration, and on July 28 29, 2005, the Arbitral Tribunal conducted an oral hearing to resolve these jurisdictional objections. As of the date of this prospectus supplement, the Arbitral Tribunal had not yet rendered its jurisdictional decision. We cannot predict what effect, if any, this action will have on our investment in Gresik, how the Tribunal will rule on the Indonesian government s jurisdictional objections or the merits of the dispute, or the time-frame in which the Tribunal will rule.

You may be unable to enforce judgments against us.

You may be unable to enforce judgments against us. We are a stock corporation with variable capital *(sociedad anónima de capital variable*), organized under the laws of Mexico. Substantially all our directors and officers and some of the experts named in this prospectus supplement reside in Mexico, and all or a significant portion of the assets of those persons may be, and the majority of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons or to enforce judgments against them or against us in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by Lic. Ramiro G. Villarreal, General Counsel of CEMEX, that it may not be possible to enforce, in original actions in Mexican courts, liabilities predicated solely on the U.S. federal securities laws and it may not be possible to enforce, in Mexican courts, judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

Preemptive rights may be unavailable to ADS holders.

ADS holders may be unable to exercise preemptive rights granted to our shareholders, in which case ADS holders could be substantially diluted. Under Mexican law, whenever we issue new shares for payment in cash or in kind, we are generally required to grant preemptive rights to our shareholders. However, ADS holders may not be able to exercise these preemptive rights to acquire new shares unless both the rights and the new shares are registered in the United States or an exemption from registration is available.

We cannot assure you that we would file a registration statement in the United States at the time of any rights offering. In addition, while the depositary is permitted, if lawful and feasible at that time, to sell those rights and distribute the proceeds of that sale to ADS holders who are entitled to those rights, current Mexican law does not permit sales of that kind.

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THE OFFERING

Background of the Offering

In order to cover our obligations to deliver CPOs or ADSs upon the future exercise of options granted under our stock option plans, from time to time we have entered into forward transactions in our CPOs or ADSs with banks and other financial institutions. We are currently party to forward contracts in our CPOs or ADSs with Wachovia Bank, National Association, Bank of America, N.A., UBS AG, London Branch, Banco Santander Serfín, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfín, Bear Stearns International Limited, Dresdner Bank AG, JPMorgan Chase Bank, The Bank of Nova Scotia and Calyon, New York Branch. These banks are referred to herein as the forward banks. We have extended the maturities of several of these forward contracts, and the current maturities for these forward contracts range from October 2005 to September 2006. As of September 9, 2005, the number of CPOs, including CPOs underlying ADSs, covered by these forward contracts was 309,933,406 CPOs (after giving effect to stock dividends through June 2005 and the two for one stock split that became effective on July 1, 2005), and the aggregate purchase price under these forward contracts, or the forward notional amount, was approximately U.S.$1,314,603,064.

The following table indicates the number of CPOs, including CPOs underlying ADSs, underlying the forward contracts with each forward bank and the forward notional amount of those forward contracts, in each case as of September 9, 2005.

Name of Forward Bank	Number of CPOs	Forward Notional Amount
JPMorgan Chase Bank	67,699,490	U.S.$ 297,886,624
Wachovia Bank, National Association	50,994,874	221,360,488
Banco Santander Serfín, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfín	48,336,440	214,090,740
The Bank of Nova Scotia	33,754,102	129,011,894
Bear Stearns International Limited	31,602,000	114,777,247
Dresdner Bank AG	25,607,206	110,015,522
Calyon, New York Branch	18,150,794	80,362,640
Bank of America, N.A.	17,884,798	78,673,996
UBS AG, London Branch	15,903,702	68,423,913
Total	309,933,406	U.S.$ 1,314,603,064

Under these forward contracts, the forward banks agreed to sell to us on the respective maturity dates of the forward contracts the respective number of CPOs or ADSs underlying the forward contracts, which the forward banks purchased in open market transactions, for the respective purchase prices, or the forward notional amounts, under the forward contracts. Upon liquidation and at our option, these forward contracts provide for physical settlement or net cash settlement. The forward purchase price payable at any time under these forward contracts is equal to the present value of the forward notional amount. As of September 9, 2005, the aggregate forward purchase price payable under these forward contracts was approximately U.S.$1,295.5 million, with an average forward purchase price per CPO of approximately U.S.$4.18 per CPO. At maturity, if these forward contracts are not settled or replaced, or if we default on these agreements, the forward banks may sell the CPOs or ADSs underlying these forward contracts. We did not enter into any registration rights agreement with respect to these forward contracts, and, were it not for the contemplated sales by the trust on our behalf in the combined offerings, any sales of the CPOs or ADSs underlying these forward contracts by the forward banks would be required to be made pursuant to an exemption from registration.

In order to reduce our exposure to volatility in the market price for our stock and our need to engage in hedging transactions in our stock, since June 2004 we have been changing our long-term variable compensation programs from stock options to restricted stock awards. Under the terms of our restricted stock program,

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restricted CPOs awarded to employees will be held in a trust on behalf of each employee. The restrictions on these CPOs will gradually lapse, at which time the employees may withdraw them from the trust.

On June 17, 2005, the closing price of the CPOs on the Mexican Stock Exchange exceeded the equivalent of U.S.$8.50 per CPO (U.S.$4.25 per CPO after giving effect to the subsequent stock split), which triggered the automatic exercise of 131,996,243 stock options. In accordance with the terms of these stock options, the gain realized by the executives holding the options upon the automatic exercise was distributed to them in the form of restricted CPOs, which resulted in the distribution of a total of 41,678,352 restricted CPOs (as adjusted to reflect the two for one stock split that became effective on July 1, 2005). Following this automatic exercise, stock options to purchase a total of 68,834,124 CPOs remained outstanding under our stock option plans as of June 30, 2005 (as adjusted to reflect the two for one stock split that became effective on July 1, 2005).

As a result of this automatic exercise, and in an effort to simplify our capital structure, we have agreed with the forward banks to sell the CPOs or ADSs underlying our forward contracts with them in the combined offerings and to terminate these forward contracts prior to their scheduled termination to the extent the underlying CPOs or ADSs are sold in the combined offerings. Any CPOs or ADSs underlying these forward contracts that are not sold in the combined offerings or pursuant to the exercise by the underwriters of the over-allotment option will be returned to the applicable forward banks, and the forward contracts with those forward banks will remain in effect with respect to the returned CPOs or ADSs. If we sell all the CPOs and ADSs underlying the forward contracts in the combined offerings and pursuant to the exercise by the underwriters of the over-allotment option, all our existing forward contracts in our CPOs and ADSs will be terminated, including those hedging our obligations under our remaining stock options. We will analyze alternative hedging strategies to cover our obligations in respect of the unhedged portion of our remaining stock options.

The Offering

In connection with the combined offerings and the early termination of our forward contracts with the forward banks to the extent the underlying CPOs or ADSs are sold in the combined offerings, the forward banks have agreed to transfer all the CPOs and ADSs underlying these forward contracts to a Mexican trust created to sell CPOs and ADSs on our behalf in the combined offerings.

As more fully described under Underwriting, the trust will sell on our behalf a total of 27,000,000 ADSs, representing 270,000,000 CPOs, in the combined offerings in the form of ADSs and CPOs. Of the 27,000,000 ADSs being offered, ADSs are being offered in the United States and in other countries outside of Mexico and the equivalent of ADSs are being offered in the Mexican offering in the form of the underlying CPOs. If the underwriters exercise their over-allotment option, the trust will sell on our behalf up to an additional 3,993,341 ADSs, representing 39,933,410 CPOs, in the form of ADSs and CPOs.

The trust will use the proceeds it receives in the combined offerings to pay the forward purchase price we owe in respect of the CPOs sold by it in the form of ADSs and CPOs in the combined offerings. As of September 9, 2005, the aggregate forward purchase price in respect of the 270,000,000 CPOs being offered by the trust in the form of ADSs and CPOs in the combined offerings would be approximately U.S.$1,128.6 million, based on the average forward purchase price per CPO of approximately U.S.$4.18 as of that date. If the underwriters exercise their over-allotment option in full and an additional 39,933,406 CPOs are sold in the form of ADSs and CPOs, the aggregate forward purchase price in respect of those CPOs would be approximately U.S.$166.9 million as of September 9, 2005. The trust will distribute any proceeds it receives from the combined offerings and any exercise by the underwriters of their over-allotment option in excess of the applicable forward purchase price to us. We intend for any CPOs underlying these forward contracts that are not sold in the combined offerings or pursuant to the exercise by the underwriters of their over-allotment option to be returned by the trust to the applicable forward banks and for the forward contracts with those forward banks to remain in effect with respect to the returned CPOs. As described above, if we sell all the CPOs and ADSs underlying the forward contracts in the combined offerings and pursuant to the exercise by the underwriters of their over-allotment option, all our existing forward contracts in our CPOs and ADSs will be terminated.

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USE OF PROCEEDS

We estimate that the proceeds from the combined offerings will be approximately U.S.$1,358.7 million, or approximately U.S.$1,559.6 million if the underwriters exercise their over-allotment option in full, based upon an assumed public offering price per ADS of U.S.$51.48 and after deducting underwriting discounts and commissions, but before the estimated expenses of the combined offerings.

The trust will receive the proceeds of sales of the ADSs and CPOs being sold on our behalf by the trust in the combined offerings. The trust will use such proceeds to pay the forward purchase price we owe in respect of the CPOs sold by the trust in the form of ADSs and CPOs in the combined offerings, which as of September 9, 2005, would be approximately U.S.$1,128.6 million if all 270,000,000 CPOs being offered hereby in the form of ADSs and CPOs are sold in the combined offerings, or approximately U.S.$1,295.5 million if the underwriters exercise their over-allotment option in full, in each case based on the average forward purchase price per CPO of U.S. $4.18 as of that date. The trust will distribute any proceeds in excess of such forward purchase price to us, which would be approximately U.S.$230.1 million, or approximately U.S.$264.1 million if the underwriters exercise their over-allotment option in full.

We will pay our estimated offering expenses of approximately U.S.$8.3 million from this amount, resulting in net proceeds to us of approximately U.S.$221.8 million, or approximately U.S.$255.8 million if the underwriters exercise their over-allotment option in full.

We intend to use a portion of the proceeds of the combined offerings and any exercise by the underwriters of their over-allotment option distributed to us by the trust to pay for any alternative hedging strategies we may enter into to cover our obligations in respect of the portion of our remaining stock options that is left unhedged as a result of the termination of the related forward contracts, as described above under The Offering. We intend to use the remaining portion of such proceeds for general corporate purposes, including the repayment of debt.

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MEXICAN PESO EXCHANGE RATES

Mexico has had no exchange control system in place since the dual exchange control system was abolished on November 11, 1991. The Mexican Peso has floated freely in foreign exchange markets since December 1994, when the Mexican Central Bank (*Banco de México*) abandoned its prior policy of having an official devaluation band. Since then, the Peso has been subject to substantial fluctuations in value. The Peso depreciated against the Dollar by 1.2% in 2000, appreciated against the Dollar by 4.7% in 2001, depreciated against the Dollar by 13% in 2002, depreciated against the Dollar by 8.3% in 2003, appreciated against the Dollar by 0.9% in 2004 and appreciated against the Dollar by 3.6% in the first six months of 2005. These percentages are based on the exchange rate that we use for accounting purposes, or the CEMEX accounting rate. The CEMEX accounting rate represents the average of three different exchange rates that are provided to us by Banco Nacional de México, S.A., or Banamex. For any given date, the CEMEX accounting rate may differ from the noon buying rate for Pesos in New York City published by the U.S. Federal Reserve Bank of New York.

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

	CEMEX Accounting Rate				Noon Buying Rate			
	End of Period	Average(1)	High	Low	End of Period	Average(1)	High	Low
Year ended December 31,								
2000	9.62	9.46	10.10	9.19	9.62	9.46	10.09	9.18
2001	9.17	9.33	9.99	8.95	9.16	9.34	9.97	8.95
2002	10.38	9.76	10.35	9.02	10.43	9.66	10.43	9.00
2003	11.24	10.84	11.39	10.10	11.24	10.85	11.41	10.11
2004	11.14	11.29	11.67	10.81	11.15	11.29	11.64	10.81
Six months ended June 30, 2005	10.75	11.06	11.39	10.76	10.77	11.07	11.41	10.76
Monthly (2005)								
January	11.19		11.39	11.17	11.21		11.41	11.17
February	11.10		11.21	11.08	11.09		11.21	11.04
March	11.16		11.31	10.99	11.18		11.33	10.98
April	11.06		11.25	11.04	11.08		11.23	11.04
May	10.89		11.03	10.87	10.91		11.03	10.89
June	10.75		10.88	10.76	10.77		10.88	10.76
July	10.60		10.80	10.59	10.60		10.80	10.59
August	10.75		10.91	10.58	10.79		10.90	10.58
September (through September 9, 2005)	10.69		10.74	10.68	10.71		10.73	10.68

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

On September 9, 2005, the noon buying rate for Pesos was Ps10.71 to U.S.$1.00 and the CEMEX accounting rate was Ps10.69 to U.S.$1.00.

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MARKET PRICE INFORMATION

Our CPOs are listed on the Mexican Stock Exchange under the symbol CEMEX.CPO. Our ADSs, each of which represents ten CPOs, are listed on the New York Stock Exchange under the symbol CX. The following table sets forth, for the periods indicated, the reported highest and lowest market quotations in nominal Pesos for CPOs on the Mexican Stock Exchange and the high and low sales prices in Dollars for ADSs on the New York Stock Exchange.

Calendar Period	CPOs(1)		ADSs(2)	
	High	Low	High	Low
Yearly				
2000	Ps 26.90	Ps 16.25	U.S.$ 28.75	U.S.$ 17.19
2001	25.83	17.25	28.30	17.63
2002	30.91	19.55	33.00	19.25
2003	29.75	17.83	26.64	16.31
2004	41.00	29.15	36.56	25.97
Quarterly				
2003				
First quarter	24.33	17.83	23.35	16.31
Second quarter	24.29	18.81	23.10	17.44
Third quarter	28.85	23.10	26.20	22.06
Fourth quarter	29.75	25.75	26.64	23.20
2004				
First quarter	33.25	29.15	29.96	26.20
Second quarter	35.25	30,20	31.35	25.97
Third quarter	35.63	31.11	31.31	26.95
Fourth quarter	41.00	31.20	36.56	27.14
2005				
First quarter	46.75	39.00	42.52	34.55
Second quarter	46.76	37.75	43.72	34.13
Monthly				
2005				
January	42.50	39.00	37.72	34.55
February	45.40	41.90	40.97	37.50
March	46.75	40.26	42.52	35.83
April	42.20	37.75	38.30	34.13
May	42.78	39.75	38.90	35.95
June	46.76	45.60	43.72	38.06
July	51.00	44.90	47.46	41.87
August	51.50	47.70	48.80	43.89
September (through September 9, 2005)	57.30	51.70	53.80	48.65

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

(1) As of June 30, 2005, approximately 96.7% of our outstanding share capital was represented by CPOs. All CPO prices in the table have been adjusted to give retroactive effect to the two-for-one stock split in our A shares, B shares and CPOs that became effective on July 1, 2005.
(2) The number of our outstanding ADSs did not change as a result of the stock split; instead the ratio of CPOs to ADSs was modified so that each existing ADS represents ten new CPOs following the stock split.

On September 9, 2005, the last reported closing price for CPOs on the Mexican Stock Exchange was Ps54.95 per CPO and the last reported closing price for ADSs on the New York Stock Exchange was U.S.$51.48 per ADS.

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CAPITALIZATION

The following table sets forth our consolidated indebtedness and capitalization as of June 30, 2005 (i) on an actual basis and (ii) as adjusted to give effect to the sale of the 27,000,000 ADSs in the form of ADSs and CPOs by the trust in the combined offerings at an assumed public offering price of $51.48 per ADS and the application of the estimated net proceeds as described under Use of Proceeds, assuming such sale and application had been completed on such date and assuming no exercise by the underwriters of the over-allotment option.

The financial information set forth below is based on information derived from our unaudited consolidated financial statements included elsewhere in this prospectus supplement, which have been prepared in accordance with Mexican GAAP. In accordance with Mexican GAAP, all Peso amounts set forth below have been adjusted for inflation and are restated in Pesos with constant purchasing power as of June 30, 2005. For further information about our financial presentation, see Selected Consolidated Financial Information.

	As of June 30, 2005	
	Actual	**As Adjusted**
	(in millions of constant Pesos)	
Cash and temporary investments(1)	Ps 13,597	Ps 15,981
Other short-term and long-term receivables(2)	12,661	12,174
Short-term debt(3)		
Payable in Dollars	8,083	8,083
Payable in Euros	4,805	4,805
Payable in British Pounds	462	462
Payable in Japanese Yen	804	804
Payable in Mexican Pesos	3,806	3,806
Payable in other currencies	240	240
Total short-term debt	18,200	18,200
Long-term debt		
Payable in Dollars	60,530	60,530
Payable in Euros	16,225	16,225
Payable in British Pounds	5,674	5,674
Payable in Japanese Yen	5,024	5,024
Payable in Mexican Pesos	12,839	12,839
Payable in other currencies	145	145
Total long-term debt	100,437	100,437
Total debt	118,637	118,637
Stockholders equity		
Minority interest	5,710	5,710
Majority interest	95,220	97,117
Total stockholders equity	100,930	102,827

Total capitalization(4)	Ps 219,567	Ps 221,464

(1) The approximately Ps2,384 million increase in cash and temporary investments results from the difference between (i) the approximately Ps2,474 million of proceeds from the combined offerings to be distributed to us by the trust and (ii) the approximately Ps90 million of offering expenses to be incurred by us.
(2) The approximately Ps487 million decrease in other receivables represents the elimination of the fair value of the forward contracts to be terminated in connection with the settlement of the combined offerings.
(3) Includes current portion of long-term debt.
(4) As used in this table, total capitalization equals total debt plus total stockholders equity.

Other than as discussed herein, there has been no material change in our capitalization since June 30, 2005.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial data set forth below as of and for each of the five years ended December 31, 2004 have been derived from our audited consolidated financial statements. The financial data set forth below as of December 31, 2003 and 2004 and for each of the three years ended December 31, 2004, have been derived from, should be read in conjunction with and are qualified in their entirety by reference to, the consolidated financial statements and the notes thereto included in our annual report, which is incorporated by reference in this prospectus supplement.

The financial data set forth below as of and for the six months ended June 30, 2004 and 2005 have been derived from, should be read in conjunction with and are qualified in their entirety by reference to, the unaudited consolidated financial statements included elsewhere in this prospectus supplement. The unaudited consolidated financial statements as of and for the six months ended June 30, 2005 include RMC s results of operations for the four-month period ending June 30, 2005, while the unaudited consolidated financial statements as of and for the six months ended June 30, 2004 do not include RMC s results of operations. As a result, the financial data for the two periods are not comparable. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring items) which are necessary to present a fair statement of the results for the interim periods. The interim results of operations for the six-month period ended June 30, 2005 are not indicative of operating results to be expected for the entire fiscal year.

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico, or Mexican GAAP, which differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. We are required, pursuant to Mexican GAAP, to present our financial statements in constant Pesos representing the same purchasing power for each period presented. Accordingly, all financial data presented below and, unless otherwise indicated, elsewhere in this prospectus supplement are stated in constant Pesos as of June 30, 2005. See note 24 to our consolidated financial statements included in our annual report, which is incorporated by reference in this prospectus supplement, for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

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

Under Mexican GAAP, each time we report results for the most recently completed period, the Pesos previously reported in prior periods should be adjusted to Pesos of constant purchasing power as of the most recent balance sheet by multiplying the previously reported Pesos by a weighted average inflation index. This index is calculated based upon the inflation rates of the countries in which we operate and the changes in the exchange rates of each of these countries, weighted according to the proportion that our assets in each country represent of our total assets. The following table reflects the factors that have been used to restate the originally reported Pesos to Pesos of constant purchasing power as of June 30, 2005:

	Annual Weighted Average Factor	Cumulative Weighted Average Factor to June 30, 2005
2000	0.9900	1.2165
2001	1.0916	1.2288
2002	1.1049	1.1257

2003	1.0624	1.0188
2004	0.9590	0.9590

The Dollar amounts provided below and, unless otherwise indicated, elsewhere in this prospectus supplement are translations of constant Peso amounts at an exchange rate of Ps10.75 to U.S.$1.00, the CEMEX accounting rate as of June 30, 2005. However, in the case of transactions conducted in Dollars, we have presented the Dollar amount of the transaction and the corresponding Peso amount that is presented in our consolidated financial statements. These translations have been prepared solely for the convenience of the reader and should not be construed as representations that the Peso amounts actually represent those Dollar amounts or could be converted into Dollars at the rate indicated. The noon buying rate for Pesos on June 30, 2005 was Ps10.77 to U.S.$1.00 and on September 9, 2005 was Ps10.71 to U.S.$1.00. From July 1, 2005 through September 9, 2005, the Peso appreciated by approximately 0.56% against the Dollar, based on the noon buying rate for Pesos.

On September 12, 2005, we announced our guidance for the third quarter of 2005. See Recent Developments for a description of this guidance.

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

Selected Consolidated Financial Information

	As of and for the year ended December 31,						As of and for the six months ended June 30, (unaudited)		
	2000	**2001**	**2002**	**2003**	**2004**	**2004**	**2004**	**2005**	**2005**
	(in millions of constant Pesos as of June 30, 2005 and Dollars, except ratios and share and per share amounts)								
Income Statement Information:									
Net sales	Ps 65,783	Ps 78,015	Ps 76,456	Ps 82,045	Ps 87,062	U.S.$ 7,815	Ps 42,827	Ps 74,686	U.S.$ 6,948
Cost of sales(1)	(36,758)	(43,882)	(42,715)	(47,297)	(48,997)	(4,398)	(24,047)	(44,248)	(4,117)
Gross profit	29,025	34,133	33,741	34,748	38,065	3,417	18,780	30,438	2,831
Operating expenses	(9,668)	(15,503)	(18,429)	(18,083)	(18,283)	(1,641)	(8,951)	(17,652)	(1,642)
Operating income	19,357	18,630	15,312	16,665	19,782	1,776	9,829	12,786	1,189
Comprehensive financing income (cost), net(2)	(2,035)	2,982	(3,848)	(3,063)	1,424	128	(598)	1,771	165
Other income (expense), net	(2,742)	(4,697)	(4,550)	(5,230)	(5,169)	(464)	(1,897)	(113)	(10)
Income before income tax, business assets tax, employees statutory profit sharing and equity in income of affiliates	14,580	16,915	6,914	8,372	16,037	1,440	7,334	14,443	1,344
Minority interest	913	1,728	433	348	224	20	184	233	22
Majority interest net income	11,695	13,273	6,079	7,200	13,965	1,254	6,362	12,623	1,174
Earnings per share(3)(4)	1.41	1.55	0.68	0.76	1.40	0.13	0.93	1.99	0.18
Dividends per share(3)(5)(6)	0.37	0.39	0.41	0.39	0.43	0.04	N/A	N/A	N/A
Number of shares outstanding(3)(7)	8,338	8,758	9,124	9,722	10,186	10,186	10,168	10,556	10,556
Balance Sheet Information:									
Cash and temporary investments	3,606	4,828	4,220	3,336	3,658	328	3,734	13,597	1,265
Net working capital investment(8)	10,838	10,510	8,174	6,593	5,610	504	6,625	17,852	1,661
Property, machinery and equipment, net	105,727	100,744	104,734	106,106	102,703	9,219	102,686	142,865	13,290
Total assets	184,435	182,888	186,191	183,409	185,684	16,668	182,924	282,376	26,268
Short-term debt	34,662	11,579	16,281	15,219	11,150	1,001	7,772	18,200	1,693
Long-term debt	31,705	48,960	51,109	51,955	52,207	4,686	52,693	100,437	9,343
Minority interest(9)	28,061	22,259	14,101	6,092	4,155	373	4,844	5,710	531
Stockholders equity (excluding minority interest)(10)	61,455	69,601	67,122	71,393	83,657	7,510	75,664	95,220	8,858
Book value per share(3)(7)	7.37	7.95	7.36	7.35	8.21	0.74	7.44	9.02	0.84
Other Financial Information:									
Operating margin	29.4%	23.9%	20.0%	20.3%	22.7%	22.7%	23.0%	17.1%	17.1%
EBITDA(11)	23,753	25,418	22,401	24,141	27,117	2,434	13,579	17,407	1,619
Ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends	4.00	4.39	5.23	5.27	6.82	6.82	6.81	6.28	6.28
Investment in property, machinery and equipment, net	4,661	5,756	4,954	4,510	4,637	416	1,587	2,839	264
Depreciation and amortization	5,723	8,932	8,942	9,446	9,159	822	4,475	4,622	430
Net resources provided by operating activities(12)	20,366	26,596	19,440	17,937	23,810	2,137	12,068	20,747	1,930
Basic earnings per CPO(3)(4)	4.23	4.65	2.04	2.28	4.20	0.38	2.79	5.97	0.55

(footnotes on next page)

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	As of and for the year ended December 31,			
	2002	2003	2004	2004
U.S. GAAP(13):	*(in millions of constant Pesos as of June 30, 2005 and Dollars, except per share amounts)*			
Income Statement Information:				
Net sales	Ps 74,128	Ps 84,593	Ps 90,441	U.S.$ 8,119
Operating income	11,981	14,433	16,619	1,492
Majority net income	6,222	8,777	18,082	1,623
Basic earnings per share	0.69	0.93	1.81	0.16
Diluted earnings per share	0.69	0.91	1.80	0.16
Balance Sheet Information:				
Total assets	186,817	197,616	207,700	18,645
Total long-term debt	45,418	47,511	43,923	3,943
Shares subject to mandatory redemption(14)		787		
Minority interest	5,726	5,748	4,565	410
Other mezzanine items(14)	14,424			
Total majority stockholders equity	56,959	75,442	93,235	8,369

(1) Cost of sales includes depreciation.

(2) Comprehensive financing income (cost), net, includes financial expenses, financial income, results from valuation and liquidation of financial instruments, including derivatives and marketable securities, foreign exchange result, net and monetary position result.

(3) Our capital stock consists of series A shares and series B shares. Each of our CPOs represents two Series A shares and one Series B share. As of June 30, 2005, approximately 96.7% of our outstanding share capital was represented by CPOs. On April 28, 2005, our shareholders approved a stock split, which became effective on July 1, 2005. In connection with the stock split, each of our existing series A shares was surrendered in exchange for two new series A shares, each of our existing series B shares was surrendered in exchange for two new series B shares, and each of our existing CPOs was surrendered in exchange for two new CPOs, with each new CPO representing two new series A shares and one new series B share. The number of our outstanding ADSs did not change as a result of the stock split; instead the ratio of CPOs to ADSs was modified so that each ADS now represents ten new CPOs. The proportional equity interest participation of existing shareholders did not change as a result of the stock split. All share and per share amounts set forth in the table above have been adjusted to give retroactive effect to this stock split.

(4) Earnings per share are calculated based upon the weighted average number of shares outstanding during the preceding 12-month period, as described in note 21 to the consolidated financial statements included in our annual report, which is incorporated by reference in this prospectus supplement. In accordance with Mexican GAAP, earnings per share as of June 30, 2004 and 2005 were calculated based on net income for the prior twelve-month periods, which amounted to Ps9,041 million and Ps20,227 million, respectively. Basic earnings per CPO is determined by multiplying the basic earnings per share for each period by three (the number of shares underlying each CPO). Basic earnings per CPO is presented solely for the convenience of the reader and does not represent a measure under Mexican GAAP.

(5) Dividends declared at each year s annual shareholders meeting are reflected as dividends of the preceding year.

(6) In recent years, our board of directors has proposed, and our shareholders have approved, dividend proposals, whereby our shareholders have had a choice between stock dividends or cash dividends declared in respect of the prior year s results, with the stock issuable to shareholders who receive the stock dividend being issued at a 20% discount from then current market prices. The dividends declared per share or per CPO in these years, expressed in constant Pesos as of June 30, 2005, were as follows: 2001, Ps1.11 per CPO (or Ps0.37 per share); 2002, Ps1.18 per CPO (or Ps0.39 per share); 2003, Ps1.22 per CPO (or Ps0.41 per share); 2004, Ps1.18 per CPO (or Ps0.39 per share); and 2005, Ps1.30 per CPO (or Ps0.43 per share). As a result of dividend elections made by shareholders, in 2001, Ps95 million in cash was paid and approximately 140 million additional CPOs were issued in respect of dividends declared for the 2000 fiscal year; in 2002, Ps262 million in cash was paid and approximately 128 million additional CPOs were issued in respect of dividends declared for the 2001 fiscal year; in 2003, Ps68 million in cash was paid and approximately 198 million additional CPOs were issued in respect of dividends declared for the 2002 fiscal year; in 2004, Ps160 million in cash was paid and approximately 150 million additional CPOs were issued in respect of dividends declared for the 2003 fiscal year; and in 2005, Ps430 million in cash was paid and approximately 133 million additional CPOs were issued in respect of dividends declared for the 2004 fiscal year. For purposes of the table, dividends declared at each year s annual shareholders meeting for each period are reflected as dividends for the preceding year. All share and per share amounts set forth in this note 6 have been adjusted to give retroactive effect to the stock split described above, which became effective on July 1, 2005.

(7) Based upon the total number of shares outstanding at the end of each period, expressed in millions of shares, and includes shares subject to financial derivative transactions, but does not include shares held by our subsidiaries.

(8) Net working capital investment equals trade receivables plus inventories less trade payables.

(9) In connection with a preferred equity transaction relating to the financing of our acquisition of Southdown, Inc., now named CEMEX, Inc., the balance sheet item minority interest at December 31, 2000, 2001 and 2002 includes a notional amount of U.S.$1.5 billion (Ps16.1 billion), U.S.$900 million (Ps9.7 billion) and U.S.$650 million (Ps7.0 billion), respectively, of preferred equity issued in November 2000 by our Dutch subsidiary. In October 2003, we redeemed all the U.S.$650 million of preferred equity outstanding. The balance sheet item minority interest at December 31, 2003 includes an aggregate liquidation amount of U.S.$66 million (Ps710 million) of 9.66% Putable Capital Securities, which were initially issued by one of our subsidiaries in May 1998 in an aggregate liquidation amount of U.S.$250 million. In April 2002, approximately U.S.$184 million in aggregate liquidation amount of these capital securities were tendered to, and accepted by, us in a tender offer. In November 2004, we exercised a purchase option and redeemed all the outstanding capital securities. Until January 1, 2004, for accounting purposes under Mexican GAAP, this transaction was recorded as minority interest in our balance sheet and dividends

paid on the capital securities were recorded as minority interest net income in our income statement. Accordingly, minority interest net income includes capital securities dividends in the amount of approximately U.S.$17 million (Ps198.9 million) in 2000, U.S.$76.1 million (Ps876.3 million) in 2001, U.S.$23.2 million (Ps264.6 million) in 2002 and U.S.$12.5 million (Ps147.3 million) in 2003. As of January 1, 2004, as a result of new accounting pronouncements under Mexican GAAP, this transaction was recorded as debt in our balance sheet and dividends paid on the capital securities during 2004, which amounted to approximately U.S.$5.6 million (Ps63.4 million), were recorded as part of financial expenses in our income statement.

(10) In December 1999, we entered into forward contracts with a number of banks covering 21,000,000 ADSs. In December 2002, we agreed with the banks to settle those forward contracts for cash and simultaneously entered into new forward contracts with the same banks on

similar terms to the original forward transactions. Under the new forward contracts the banks retained the ADSs underlying the original forward contracts, which had increased to 25,457,378 ADSs as a result of stock dividends through June 2003. As a result of this net settlement, we recognized in December 2002 a decrease of approximately U.S.$98.3 million (Ps1.1 billion) in our stockholders equity, arising from changes in the valuation of the ADSs. In October 2003, in connection with an offering of all the ADSs underlying those forward contracts, we agreed with the banks to settle those forward contracts for cash. As a result of the final settlement in October 2003, we recognized an increase of approximately U.S.$18.1 million (Ps194.6 million) in our stockholders equity, arising from changes in the valuation of the ADSs from December 2002 through October 2003. During the life of these forward contracts, the underlying ADSs were considered to have been owned by the banks and the forward contracts were treated as equity transactions, and, therefore, changes in the fair value of the ADSs were not recorded until settlement of the forward contracts.

(11) EBITDA equals operating income before amortization expense and depreciation. Under Mexican GAAP, amortization of goodwill is not included in operating income, but instead is recorded in other income (expense). EBITDA and the ratio of EBITDA to interest expense, capital securities dividends and preferred equity dividends are presented herein because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt and preferred equity. EBITDA and such ratios should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies. EBITDA is reconciled below to operating income under Mexican GAAP before giving effect to any minority interest, which we consider to be the most comparable measure as determined under Mexican GAAP. We are not required to prepare a statement of cash flows under Mexican GAAP and therefore do not have such Mexican GAAP cash flow measures to present as comparable to EBITDA.

	For the year ended December 31,						For the six months ended June 30, (unaudited)		
	2000	2001	2002	2003	2004	2004	2004	2005	2005
	(in millions of constant Pesos as of June 30, 2005 and Dollars)								
Reconciliation of EBITDA to operating income									
EBITDA	Ps 23,753	Ps 25,418	Ps 22,401	Ps 24,141	Ps 27,117	U.S.$ 2,434	Ps 13,579	Ps 17,407	U.S.$ 1,619
Less:									
Depreciation and amortization expense	4,396	6,788	7,089	7,476	7,335	658	3,750	4,621	430
Operating Income	19,357	18,630	15,312	16,665	19,782	1,776	9,829	12,786	1,189

(12) Net resources provided by operating activities equals majority interest net income plus items not affecting cash flow plus investment in working capital excluding effects from acquisitions.

(13) We have restated the information at and for the years ended December 31, 2002, 2003 and 2004 under U.S. GAAP using the inflation factor derived from the national consumer price index, or NCPI, in Mexico, as required by Regulation S-X under the Securities Act of 1933, as amended, instead of using the weighted average restatement factors used by us according to Mexican GAAP and applied to the information presented under Mexican GAAP of prior years. See note 24 to our consolidated financial statements included in our annual report, which is incorporated by reference in this prospectus supplement, for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to CEMEX.

(14) For financial reporting under U.S. GAAP, until December 31, 2002, elements that did not meet either the definition of equity, or the definition of debt, were presented under a third group, commonly referred to as mezzanine items. As of December 31, 2002, these elements, as they relate to us, included our preferred equity and our putable capital securities described in note 9 above and our obligation under the forward contracts described in note 10 above. As of December 31, 2003, as a result of the adoption of SFAS 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, these elements were presented as a separate line item within liabilities. For a more detailed description of these elements, as they related to us, see notes 15(E), 15(F) and 24(m) to our consolidated financial statements included in our annual report, which is incorporated by reference in this prospectus supplement.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the audited and unaudited consolidated financial statements of CEMEX and the audited consolidated financial statements of RMC, as adjusted to illustrate the pro forma effects of the RMC acquisition (including the application of purchase accounting). The unaudited pro forma financial information set forth below as of and for the year ended December 31, 2004 is based on, and should be read in conjunction with, the audited consolidated financial statements of CEMEX and the notes thereto included in our annual report, which is incorporated by reference in this prospectus supplement, and the audited consolidated financial statements of RMC and the notes thereto included elsewhere in this prospectus supplement. The unaudited pro forma financial information set forth below for the six months ended June 30, 2005 is based on, and should be read in conjunction with, the unaudited consolidated financial statements of CEMEX and the notes thereto included elsewhere in this prospectus supplement.

The unaudited pro forma condensed balance sheet as of December 31, 2004 gives effect to the RMC acquisition as if it had occurred on December 31, 2004. The unaudited pro forma condensed income statements for the year ended December 31, 2004 and for the six months ended June 30, 2005 give effect to the RMC acquisition as if it had occurred on January 1, 2004. The unaudited pro forma adjustments are based upon available information, preliminary estimates and certain assumptions that we believe are reasonable.

The pro forma adjustments reflect our preliminary estimates of the purchase price allocation, which will change upon finalization of appraisals and other valuation studies that are in process and are expected to be finalized by the end of this year. The actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and completion of the appraisals and other valuation studies.

The unaudited pro forma financial information is provided for illustrative purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that we would have reported had the RMC acquisition been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial position.

In order to make the unaudited pro forma financial information comparable with CEMEX s historical financial information presented above under Selected Consolidated Financial Information, the 2004 amounts presented in the tables below, have been restated to constant Pesos as of June 30, 2005, using the CEMEX weighted average inflation index of 0.9590.

Unaudited Pro Forma Condensed Balance Sheet As of December 31, 2004	CEMEX Historical (1)	RMC Historical (2)	Pro Forma Adjustments (3)		CEMEX Consolidated Pro Forma
	(in millions of constant Pesos as of June 30, 2005)				
Current assets	Ps 20,849.9	25,641.7	(1,160.4)	b,d	45,331.2
Investments and non-current assets	16,210.3	2,623.0	(8,810.1)	a	10,023.2
Other non-current assets	3,495.5	743.1			4,238.6
Property, machinery and equipment	102,703.0	49,333.9			152,036.9
Deferred charges	42,425.7	1,581.1	22,952.0	e	66,958.8
Total assets	185,684.4	79,922.8	12,981.5		278,588.7

Current liabilities	25,771.9	24,928.2	(289.9)	f	50,410.2
Long-term debt	52,207.5	16,355.7	35,527.1	a	104,090.3
Other non-current liabilities	19,892.4	13,418.1			33,310.5
Total liabilities	97,871.8	54,702.0	35,237.2		187,811.0
Majority interest stockholders equity	83,657.5	22,887.1	(22,255.7)	a,d	84,288.9
Minority interest	4,155.1	2,333.7			6,488.8
Total stockholders equity	87,812.6	25,220.8	(22,255.7)		90,777.7
Total liabilities and stockholders equity	Ps 185,684.4	79,922.8	12,981.5		278,588.7

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Unaudited Pro Forma Condensed Income Statement For the year ended December 31, 2004	CEMEX Historical (1)	RMC Historical (2)	Pro Forma Adjustments (3)		CEMEX Consolidated Pro Forma
	(in millions of constant Pesos as of June 30, 2005, except per share data)				
Net sales(4)	Ps 87,061.8	82,162.2			169,224.0
Operating income	19,782.0	2,510.4			22,292.4
Comprehensive financial result	1,424.6	(970.7)	3,741.7	b,c,d	4,195.6
Other expenses, net	(5,169.2)	(5,237.2)	(1,208.0)	e	(11,614.4)
Income tax (including deferred)	(2,276.5)	(629.8)	289.9	f	(2,616.4)
Equity in income of affiliates	428.0	503.5			931.5
Consolidated net income (loss)	14,188.9	(3,823.8)	2,823.6		13,188.7
Minority interest	223.6	228.4			452.0
Majority interest net income (loss)	Ps 13,965.3	(4,052.2)	2,823.6		12,736.7
Basic earnings per share(9)					1.28
Diluted earnings per share(9)					1.27

1) **CEMEX Historical:** These amounts were derived from CEMEX s audited financial statements as of and for the year ended December 31, 2004 included in our annual report, which is incorporated by reference in this prospectus supplement, and include the 18.8% equity interest in RMC we acquired in September 2004, accounted for at cost.

2) **RMC Historical:** These amounts were obtained from RMC s audited financial statements as of and for the year ended December 31, 2004 under generally accepted accounting principles in the United Kingdom, or UK GAAP, included elsewhere in this prospectus supplement, and were adjusted for the main reconciling items identified between UK GAAP and Mexican GAAP. The main reconciling items, not including reclassifications made to conform RMC s amounts to CEMEX s presentation format, and other minor reconciling items, are the following:

   a) Goodwill amounts were adjusted to reflect identified differences between UK GAAP and Mexican GAAP in the purchase accounting of RMC s acquired subsidiaries, net of estimated impairment charges determined on such goodwill amounts.
   b) Recognition as capital leases under Mexican GAAP of certain agreements that were treated as operating leases under UK GAAP.
   c) Increase in pensions and in other postretirement benefits provisions under Mexican GAAP resulting from the application of the guidelines of Bulletin D-3, *Labor Obligations*.
   d) Increase in deferred income tax liabilities resulting from differences between Mexican and UK GAAP.
   e) Liabilities were increased as a result of the recognition in the financial statements of the estimated fair value of RMC s derivative instruments portfolio, which under UK GAAP is only a matter of disclosure.
   f) Under UK GAAP, certain entities were consolidated by RMC on the basis that consolidation is appropriate because RMC exercised significant influence over the operations of these companies, even though it did not have voting control over these companies. For Mexican GAAP purposes, proportional consolidation for some of these entities is allowed and has been applied.
   g) The financial information was restated in accordance to Bulletin B-10 *Recognition of inflation effects on the financial information,* including the monetary position result, and the restatement of the income statements amounts into constant values. For this purpose, for the countries in which RMC operates, a weighted average inflation rate of 2.2% was utilized.
   h) As of December 31, 2004, the net effect of the reconciling adjustments, considering the restatement into constant amounts, was a decrease in RMC s stockholders equity of approximately £275.0 million (U.S.$527.0 million or Ps5,629.8 million), and an increase in RMC s net loss for approximately £39.6 million (U.S.$75.9 million or Ps811.1 million).
   i) The financial statements of RMC adjusted to Mexican GAAP were then converted into Mexican pesos at the exchange rate of Ps21.35 for £1.00, the exchange rate prevailing at December 31, 2004.

3) **Pro Forma Adjustments:** The amounts in this column refer to the accounting effects of the assumption that the acquisition took place on January 1, 2004 for purposes of the pro forma presentation. The main effects are as follows:

   a) Anticipated effect was given to the acquisition of 100% of RMC s outstanding shares as of January 1, 2004. As a result, financial debt assumed in connection with RMC s acquisition increased approximately U.S.$3,325.5 million (Ps35,527.1 million). This amount is derived from the multi-currency debt incurred by CEMEX on March 1 , 2005 to acquire the remaining 81.2% of RMC s outstanding shares, converted at the December 31, 2004 exchange rates as shown in the table below:

Assumed Debt in millions	Contracted amount in original currency	December 31st 2004 exchange rates	Contracted amount in U.S. Dollars
Debt in Dollars	2,591.0		2,591.0
Debt in Pounds	35.8	0.5218 Pounds/Dollar	68.6
Debt in Euros	491.6	0.7383 Euros/Dollar	665.9
			3,325.5

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b) The anticipated interest expense of approximately U.S.$100.5 million (Ps1,114.5 million) resulting from the additional debt assumed in connection with the acquisition (see note 3(a) above), which was determined as follows:
1. Additional average indebtedness during nine months relating to the acquisition of the 18.8% of RMC s shares for U.S.$790.5 million, with an weighted average interest rate of 2.81% (this indebtedness, which was incurred on September 24, 2004, is included in CEMEX s historical results during the last three months of 2004).
2. Additional average indebtedness during twelve months relating to the acquisition of the 81.2% of RMC s shares for U.S.$3,277.8 million, with an weighted average interest rate of 2.43%.

The interest rates used to calculate the interest expense were calculated quarterly based on LIBOR plus the spread applicable for CEMEX in each period, and the interest expense is assumed to have been paid in cash.

c) The anticipated recognition of the monetary position result and foreign exchange fluctuations related to the debt incurred in connection with the acquisition, resulting in a net gain within comprehensive financial result of approximately U.S.$326.8 million (Ps3,490.8 million). This effect is explained as follows:
1. The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, was calculated by applying the CEMEX weighted average inflation rate for 2004 of 5.32% to the average assumed debt during the year of U.S.$3,870.7 million, resulting in a gain of approximately U.S.$205.9 million.
2. The foreign exchange fluctuation is calculated by applying the exchange rate variation from the functional currency of the company that assumed the debt against the currency of the contracted debt, and resulted in a gain of U.S.$120.8 million mainly due to the depreciation of the Dollar against the Euro and the Peso.

d) In addition, a gain of approximately U.S.$127.7 million (Ps1,365.4 million) realized during 2005 as a result of the liquidation of foreign exchange derivatives negotiated to hedge the projected cash flows to conclude the acquisition, was recognized in the pro forma income statement of 2004. A gain of approximately U.S.$132.1 million resulting from the fair value recognition of such derivatives was recognized within stockholders equity as of December 31, 2004, pending reclassification to the income statement in 2005 upon conclusion of the transaction.

e) Until December 31, 2004, Mexican GAAP required the amortization of goodwill amounts. Had CEMEX recognized goodwill derived from the RMC acquisition as of January 1, 2004, which would have been approximately U.S.$2,261.5 million (Ps24,160.0 million), and had such goodwill been amortized over a 20-year period, other expenses, net would have increased approximately U.S.$113.1 million (Ps1,208.0 million) each year and goodwill net of amortization as of December 31, 2004 would have been approximately U.S.$2,148.4 million (Ps22,952.0 million).

f) The income tax effect on the pro forma adjustments mentioned above led to a net expense of approximately U.S.$27.1 million (Ps289.9 million), calculated using CEMEX s effective tax rate for 2004 of 12.2%.

4) **Pro Forma Geographic Segment Net Sales Data:** The following table presents, in accordance with the way in which management analyzes the geographic areas where the company operates, the pro forma net sales for the year ended December 31, 2004:

Unaudited Pro Forma Net Sales

	2004
	(in millions)
Mexico	Ps 31,195.7
United States	40,392.0
United Kingdom	23,326.3
Spain	16,917.6
Rest of Europe	35,292.5
South America, Central America and the Caribbean	13,920.8
Africa and the Middle East	5,041.5
Asia	2,719.9
Others	10,293.3
	179,099.6
Eliminations	(9,875.6)
Consolidated	Ps 169,224.0

In order to present integrally the operations of each geographic area, net sales between geographic areas are presented under the caption eliminations.

5) **Pro Forma Net Income and Stockholders Equity Reconciliation to U.S. GAAP**

The unaudited pro forma consolidated financial information has been prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. A description of the reconciling items together with a reconciliation of reported net income and stockholders equity to U.S. GAAP are included in our annual report, which is incorporated by reference in this prospectus supplement, and in the audited consolidated financial statements of RMC included elsewhere in this prospectus supplement.

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The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes (i) a reconciling item for the reversal of the effect of applying Bulletin B-15 for the restatement to constant pesos for the pro forma financial information for the year ended December 31, 2004 to constant pesos as of June 30, 2005 and (ii) a reconciling item to reflect the difference in the carrying value of machinery and equipment of foreign origin and related depreciation between the methodology set forth by Bulletin B-10 (integrated document) and the amounts that would be determined by using the historical cost/constant currency method. As described below, these provisions of inflation accounting under Mexican GAAP do not meet the requirements of Rule 3-20 of Regulation S-X of the Securities and Exchange Commission. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as these adjustments represent a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. GAAP purposes. The other principal differences between Mexican GAAP and U.S. GAAP for the unaudited pro forma financial information as of December 31, 2004, and their effect on consolidated net income and earnings per share, are presented below:

		Year Ended December 31, 2004
		(in millions)
	Net income reported under Mexican GAAP	Ps 12,736.7
	Inflation adjustment (*)	630.9
	Net income reported under Mexican GAAP after inflation adjustment	13,367.6
	Approximate additional U.S. GAAP adjustments:	
1.	Amortization of goodwill	1,391.9
2.	Deferred income taxes	385.2
3.	Deferred employees statutory profit sharing	(56.3)
4.	Other employee benefits	27.8
5.	Capitalized interest	10.0
6.	Minority interest	(31.7)
7.	Hedge accounting	185.5
8.	Depreciation	19.2
9.	Accruals for contingencies	(32.3)
10.	Equity in net income of affiliated companies	(8.0)
11.	Inflation adjustment of fixed assets	(241.3)
12.	Derivative instruments and equity forward contracts in CEMEX s stock	1,951.0
13.	Other U.S. GAAP adjustments	(28.7)
14.	Monetary effect of U.S. GAAP adjustments	264.6
	Approximate U.S. GAAP adjustments	3,836.9
	Approximate net income under U.S. GAAP	Ps 17,204.5

	Number of Shares	**2004**
Basic EPS under U.S. GAAP	9,987,365,042	Ps 1.72
Diluted EPS under U.S. GAAP	10,039,265,534	1.71

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At December 31, 2004, the other principal differences between Mexican GAAP and U.S. GAAP, and their effect on the pro forma consolidated stockholders equity, are presented below:

		At December 31, 2004
		(in millions)
	Total stockholders equity reported under Mexican GAAP	Ps 90,777.7
	Inflation adjustment (*)	4,496.2
	Total stockholders equity reported under Mexican GAAP after inflation adjustment	95,273.9
	Approximate additional U.S. GAAP adjustments:	
1.	Goodwill, net	10,093.6
2.	Deferred income taxes	996.7
3.	Deferred employees statutory profit sharing	(3,079.3)
4.	Other employee benefits	(149.8)
5.	Capitalized interest	(509.1)
6.	Minority interest U.S. GAAP presentation	(4,565.9)
7.	Depreciation	(79.2)
8.	Investment in net assets of affiliated companies	(269.1)
9.	Inflation adjustment for machinery and equipment	3,229.8
10.	Derivative instruments and equity forward contracts in CEMEX s stock	240.3
11.	Other U.S. GAAP adjustments	(1,223.5)
	Approximate U.S. GAAP adjustments	4,684.5
	Approximate stockholders equity under U.S. GAAP	Ps 99,958.4

(*) Adjustment that reverses the restatement of year ended December 31, 2004 into constant pesos as of June 30, 2005, using the CEMEX weighted average inflation factor, and restates such prior periods into constant pesos as of June 30, 2005 using the Mexican-only inflation factor, in order to comply with current requirements of Regulation S-X. The Mexican GAAP and U.S. GAAP amounts for the year ended December 31, 2004, included in this note, were restated using the Mexican inflation index 1.0065.

Unaudited Pro Forma Condensed Income Statement For the six months ended June 30, 2005	CEMEX Historical (6)	RMC Historical (7)	Pro Forma Adjustments (8)		CEMEX Consolidated Pro Forma
	(in millions of constant Pesos as of June 30, 2005, except per share data)				
Net sales	Ps 74,686.5	10,592.0			85,278.5
Operating income	12,785.5	(307.9)			12,477.6
Comprehensive financial result	1,770.7	(112.3)	(1,840.9)	a,b,c	(182.5)
Other expenses, net	(113.2)	1.9			(111.3)
Income tax (including deferred)	(1,875.4)	(48.1)	59.9	d	(1,863.6)
Equity in income of affiliates	288.9	10.4			299.3
Consolidated net income (loss)	12,856.5	(456.0)	(1,781.0)		10,619.5
Minority interest	233.2	14.0			247.2
Majority interest net income (loss)	Ps 12,623.3	(470.0)	(1,781.0)		10,372.3

Basic earnings per share(9)	1.02
Diluted earnings per share(9)	1.01

6) **CEMEX Historical:** This financial information was derived from CEMEX s unaudited financial statements for the six months ended June 30, 2005 included elsewhere in this prospectus supplement. CEMEX s income statement for the six month period ended June 30, 2005 includes RMC s results of operations for the four month period ended June 30, 2005.

7) **RMC Historical:** The financial information in this column was obtained from RMC s accounting records, is unaudited, and relates to the two month period ended February 28, 2005, prior to the acquisition. The main considerations are:

a) Beginning in 2005, RMC s financial information has been determined under International Financial Reporting Standards, or IFRS. As of June 30, 2005, there were no material adjustments that needed to be included to reconcile the financial statements of RMC under IFRS to Mexican GAAP, with the exception of the inflation (deflation) restatement effects on the January and February amounts, and certain reclassifications made to conform RMC amounts to CEMEX s presentation format.

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b) The restatement of the financial information for the months of January and February as of June 30, 2005, including the determination of the monetary position result and the restatement to constant values, was determined using a weighted average inflation (deflation) rate of (1.66)% for the countries in which RMC operates.

c) RMC s income statement amounts reconciled to Mexican GAAP were converted into Mexican pesos at the exchange rate of Ps19.38 for £1.00, the exchange rate prevailing at June 30, 2005.

8) **Pro Forma Adjustments:** The amounts in this column refer to the accounting effects of the assumption that the acquisition of 100% of RMC s equity interest took place on January 1, 2004 for purposes of the pro forma presentation. The main effects are as follows:

a) Anticipated effect was given to the purchase of the 81.2% equity interest in RMC as of January 1, 2004 and the financial debt assumed for this purpose (see notes 3(a) and (b) above). As a result, additional average indebtedness of U.S.$3,310.9 million with a weighted average interest rate of 2.83% was assumed during January and February, which resulted in the recognition of an interest expense of approximately U.S.$15.7 million (Ps167.8 million).

b) As a result of the anticipated recognition of the monetary position result and foreign exchange fluctuations related to the additional debt incurred during the months of January and February, a net loss of approximately U.S.$ 28.7 million (Ps307.7 million) was recognized within comprehensive financial result. This effect is explained as follows:

1. The monetary position result, was calculated by applying the CEMEX weighted average inflation rate for the first two months of 2005 of 0.12% to the average assumed debt for January and February 2005 for U.S.$3,310.9 million, resulting in a gain of approximately U.S.$3.9 million.
2. The foreign exchange fluctuation is calculated by applying the exchange rate variation from the functional currency of the company that assumed the debt against the currency of the contracted debt, and resulted in a loss of US$32.5 million mainly due to the appreciation of the Dollar against the Euro.

c) In addition, a gain of approximately US$127.7 million (Ps1,365.4 million) from the foreign exchange derivatives negotiated to hedge the projected cash flows to conclude the acquisition was eliminated from the income statement as of June 30, 2005. This gain was reclassified from stockholders equity to the income statement in the first six months of 2005, but for purposes of the pro forma amounts, was considered as having been recognized in 2004 (see note 3(d) above).

d) The income tax effect on the pro forma adjustments mentioned above led to a net expense of approximately U.S.$5.5 million (Ps59.9 million).

9) **Pro Forma Basic and Diluted Earnings Per Share:**

a) The 2004 pro forma basic and diluted earnings per share are calculated over the full-year period pro forma net income using the weighted average number of shares outstanding during the year, which for basic earnings per share was 9,987,365,042 shares, and for diluted earnings per share was 10,039,265,534 shares.

b) For the six-month period ended June 30, 2005 pro forma basic and diluted earnings per share are calculated over the six-month period pro forma net income using the weighted average number of shares outstanding during the period, which for basic earnings per share was 10,187,441,341 shares, and for diluted earnings per share was 10,258,525,731 shares.

10) **Purchase Price Allocation as of June 30, 2005:**

CEMEX s acquisition of RMC is being accounted for by CEMEX using the purchase method of accounting, which requires the allocation of the purchase price paid to the fair values of the assets acquired and liabilities assumed. The historical balance sheet data as of June 30, 2005 included elsewhere in this prospectus supplement reflect CEMEX s preliminary estimates of the purchase price allocation using the best information available to CEMEX. As of June 30, 2005, CEMEX was in the process of determining the respective fair values of assets and liabilities as well as other aspects important to the determination of the purchase price allocation. CEMEX has engaged a third party valuation firm to assist CEMEX in the determination of the fair value of fixed assets and the identification and valuation of intangible assets. However, these valuation studies are still in process and are not expected to be completed until the middle of the fourth quarter of 2005. Consequently, as of June 30, 2005, the excess of the purchase price paid of approximately Ps46.6 billion (U.S.$4.3 billion), not including assumed debt and including direct costs associated with the purchase, over the preliminary estimated fair value of RMC s net assets of approximately Ps23.5 billion (U.S.$2.2 billion), was recognized entirely as unallocated goodwill. As CEMEX completes the processes necessary for the determination of a final allocation of the excess purchase price, adjustments to certain assets and liabilities will be made. Such adjustments could be expected to include allocations to amortizable intangibles attributable to items such as trademarks, commercial names and customer relationships as well as increases or decreases to the book value of fixed assets, and these adjustments could be material. In addition, since goodwill is not amortized under Mexican GAAP as of January 1, 2005, the reclassification of unallocated goodwill amounts to fixed assets or intangible assets will result in the amortization and depreciation of those amounts, and the financial impact of such amortization and depreciation could be significant depending on the amounts allocated to amortizable assets and the estimated useful life of those assets. The pro forma condensed statements of income do not reflect any effect in depreciation or amortization which would have resulted from adjustments to amortizable intangibles or the carrying value of fixed assets.

For a breakdown of the preliminary estimated fair values of the assets acquired, and liabilities assumed, from RMC as of June 30, 2005, see note 9 to CEMEX s unaudited consolidated financial statements included elsewhere in this prospectus supplement.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FIRST HALF RESULTS

The following discussion should be read in conjunction with our unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2004 and 2005 included elsewhere in this prospectus supplement. Our significant accounting policies are described in note 2 to our consolidated financial statements included in our annual report, which is incorporated by reference in this prospectus supplement. The following discussion, which follows the same Mexican GAAP accounting policies, should also be read in conjunction with such financial statements and the notes thereto.

The percentage changes in cement and ready-mix concrete sales volumes described in this prospectus supplement for our operations in a particular country or region include the number of tons of cement and/or the number of cubic meters of ready-mix concrete sold to our operations in other countries and regions. Likewise, unless otherwise indicated, the net sales financial information presented in this prospectus supplement for our operations in each country or region includes the Mexican Peso amount of sales derived from sales of cement and ready-mix concrete to our operations in other countries and regions, which have been eliminated in the preparation of our unaudited consolidated financial statements included elsewhere in this prospectus supplement.

On July 21, 2005, we announced our results for the first half of 2005. The interim results of operations for the six-month period ended June 30, 2005 are not indicative of operating results to be expected for the entire fiscal year. The following is a discussion of our results for the first half of 2005.

Results of Operations

Consolidation of Our Results of Operations

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

For the six-month periods ended June 30, 2004 and 2005, our consolidated results reflect the following transactions:

- On March 1, 2005, we completed our acquisition of RMC for a total purchase price of approximately U.S.$5.8 billion, which included approximately U.S.$1.7 billion of assumed debt. We accounted for the acquisition as a purchase under Mexican GAAP, which means that our unaudited consolidated financial statements only include RMC from the date of the acquisition. Our unaudited consolidated financial statements for the six months ended June 30, 2005 include RMC s results of operations for the four-month period ending June 30, 2005. Our unaudited consolidated financial statements for the six months ended June 30, 2004 do not include RMC s results of operations. As a result, the financial information for the two periods is not comparable.

- On March 31, 2005, we sold our Charlevoix, Michigan and Dixon, Illinois cement plants and several distribution terminals located in the Great Lakes region to Votorantim Participações S.A., a cement company in Brazil, for an aggregate purchase price of approximately U.S.$389 million. The combined capacity of the two cement plants sold was approximately two million tons per year and the operations of these plants represented approximately 10% of the our U.S. operations net sales for the year ended December 31,

2004. Our unaudited consolidated financial statements for the six months ended June 30, 2005 include the results of operations relating to these assets for the three-month period ending March 31, 2005 only.

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Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

Overview

On a consolidated basis, our cement sales volumes increased approximately 18%, from 32.5 million tons in the first half of 2004 to 38.2 million tons in the first half of 2005, and our ready-mix concrete sales volumes increased approximately 163%, from 11.7 million cubic meters in the first half of 2004 to 30.7 million cubic meters in the first half of 2005. Our net sales increased approximately 74% from Ps42,827 million in the first half of 2004 to Ps74,686 million in the first half of 2005, and our operating income increased approximately 30% from Ps9,829 million in the first half of 2004 to Ps12,786 million in the first half of 2005.

Excluding the effect of the consolidation of RMC s operations, from the first half of 2004 to the first half of 2005, our consolidated cement sales volumes increased approximately 2%, our consolidated ready-mix concrete sales volumes increased approximately 13%, our consolidated net sales increased approximately 5%, and our consolidated operating income increased approximately 2%.

Net Sales

Our net sales increase of 74% during the first half of 2005 compared to the first half of 2004 was primarily attributable to the consolidation of RMC s operations for four months in the first half of 2005 and higher sales volumes and prices in our operations in most of our markets, which were partially offset by lower cement volumes and lower cement and ready-mix prices in Mexico. Additionally, set forth below is a quantitative and qualitative analysis of the effects of the various factors affecting our net sales on a geographic segment basis.

Through the RMC acquisition, we acquired new operations in the United States, Spain, Africa and the Middle East and Asia, which had a significant impact on our operations in those segments, and we acquired operations in the United Kingdom and the Rest of Europe, in which segments we did not have operations prior to the RMC acquisition. The operating data set forth below in the discussion of our United Kingdom, France and Germany operations for the first half of 2004 and for January and February in the first half of 2005 represent operating data for those operations prior to our acquisition of RMC.

Mexico

Our Mexican operations domestic cement sales volumes decreased approximately 2% in the first half of 2005 compared to the first half of 2004, while ready-mix concrete sales volumes increased approximately 15% during the same period. The decrease in cement sales volumes resulted primarily from a weak self-construction sector and unfavorable weather conditions, mostly during January and February of 2005, which were partially offset by increased demand in the public sector, particularly from infrastructure projects and low- and middle-income housing. The increase in ready-mix concrete sales volumes was primarily due to increased government spending on infrastructure projects and increased demand in the residential construction sector, which were partially offset by the unfavorable weather conditions described above. Our Mexican operations cement export volumes, which represented approximately 10% of our Mexican cement sales volumes in the first half of 2005, increased approximately 87% in the first half of 2005 compared to the first half of 2004, primarily as a result of increased cement demand in the United States. Of our Mexican operations total cement export volumes during the first half of 2005, 72% was shipped to the United States, 27% to Central America and the Caribbean and 1% to South America. Our Mexican operations average domestic sales price of cement decreased approximately 3% in constant Peso terms in the first half of 2005 compared to the first half of 2004 (increased approximately 1% in nominal

Peso terms). Our Mexican operations average sales price of ready-mix concrete decreased approximately 2% in constant Peso terms (increased approximately 2% in nominal Peso terms) over the same period.

As a result of the decreases in domestic cement sales volumes and the average domestic sales prices of cement and ready-mix concrete, net sales in Mexico, in constant Peso terms, declined approximately 1% in the first half of 2005 compared to the first half of 2004, despite the increases in ready-mix concrete sales volumes and cement export volumes.

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United States

Our U.S. operations cement sales volumes, which include cement purchased from our other operations, increased approximately 6% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes increased approximately 156% during the same period. The increases in sales volumes resulted primarily from the consolidation of RMC s U.S. operations for four months in the first half of 2005 (representing approximately 6% of our U.S. cement sales volumes and approximately 56% of our U.S. ready-mix concrete sales volumes), as well as increased demand in the residential sector due to a low interest rate environment and increased government spending on infrastructure projects, particularly on streets and highway construction, which were partially offset by our divestiture in March 2005 of two cement plants and other assets in the Great Lakes region and by unfavorable weather conditions during the first quarter of 2005, especially in the Western region. Our U.S. operations average sales price of cement increased approximately 18% in Dollar terms in the first half of 2005 compared to the first half of 2004, and the average sales price of ready-mix concrete increased approximately 27% in Dollar terms over the same period. The increases in average prices were primarily due to continued strength in demand for, and limited supply of, cement and ready-mix concrete.

As a result of the increases in cement and ready-mix concrete sales volumes and the increases in the average sales prices of cement and ready-mix concrete, net sales in the United States, in Dollar terms, increased approximately 100% in the first half of 2005 compared to the first half of 2004.

Spain

Our Spanish operations domestic cement sales volumes increased approximately 9% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes increased approximately 54% during the same period. The increases in sales volumes resulted primarily from the consolidation of RMC s Spanish operations for four months in the first half of 2005 (representing approximately 26% of our Spanish ready-mix concrete sales volumes), as well as strong residential construction activity and increased spending in the public-works sector, particularly on infrastructure projects. Our Spanish operations cement export volumes, which represented approximately 1% of our Spanish cement sales volumes in the first half of 2005, decreased approximately 39% in the first half of 2005 compared to the first half of 2004 primarily due to increased domestic demand. Of our Spanish operations total cement export volumes in the first half of 2005, 19% was shipped to Europe and the Middle East, 14% to Africa, and 67% to the United States. Our Spanish operations average domestic sales price of cement increased approximately 5% in Euro terms in the first half of 2005 compared to the first half of 2004, and the average price of ready-mix cement increased approximately 5% in Euro terms over the same period.

As a result of the increases in domestic cement and ready-mix concrete sales volumes and the increases in the average domestic sales prices of cement and ready-mix concrete, net sales in Spain, in Euro terms, increased approximately 26% in the first half of 2005 compared to the first half of 2004, despite the decline in cement export volumes.

United Kingdom

Our United Kingdom operations consist of the United Kingdom operations we acquired from RMC, which are consolidated in our results of operations for four months in the first half of 2005. Cement sales volumes in these United Kingdom operations were flat in the first half of 2005 compared to the first half of 2004, while ready-mix concrete sales volumes increased approximately 1% during the same period. Cement demand during the first half of 2005 was primarily driven by infrastructure projects relating to transportation and residential construction, as well as by commercial construction, which has been benefited from low inflation and lower unemployment rate. Our United Kingdom operations net sales for the four-month period ended June 30, 2005 represented approximately 10% our total net sales in constant Peso terms, before eliminations resulting from consolidation, for the first half of 2005, and our United Kingdom. operations operating income for the four-month period ended June 30, 2005 represented approximately 4% of our consolidated operating income, in constant Peso terms, for the first half of 2005.

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Rest of Europe

Our operations in our Rest of Europe segment consist of the operations we acquired from RMC in Germany, France, Croatia, Poland, Latvia, the Czech Republic, Ireland, Austria, Hungary, Portugal, Denmark, Lithuania, Finland, Norway and Sweden, which are consolidated in our results of operations for four months in the first half of 2005. Our Rest of Europe operations net sales for the four-month period ended June 30, 2005 represented approximately 16% our total net sales in constant Peso terms, before eliminations resulting from consolidation, for the first half of 2005, and our Rest of Europe operations operating income for the four-month period ended June 30, 2005 represented approximately 8% of our consolidated operating income, in constant Peso terms, for the first half of 2005. Set forth below is a discussion of sales volumes in Germany and France, the most significant countries in our Rest of Europe segment, based on net sales.

In Germany, cement sales volumes in the operations we acquired from RMC decreased approximately 18% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes in those operations decreased approximately 17% during the same period. These decreases are primarily due to a weak German economy, a high unemployment rate, the slow growth of disposable income and political uncertainty, resulting in decreased construction activity.

In France, ready-mix concrete sales volumes in the operations we acquired from RMC increased approximately 4% in the first half of 2005 compared to the first half of 2004, primarily as a result of strong demand from the housing sector due to low interest rates, tax incentives to promote housing construction and the launch of a new social housing program.

South America, Central America and the Caribbean

Our operations in South America, Central America and the Caribbean consist of our operations in Venezuela and Colombia, the operations we acquired from RMC in Argentina, which are consolidated in our results of operations for four months in the first half of 2005, and our Central American and Caribbean operations, which include our operations in Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico and the operations we acquired from RMC in Jamaica, which are consolidated in our results of operations for four months in the first half of 2005, as well as several cement terminals and other assets in other Caribbean countries and our trading operations in the Caribbean region. Most of these trading operations consist of the resale in the Caribbean region of cement produced by our operations in Venezuela and Mexico.

Our South America, Central America and the Caribbean operations domestic cement sales volumes increased 14% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes increased 13% over the same period. The increases in sales volumes are primarily attributable to the increased sales volumes in our Venezuelan and Colombian operations described below, as well as increased demand in the Dominican Republic due to new tourist development, new infrastructure projects in Panama and the commencement of ready-mix operations in Nicaragua and Costa Rica. Our South America, Central American and Caribbean operations average domestic sales price of cement decreased approximately 9% in Dollar terms in the first half of 2005 compared to the first half of 2004 due to competitive pressures in the Colombian market and government price controls over bagged cement in Venezuela, while the average sales price of ready-mix concrete increased approximately 6% in Dollar terms over the same period. Set forth below is a discussion of sales volumes in Venezuela and Colombia, the most significant countries in our South America, Central American and Caribbean segment, based on net sales.

Our Venezuelan operations domestic cement sales volumes increased approximately 17% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes increased approximately 13% during the same period. The increases in volumes resulted primarily from increased demand in the self-construction sector and increased government spending in the public sector due to higher oil revenues. Our Venezuelan operations cement export volumes, which represented approximately 50% of our Venezuelan cement sales volumes in the first half of 2005, decreased approximately 16% in the first half of 2005 compared to

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the first half of 2004 primarily due to increased domestic demand. Of our Venezuelan operations total cement export volumes during the first half of 2005, 72% was shipped to North America and 28% to South America and the Caribbean.

Our Colombian operations cement volumes increased approximately 39% in the first half of 2005 compared to the first half of 2004, and ready-mix concrete sales volumes increased approximately 10% during the same period. The increases in sales volumes resulted primarily from increased demand in the self-construction sector due to lower unemployment and higher wages and increased spending in the housing and public works sectors.

As a result of the increases in domestic cement sales volumes, ready-mix concrete sales volumes and the average sales prices of ready-mix concrete, net sales in our South America, Central America and the Caribbean operations, in constant Peso terms, increased approximately 2% in the first half of 2005 compared to the first half of 2004, despite the decline in the average domestic sales prices of cement and Venezuelan cement export volumes.

Africa and the Middle East

Our operations in Africa and the Middle East consist of our operations in Egypt and the operations we acquired from RMC in the United Arab Emirates (UAE) and Israel, which are consolidated in our results of operations for four months in the first half of 2005.

Our Africa and Middle East operations domestic cement sales volumes increased approximately 13% in the first half of 2005 compared to the first half of 2004, primarily as a result of increased demand in the housing sector and increased government spending on infrastructure in Egypt. Our Africa and Middle East operations average domestic sales price of cement increased 24% in Egyptian pound terms in the first half of 2005 compared to the first half of 2004, primarily due to better overall market conditions in Egypt. Cement prices in Egypt are controlled to a significant degree by the Egyptian government as a result of the government s control of almost 50% of the industry s capacity. Our Africa and Middle East operations cement export volumes, which represented approximately 18% of our Africa and Middle East cement sales volumes in the first half of 2005, decreased approximately 39% in the first half of 2005 compared to the first half of 2004 primarily due to increased domestic demand in Egypt. Of our Africa and Middle East operations total cement export volumes during the first half of 2005, 93% was shipped to Europe and 7% was shipped to Africa. Our Africa and Middle East operations ready-mix concrete sales volumes increased significantly in the first half of 2005 compared to the first half of 2004 primarily as a result of the consolidation of RMC s UAE and Israeli operations for four months in the first half of 2005 (representing approximately 92% of our ready-mix concrete sales volumes in the region).

As a result of the consolidation of RMC s UAE and Israeli operations and the increases in domestic cement sales volumes and the average domestic sales prices of cement in our Egyptian operations, net sales in our Africa and the Middle East operations, in constant Peso terms, increased approximately 145% in the first half of 2005 compared to the first half of 2004.

Asia

Our operations in Asia consist of our operations in the Philippines, Thailand, Bangladesh and the operations we acquired from RMC in Malaysia and Taiwan, which are consolidated in our results of operations for four months in the first half of 2005. Our Asian operations cement sales volumes increased approximately 4% in the first half of 2005 compared to the first half of 2004, primarily as a result of strong cement demand in the residential sector in the Philippines and Thailand and greater market coverage in Bangladesh, while the average sales price of cement increased approximately 13%, in Dollar terms, during the same period. Our Asian operations ready-mix concrete sales volumes increased significantly in the first half of 2005 compared to the

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first half of 2004, primarily due to the consolidation of RMC s Malaysian and Taiwanese operations for four months in the first half of 2005 (representing nearly all of our ready-mix concrete sales volumes in the region).

As a result of the consolidation of RMC s Malaysian and Taiwanese operations and the increases in cement sales volumes and the average sales price of cement, net sales in our Asian operations, in constant Peso terms, increased approximately 35% in the first half of 2005 compared to the first half of 2004.

Cost of Sales

Our cost of sales, including depreciation, increased approximately 84% from Ps24,047 million in the first half of 2004 to Ps44,248 million in the first half of 2005 in constant Peso terms, primarily due to the consolidation of RMC s operations for four months during the first half of 2005. Excluding the effect of the consolidation of RMC s operations, our cost of sales, including depreciation, increased approximately 7% during the same period, primarily as a result of higher energy costs. As a percentage of net sales, cost of sales increased from 56% in the first half of 2004 to 59% in the first half of 2005 (57%, excluding the effect of the consolidation of RMC).

Gross Profit

Our gross profit increased by approximately 62% from Ps18,780 million in the first half of 2004 to Ps30,438 million in the first half of 2005 in constant Peso terms. Excluding the effect of the consolidation of RMC s operations, our gross profit increased approximately 3% during the same period. Our gross margin decreased from 44% in the first half of 2004 to 41% in the first half of 2005, primarily due to higher energy costs and the consolidation of RMC s operations for four months during the first half of 2005, which resulted in a change in our product mix as we had a higher percentage of sales of ready-mix concrete, aggregates and other products having a higher cost of sales and a lower profit margin as compared to cement. Excluding the effect of the consolidation of RMC s operations, our gross margin decreased to 43% due to higher energy costs partially offset by higher sales volumes and average sales prices in most of our markets. The increase in our gross profit is primarily attributable to the 74% increase in our net sales in the first half of 2005 compared to the first half of 2004 (5%, excluding the effect of the consolidation of RMC), partially offset by the 84% increase in our cost of sales in the first half of 2005 compared to the first half of 2004 (7%, excluding the effect of the consolidation of RMC).

Operating Expenses

Our operating expenses increased approximately 97% from Ps8,951 million in the first half of 2004 to Ps17,652 million in the first half of 2005 in constant Peso terms, primarily due to the consolidation of RMC s operations for four months during the first half of 2005. Excluding the effect of the consolidation of RMC s operations, our operating expenses increased approximately 4% during the same period, primarily as a result of increased transportation costs due to higher worldwide energy costs, which were partially offset by our continuing cost-reduction efforts, including reductions in corporate overhead and travel expenses. As a percentage of net sales, our operating expenses increased from 21% in the first half of 2004 to 24% in the first half of 2005 (remained flat, excluding the effect of the consolidation of RMC).

Operating Income

For the reasons mentioned above, our operating income increased approximately 30% from Ps9,829 million in the first half of 2004 to Ps12,786 million in the first half of 2005 in constant Peso terms. Excluding the effect of the consolidation of RMC s operations, our operating income increased approximately 2% as compared to the first half of 2004.

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Comprehensive Financing Income (Expense)

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

financial or interest expense on borrowed funds;

financial income on cash and temporary investments;

appreciation or depreciation resulting from the valuation of financial instruments, including derivative instruments and marketable securities, as well as the realized gain or loss from the sale or liquidation of such instruments or securities;

foreign exchange gains or losses associated with monetary assets and liabilities denominated in foreign currencies; and

gains and losses resulting from having monetary liabilities or assets exposed to inflation (monetary position result).

	(Unaudited) Six Months Ended June 30,	
	2004	2005
	(in millions of constant Pesos)	
Net comprehensive financing income (expense):		
Financial expense	Ps (1,994)	Ps (2,773)
Financial income	119	172
Results from valuation and liquidation of financial instruments	(128)	2,902
Foreign exchange gain (loss), net	(919)	(614)
Monetary position gain	2,324	2,084
Net comprehensive financing income (expense)	Ps (598)	Ps 1,771

Our net comprehensive financing income (expense) improved from an expense of Ps598 million in the first half of 2004 to income of Ps1,771 million in the first half of 2005 (Ps1,851 million, excluding the effect of the consolidation of RMC). The components of the change are shown above. Our financial expense was Ps2,773 million for the first half of 2005, an increase of approximately 39% from Ps1,994 million in the first half of 2004. The increase was primarily attributable to higher average levels of debt outstanding during the first half of 2005 compared to the first half of 2004 as a result of borrowings related to the RMC acquisition. Our financial income increased 45% from Ps119 million in the first half of 2004 to Ps172 million in the first half of 2005 as a result of increases in interest rates. Our results from valuation and liquidation of financial instruments improved from a loss of Ps128 million in the first half of 2004 to a gain of Ps2,902 million in the first half of 2005, primarily attributable to significant valuation improvements from our derivative financial instruments portfolio (discussed below) during the first half of 2005. Our net foreign exchange results improved from a loss of Ps919 million in the first half of 2004 to a loss of Ps614 million in the first half of 2005, mainly due to the appreciation of the Peso against the Dollar. Our monetary position gain (generated by the recognition of inflation effects over monetary assets and liabilities) decreased from Ps2,324 million during the first half of 2004 to Ps2,084 million during the first half of 2005, as a result of a decrease in the weighted average inflation index used in the determination of the monetary position result in the first half of 2005 compared to the first half of 2004.

Derivative Financial Instruments

For the six months ended June 30, 2004 and 2005, our derivative financial instruments that have a potential impact on our comprehensive financing result consist of equity forward contracts entered into to hedge our obligations under our executive stock option programs, foreign exchange derivative instruments (excluding our foreign exchange forward contracts designated as hedges of our net investment in foreign subsidiaries), interest rate swaps, cross currency swaps and interest rate derivatives related to energy projects. We recognized a gain of Ps2,902 million in the first half of 2005 in the item Results from valuation and liquidation of financial instruments, of which a net valuation gain of approximately Ps373 million is attributable to changes in the fair value of our equity forward contracts that hedge our stock option programs, net of the costs generated by such programs, an approximate valuation gain of Ps2,177 million is attributable to changes in the fair value of our foreign currency derivatives, and an approximate valuation gain of Ps342 million is attributable to changes in the fair value of our interest rate derivatives. The estimated fair value gain of our equity forward contracts and the costs associated with the stock options both are attributable to the increase, during the first half of 2005, in the market price of our listed securities (ADSs and CPOs) as compared to the first half of 2004. The estimated fair value gain of our foreign currency derivatives is primarily attributable to changes in the estimated fair value of the contracts we entered into in September 2004 that were designated as accounting hedges of the foreign exchange risk associated with our commitment to purchase the remaining outstanding shares of RMC following the necessary corporate and regulatory approvals at a fixed price in Pounds (representing a gain of approximately Ps1,410 million), and changes in the estimated fair value of our cross currency swap contracts relating to our debt portfolio (representing a gain of approximately Ps767 million). The estimated fair value gain of our interest rate derivatives is primarily attributable to an increase in five-year interest rates.

Other Expenses, Net

Our other expenses, net decreased approximately 94% from Ps1,897 million in the first half of 2004 to Ps113 million in the first half of 2005 in constant Peso terms, primarily as a result of new accounting pronouncements under Mexican GAAP, effective as of January 1, 2005, pursuant to which the amortization of goodwill was eliminated, although goodwill remains subject to periodic impairment evaluations. The decrease was also due to the sale of our 11.92% interest in Cementos Bio Bio, S.A. in April 2005, which resulted in a net profit of approximately U.S.$19.5 million (Ps206 million), partially offset by the sale of our Charlevoix, Michigan and Dixon, Illinois cement plants and several distribution terminals located in the Great Lakes region in March 2005, which resulted in a net loss of approximately U.S.$10.5 million (Ps112 million). Excluding the effect of the consolidation of RMC s operations, our other expenses, net decreased approximately 81% during the same period.

Income Taxes, Business Assets Tax and Employees Statutory Profit Sharing

Our effective tax rate was 12.6% in the first half of 2005 compared to 11.8% in the first half of 2004. Our tax expense, which primarily consists of income taxes and business assets tax, increased from Ps869 million in the first half of 2004 to Ps1,820 million in the first half of 2005. The increase was attributable to higher taxable income in the first half of 2005 as compared to the first half of 2004. Our average statutory income tax rate was approximately 30% in the first half of 2005 and approximately 33% in the first half of 2004.

Employees statutory profit sharing increased from Ps52 million during the first half of 2004 to Ps57 million during the first half of 2005 due to higher taxable income for profit sharing purposes in Mexico and Venezuela.

Pursuant to recent amendments to the Mexican income tax law (*ley del impuesto sobre la renta*), which became effective on January 1, 2005, Mexican companies with direct or indirect investments in entities incorporated in foreign countries whose income tax liability in those countries is less than 75% of the income tax that would be payable in Mexico, will be required to pay taxes in Mexico on income derived from such foreign entities, provided that the income is not derived from enterpreneurial activities in such countries. The tax payable by Mexican companies in respect of the 2005 tax year pursuant to these amendments will be due upon filing their annual tax returns in March 2006. We believe these amendments are contrary to Mexican constitutional principles and on August 8, 2005, we filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. If we are not successful in our efforts to have the amendments declared unconstitutional by the Mexican federal courts, the amendments may have a material impact on us.

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Majority Interest Net Income

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

For the reasons described above, our consolidated net income (before deducting the portion allocable to minority interest) for the first half of 2005 increased approximately 96% from Ps6,546 million in the first half of 2004 to Ps12,856 million in the first half of 2005 in constant Peso terms. Excluding the effect of the consolidation of RMC s operations, our consolidated net income (before deducting the portion allocable to minority interest) increased approximately 55% during the same period. The percentage of our consolidated net income allocable to minority interests decreased from 2.8% in the first half of 2004 to 1.8% in the first half of 2005 (1.6%, excluding the effect of the consolidation of RMC), as a result of the additional 6.83% equity interest in CEMEX Asia Holdings, Ltd. we acquired for approximately U.S.$70 million in August 2004. Majority interest net income increased by approximately 98% from Ps6,362 million in the first half of 2004 to Ps12,623 million in the first half of 2005 in constant Peso terms, mainly as a result of our increase in net sales, our valuation gains on derivative financial instruments, the decrease in other expenses, net and a lower portion of consolidated net income allocable to minority interests, partially offset by higher financial expenses and income taxes. Excluding the effect of the consolidation of RMC s operations, our majority interest net income increased by approximately 56% during the same period. As a percentage of net sales, majority interest net income increased from 15% in the first half of 2004 to 17% in the first half of 2005. Excluding the effect of the consolidation of RMC s operations, as a percentage of net sales, majority interest net income increased from 15% in the first half of 2004 to 22% in the first half of 2005.

Liquidity and Capital Resources

Operating Activities

We have satisfied our operating liquidity needs primarily through operations of our subsidiaries and expect to continue to do so for both the short- and long-term. Although cash flow from our operations has historically overall met our liquidity needs for operations, servicing debt and funding acquisitions, our subsidiaries are exposed to risks from changes in foreign currency exchange rates, price and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic or social developments in the countries in which they operate, any one of which may materially reduce our net income and cash from operations. Consequently, we also rely on cost-cutting and continual operating improvements to optimize capacity utilization and maximize profitability as well as to offset the risks associated with having worldwide operations. Our consolidated net resources provided by operating activities were approximately Ps19.4 billion in 2002, approximately Ps17.9 billion in 2003, approximately Ps23.8 billion in 2004 and approximately Ps20.7 billion in the six-month period ended June 30, 2005.

Our Indebtedness

As of June 30, 2005, we had approximately U.S.$11.0 billion (Ps118.6 billion) of total debt, of which approximately 15% was short-term and 85% was long-term. Approximately 5.2% of our long-term debt at June 30, 2005, or approximately U.S.$0.5 billion (Ps5.4 billion), is to be paid in 2006, unless extended. As of June 30, 2005, without giving effect to our cross currency swap contracts, approximately 58% of our consolidated debt was Dollar-denominated, approximately 18% was Euro-denominated, approximately 14% was Peso-denominated, approximately 5% was Pound-denominated, approximately 5% was Yen-denominated and immaterial amounts were denominated in other currencies. The weighted average interest rates paid by us in the six-month period ended June 30, 2005 in our main currencies were 4.95% on our Dollar-denominated debt, 0.51% on our Yen-denominated debt, 2.77% on our Euro-denominated debt, 10.11% on our Peso-denominated debt and 5.23% on our Pound-denominated debt.

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

Most of our outstanding indebtedness has been incurred to finance our acquisitions and to finance our capital investment programs. CEMEX México and Empresas Tolteca de México, two of our principal Mexican subsidiaries, have provided guarantees of our indebtedness in the amount of approximately U.S.$4.7 billion (Ps50.5 billion), as of June 30, 2005. See Risk Factors Our ability to pay dividends and repay debt depends on our subsidiaries ability to transfer income and dividends to us, and Risk Factors We have incurred and will continue to incur debt, which could have an adverse effect on the price of our CPOs and ADSs, result in us incurring increased interest costs and limit our ability to distribute dividends, finance acquisitions and expansions and maintain flexibility in managing our business activities.

Some of the debt instruments in respect of our and our subsidiaries indebtedness contain various covenants, which, among other things, require us and them to maintain specific financial ratios, restrict asset sales and dictate the use of proceeds from the sale of assets. These restrictions may adversely affect our ability to finance our future operations or capital needs or to engage in other business activities, such as acquisitions, which may be in our interest. From time to time, we have sought and obtained waivers and amendments to some of our and our subsidiaries debt agreements, principally in connection with acquisitions. Our failure to obtain any required waivers may result in the acceleration of the affected indebtedness and could trigger our obligations to make payments of principal, interest and other amounts under our other indebtedness, which could have a material adverse effect on our financial condition. We believe that we have good relations with our lenders and the lenders to our subsidiaries, and nothing has come to our attention that would lead us to believe that any future waivers, if required, would not be forthcoming. However, we cannot assure you that future waivers would be forthcoming, if requested. As of June 30, 2005, we were in compliance with all the financial covenants in our own and our subsidiaries debt instruments.

In addition, a considerable amount of our debt is subject to credit ratings triggers that require us to pay a step-up in the coupon rate of the affected notes in the event that certain minimum credit ratings are not maintained. Significantly, the CEMEX, Inc. Note and Guarantee Agreement, dated March 15, 2001, described under Item 10 Additional Information Material Contracts in our annual report, which is incorporated by reference in this prospectus supplement, requires us to make all reasonable efforts to ensure that the notes issued pursuant to that agreement maintain a private letter rating of at least BBB- by Standard & Poor s and Baa3 by Moody s. If the notes fail to maintain this required rating, we would have to pay a step-up in the coupon rate and, if, after a continuous period of two years, the notes have not re-attained these ratings, we would have to repay them or obtain a waiver of this requirement. As of June 30, 2005, the notes were rated BBB- by Standard & Poor s and Baa3 by Moody s.

In order to finance the acquisition of RMC, we used the proceeds of three credit facilities, each dated September 24, 2004, with an initial total aggregate amount of US$5.8 billion and with weighted average life of 3.0 years. As described below, we have already refinanced or repaid all the original indebtedness under these credit facilities. The following is a description of these three credit facilities.

On September 24, 2004, we entered into a 364-day credit agreement with CEMEX México and Empresas Tolteca de México as joint obligors, for a total aggregate principal amount of U.S.$500 million. The proceeds of this facility were used to finance the acquisition of RMC. On March 7, 2005, this facility was reduced to U.S.$300 million and was fully repaid on July 1, 2005.

On September 24, 2004, New Sunward Holding B.V. entered into a U.S.$1.25 billion multi-currency term loan facility guaranteed by CEMEX, CEMEX México and Empresas Tolteca de México and consisting of two tranches. The first tranche was a multi-currency one-year U.S.$500 million term loan denominated in Dollars, Euros or Pounds (or a combination thereof) with an optional six-month

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extension. The second tranche was a multi-currency three-year U.S.$750 million term loan denominated in Dollars, Euros or Pounds (or a combination thereof). The proceeds of the facility were used in to finance the acquisition of RMC. This facility was fully repaid on April 13, 2005.

On September 24, 2004, CEMEX España entered into a U.S.$3.8 billion multi-currency term loan facility. The facility is guaranteed by Cemex Caracas Investments, B.V., Cemex Caracas II Investments, B.V., Cemex Egyptian Investments, B.V., Cemex Manila Investments, B.V. and Cemex American Holdings, B.V. and consists of three tranches. The first tranche is a multi-currency one-year U.S.$1.5 billion back-up term loan denominated in Dollars, Euros or Pounds (or a combination thereof) with an optional twelve month extension. The second tranche is a multi-currency three-year U.S.$1.15 billion term loan denominated in Dollars, Euros or Pounds (or a combination thereof). The third tranche is a multi-currency five-year U.S.$1.15 billion term loan denominated in Dollars, Euros or Pounds (or a combination thereof). The first tranche of this facility was intended to refinance debt assumed from RMC, but was never utilized. The proceeds of the second and third tranches under this facility, totaling U.S.$2.3 billion, were used to finance the acquisition of RMC.

As of June 30, 2005, after the completion of our acquisition of RMC, we had U.S.$11.0 billion of outstanding indebtedness, including indebtedness assumed from RMC. The following is a description of the material indebtedness assumed from RMC.

On October 18, 2002, RMC entered into a £1,000,000,000 Term and Revolving Credit Agreement relating to a multi-currency five-year £600,000,000 revolving credit facility and a multi-currency five-year £400,000,000 term loan facility. On March 16, 2005, CEMEX España and RMC entered into an amended and restated agreement relating to these facilities. The amendments to the original agreement include a waiver of the provision requiring mandatory prepayment in the event of a change of control; the inclusion of CEMEX España, Cemex Caracas Investments B.V., Cemex Caracas II Investments B.V., Cemex Manila Investments B.V., Cemex Egyptian Investments B.V., Cemex American Holdings B.V. and Cemex Shipping B.V, as guarantors; amendments to the financial covenants applicable to CEMEX España on a consolidated basis; and the extension of the termination date of the revolving credit facility to six years from the date of the amended and restated agreement. Simultaneous with the execution of the amended and restated agreement, the total amount of the facilities was reduced to £604,354,196; the revolving credit facility was reduced to £425,558,038 and the term loan facility was reduced to £178,796,154.

On November 30, 2000, RMC and several institutional purchasers entered in a Note Purchase Agreement in connection with a private placement by RMC. Pursuant to this agreement, RMC issued U.S.$120,000,000 aggregate principal amount of 8.40% Senior Notes due 2010, U.S.$90,000,000 aggregate principal amount of 8.50% Senior Notes due 2012 and U.S.$45,000,000 aggregate principal amount of 8.72% Senior Notes due 2020.

On April 5, 2005, we entered into a U.S.$1 billion 180-day term credit agreement guaranteed by CEMEX México and Empresas Tolteca de México. The proceeds of this credit facility were used to fund the repayment of amounts outstanding under the U.S.$1.25 billion multi-currency term loan facility of New Sunward Holding B.V., dated September 24, 2004, described above.

During May 2005, we completed a cash tender offer, pursuant to which we purchased all of the notes issued by RMC in the November 2000 private placement described above. The total amount paid in the cash tender offer was approximately U.S.$315 million, which was repaid through a private placement by a wholly-owned subsidiary of CEMEX España during June 2005 of new five- and ten-year notes in an aggregate principal amount of U.S.$325 million.

On May 31, 2005, we entered into a five-year U.S.$1.2 billion revolving credit facility guaranteed by CEMEX México and Empresas Tolteca de México. The proceeds of this credit facility were used to repay amounts outstanding under the U.S.$1 billion multi-currency 180-day term credit agreement we entered into on April 5, 2005, to repay other existing indebtedness and for general corporate purposes.

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On June 6, 2005, we amended our U.S.$800 million revolving credit facility dated June 23, 2004. The amended facility is a U.S.$700 million revolving credit facility guaranteed by CEMEX México and Empresas Tolteca de México and maturing in 2009.

On June 27, 2005, New Sunward Holding B.V. entered into a two-year U.S.$350 million term loan facility and a four-year U.S.$350 million multi-currency revolving credit facility, guaranteed by CEMEX, CEMEX México and Empresas Tolteca de México. The proceeds of these facilities were used to repay existing indebtedness not related to the RMC acquisition.

Recent Developments Relating to Our Indebtedness

On July 7, 2005, CEMEX España amended the second and third tranches of the U.S.$3.8 billion multi-currency term loan facility dated September 24, 2004 described above, totaling U.S.$2.3 billion. The amended facility consists of a two-year U.S.$575 million term loan, a five year U.S.$575 million term loan and a U.S.$1.15 billion amortizing loan with an average maturity of 3.5 years.

With this transaction we completed the refinancing process of the debt incurred in connection with the RMC acquisition.

Our Equity Derivative Forward Arrangements

As of June 30, 2004 and 2005, we had forward contracts in our CPOs covering a total of 155,179,345 CPOs and 150,450,185 CPOs, respectively, with different maturities until October 2006 and aggregate notional amounts of U.S.$845.0 million and U.S.$1,280.2 million, respectively. These forward contracts were entered into to hedge the future exercise of the options granted under our executive stock option programs. As described above under The Offering, we intend for a significant portion of these forward contracts to be unwound to the extent the underlying CPOs are sold in connection with the combined offerings. Changes in the estimated fair value of these contracts have been recognized in the income statement as a component of the costs generated by the option programs. As of June 30, 2004 and 2005, the estimated fair value of these contracts was a gain of approximately U.S.$97.3 million (Ps1,110.8 million) and a gain of approximately U.S.$52.1 million (Ps560.1 million), respectively.

In addition, as of June 30, 2004, we had forward contracts in our CPOs covering a total of 37,728,805 CPOs with different maturities until January 2006 and an aggregate notional amount of U.S.$223.5 million. As of June 30, 2004, the estimated fair value of these contracts was a gain of approximately U.S.$6.4 million (Ps73.1 million). Until December 31, 2004, these contracts were treated as equity instruments; therefore, for accounting purposes under Mexican GAAP, changes in their fair value were recognized in stockholders equity when settled. As of January 1, 2005, as a result of new accounting pronouncements under Mexican GAAP, changes in the fair value of these forward contracts are recognized in the income statement in the same manner as our other forward contracts described in the preceding paragraph. Accordingly, as of June 30, 2005, these forward contracts are presented together with our other forward contracts in the preceding paragraph and the underlying CPOs are included in the total number of CPOs as of that date.

Our Receivables Financing Arrangements

We have established sales of trade accounts receivable programs with financial institutions, referred to as securitization programs. These programs were negotiated by our subsidiaries in Mexico during 2002, our subsidiary in the United States during 2001 and our subsidiary in Spain during 2000. Through the securitization programs, our subsidiaries effectively surrender control, risks and the benefits associated to the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the balance sheet at the moment of sale, except for the amounts that the counterparties have not paid, which are reclassified to other accounts receivable. The balances of receivables sold pursuant these securitization programs as of June 30, 2004 and 2005 were U.S.$648.2 million (Ps7,400.2 million) and U.S.$757.0 million (Ps8,137.8 million), respectively. The accounts receivable qualifying for sale do not include amounts over specified days past due or concentrations over specified limits to any one customer, according to the terms of the programs. Expenses incurred under these programs, originated by the discount granted to the acquirers of the accounts receivable, are recognized in the income statements and were approximately U.S.$11.4 million (Ps121.8 million) in 2002, U.S.$10.2 million (Ps109.3 million) in 2003, U.S.$11.3 million (Ps120.8 million) in 2004 and U.S.$8.6 million (Ps92.3 million) in the six-month period ended June 30, 2005. The proceeds obtained through these programs have been used primarily to reduce debt.

Stock Repurchase Program

Under Mexican law, our shareholders may authorize a stock repurchase program at our annual shareholders meeting. Unless otherwise instructed by our shareholders, we are not required to purchase any minimum number of shares pursuant to such program.

In connection with our 2004 annual shareholders meeting held on April 28, 2005, our shareholders approved a stock repurchase program in an amount of up to Ps6 billion (approximately U.S.$558 million) to be implemented between April 2005 and April 2006. As of June 30, 2005, no CPOs were repurchased under this program.

Qualitative and Quantitative Market Disclosure

Our Derivative Financial Instruments

In compliance with the procedures and controls established by our risk management committee, we have entered into various derivative financial instrument transactions in order to manage our exposure to market risks resulting from changes in interest rates, foreign exchange rates and the price of our common stock. We actively evaluate the creditworthiness of the financial institutions and corporations that are counterparties to our derivative financial instruments, and we believe that they have the financial capacity to meet their obligations in relation to these instruments.

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

	At June 30, 2004		At June 30, 2005		
Derivative Instruments	**Notional amount**	**Estimated fair value**	**Notional amount**	**Estimated fair value**	**Maturity Date**
	(in millions of Dollars)				
Equity forward contracts	U.S.$ 1,068.5	U.S.$ 103.4	U.S.$ 1,280.2	U.S.$ 65.1	Aug 05-Sep 06
Foreign exchange forward contracts	1,557.3	(146.7)	2,190.4	42.1	Jul 05-Jun 08

Interest rate swaps	1,950.0	(201.3)	3,325.0	(17.2)	May 07-Apr 10
Cross currency swaps	1,164.7	187.1	1,453.0	147.0	Jul 05-Apr 12
Derivatives related to energy	171.3	(8.1)	164.0	(4.6)	May 2017

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Our Equity Derivative Forward Contracts

A substantial portion of our equity derivative forward contracts held as of June 30, 2004 and 2005, with aggregate notional amounts of U.S.$845.0 million and U.S.$1,280.2 million, respectively, were entered into to hedge the potential exercises of options under our Dollar-denominated executive programs. As described above under The Offering, we intend for a significant portion of these forward contracts to be unwound to the extent the underlying CPOs are sold in connection with the combined offerings. Changes in the estimated fair value of these forwards have been recognized in the income statement as a component of the costs generated by the stock option programs. As of June 30, 2004 and 2005, the estimated fair value of these contracts was a gain of approximately U.S.$97.3 million (Ps1,110.8 million) and a gain of approximately U.S.$52.1 million (Ps560.1 million), respectively.

In addition, as of June 30, 2004, we held equity forward contracts with an aggregate notional amount of U.S.$223.5 million. Until December 31, 2004, these contracts were treated as equity instruments; therefore, changes in their fair value were recognized in stockholders equity upon settlement. As of June 30, 2004, the estimated fair value of these contracts was a gain of approximately U.S.$6.4 million (Ps73.1 million). As of January 1, 2005, changes in the fair value of these forward contracts are recognized in the income statement in the same manner as our other forward contracts described in the preceding paragraph. Accordingly, as of June 30, 2005, these forward contracts are presented together with our other forward contracts in the preceding paragraph and the notional amounts of these forward contracts are included in the aggregate notional amount as of that date. See Liquidity and Capital Resources Our Equity Derivative Forward Arrangements above.

Our Foreign Exchange Forward Contracts

A portion of our foreign exchange forward contracts held as of June 30, 2004 and 2005, with notional amounts of U.S.$674.8 million and U.S.$2,166.0 million, respectively, are accounted for at their estimated market value as hedge instruments for our net investments in foreign subsidiaries. Gains or losses on these forward contracts are recognized as an adjustment to stockholders equity within the related foreign currency translation adjustment.

In September 2004, we entered into structured foreign exchange forward contracts, collars and digital options for a notional amount of U.S.$3,452.9 million in connection with our commitment to purchase RMC. These derivatives were entered into to hedge the variability in cash flows associated with exchange fluctuations between the Dollar, the currency in which we obtained the funds to purchase, and Pounds, the currency in which our firm commitment was denominated. These contracts were designated as accounting hedges of the foreign exchange risk associated with the firm commitment agreed to on November 17, 2004, the date on which RMC s shareholders committed to sell their shares at a fixed price. Changes in the estimated fair value of these contracts from the designation date, which represented a gain of approximately U.S.$132.1 million (Ps1,411.3 million), were recognized in stockholders equity in 2004, and were reclassified to earnings in March 2005, the month in which the final purchase occurred. The change in the estimated fair value of these contracts from their origination until their designation as hedges in 2004 was a gain of approximately U.S.$102.4 million (Ps1,169.0 million) and was recognized in earnings in 2004.

Our Interest Rate Swaps

As of June 30, 2004 and 2005, we held interest rate swap contracts for notional amounts of U.S.$1,950.0 million and U.S.$3,325.0 million, respectively, entered into in order to hedge contractual cash flows (interest payments) of underlying debt negotiated at floating rates. Although these interest rate swap contracts, are part of, and complement, our financial strategy, they generally do not meet the accounting hedge criteria. Consequently, changes in the estimated fair value of these instruments are recognized in earnings. However, several of our interest rate swap contracts, with an aggregate notional amount of U.S.$1,500 million, did meet the accounting hedge criteria and were designated as accounting hedges of contractual cash flows (interest payments) of a portion of our floating rate debt. Accordingly, changes in the estimated fair value of these instruments that meet

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the accounting hedge criteria are recognized in stockholders equity, and will be reclassified to earnings as the financial expense of the related debt is accrued. In addition, periodic payments under these instruments that meet the accounting hedge criteria are recognized in earnings as an adjustment of the effective interest rate of the related debt.

Our Cross Currency Swaps

As of June 30, 2004 and 2005, we held cross currency swap contracts related to our short-term and long-term financial debt portfolio. Through these contracts, we carried out the exchange of the originally contracted currencies and interest rates, over a determined amount of underlying debt. During the life of these contracts, the cash flows originated by the exchange of interest rates under the cross currency swap contracts match the interest payment dates and conditions of the underlying debt. Likewise, at maturity of the contracts and the underlying debt, we will exchange with the counterparty notional amounts provided by the contracts so that we will receive an amount of cash flow equal to cover our primary obligation under the underlying debt. In exchange, we will pay the notional amount in the exchanged currency. As a result, we have effectively exchanged the risks related to interest rates and foreign exchange variations of the underlying debt to the rates and currencies negotiated in the cross currency swap contracts.

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

In respect of the estimated fair value recognition of the cross currency swap contracts, as of June 30, 2004 and 2005, we recognized net assets of U.S.$187.1 million (Ps2,136.0 million) and U.S.$147.0 million (Ps1,580.3 million), respectively, related to the estimated fair value of the short-term and long-term cross currency swap contracts, of which,

- A gain of approximately U.S.$334.6 million (Ps3,819.9 million) as of June 30, 2004 relates to prepayments made to Yen- and Dollar-denominated obligations under our cross currency swaps, thereby decreasing the carrying amounts of the related debt (we did not make any prepayments to Yen and Dollar-denominated obligations during the first half of 2005), and

- A loss of approximately U.S.$147.3 million (Ps1,681.6 million) as of June 30, 2004 and a gain of approximately U.S.$147.0 million (Ps1,580.3 million) as of June 30, 2005 represented the contracts estimated fair value, before prepayment effects (with respect to 2004 only), and includes:

  - Losses of approximately U.S.$182.6 million (Ps2,084.6 million) as of June 30, 2004 and gains of approximately U.S.$103.4 million (Ps1,112.0 million) as of June 30, 2005, which are directly related to variations in exchange rates between the inception of the contracts and the balance sheet date, and which were offset for presentation purposes as part of the related debt carrying amount,

  - Gains of approximately U.S.$9.9 million (Ps113.0 million) as of June 30, 2004 and approximately U.S.$13.4 million (Ps144.1 million) as of June 30, 2005, identified with the periodic cash flows for the interest rate swaps, and which were recognized as an adjustment of the related financing interest payable, and

Remaining net assets of approximately U.S.$25.4 million (Ps290.0 million) as of June 30, 2004 and approximately U.S.$30.2 million (Ps324.7 million) as of June 30, 2005, which were recognized within other short-term and long-term assets and liabilities, as applicable.

As of June 30, 2004, the effect on our balance sheet, arising from the accounting assets and liabilities offset, was that the book value of the financial liabilities directly related to the cross currency swap contracts was presented as if such financial liabilities had been effectively negotiated in the exchange currency instead of in the originally contracted currency. As of June 30, 2005, as a result of new accounting pronouncements under Mexican GAAP, which became effective as of January 1, 2005, the book value of the financial liabilities directly related to the cross currency swap contracts are presented in the originally contracted currency. For the six months ended June 30, 2004 and 2005, the changes in the estimated fair value of our cross currency swap contracts, excluding prepayment effects in the first six months of 2004, resulted in a loss of approximately U.S.$44.8 million (Ps511.4 million) and a gain of approximately U.S.$239.2 million (Ps2,571.4 million), respectively, which were recognized within the comprehensive financing result.

Our Derivatives Related to Energy Projects

As of June 30, 2004 and 2005, we had an interest rate swap maturing in May 2017, for a notional amount of U.S.$171.3 million and U.S.$164.0 million, respectively, negotiated to exchange floating for fixed interest rates, in connection with agreements we entered into for the acquisition of electric energy for a 20-year period commencing in 2003. During the life of the derivative contract and over its notional amount, we will pay LIBOR rates and receive a 7.53% fixed rate until maturity in May 2017. In addition, during 2001 we sold a floor option for a notional amount of U.S.$171.3 million and U.S.$164.0 million as of June 30, 2004 and 2005, respectively, related to the interest rate swap contract, pursuant to which, commencing in 2003 and until 2017, we pay the difference between the 7.53% fixed rate and LIBOR rates. Through the sale of this option, we received a premium of approximately U.S.$22 million (Ps251.9 million) in 2001. As of June 30, 2004 and 2005, the combined estimated fair value of the swap and floor contracts, amounting to approximate losses of U.S.$8.1 million (Ps92.5 million) and U.S.$4.6 million (Ps49.5 million), respectively, were recorded in the comprehensive financing result for each period. As of June 30, 2004 and 2005, the notional amount of both contracts is not aggregated, considering that there is only one notional amount with exposure to changes in interest rates and the effects of one instrument are proportionally inverse to the changes in the other one.

Interest Rate Risk, Foreign Currency Risk and Equity Risk

Interest Rate Risk

The table below presents tabular information of our fixed and floating rate long-term foreign currency-denominated debt as of June 30, 2005. It includes the effects generated by the interest rate swaps and the cross currency swap contracts that we have entered into, covering a portion of our financial debt originally negotiated in Pesos and Dollars. Average floating interest rates are calculated based on forward rates in the yield curve as of June 30, 2005. Future cash flows represent contractual principal payments. The fair value of our floating rate long-term debt is determined by discounting future cash flows using borrowing rates available to us as of June 30, 2005 and is summarized as follows:

	Expected maturity dates as of June 30, 2005							
Debt	**2005 (2nd Half)**	**2006**	**2007**	**2008**	**2009**	**After 2010**	**Total**	**Fair Value**
	(in millions of Dollars equivalents of debt denominated in foreign currencies)							
Variable rate	167	708	1,872	457	900	1,291	5,395	5,307
Average interest rate	4.24%	4.52%	4.58%	4.77%	4.80%	4.82%		
Fixed rate		467	189	1,357	1,378	1,411	4,802	4,758
Average interest rate	5.63%	5.60%	5.34%	5.34%	5.22%	5.84%		

As of June 30, 2005, we were subject to the volatility of the floating interest rates, which, if such rates were to increase, may adversely affect our financing cost and our net income. As of June 30, 2005, 62% of our foreign currency-denominated long-term debt bears floating rates at a weighted average interest rate of LIBOR plus 45 basis points, after giving effect to our interest rate swaps and cross currency swaps. As of June 30, 2005, we also held interest rate swaps for a notional amount of U.S.$3,325.0 million and with a fair value loss of approximately U.S.$17.2 million during the first half of 2005. Pursuant to these interest rate swaps, we receive variable rates and deliver fixed rates over the notional amount. These derivatives, even when they do not meet the criteria to be considered hedging items for accounting purposes, complement our financial strategy and mitigate our overall exposure to floating rates. See Our Derivative Financial Instruments Our Interest Rate Swaps above.

The potential change in the fair value as of June 30, 2005 of these contracts that would result from a hypothetical, instantaneous decrease of 50 basis points in the interest rates would be a loss of approximately U.S.$43.0 million (Ps461.8 million).

Foreign Currency Risk

Due to our geographic diversification, our revenues are generated in various countries and settled in different currencies. However, some of our production costs, including fuel and energy, and some of our cement prices, are periodically adjusted to take into account fluctuations in the Dollar/Peso exchange rate. For the six months ended June 30, 2005, approximately 21% of our net sales, before eliminations resulting from consolidation, were generated in Mexico, 21% in the United States, 11% in Spain, 10% in the United Kingdom, 16% in our Rest of Europe segment, 9% in South America, Central America and the Caribbean, 3% in Africa and the Middle East, 2% in Asia and 7% from other regions and our cement and clinker trading activities. As of June 30, 2005, our debt amounted to Ps118.6 billion, of which approximately 58% was Dollar-denominated, 18% was Euro-denominated, 14% was Peso-denominated, 5% was Yen-denominated and 5% was Pound-denominated; therefore, we have a foreign currency exposure arising from the Dollar-denominated debt, the Euro-denominated debt, the Yen-denominated debt and the Pound-denominated debt, versus the currencies in which our revenues are settled in most countries in which we operate. See Liquidity and Capital Resources Our Indebtedness above and Risk Factors We have to service our Dollar- and Yen-denominated debt with revenues generated in Pesos or other currencies, as we do not generate sufficient revenue in Dollars and Yen from our operations to service all our Dollar- and Yen-denominated debt. This could adversely affect our ability to service our debt in the event of a devaluation or depreciation in the value of the Peso, or any of the other currencies of the countries in which we operate. Although we also have a small portion of our debt in other currencies, we have generated enough cash flow in those currencies to service that debt. Therefore, we believe there is no material foreign currency risk exposure with respect to that debt.

As previously mentioned, we have entered into cross currency swap contracts, designed to change the original profile of interest rates and currencies over a portion of our financial debt. See Our Derivative Financial Instruments above. As of June 30, 2005, the estimated fair value of these instruments was a gain of approximately U.S.$147.0 million (Ps1,580.3 million). The potential change in the fair value of these contracts as of June 30, 2005 that would result from a hypothetical, instantaneous appreciation of 10% in the exchange rate of the Yen against the Dollar, combined with a depreciation of 10% in the exchange rate of the Peso against the Dollar, would be a loss of approximately U.S.$138.0 million (Ps1,484.0 million).

Additionally, as previously mentioned, we have entered into foreign exchange forward contracts designed to hedge our net investment in foreign subsidiaries, our firm commitments, as well as other currency derivative instruments. See Our Derivative Financial Instruments above. The combined estimated fair value of our foreign exchange forwards that hedge our net investment in foreign subsidiaries and our other currency derivatives as of June 30, 2005 was a gain of approximately U.S.$42.1 million (Ps452.6 million). The potential change in the fair value of these derivatives as of June 30, 2005 that would result from a hypothetical, instantaneous depreciation of 10% in the exchange rate of the Peso combined with a appreciation of 10% of the Euro against the Dollar would be a loss of approximately U.S.$406.2 million (Ps4,366.9 million), which would be partially offset by a corresponding foreign translation gain as a result of our net investment in foreign subsidiaries.

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Equity Risk

We have entered into equity forward contracts on our own stock. Upon liquidation and at our option, the equity forward contracts provide for physical settlement or net cash settlement of the estimated fair value and the effects are recognized in the income statement. At maturity, if these forward contracts are not settled or replaced, or if we default on these agreements, our counterparties may sell the shares underlying the contracts. Such sales may have an adverse effect on our stock market price.

As previously discussed, we have entered into equity forward contracts on our own stock, pursuing different goals such as hedging our several Dollar-denominated stock option programs. See Liquidity and Capital Resources above. As of June 30, 2005, the estimated fair market value of our equity forward contracts was a gain of approximately U.S.$65.1 million (Ps699.8 million). The potential change in the fair value as of June 30, 2005 that would result from a hypothetical, instantaneous decrease of 10% in the market value of our stock would be a loss of approximately U.S.$141.7 million (Ps1,523.2 million).

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RECENT DEVELOPMENTS

U.S. Joint Venture

On July 1, 2005, we and Ready Mix USA, a private ready-mix concrete company with operations in the southeastern United States, established a joint venture to serve the construction materials market in the southeast region of the United States. Under the terms of the arrangement, we will contribute two cement plants (Demopolis, Alabama and Clinchfield, Georgia), eleven cement terminals and our ready-mix concrete, aggregates and concrete block assets in the Florida panhandle and southern Georgia to the joint venture. Ready Mix USA will contribute all its ready-mix concrete and aggregate operations in Alabama, Georgia, the Florida panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama. The cement assets of the joint venture will be managed by us, and the ready-mix concrete, aggregate and concrete block assets will be managed by Ready Mix USA. After the third anniversary of the formation of the joint venture, Ready Mix USA will have the option, but not the obligation, to require us to purchase Ready Mix USA s interest in the joint venture at a purchase price based on the earnings generated by the joint venture s assets.

On September 1, 2005, we and Ready Mix USA expanded the scope of the joint venture, in connection with which we contributed 27 additional ready-mix plants and four additional concrete block facilities located in the Atlanta, Georgia metropolitan area. Ready Mix USA will manage these newly contributed assets along with the other ready-mix concrete, aggregate and concrete block assets of the joint venture. As consideration for the contribution of these additional assets, we received from the joint venture approximately U.S.$91.6 million plus additional cash in respect of the working capital related to the additional assets. We intend to use the proceeds from this additional contribution of assets to reduce net debt.

Divestiture of U.S. Assets

As a condition to closing the RMC acquisition, we agreed with the U.S. Federal Trade Commission, or FTC, to divest several ready-mix and related assets in the Tucson, Arizona area by September 1, 2005. To comply with this divestiture obligation, on May 23, 2005, we entered into an agreement to sell RMC s operations in the Tucson area to California Portland Cement Company for a purchase price of approximately U.S.$16 million. The sale of the RMC Tucson assets to California Portland Cement Company was subject to the approval of the FTC, which was received on August 19, 2005, and the transaction was completed on August 29, 2005. We do not believe the divestiture of these assets will have a material effect on our U.S. operations.

Financing Arrangements

On July 7, 2005, CEMEX España amended the second and third tranches of the U.S.$3.8 billion multi-currency term loan facility dated September 24, 2004, totaling U.S.$2.3 billion. The amended facility consists of a two-year U.S.$575 million term loan, a five year U.S.$575 million term loan and a U.S.$1.15 billion amortizing loan with an average maturity of 3.5 years.

Legal Proceedings

On August 5, 2005, a lawsuit was filed against a subsidiary of CEMEX Colombia, claiming that it was liable along with certain employees and former employees of Asociación Colombiana de Productores de Concreto, or ASOCRETO, a union formed by all the ready-mix producers in Colombia, and the company in charge of building the mass public transportation system of Bogotá, Colombia, for the premature distress of the roads built for such transportation system using ready-mix concrete supplied by CEMEX Colombia and other ASOCRETO members. The plaintiffs allege that the ASOCRETO defendants modified the initial specifications of the transportation system to include certain construction materials supplied by CEMEX Colombia, and that as a result of these changes in the specifications, the base material supplied for the road construction failed to meet certain technical quality standards. The plaintiffs seek the repair of the roads in a manner which guarantees their service during the 20-year period for which they were originally designed and estimate that the cost of such repair will be approximately U.S.$45 million. CEMEX Colombia is vigorously contesting this lawsuit. At this preliminary stage in the proceedings, we are not able to assess the likelihood of an adverse result in this lawsuit or the potential damages which could be borne by CEMEX Colombia. Typically, proceedings of this nature continue for several years before final resolution.

On August 5, 2005, Cartel Damages Claims, SA, or CDC, filed a lawsuit in the District Court in Düsseldorf Germany against CEMEX Deutschland AG and other German cement companies. CDC is seeking 102 million in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002, which entities had assigned their claims to CDC. CDC is a Belgian company established by two lawyers in the aftermath of the German cement cartel investigation that took place from July 2002 to April 2003 by Germany s Federal Cartel Office with the express purpose of purchasing potential damages claims from cement consumers and pursuing those claims against the cartel participants. At this preliminary stage in the proceedings, we are not able to assess the likelihood of an adverse result in this lawsuit or the potential damages which could be borne by CEMEX Deutschland AG.

U.S. Anti-Dumping Sunset Review Update

Under the U.S. anti-dumping and countervailing duty laws, the U.S. Commerce Department and the International Trade Commission, or ITC, are required to conduct sunset reviews of outstanding anti-dumping and countervailing duty orders and suspension agreements every five years. At the conclusion of these reviews, the Commerce Department is required to terminate the order or suspension agreement unless the agencies have found that termination is likely to lead to continuation or recurrence of dumping, or a subsidy in the case of countervailing duty orders, and material injury. In July 2000, the Commerce Department determined not to revoke the anti-dumping order on imports from Mexico, and on October 5, 2000, the ITC found likelihood of injury to the U.S. industry and also determined not to revoke this anti-dumping order. On September 19, 2001, we filed a petition for a changed circumstances review. The ITC decided in December 2001 not to initiate such a review and we appealed the ITC s decision to NAFTA. In January 2005, a NAFTA panel was formed to review the ITC s sunset review determination. On April 7, 2005, the NAFTA panel heard oral arguments and on June 24, 2005, remanded the matter to the ITC with instructions to reconsider its likelihood of injury determination. The ITC is scheduled to report back to the NAFTA panel by September 22, 2005, at which time all parties will have an opportunity for further briefing on the ITC remand determination.

Third Quarter Guidance and 2005 Target Revisions

General

On September 12, 2005, we announced our guidance for the third quarter of 2005 and the revision of several financial and operating targets for the year ending December 31, 2005. We have presented below a summary of these targets and estimates, which we believe will be met or exceeded.

These targets and estimates reflect our judgment, as of September 12, 2005, of expected future operating conditions, which are subject to change. The targets and estimates reflect numerous assumptions regarding general economic, political, governmental and business conditions globally and in the countries in which we do business, future cement and ready-mix concrete volumes and prices in our principal operating markets, foreign exchange rates and other matters. These assumptions are based on our estimated operating results for the nine months ending September 30, 2005 and do not account for any material changes in exchange rates, sales volumes and prices, other than, for purposes of our year-end 2005 estimates, typical seasonal fluctuations we have experienced during the fourth quarters of previous years. These targets and estimates should be read in conjunction with Management s Discussion and Analysis of First Half Results and Risk Factors above and the other information contained or incorporated by reference in this prospectus supplement.

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The targets and estimates described below constitute forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions, as described above under Cautionary Statement Regarding Forward-Looking Statements. We do not intend to revise the targets and estimates to reflect circumstances existing after September 12, 2005 or to reflect the occurrence of unanticipated events, and we do not assume any obligation to update or correct the targets and estimates described above.

The targets and estimates presented below were not prepared with a view to compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants regarding preparation and presentation of prospective financial information.

Financial Targets

For purposes of the compilation of the target numbers presented below, we have used a Dollar convenience translation for each period based on the end-of-period exchange rate for such period, which is our internal method of presenting such translations. All Dollar amounts for the three- and nine-month periods ending September 30, 2005 and for the year ending December 31, 2005 are translations of constant Peso amounts at an exchange rate of Ps10.69 to U.S$1.00, the CEMEX accounting rate as of September 9, 2005. All percentage increases or decreases over the same periods in 2004 are based on translations of constant Peso amounts at an exchange rate of Ps11.38 to U.S$1.00, the CEMEX accounting rate as of September 30, 2004.

For the three months ending September 30, 2005, we expect to achieve net sales of approximately U.S.$4.4 billion, operating income of approximately U.S.$750 million and EBITDA of approximately U.S.$1.0 billion, representing increases of approximately 115%, 52% and 50%, respectively, over the same period in 2004. For the nine months ending September 30, 2005, we expect to achieve net sales of approximately U.S.$11.4 billion and EBITDA of approximately U.S.$2.6 billion, representing increases of approximately 94% and 39%, respectively, over the same period in 2004.

As a result of our strong operating performance to date and repayment of indebtedness since the RMC acquisition, we expect to achieve a net debt to EBITDA ratio of approximately 2.7 times by September 30, 2005.

As of September 9, 2005, the mark-to-market value of our derivatives position improved by approximately U.S.$281 million since June 30, 2005, from approximately U.S.$149 million to approximately U.S.$430 million. We expect that more than 95% of this valuation improvement will be recognized in our income statement for the three months ended September 30, 2005.

Our previously announced EBITDA target of approximately U.S.$3.6 billion for the year ending December 31, 2005 remains unchanged. We have, however, increased our estimates for free cash flows for 2005 and improved our net debt to EBITDA ratio target. We now expect to achieve free cash flows of approximately U.S.$1.9 billion for the year ending December 31, 2005 and a net debt to EBITDA ratio of approximately 2.5 times by December 31, 2005.

As used in this section, EBITDA is defined as operating income plus depreciation and operating amortization. Free cash flow is defined as EBITDA minus net interest expense, capital expenditures, change in working capital, taxes paid, dividends on preferred equity and other cash items. Net debt is defined as total debt plus equity obligations minus cash and cash equivalents. The net debt to EBITDA ratio is calculated by dividing net debt at the end of the quarter by EBITDA for the last twelve months, which includes, for purposes of calculating such ratio, the estimated EBITDA for RMC for the months prior to our consolidation of RMC s results. All of the above items are presented under Mexican

GAAP. EBITDA and free cash flow are presented above because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. EBITDA and free cash flow should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies.

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Operating Targets

In Mexico, we expect domestic cement volumes to remain flat for the third quarter of 2005 compared to the third quarter of 2004, and to decrease approximately 1% for the first nine months of 2005 compared to the same period in 2004. Cement volumes in Mexico during the year have been primarily driven by the residential sector, and to a lesser extent, by government spending on infrastructure, while the self-construction sector remains stable. For the year ending December 31, 2005, we expect cement volumes in Mexico to be flat compared to 2004.

In the United States, we expect cement volumes to increase approximately 2% for the third quarter of 2005 compared to the third quarter of 2004, and to increase approximately 4% for the first nine months of 2005 compared to the same period in 2004. Excluding the effect of the consolidation of RMC and the sale of our assets in the Great Lakes region on March 31, 2005, we expect that cement sales volumes would have increased approximately 6% for both the third quarter of 2005 and the first nine months of 2005 compared to the same periods in 2004. On the same basis, for the year ending December 31, 2005, we expect cement sales volumes in the United States to increase approximately 5% compared to 2004. Cement demand in all sectors in the United States has been strong during the year as the residential sector continues to benefit from a low interest-rate environment and government spending on infrastructure, particularly on streets and highway construction and maintenance, remains strong.

In Spain, we expect cement volumes to remain flat for the third quarter of 2005 compared to the third quarter of 2004, and to increase approximately 5% for the first nine months of 2005 compared to the same period in 2004. Residential construction has been one of the main drivers of cement demand in Spain during the year and government spending on infrastructure has also contributed to the increased levels of cement demand during the year. For the year ending December 31, 2005, we expect cement sales volumes in Spain to increase approximately 3% compared to 2004.

In the United Kingdom, we expect cement volumes to decrease approximately 3% for the third quarter of 2005 compared to RMC s volumes for the third quarter of 2004, and to decrease approximately 2% for the first nine months of 2005 compared to RMC s volumes for the same period in 2004. The expected decrease in cement volumes is primarily due to a decline in government spending on infrastructure, decreased demand from the maintenance and repairs sector and a decrease in the residential construction sector growth rate compared to 2004. For the year ending December 31, 2005, we expect cement sales volumes in the United Kingdom to decrease approximately 3% compared to RMC s volumes in 2004.

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BUSINESS

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

Business Overview

Incorporated in 1920, CEMEX is the third largest cement company in the world, based on installed capacity as of June 30, 2005 of approximately 96.5 million tons, including approximately 17 million tons of installed capacity we acquired in our acquisition of RMC in March 2005. We are the largest ready-mix concrete company in the world with annual sales volumes of 75 million cubic meters, and one of the largest aggregates company in the world with annual sales volume of 170 million tons, in each case based on our annual sales volumes combined with those of RMC for 2004. We are also one of the world s largest traders of cement and clinker, having traded, when combined with RMC, over 13 million tons of cement and clinker in 2004. We are a holding company primarily engaged, through our operating subsidiaries, in the production, distribution, marketing and sale of cement, ready-mix concrete, aggregates and clinker. On September 9, 2005, we had an equity market capitalization of approximately Ps193.5 billion (U.S.$18.1 billion).

We are a global cement manufacturer with operations in North America, Europe, South America, Central America, the Caribbean, Africa, the Middle East and Asia. As of June 30, 2005, we had worldwide assets of approximately Ps282.4 billion (U.S.$26.3 billion).

As of June 30, 2005, our main cement production facilities were located in Mexico, the United States, Spain, the United Kingdom, Germany, Poland, Croatia, Latvia, Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Egypt, the Philippines and Thailand. As of June 30, 2005, our assets, cement plants and installed capacity, on an unconsolidated basis by region, were as set forth below. Installed capacity, which refers to theoretical annual production capacity, represents gray cement equivalent capacity, which counts each ton of white cement capacity as approximately two tons of gray cement capacity. It also includes our proportional interest in the installed capacity of companies in which we hold a minority interest.

	As of June 30, 2005		
	Assets (in billions of constant Pesos)	Number of Cement Plants	Installed Capacity (millions of tons per annum)
North America			
Mexico	Ps 59.5	15	27.2
United States	64.5	12	13.2
Europe			
Spain	37.2	8	11.0
United Kingdom	23.7	3	2.7
Rest of Europe	34.4	9	13.4

South America, Central America and the Caribbean	31.9	13	13.2
Africa and the Middle East	8.9	1	4.9
Asia	11.3	4	10.9
Cement and Clinker Trading Assets and Other Operations	74.9		

In the above table, Rest of Europe includes our subsidiaries in Germany, France, Ireland, Austria, Poland, Croatia, the Czech Republic, Denmark, Portugal, Hungary, Latvia and other assets in the European region, and, for purposes of the columns labeled Assets and Installed Capacity, includes our 34.5% interest, as of June 30, 2005, in a Lithuanian cement producer that operated one cement plant with an installed capacity of 2.7 million tons as of June 30, 2005. In the above table, South America, Central America and the Caribbean includes our subsidiaries in Venezuela, Colombia, Costa Rica, the Dominican Republic, Panama, Nicaragua, Puerto Rico, Argentina and other assets in the Caribbean region. In the above table, Africa and the Middle East includes our subsidiaries in Egypt, the United Arab Emirates and Israel. In the above table, Asia includes our subsidiaries in the Philippines, Thailand, Bangladesh and other assets in the Asian region, and, for purposes of the columns labeled Assets and Installed Capacity, includes our 25.5% interest, as of June 30, 2005, in Gresik, an Indonesian cement producer. As of June 30, 2005, in addition to the four cement plants owned by our Asian subsidiaries, Gresik operated four cement plants with an installed capacity of 17.3 million tons. In the above table, Cement and Clinker Trading Assets and Other Operations includes intercompany accounts receivable of CEMEX (the parent company only) in the amount of Ps32.2 billion, which are eliminated in consolidation.

During the last 15 years, we have been engaged in a major geographic expansion program to diversify our cash flows and enter markets whose economic cycles within the cement industry largely operate independently from that of Mexico and which offer long-term growth potential. We have built an extensive network of marine and land-based distribution centers and terminals that give us marketing access around the world. The following have been our most significant acquisitions over the last five years:

On September 27, 2004, in connection with a public offer to purchase RMC s outstanding shares, CEMEX UK Limited, our indirect wholly-owned subsidiary, acquired 50 million shares of RMC for approximately £432 million (U.S.$786 million, based on a Pound/Dollar exchange rate of £0.5496 to U.S.$1.00 on September 27, 2004), which represented approximately 18.8% of RMC s outstanding shares. On March 1, 2005, following board and shareholder approval and clearance from applicable regulators, CEMEX UK Limited purchased the remaining 81.2% of RMC s outstanding shares and completed our acquisition of RMC. The transaction value of this acquisition, including our assumption of approximately U.S.$1.7 billion of RMC s debt, was approximately U.S.$5.8 billion.

In August and September 2003, we acquired 100% of the outstanding shares of Mineral Resource Technologies Inc., and the cement assets of Dixon-Marquette Cement for a combined purchase price of approximately U.S.$99.7 million. The single cement plant, which had an annual production capacity of 560,000 tons, was sold on March 31, 2005 as part of the U.S. asset sale described below.

In July and August 2002, through a tender offer and subsequent merger, we acquired 100% of the outstanding shares of Puerto Rican Cement Company, Inc., or PRCC. The aggregate value of the transaction was approximately U.S.$281.0 million, including approximately U.S.$100.8 million of assumed net debt.

In July 2002, we increased our equity interest in CEMEX Asia Holdings, Ltd., or CAH, a subsidiary originally created to co-invest with institutional investors in Asian cement operations, from 77.4% to 77.7%. At the same time, we entered into agreements with other CAH investors to purchase their CAH shares in exchange for CPOs through quarterly share exchanges in 2003 and 2004. For accounting purposes, these exchanges were considered effective as of July 2002. With these exchanges, we further increased our equity interest in CAH to 92.3%. In August 2004, we acquired an additional 6.83% interest in CAH for approximately U.S.$70 million, thereby increasing our total equity interest in CAH to 99.1%.

In July 2002, we purchased, through a wholly-owned indirect subsidiary, the remaining 30% economic interest that was not previously acquired by CAH in the Philippine cement company Solid Cement Corporation, or Solid, for approximately U.S.$95 million.

In May 2001, we acquired, through CAH, a 100% economic interest in Saraburi Cement Company Ltd., a cement company based in Thailand with an installed capacity of approximately 700,000 tons, for a total consideration of approximately U.S.$73 million. In July 2002, Saraburi Cement Company changed its legal name to CEMEX (Thailand) Co. Ltd., or CEMEX (Thailand).

In November 2000, through a tender offer and subsequent merger, we acquired 100% of the outstanding shares of common stock of Southdown, Inc., or Southdown, a U.S. cement producer. The total cost of

the acquisition of Southdown was approximately U.S.$2.8 billion. In March 2001, through a corporate restructuring, we integrated the Southdown operations with our other U.S. operations and Southdown changed its legal name to CEMEX, Inc.

As part of our strategy, we periodically review and reconfigure our operations in implementing our post-merger integration process, and we occasionally divest assets that we believe are less important to our strategic objectives.

On March 31, 2005, we sold our Charlevoix, Michigan and Dixon, Illinois cement plants and several distribution terminals located in the Great Lakes region to Votorantim Participações S.A, a cement company in Brazil, for an aggregate purchase price of approximately U.S.$389 million. The combined capacity of the two cement plants was approximately two million tons per year, and the operations of these plants represented approximately 10% of our U.S. operations net sales for the year ended December 31, 2004. The proceeds from this sale were used to reduce debt.

On April 26, 2005, we sold our 11.92% interest in Cementos Bio Bio, S.A., a cement company in Chile, for approximately U.S.$65 million. The proceeds from this sale were used to reduce debt.

Our Production Processes

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

Aggregates are naturally occurring sand and gravel or crushed stone such as granite, limestone and sandstone. Aggregates are used to produce ready-mixed concrete, roadstone, concrete products, lime, cement and mortar for the construction industry, and are obtained from land based sources such as sand and gravel pits and rock quarries or by dredging marine deposits.

Cement Production Process

We manufacture cement through a closely controlled chemical process, which begins with the mining and crushing of limestone and clay, and, in some instances, other raw materials. The clay and limestone are then pre-homogenized, a process which consists of combining different types of clay and limestone. The mix is typically dried, then fed into a grinder, which grinds the various materials in preparation for the kiln. The raw materials are calcined, or processed, at a very high temperature in a kiln, to produce clinker. Clinker is the intermediate product used in the manufacture of cement.

There are two primary processes used to manufacture cement, the dry process and the wet process. The dry process is more fuel efficient. As of June 30, 2005, 54 of our 65 operative production plants used the dry process, nine used the wet process and two used both processes. Our production plants that use the wet process are located in Venezuela, Colombia, Nicaragua, the Philippines, the United Kingdom, Germany and Latvia. In the wet process, the raw materials are mixed with water to form slurry which is fed into a kiln. Fuel costs are greater in the wet process than in the dry process because the water that is added to the raw materials to form slurry must be evaporated during the clinker manufacturing process. In the dry process, the addition of water and the formation of slurry are eliminated, and clinker is formed by calcining the dry raw materials. In the most modern application of this dry process technology, the raw materials are first blended in a homogenizing silo and processed through a pre-heater tower that utilizes exhaust heat generated by the kiln to pre-calcine the raw materials before they are calcined to produce clinker.

Clinker and gypsum are fed in pre-established proportions into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

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Ready-Mix Concrete Production Process

Ready-mix concrete is a combination of cement, fine and coarse aggregate and admixtures (which control properties of the concrete including plasticity, pumpability, freeze-thaw resistance, strength and setting time). The concrete hardens due to the chemical reaction of hydration when water is added to the mix, filling voids in the mixture and turning it into a solid mass.

User Base

Cement is the primary building material in the industrial and residential construction sectors of most of the markets in which we compete. The lack of available cement substitutes further enhances the marketability of our product. The primary end-users of cement in each region in which we operate vary but usually include, among others, wholesalers, ready-mix concrete producers, industrial customers and contractors in bulk. The end-users of ready-mix concrete generally include homebuilders, commercial and industrial building contractors and road builders. Major end-users of aggregates include ready-mix concrete producers, mortar producers, general building contractors and those engaged in roadbuilding activity, asphalt producers and concrete product producers.

Our Business Strategy

We seek to continue to strengthen our global leadership by growing profitably through our integrated positions along the cement value chain and maximizing our overall performance by employing the following strategies:

Focus on and vertically integrate our core businesses of cement, ready-mix concrete and aggregates

We plan to continue focusing on our core businesses, the production and sale of cement, ready-mix concrete and aggregates, and the vertical integration of these businesses. We believe that managing our cement, ready-mix and aggregates operations as an integrated business can make them more efficient and more profitable than if they were run separately. We believe that this strategic focus has enabled us to grow our existing businesses and to expand our operations internationally.

Geographically diversify our operations and allocate capital effectively by expanding into selected new markets

Subject to economic conditions that may affect our ability to complete acquisitions, we intend to continue adding assets to our existing portfolio.

We intend to continue to geographically diversify our cement, ready-mix and aggregates operations and to vertically integrate in new and existing markets by investing in, acquiring and developing complementary operations along the cement value chain.

We believe that it is important to diversify selectively into markets that have long-term growth potential, particularly in emerging market countries, where the shortage of roads and other infrastructure and a low per capita use of cement and other building materials is most likely to result in significant increases in demand for our products.

By selectively participating in these markets, and by purchasing operations that benefit from our management and turnaround expertise and assets that further integrate into our existing portfolio, in most cases, we have been able to increase our cash flow and return on capital employed.

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We evaluate potential acquisitions in light of our three primary investment principles:

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

- The acquisition should not compromise our financial strength; and

- The acquisition should offer a higher long-term return on our investment than our cost of capital and should offer a minimum return on capital employed of at least ten percent.

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

Leverage platforms to achieve optimal operating standards and quickly integrate acquisitions

By continuing to produce cement at a low cost, we believe that we will continue to generate cash flows sufficient to support our present and future growth. We strive to reduce our overall cement production related costs and corporate overhead through strict cost management policies and through improving efficiencies. We have implemented several worldwide standard platforms as part of this process. These platforms were designed to develop efficiencies and better practices, and we believe they will further reduce our costs, streamline our processes and extract synergies from our global operations. In addition, we have implemented centralized management information systems throughout our operations, including administrative, accounting, purchasing, customer management, budget preparation and control systems, which are expected to assist us in lowering costs.

With each international acquisition, we have refined the implementation of both the technological and managerial processes required to rapidly integrate acquisitions into our existing corporate structure. The implementation of the platforms described above has allowed us to integrate our acquisitions more rapidly and efficiently.

In the case of the RMC acquisition, we expect to achieve significant cost savings in the acquired operations by optimizing the production and distribution of ready-mix concrete and aggregates, reducing costs in the cement manufacturing facilities, partly by implementing CEMEX operating standards at such facilities, reducing raw materials and energy costs by centralizing procurement processes and reducing other operational costs by centralizing technological and managerial processes. We expect to gradually achieve these cost savings between 2005 and 2007.

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

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

Provide the best value proposition to our customers

We believe that by pursuing our objective of integrating our business along the cement value chain we can improve and broaden the value proposition that we provide to our customers. We believe that by offering integrated solutions we can provide our customers more reliable sourcing as well as higher quality services and products.

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

We believe our Construrama branding and our other marketing strategies in Mexico have strengthened our distribution network, fostered greater loyalty among distributors and further fortified our commercial network. With Construrama, we have enhanced the operating and service standards of our distributors, providing them with training, a standard image and national publicity. We have recently begun utilizing our Construrama strategy in our Venezuelan operations and may introduce this branding strategy into other markets, depending on market conditions and brand competition. Another strategy we have implemented in Mexico, which we call Multiproductos, helps our distributors offer a wider array of construction materials and reinforces the subjective value of our products in their customers.

In Spain, we have implemented several initiatives to increase the value of our services to our clients such as mobile access to account information, 24-hour bulk cement dispatch capability, night delivery of ready-mix cement and a customer loyalty incentive program.

Strengthen our financial structure

We believe our strategy of cost-cutting initiatives, increased value proposition and geographic expansion will translate into growing operating cash flows. Our objective is to strengthen our financial structure by:

- Optimizing our borrowing costs and debt maturities;
- Increasing our access to various capital sources; and
- Maintaining the financial flexibility needed to pursue future growth opportunities.

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

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

We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers. Our senior management encourages managers to continually review our processes and practices, and to identify innovative management and business approaches to improve our operations. By rotating our managers from one country to another and from one area of our operations to another, we increase their diversity of experience.

We provide our senior management with ongoing training throughout their careers. In addition, through our stock-based compensation program, our senior management has a stake in our financial success.

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

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Our Corporate Structure

We are a holding company, and we operate our business through subsidiaries that, in turn, hold interests in our cement and ready-mix concrete operating companies, as well as other businesses. The following chart summarizes our corporate structure as of June 30, 2005. The chart also shows, for each company, our approximate direct or indirect percentage equity or economic ownership interest. The chart has been simplified to show only our major holding companies in the principal countries in which we operate and does not include our intermediary holding companies and our operating company subsidiaries.

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North America

On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, for the year ended December 31, 2004, our business in North America, which includes our operations in Mexico and the United States, represented approximately 40% of our net sales. As of June 30, 2005, our business in North America represented approximately 42% of our total installed capacity and approximately 36% of our total assets.

Our Mexican Operations

Overview

On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, our Mexican operations represented approximately 17% of our net sales for the year ended December 31, 2004.

As of June 30, 2005, we owned 100% of the outstanding capital stock of CEMEX México. CEMEX México is a direct subsidiary of CEMEX and is both a holding company for some of our operating companies in Mexico and an operating company involved in the manufacturing and marketing of cement, plaster, gypsum, groundstone and other construction materials and cement by-products in Mexico. CEMEX México, indirectly, is also the holding company for our international operations.

As of June 30, 2005, CEMEX México owned approximately 100% of the outstanding capital stock of Empresas Tolteca de México. Empresas Tolteca de México is a holding company for some of our operating companies in Mexico. CEMEX México and Empresas Tolteca de México, together with their subsidiaries, account for substantially all the revenues and operating income of our Mexican operations.

Since the early 1970s, we have pursued a Mexican growth strategy designed to strengthen our core operations and to expand our activities beyond our traditional market in northeastern Mexico. This strategy has transformed us from a regional participant into the leading Mexican cement manufacturer. The process was largely completed with our acquisition of Cementos Tolteca, S.A. de C.V. in 1989, which increased our installed capacity for cement production by 6.5 million tons. Since the Cementos Tolteca acquisition, we have added 7.0 million tons of installed capacity in Mexico through acquisitions, expansion, modernization and the construction of new plants. Our largest new construction project in Mexico in the 1990s was the Tepeaca plant, which began operations in 1995 and had an installed capacity as of June 30, 2005 of 3.3 million tons. During the second quarter of 2002, the production operations at our oldest plant (Hidalgo) were halted and remain suspended due to concerns about cost effectiveness. We do not anticipate resuming production operations at this plant in 2005. We do not presently anticipate any significant capacity expansion in our Mexican operations in 2005.

In 2001, we launched the Construrama program, a registered brand name for construction material stores. Through the Construrama program, we offer to an exclusive group of our Mexican distributors the opportunity to sell a variety of products under the Construrama brand name, a concept that includes the standardization of stores, image, marketing, products and services. As of June 30, 2005, 730 independent concessionaries with close to 2,100 stores were integrated into the Construrama program in more than 720 towns and cities throughout Mexico.

The Mexican Cement Industry

According to Instituto Nacional de Estadística, Geografía e Informática, total construction output in Mexico grew 5.3% in 2004 compared to 2003. The increase in total construction output in 2004 was primarily driven by the commercial and industrial housing and infrastructure segments, while the retail (self-construction) market remained stagnant.

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Cement in Mexico is sold principally through distributors, with the remaining balance sold through ready-mix concrete producers, manufacturers of pre-cast concrete products and construction contractors. Cement sold through distributors is mixed with aggregates and water by the end user at the construction site to form concrete. Ready-mix concrete producers mix the ingredients in plants and deliver it to local construction sites in mixer trucks, which pour the concrete. Unlike more developed economies, where purchases of cement are concentrated in the commercial and industrial sectors, retail sales of cement through distributors in 2004 accounted for around 74% of Mexico s demand. Individuals who purchase bags of cement for self-construction and other basic construction needs are a significant component of the retail sector. We estimate that as much as 50% of total demand in Mexico comes from individuals who address their own construction needs. We believe that this large retail sales base is a factor that significantly contributes to the overall performance of the Mexican cement market.

The retail nature of the Mexican cement market also enables us to foster brand loyalty, which distinguishes us from other worldwide producers selling primarily in bulk. We own the registered trademarks for our major brands in Mexico, such as Monterrey, Tolteca and Anáhuac. We believe that these brand names are important in Mexico since cement is principally sold in bags to retail customers who may develop brand loyalty based on differences in quality and service. In addition, we own the registered trademark for the Construrama brand name for construction material stores.

Competition

In the early 1970s, the Mexican cement industry was regionally fragmented. However, over the last 30 years, the Mexican cement industry has consolidated into a national market, thus becoming increasingly competitive. The major cement producers in Mexico are CEMEX; Holcim Apasco, an affiliate of Holcim; Sociedad Cooperativa Cruz Azul, a Mexican operator; Cementos Moctezuma, an associate of Ciments Molins; Grupo Cementos Chihuahua, a Mexican operator in which we own a 49% interest; and Lafarge.

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

- the time-consuming and expensive process of establishing a retail distribution network and developing the brand identification necessary to succeed in the retail market, which represents the bulk of the domestic market;
- the lack of port infrastructure and the high inland transportation costs resulting from the low value-to-weight ratio of cement;
- the distance from ports to major consumption centers and the presence of significant natural barriers, such as mountain ranges, which border Mexico s east and west coasts;
- the extensive capital investment requirements; and
- the length of time required for construction of new plants, which is approximately two years.

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Our Mexican Operating Network

(1) In 2002, production operations at the Hidalgo cement plant were halted and remain suspended. We do not anticipate resuming production operations at this plant in 2005.

Currently, we operate 14 plants (not including Hidalgo) and 78 distribution centers (70 land terminals and 8 marine terminals) located throughout Mexico. We operate modern plants on Mexico s Atlantic and Pacific coasts, allowing us to take advantage of low-cost maritime transportation to the Asian, Caribbean, Central and South American and U.S. markets.

We believe that geographic diversification in Mexico is important because it:

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

Products and Distribution Channels

Cement. Our cement operations represented approximately 60% of our Mexican operations net sales in 2004. Our domestic cement sales represented approximately 96% of our total Mexican cement sales in 2004. As a result of the retail nature of the Mexican market, our Mexican operations are not dependent on a limited number of large customers. In 2004, our Mexican operations sold approximately 74% of their cement sales volume through more than 6,000 distributors throughout the country, most of whom work on a regional basis. The five most important distributors in the aggregate accounted for approximately 4% of our Mexican operations total sales by volume for 2004.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 25% of our Mexican operations net sales in 2004. Our ready-mix concrete operations in Mexico purchase all of their cement requirements from our Mexican cement operations. Ready-mix concrete is sold through our own internal sales force, which is divided into national accounts that cater to large construction companies and local representatives that support medium- and small-sized construction companies.

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Exports. Our Mexican operations export a portion of their cement production. Exports of cement and clinker by our Mexican operations represented approximately 2.7% of our Mexican operations net sales in 2004. In 2004, approximately 79% of our exports from Mexico were to the United States, 20% to Central America and the Caribbean and 1% to South America.

Our Mexican operations cement and clinker exports to the U.S. are marketed through wholly-owned subsidiaries of CEMEX Corp., the holding company of CEMEX, Inc. All transactions between CEMEX and the subsidiaries of CEMEX Corp., which act as our U.S. importers, are conducted on an arm s-length basis. Imports of cement and clinker into the U.S. from Mexico are subject to anti-dumping duties.

Production Costs

Our Mexican operations cement plants primarily utilize petcoke, but several are designed to switch to fuel oil and natural gas with minimum downtime. We have entered into two 20-year contracts with Petróleos Mexicanos, or PEMEX, pursuant to which PEMEX agreed to supply us with a total of 1,750,000 tons of petcoke per year. Under the first contract, which commenced in 2002, 850,000 tons of petcoke are supplied from PEMEX s refinery in Madero . Under the second contract, which commenced in 2003, 900,000 tons of petcoke are supplied from PEMEX s refinery in Cadereyta. Petcoke is petroleum coke, a solid or fixed carbon substance that remains after the distillation of hydrocarbons in petroleum and that may be used as fuel in the production of cement. The PEMEX petcoke contracts have reduced the volatility of our fuel costs. In addition, since 1992, our Mexican operations have begun to use alternate fuels, to further reduce the consumption of residual fuel oil and natural gas. These alternate fuels represented almost 2% (based on a yearly average) of the total fuel consumption for our Mexican operations in 2004, and we expect to increase this percentage to around 3% during 2005.

In 1999, we reached an agreement with ABB Alstom Power and Sithe Energies, Inc. for the financing, construction and operation of Termoeléctrica del Golfo, a 230 megawatt energy plant in Tamuin, San Luis Potosi, Mexico and to supply electricity to us for a period of 20 years. We entered into this agreement in order to reduce the volatility of our energy costs. The total cost of the project was approximately U.S.$360 million. The power plant commenced commercial operations on May 1, 2004. As of June 30, 2005, after 13 months of operation, the power plant has supplied electricity to 10 of our cement plants in Mexico covering 82% of their needs for electricity and has represented an approximate 26% decrease in our cost of electricity.

We have, from time to time, purchased hedges from third parties to reduce the effect of volatility in energy prices in Mexico. See Management s Discussion and Analysis of First Half Results Liquidity and Capital Resources.

Description of Properties, Plants and Equipment

As of June 30, 2005, we had 15 wholly-owned cement plants located throughout Mexico, with a total installed capacity of 27.2 million tons per year. However, production operations at our Hidalgo cement plant have been suspended since 2002, and although we may resume operations in this plant in the future depending on local market conditions, we do not expect to do so during 2005. Our Mexican operations most significant gray cement plants are the Huichapan, Tepeaca and Barrientos plants, which serve the central region of Mexico, the Monterrey, Valles and Torreon plants, which serve the northern region of Mexico, and the Guadalajara and Yaqui plants, which serve the Pacific region of Mexico. We have exclusive access to limestone quarries and clay reserves near each of our plant sites in Mexico. We estimate that these limestone and clay reserves have an average remaining life of more than 60 years, assuming 2004 production levels. As of June 30, 2005, all our production plants in Mexico utilized the dry process.

As of June 30, 2005, we had a network of 70 land distribution centers in Mexico, which are supplied through a fleet of our own trucks and rail cars, as well as leased trucks and rail facilities and eight marine terminals. In addition, we had 237 ready-mix concrete plants throughout 79 cities in Mexico and 1,784 ready-mix concrete delivery trucks.

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Capital Investments

We made capital expenditures of approximately U.S.$94.8 million in 2002, U.S.$109.4 million in 2003 and U.S.$90.3 million in 2004 in our Mexican operations. We currently expect to make capital expenditures of approximately U.S.$96.4 million in our Mexican operations during 2005.

Our U.S. Operations

Overview

On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, our U.S. operations represented approximately 23% of our net sales for the year ended December 31, 2004.

As of June 30, 2005, we held 100% of CEMEX, Inc., our operating subsidiary in the United States.

As of June 30, 2005, our U.S. operations included the operations we acquired from RMC in March 2005. As of June 30, 2005, we had a cement manufacturing capacity of approximately 13.2 million tons per year in our U.S. operations, including nearly 0.7 million tons in proportional interests through minority holdings. As of June 30, 2005, we operated a geographically diverse base of 12 cement plants located in Alabama, California, Colorado, Florida, Georgia, Kentucky, Ohio, Tennessee and Texas. As of that date, we also had 49 rail or water served active cement distribution terminals in the United States. As of June 30, 2005, we had 282 ready-mix plants located in the Carolinas, Florida, Georgia, Texas, New Mexico, Nevada, Arizona and California and aggregates facilities in the Carolinas, Arizona, California, Florida, Georgia, Missouri, New Mexico, Nevada and Texas. We believe that by combining the acquired assets of RMC with our installed cement capacity in the United States, we are currently the largest cement and ready-mix supplier in the United States, based on volumes sold in 2004, and an important supplier of aggregates.

In addition, with the acquisition of Mineral Resource Technologies, Inc. in August 2003, we believe that we achieved a competitive position in the growing fly ash market. Fly ash has the properties of cement and may be used in the production of more durable concrete. Mineral Resource Technologies, Inc. is one of the four largest fly ash companies in the United States, providing fly ash to customers in 25 states. We also own regional pipe and precast businesses, along with concrete block and paver plants in the Carolinas, Georgia and Florida, which we acquired from RMC.

On March 31, 2005, we sold our Charlevoix, Michigan and Dixon, Illinois cement plants and several distribution terminals located in the Great Lakes region to Votorantim Participações S.A., or Votorantim, a cement company in Brazil, for an aggregate purchase price of approximately U.S.$389 million. The distribution terminals sold to Votorantim are located in Green Bay, Manitowoc and Milwaukee, Wisconsin; Chicago, Illinois; Ferrysburg, Michigan; Cleveland and Toledo, Ohio; and Owen Sound, Ontario, Canada. The combined capacity of the two cement plants sold to Votorantim was approximately two million tons per year, and the operations of these plants represented approximately 10% of our U.S. operations net sales for the year ended December 31, 2004.

On July 1, 2005, we and Ready Mix USA, a private ready-mix concrete company with operations in the southeastern United States, established a joint venture to serve the construction materials market in the southeast region of the United States. Under the terms of the arrangement, we will contribute two cement plants (Demopolis, Alabama and Clinchfield, Georgia), eleven cement terminals, and our ready-mix concrete, aggregates and concrete block assets in the Florida panhandle and southern Georgia to the joint venture. Ready Mix USA will contribute all its ready-mix concrete and aggregate operations in Alabama, Georgia, the Florida panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama. The cement assets of the joint venture will be managed by us, and the ready-mix concrete, aggregate and concrete block assets will be managed by Ready Mix USA. After the third anniversary of the formation of the joint venture, Ready Mix USA will have the option, but not the obligation, to require us to purchase Ready Mix USA s interest in the joint venture at a purchase price based on the earnings generated by the joint venture s assets.

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On September 1, 2005, we and Ready Mix USA expanded the scope of the joint venture, in connection with which we contributed 27 additional ready-mix plants and four additional concrete block facilities located in the Atlanta, Georgia metropolitan area. Ready Mix USA will manage these newly contributed assets along with the other ready-mix concrete, aggregate and concrete block assets of the joint venture. As consideration for the contribution of these additional assets, we received from the joint venture approximately U.S.$91.6 million plus additional cash in respect of the working capital related to the additional assets. We intend to use the proceeds from this additional contribution of assets to reduce net debt.

As a condition to closing the RMC acquisition, we agreed with the U.S. Federal Trade Commission, or FTC, to divest several ready-mix and related assets in the Tucson, Arizona area by September 1, 2005. To comply with this divestiture obligation, on May 23, 2005, we entered into an agreement to sell RMC s operations in the Tucson area to California Portland Cement Company for a purchase price of approximately U.S.$16 million. The sale of the RMC Tucson assets to California Portland Cement Company was subject to the approval of the FTC, which was received on August 19, 2005, and the transaction was completed on August 29, 2005. We do not believe the divestiture of these assets will have a material effect on our U.S. operations.

The Cement Industry in the United States

According to the Portland Cement Association, total construction output in the U.S. grew 6.8% in 2004 compared to 2003. The increase in total construction output in 2004 was primarily driven by strong demand from the residential sector, increased demand from the public sector and a recovery in industrial and commercial construction.

Demand for cement is derived from the demand for ready-mix concrete and concrete products which, in turn, is dependent on the demand for construction. The construction industry is composed of three major sectors, namely, the residential sector, the industrial and commercial sector and the public sector. The public sector is the most cement intensive sector, particularly for infrastructure projects such as streets, highways and bridges.

Since the early 1990s, cement demand has become less vulnerable to recessionary pressures than in previous cycles, due to the growing importance of the generally counter-cyclical public sector. In 2004, according to our estimates, public sector spending accounted for approximately 52% of the total cement consumption in the U.S. Strong cement demand over the past decade has driven industry capacity utilization up to maximum levels. According to the Portland Cement Association, domestic capacity utilization has been close to 90% in the last three years.

Competition

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

The independent U.S. ready-mix concrete industry is highly fragmented, and few producers other than vertically integrated producers have annual sales in excess of U.S.$6 million or have a fleet of more than 20 mixers. Given that the concrete industry has historically consumed approximately 70% of all cement produced annually in the U.S., many cement companies choose to be vertically integrated.

Aggregates are widely used throughout the U.S. for all types of construction because they are the most basic materials for building activity. The U.S. aggregates industry is highly fragmented and geographically dispersed. According to the 2004 U.S. Geological Survey, approximately 4,000 companies operated approximately 6,500 quarries and pits.

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Our United States Cement Operating Network

The map above reflects our cement plants and cement terminals as of June 30, 2005 and does not give effect to the contribution of assets to the joint venture with Ready Mix USA or the sale of assets in the Tucson, Arizona area.

Products and Distribution Channels

Cement. Our cement operations represented approximately 62% of our U.S. operations net sales in 2004. We deliver a substantial portion of cement by rail. Occasionally, these rail shipments go directly to customers. Otherwise, shipments go to distribution terminals where customers pick up the product by truck or we deliver the product by truck. The majority of our cement sales are made directly to users of gray Portland and masonry cements, generally within a radius of approximately 200 miles of each plant. As discussed above, cement demand in the United States has become less dependent upon the more cyclical residential and commercial sectors since the mid 1980s as the public sector has grown significantly.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 27% of our U.S. operations net sales in 2004. Our acquisition of RMC increases the percentage of our net sales represented by ready-mix concrete. Our ready-mix concrete operations in the U.S. purchase most of their cement requirements from our U.S. cement operations. Our ready-mix products are mainly sold to residential, commercial and public contractors and to building companies.

Aggregates. Our aggregates operations represented approximately 6% of our U.S. operations net sales in 2004. At 2004 production levels, it is anticipated that over 77% of our construction aggregates reserves in the U.S. will last for 10 years or more. Our aggregates are consumed mainly by our internal operations and by our trade customers in the ready-mix, concrete products and asphalt industries.

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Production Costs

The largest cost components of our plants are electricity and fuel, which accounted for approximately 36% of our U.S. operations total production costs in 2004. We are currently implementing an alternative fuels program to gradually replace coal with more economic fuels such as petcoke and tires, which has resulted in reduced energy costs. By retrofitting our cement plants to handle alternative energy fuels, we have gained more flexibility in supplying our energy needs and have become less vulnerable to potential price spikes. In 2004, the use of alternative fuels offset the effect on our fuel costs of a significant increase in coal prices. Power costs in 2004 represented approximately 18% of our U.S. operations cash manufacturing cost, which represents production cost before depreciation. We have improved the efficiency of our U.S. operations electricity usage, concentrating our manufacturing activities in off-peak hours and negotiating lower rates with electricity suppliers.

Description of Properties, Plants and Equipment

As of June 30, 2005, we operated 12 cement manufacturing plants in the U.S., with a total installed capacity of 13.2 million tons per year, including nearly 0.7 million tons in proportional interests through minority holdings. As of that date, we operated a distribution network of 49 cement terminals, eight of which are deep-water terminals. All our cement production facilities are wholly-owned except for the Balcones, Texas plant, which is leased, the Louisville, Kentucky plant, which is owned by Kosmos Cement Company, a joint venture in which we own a 75% interest and a subsidiary of Dyckerhoff AG owns a 25% interest, and the Demopolis, Alabama and Clinchfield, Georgia plants, which are owned by CEMEX Southeast, LLC, a joint venture in which we own a 50.01% interest and Ready Mix USA owns a 49.99% interest.

As of June 30, 2005, we had 282 ready-mix concrete plants and 49 aggregates quarries in the U.S. All our ready-mix concrete plants and aggregates facilities are wholly-owned except for the ready-mix concrete and aggregates assets in the Florida panhandle and southern Georgia, which are owned by Ready Mix USA, LLC, a joint venture in which Ready Mix USA owns a 50.01% interest and we own a 49.99% interest.

As of June 30, 2005, we distributed fly ash through 20 terminals and 12 third-party-owned utility plants, which operate both as sources of fly ash and distribution terminals. As of that date, we also owned 70 concrete block, paver, pipe and precast facilities.

Capital Investments

We made capital expenditures of approximately U.S.$95.9 million in 2002, U.S.$96.6 million in 2003 and U.S.$111.1 million in 2004 in our U.S. operations. We currently expect to make capital expenditures of approximately U.S.$169 million in our U.S. operations during 2005, including those related to the operations we acquired from RMC.

Europe

On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, for the year ended December 31, 2004, our business in Europe, which includes our operations in Spain, the United Kingdom and our Rest of Europe segment, as described below, represented approximately 42% of our net sales. As of June 30, 2005, our business in Europe represented approximately 28% of our total installed capacity and approximately 28% of our total assets.

Our Spanish Operations

Overview

On a pro forma basis giving effect to the RMC acquisition as though it had been completed on January 1, 2004, our Spanish operations represented approximately 9% of our net sales for the year ended December 31, 2004.

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As of June 30, 2005, we held 99.7% of CEMEX España, S.A., or CEMEX España, our operating subsidiary in Spain. Our cement activities in Spain are conducted by CEMEX España itself and Cementos Especiales de las Islas, S.A., a joint venture 50% owned by CEMEX España. Our ready-mix concrete activities in Spain are conducted by Hormicemex, S.A., a subsidiary of CEMEX España, and our aggregates activities in Spain are conducted by Aricemex S.A., a subsidiary of CEMEX España. CEMEX España is also a holding company for most of our international operations.

As of June 30, 2005, our Spanish operations included the operations we acquired from RMC in March 2005, which consist of ready-mix concrete and aggregates operations in Spain through a joint-venture with Lafarge-Asland, a Spanish cement producer, in which we now own 50% and Lafarge-Asland owns 50%. This joint venture operates a network of 121 ready-mix concrete plants and 12 operating aggregates quarries, which are predominantly located around Madrid, Barcelona, Valencia and Alicante.

The Spanish Cement Industry

In 2004, the construction sector of the Spanish economy grew 4.4%, primarily as a result of the growth of construction in the residential sector of the Spanish economy. Cement consumption in Spain increased 4.7% in 2002, 4.8% in 2003 and 3.9% in 2004.

During the past several years, the level of cement imports into Spain has been influenced by the strength of domestic demand and fluctuations in the value of the Euro against other currencies. Cement imports increased 5.5% in 2002, decreased 19.7% in 2003 and decreased 14.6% in 2004. Clinker imports have been significant, with increases of 18.2% in 2002, 26.4% in 2003 and 6.3% in 2004. In any case, imports primarily had an impact on coastal zones, since transportation costs make it less profitable to sell imported cement in inland markets. Nonetheless, sales from imports have been increasing in the center of Spain.

In the past, Spain has traditionally been one of the leading exporters of cement in the world exporting up to 6 million tons per year. Nevertheless, exports of producers in Spain have been reduced in recent years to 1.5 million tons in 2004 to meet strong domestic demand. Our Spanish operations cement and clinker export volumes increased 4% in 2002, decreased 20% in 2003 and decreased 23% in 2004.

Competition

According to the *Asociación de Fabricantes de Cemento de España*, or OFICEMEN, the Spanish cement trade organization, as of December 31, 2004, approximately 60% of installed capacity for production of cement in Spain was owned by five multinational groups, including CEMEX.

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

OFICEMEN reported that, based on 2004 sales, CEMEX España had a market share of 21.8% in gray and white cement, making us the leader in the Spanish cement industry. We believe that we maintain this leading market position because of our customer service and our geographic diversification, which includes extensive distribution channels that enable us to cope with downturns in demand more effectively than many of our competitors because we are able to shift our production to serve areas with the strongest demand and prices.

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Our Spanish Operating Network

Products and Distribution Channels

Cement. Our cement operations represented approximately 64% of our Spanish operations net sales in 2004. CEMEX España offers various types of cement, targeting specific products to specific markets and users. In 2004, approximately 20% of CEMEX España s domestic sales volumes consisted of bagged cement through distributors, and the remainder of CEMEX España s domestic sales volumes consisted of bulk cement, primarily to ready-mix concrete operators, which include CEMEX España s own subsidiaries, as well as industrial customers that use cement in their production processes and construction companies.

Ready-Mix Concrete. Our ready-mix concrete operations represented approximately 29% of our Spanish operations net sales in 2004. Our ready-mix concrete operations in Spain in 2004 purchased 99% of their cement requirements from our Spanish cement operations. Ready-mix concrete sales for public works and housing represented 78% of our total ready-mix concrete sales and sales for non-residential buildings represented 22% of our