Good afternoon!

I am Lorenzo Zambrano, Chairman and CEO of CEMEX.

I am delighted to be with you again this year. It is a testimony to the convening power of Deutsche Bank that you can gather together so many of the leading companies and the leading investors in our industry, year after year.

This is important for all of us. We at CEMEX value the opportunity to share perceptions about the markets, about our industry, and about our companies. We come here to persuade, but also to listen.

My agenda this afternoon has four core elements:

- First, I will discuss the macro-economic outlook that drives our business opportunities;

- Second, I will outline the key lessons we have learned during a decade of extraordinary growth. These are the lessons that have shaped our present reality, and that we will use to define our future successes.

- Third, I will discuss some of the challenges that face not only CEMEX, but our industry as a whole. Coping with these challenges will be critical if we are going to continue to create value for our shareholders.

- Fourth, I look forward to answering your questions and learning from your comments.

I will start with the global economy. When we met last year in Rome, there was much skepticism about the shape and dynamic of the global recovery. It was easier to see what could go wrong, than it was to imagine a robust expansion. All of the risks seemed to be on the downside.

It is fair to say that reality has been much kinder. We are certainly not looking at a new nineties style boom, but we *are* looking at an expansion that is gaining momentum—driven, as usual, by the engine of U.S. economic growth. For better or worse, the United States is still the pivot around which the global system turns and, for the time being, it is turning in the right direction.

The fact is that the U.S. economy has grown for seven consecutive quarters. I am sure that everyone here saw last week's spectacular 7.2% growth rate for the third quarter. Consumer spending is booming; productivity is accelerating; residential construction remains at near record levels; business investment, even in technology, is increasing. Job creation has been scarce, but even there, recent data suggest that the tide is turning.

Washington has a full matrix of pro-growth policies in place and they are working. Of course, there are risks—the deficits are enormous—but there is little doubt that the U.S. expansion is here to stay.

What is good for the United States is good for Mexico, at least in economic terms. Mexico is growing, although well below its potential.
The fiscal accounts are healthy, inflation is low, interest rates have come down, capital inflows are strengthening, banks have resumed lending, and the housing sector is gathering momentum.

As you know, Mexican economic growth is an important driver for CEMEX, and you have been seeing the consequences over recent quarters.

I am even more optimistic about the future. When the politicians finally move on pending fiscal and energy reforms, I believe the impact could be at least as powerful as NAFTA was a decade ago. I do not know when that will happen, but I am confident it will happen someday.

It is no accident that three-quarters of our EBITDA comes out of North America. These are growth markets, and we are well positioned to capitalize on that growth as it accelerates.

The good news is that the rest of the world economy is clearly being pulled along by North America. The main European economies, as well as Japan, need more stimulus and more economic reform—but they look set to grow faster next year. For example, our most important European market, Spain, should grow around 3% next year.

Elsewhere, China is booming, perhaps even overheating. The cluster of export oriented economies in East and South East Asia seem to be moving toward sustained rapid expansion, pulled along by U.S. as well as Chinese import demand. This will be good for us in markets like the Philippines, Thailand, and Indonesia.

Latin America seems to have left the worst behind, with a few notable exceptions that—unfortunately—include Venezuela. But even that country looks likely to grow next year. GDP in Latin America could increase as much as 3.5% in 2004.

For CEMEX, this means that, while cement demand in our markets has been growing, next year promises to be better. In 2003 cement demand increased in half of our fourteen largest markets, including our three most important ones.

By contrast, next year all of our markets are expected to grow—with the possible exception of Spain, which seems to be leveling off at the historically high level of per capita consumption reached this year. Overall, we believe that cement demand, on a weighted average basis, will approach 3% in our markets next year, significantly faster than in 2003.

I think this means that next year heralds the start of a new cyclical upturn. That will be good for the industry and good for CEMEX.

I have dwelt more than usual on the economic outlook because I believe that our industry, just like the world economy, is at an important turning point.

The nineties were a period of rapid growth, consolidation, and heavy investment by newly emergent global cement companies. This transformation was interrupted after the turn of the century, in part by the global slowdown and in part by the lingering weight of some of the decisions that had been made by individual companies.

The transformation was interrupted, but certainly not ended. From my perspective, the underlying dynamic that drove consolidation still exists. The resumption of broad based economic growth and the recovery of cement demand mean that the macro context is being renewed. The key is what we—the companies represented at this conference—will do about it.

For my money—*perhaps, I should say, for your money, since many of you are investors in CEMEX*—the real question is whether the consolidation trend can be renewed in ways that create value for our shareholders. If not, then it would be globalization for globalization's sake. And that is an economist's, not a businessman's, logic.

CEMEX, as you know, was an active participant in the consolidation during the last fifteen years.

Over these period we built a company that is the largest cement producer and marketer in the Americas and the third largest in the world. CEMEX now has major production and marketing operations in 34 countries, as well as a trading network that integrates 69 countries and that last year traded 10.2 million metric tons of cement.

During these fifteen years we have grown revenue and EBITDA at compound growth rates in excess of 21%. We have maintained our EBITDA margin above 29%, making us—consistently—the most profitable of the global cement companies.

We have created value for shareholders with return on equity above 15% and return on capital employed over 10%. We have developed a global operating network that generates free cash flow in excess of $1 billion annually, year in and year out.

We have built and maintained our financial strength, earning investment grade credit ratings. We have demonstrated the ability to use our balance sheet to make substantial investments, and the discipline to recover our financial flexibility as we integrate those acquisitions into our global network.

In other words, at CEMEX we have deployed a business model that produces good results in bad times and great results in good times.

However, if all we had produced at CEMEX was a compelling track record, I would be disappointed. Because I think the key to our future is not what we *did* in the past, but what we have *learned* from the past. And I think we have learned a number of critical lessons.

- We have learned that a good management team stays focused on the variables they can affect, regardless of where we are in the cycle.

- We have learned to manage costs constantly, in up-markets and in down-markets. For example, we are obsessed with energy savings, and this obsession has allowed us to easily weather extreme energy price conditions such as the one we are just living.

- We have learned how to integrate new acquisitions, with increasing speed and efficiency, in order to maximize the value we can extract from our acquisitions.

- We have learned to identify and share best practices across a global network, in part by installing common business practices and a common information technology platform throughout our system.

- We have learned the importance of recovering financial flexibility after an acquisition, in order to assure that we are ready for the next opportunity.

- We have learned to build, motivate, and renew a global management team that is as effective in Houston as it is in Cairo or Bogotá or Bangkok.

- We have learned to put customers first, creating value—for them and for us—by focusing on their projects rather than on our production.

- We have learned to listen to the financial markets and we have learned to meet the commitments we make to the markets. For example, we committed to simplify our balance sheet in order to make it easier to assess CEMEX's underlying earnings power, and we are doing so through a series of transactions including our recent secondary offering.

  The response of the market tells me that we are on the right track.

That is a lot of learning, but it has been a busy decade.

However, no lesson has been more completely learned, nor more firmly embedded into the CEMEX business model, than the importance of a disciplined approach to capital allocation.

Every acquisition—from a significant expansion of our footprint to a bolt-on acquisition that enhances our offer in a particular marketplace—must pass three tests:

- First, the acquisition must provide risk adjusted returns in excess of our weighted average cost of capital. We are going to make acquisitions that are accretive or we are not going to make them. Top line growth is not the end game; profitability is.

- Second, the acquisition must contribute to greater earnings and free cash growth stability. The goal is to grow the business today as well as tomorrow.

- Third, the acquisition must be able to benefit from our management and turnaround expertise. We will not buy companies from which we cannot extract value.

We know we are working with other people's money—*with your money*—which means we will only make an acquisition that meets all of these tests and, of course, that is consistent with our business strategy.

This commitment is the root of CEMEX's challenge and, frankly, of our industry's challenge: how to produce growth—growth in earnings per share—that is attractive to investors who have many competing demands for their capital.

What we did over the past ten years, I believe we can do even better during the next ten years, in part because of the platform we have built and in part because of the lessons we have learned.

The question, of course, is where will we find the growth?

If you analyze the past performance of the countries in which we now operate, you will discover that our portfolio has the potential to grow sales something like 5% per year, excluding market share gains. In addition, in markets like the United States, there are tremendous opportunities to expand cement's share of the construction materials market in ways that would significantly increase the historic growth rate.

Moreover, if we continue to generate around $1 billion per year in free cash, we would have the capacity to acquire operations that would conservatively add another 5% to 6% in top line growth.

However, as I said a few moments ago, if we do not find opportunities that match our acquisition criteria, we will use our free cash to continue to strengthen our balance sheet until we find the right acquisition.

Let me be more precise. After we acquired Southdown, we committed to the market to recapture our financial flexibility. This year we said we would apply at least two-thirds of our free cash to debt reduction in order to reach a target net debt to EBITDA ratio of 2.7.

We are reaching that target this quarter.

In short, I believe the key to making a value creating acquisition in the future is financial and operating discipline today.

Let me now highlight three of the challenges that face CEMEX as well as the industry:

- First, the continuing consolidation process;

- Second, the global overhang of productive capacity; and

- Third, the impact of China.

The most pressing challenge—to find accretive acquisitions—faces all the major players in an increasingly globalized industry like ours.

As I said earlier, I expect the globalization and consolidation of this industry to continue. However, it is in the long-term interest of all our industry's stakeholders that the consolidation process should be rational, since consolidation is not an end in itself. No one benefits from transactions at market premiums that exceed the potential synergies that can be extracted from those acquisitions.

These lessons were amply demonstrated during the nineties—in our industry and in other industries—and should not need to be learned again.

Frankly, I have come to believe that the consolidation process is not a zero sum game. In large part this is because there is no longer necessarily such a thing as the last acquisition in any given national market. Indeed, more and more, the boundaries that effectively define markets are regional instead of national.

A second challenge comes from the massive unused cement capacity that today exists throughout the developing world. Countries that thought they were going to grow rapidly and endlessly, built too many plants in too many places. Now that surplus sloshes around markets, with sometimes dramatic consequences.

On good days, the surplus can allow global companies like CEMEX to use our trading network to serve customers when local demand exceeds supply, as it did in southern California during the energy crisis. On bad days, it can erode the incentives to build and maintain the infrastructure that is needed to assure quality and reliability for those same customers over the long run.

Unstable markets are in the interest only of the opportunistic traders whose principal motivation is to make a few dollars more on any given trade.

Our response to this challenge has been to broaden our trading network, which is an industry wide tendency. Indeed, today the six largest cement companies account for approximately 50% of global cement trading—and that figure is likely to rise further.

This is good for the industry and good for CEMEX.

The third challenge is China.

Countries and companies all over the world are struggling to cope with the consequences of

China's emergence as a global manufacturing power. The combination of low wages, a massive domestic market, increasingly sophisticated engineering capabilities, sustained rapid economic growth, and WTO membership are making China one of the most formidable competitors in the post-war system era.

For our industry, I think that China is more potential opportunity than immediate challenge. With consumption of higher grade cement growing 15% per year, it is now a market of around 600 million tons, largely outside the international system.

Barring a major political or economic crisis, my estimate is that the market will continue to grow rapidly and continue to be largely self contained.

As in other sectors of the economy, the Chinese preference is likely to be to continue to develop their indigenous companies. Only time will tell whether any of these companies eventually emerge as regional players, whether they will partner with global companies, or whether some other model of cooperation and investment will develop.

However, I do not expect that we will see international companies playing a major role in the Chinese market anytime soon.

I will end my formal remarks with a final thought.

CEMEX has come a long way over the last decade. I am convinced we now have the management, the team, the resources, the business model, and the financial platform to go a long way further during the next ten years.

We are performing well this year:

- In 2003, we will produce consolidated net sales of approximately $7 billion.

- We expect to generate EBITDA of at least $2.05 billion.

- We are anticipating free cash flow in excess of $1 billion, the bulk of which we are using to reduce debt.

This is a good foundation on which to create even more value for our shareholders in the future. Although I am not prepared yet to give precise guidance for next year, I am able to tell you that we expect to continue to grow each of these key metrics.

I want to thank you for your participation this afternoon and for your interest in CEMEX.

Now, I will be happy to answer any questions you might have—about what I have said or about what I have not said.

Again, thank you.