BUILDING the next 100 years

2006 ANNUAL REPORT

As part of the celebration of its 100th anniversary, CEMEX rang the opening bell at the New York Stock Exchange on October 30, 2006. The ceremony was presided over by Lorenzo H. Zambrano, Chairman and CEO of CEMEX.

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THE YEAR 2006 WAS IMPORTANT FOR CEMEX. We commemorated 100 years of growth and the people who achieved it. The legacy of all of that hard work and dedication is a stronger and more solid company, better prepared for the challenges and opportunities that lie ahead. As we look forward, we are enthusiastic about the prospects for our next century. We are a company with an impressive past, but an even more promising future.

People are builders. They build to educate, to heal, to shelter and comfort families. They build to connect with each other, to share their art and knowledge for the benefit of humanity.

Everything people build requires the strength to weather the forces of nature and time. It requires a solid foundation.

By helping people to solve their building challenges in communities around the world, we are a vital part of that foundation.

Our products are everywhere, from the smallest villages to the largest cities—linking communities, providing shelter, and enabling society's sustainable growth.

As a global industry leader, CEMEX will continue building a better world for the next 100 years.

Building...

SUSTAINABILITY

Our principles of sustainability drive us to employ cutting-edge technology; ensure energy efficiency and optimum use of raw materials; promote a culture of environmental awareness, safety, and integral health; and use the most effective equipment and systems to protect our people and the environment.

PEOPLE

Our primary asset is our people—motivated employees who, together, deliver positive results for our customers, our communities, our stockholders, and each other. From our specialized training programs to our online learning system, we are committed to fostering our employees' continued professional and personal development.

KNOWLEDGE

One of the qualities that sets us apart is our unwavering commitment to continuous improvement. We are always looking for new ways to make our operations even better by identifying, sharing, and implementing best practices across our global network of plants and facilities.

RELATIONSHIPS

Our business is built on strong, time-tested relationships—based on trust that is earned, not given. As a global industry leader, we always strive to forge long-lasting relationships with our customers, our employees, our communities, and other key stakeholders worldwide.

VALUE

Our business strategy aims to create lasting stakeholder value and economic prosperity, enabling us to help build a better world for future generations. Our broad array of building materials forms the foundation for construction projects of every type, sheltering people and connecting communities around the world.

	2006	2005	%
Net sales	18,249	15,321	19
EBITDA	4,138	3,557	16
Free cash flow after maintenance capital expenditures	2,689	2,198	22
ROCE	11.9%	11.9%	-

I am proud of what CEMEX has achieved, but I am confident that we can do much better.

THE YEAR 2006 WAS IMPORTANT FOR CEMEX. We produced good results, confirming the value of our diversification strategy in a year when the world economy performed unevenly. We made excellent progress integrating our new operations in Europe and in the United States, delivering the synergies and the 10 percent return on capital employed that we promised when we acquired RMC. We announced important investments in our Mexican business, as well as throughout our network, that will contribute to future organic growth. And, most significantly, we continued to execute well in all of our markets, creating value for our customers, our communities, our employees—and you, our stockholders.

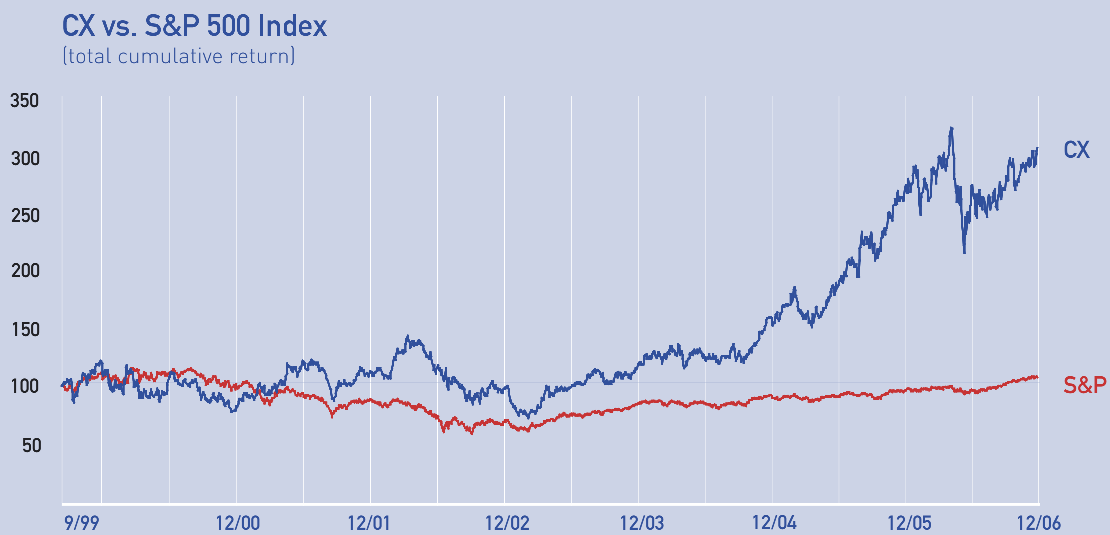
DEAR FELLOW stockholders

We produced record sales, EBITDA, and free cash flow in 2006. For the year, our net sales rose 19 percent to US$18.2 billion. Our EBITDA grew 16 percent to US$4.1 billion. And our free cash flow, after maintenance capital expenditures, increased 22 percent to US$2.7 billion—a conversion rate of EBITDA to free cash flow of more than 60 percent.

Importantly, we regained the financial flexibility to take advantage of new investment opportunities. At the beginning of 2005, we committed to using most of our free cash flow to reduce debt, and we have done so. Since completing the RMC acquisition on March 1, 2005, we have reduced our net debt by US$4.6 billion—more than three quarters of the total enterprise value of that acquisition. In the process, we have improved our interest coverage to 8.4 times, and decreased our leverage ratio to 1.4 times.

These results were not accidental. We performed well because we have the strategy, the resources, the management, and above all, the employees that are needed for success.

We also celebrated our 100^{th} anniversary last year. We honored a century of growth, and commemorated the accomplishments of thousands of employees who have produced a track record that is unrivaled in our industry. We remembered our history, as we prepared for an even more challenging future.



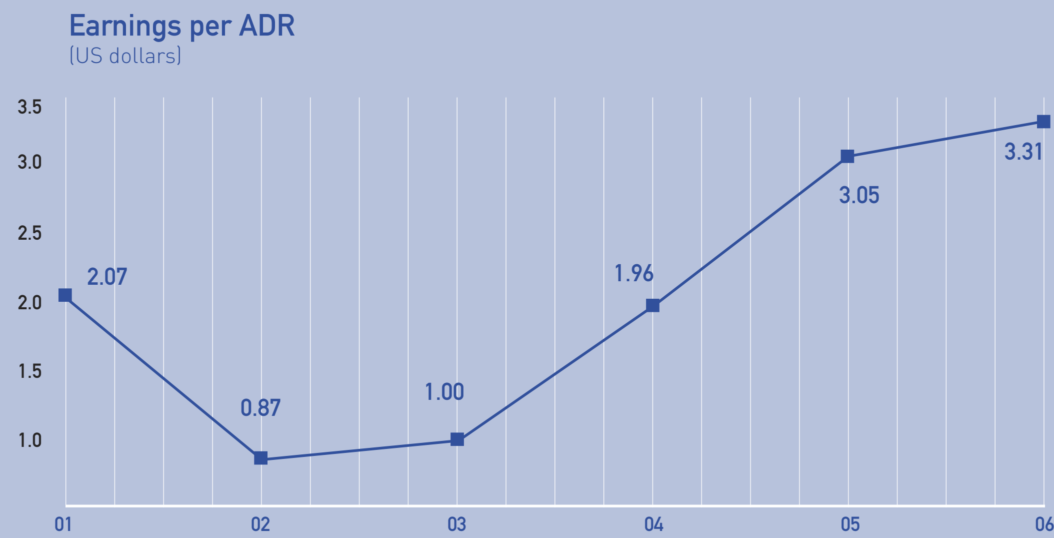
This year is the beginning of CEMEX's second century. The world, as well as our company, is ever more complex. We will certainly face new challenges. Producing the kind of results to which you have become accustomed will require redoubled effort and reaffirmed commitment.

I believe there are three keys to our company's continued success.

First, we need to continue to build an integrated platform across our industry's value chain in key markets around the world. This is the logic that underpinned our acquisition of RMC, and it is the logic that will define our acquisition strategy going forward. In that context, last October we made an offer to acquire Rinker Group Limited, an Australian-based building-materials company whose business is largely concentrated in the United States. Our offer reflects CEMEX's strategic commitment to grow through disciplined allocation of capital.

All of our investments—whether new acquisitions or growth capital expenditures—will remain subject to our strict, disciplined capital allocation criteria. We are in the business of profitable growth, not growth for the sake of size alone. In the absence of investments that meet our strict criteria, we will continue to use our free cash flow to strengthen our capital structure.

Second, we need to continue to focus on developing our managers and employees. We experienced a significant infusion of talent from RMC, as we have from earlier acquisitions. Now we are making CEMEX's development and training platforms available to our new employees, as well as encouraging our existing employees to take full



advantage of these programs. Moreover, the expansion of the company created new career opportunities, especially for younger CEMEX executives, considerably enlarging our pool of internationally experienced people.

Third, we need to enhance the sustainability of our business. This means different things to different people. For our customers, it means offering innovative value propositions in every market we serve. For the communities in which we operate, it means being a good neighbor and a good environmental steward. For our employees, it means striving for zero-accident work environments, providing competitive compensation and benefits, and offering exciting career development opportunities. We know that we will only prosper as a company if our stakeholders prosper.

Finally, I am pleased that 2006 was another year of value creation for our stockholders, and I am confident that we will continue to deliver for you in the future. We have the people, the culture, and the opportunities to continue on our path of disciplined, profitable growth.

I firmly believe that the best is yet to come.

Sincerely,

Lorenzo H. Zambrano

Chairman of the Board and Chief Executive Officer

WE OWE OUR PAST AND FUTURE SUCCESS TO OUR PEOPLE. We are committed to their professional and personal growth.

The underlying success story of the RMC integration is our retention and development of key talent, including country managers, operations and back-office leaders, and thousands of employees necessary to grow our business each day. To further our new colleagues' professional growth, we involve them directly in the Post-Merger Integration (PMI) process, as well as our company's specialized learning and leadership platforms. Our CEMEX Plaza intranet portal provides our employees access to our online learning system, which offers cross-functional training in areas such as customer service, finance, and project management. While our leadership platforms—including CEMEX International Management, Global Leadership, and New Talents Programs—work to develop our next generation of leaders today.

BUILDING people

In addition to our professional development programs, we foster an open and responsive work environment in which all of our employees can achieve their full potential. To this end, we not only measure employee engagement, but also encourage employees to propose ideas as to how we can improve our business. For the fourth consecutive year, our US operations conducted the Your Opinion Counts campaign, an initiative designed to further knowledge transfer and innovation. Employees are asked to make suggestions for improving all aspects of our operations, from customer service to internal communication. In 2006, we received 2,683 ideas from throughout the country, with the three best ideas to be recognized at the 2007 annual employee meeting.

We also promote employee health, safety, and wellness across our organization. We take significant steps to ensure that our people have the knowledge and tools to assure their own and their coworkers' safety. We provide comprehensive health-awareness and preventive-care programs. And we encourage employees to take advantage of on-site seminars on topics such as stress management, ergonomics, and nutrition. As our employees succeed in their professional and personal lives, they enable our company to make a greater contribution to society.

We received over **2,600** ideas from our US operations' Your Opinion Counts campaign in 2006.

Thanks to our restoration efforts, a spent quarry now produces **1,000** metric tons of fruit per year.

As the world grows, so do we. We lay the foundation for social and economic development by helping customers and communities solve their building challenges, while acting as responsible environmental stewards.

Our products serve a vital role in almost every kind of construction project. Customers use them to shelter families, create communities, and build the infrastructure for economic development. In fact, second to water, concrete is the most-used substance in the world.

BUILDING sustainability

We see limitless new opportunities to satisfy and stimulate society's growth. From our lightweight concrete to our translucent concrete, we continue to expand consumers' uses and the possibilities of our products. Composed of a mixture of cement, lightweight aggregates, and special additives, CEMEX lightweight concrete can be used to make floating decorative elements for ponds, children's games, marinas, and other purposes. CEMEX translucent concrete, which is made of cement, sand, and pieces of recycled glass, allows light to flow through its surface and is well-suited for the construction of walls and other architectural uses. These innovations, however, only touch the tip of the many imaginative possibilities for our integrated products and services.

We take our responsibility to society very seriously. Many of our operations organize local programs that take advantage of our people's skills and knowledge to support neighboring communities. In Costa Rica, our employees participate in the leave-your-mark program, through which they help communities refurbish schools and tutor students—benefiting more than 2,500 children.

Through our socioeconomic development initiatives and extensive land-reclamation projects, we are dedicated to advancing the well-being of those we serve. In Spain, our pioneering quarry-restoration work is on display at our Alicante and Castillejo plants, where we have transformed spent quarries into 118 hectares of productive fruit trees and 26 hectares of productive vineyards, respectively. Today, Alicante produces 1,000 metric tons of fruit per year, almost all of which is exported to England, France, Germany, and Italy. And in collaboration with Bodegas Casa del Valle, one of Spain's most important vintners, Castillejo's grapes are used to make Viña Canterana brand wine. To learn more about our economic, social, and environmental contributions, we invite you to read our 2006 Sustainable Development Report.

WE CONTINUALLY LOOK FOR NEW OPPORTUNITIES to improve our performance by identifying, sharing, and implementing best practices across our global network of plants and facilities.

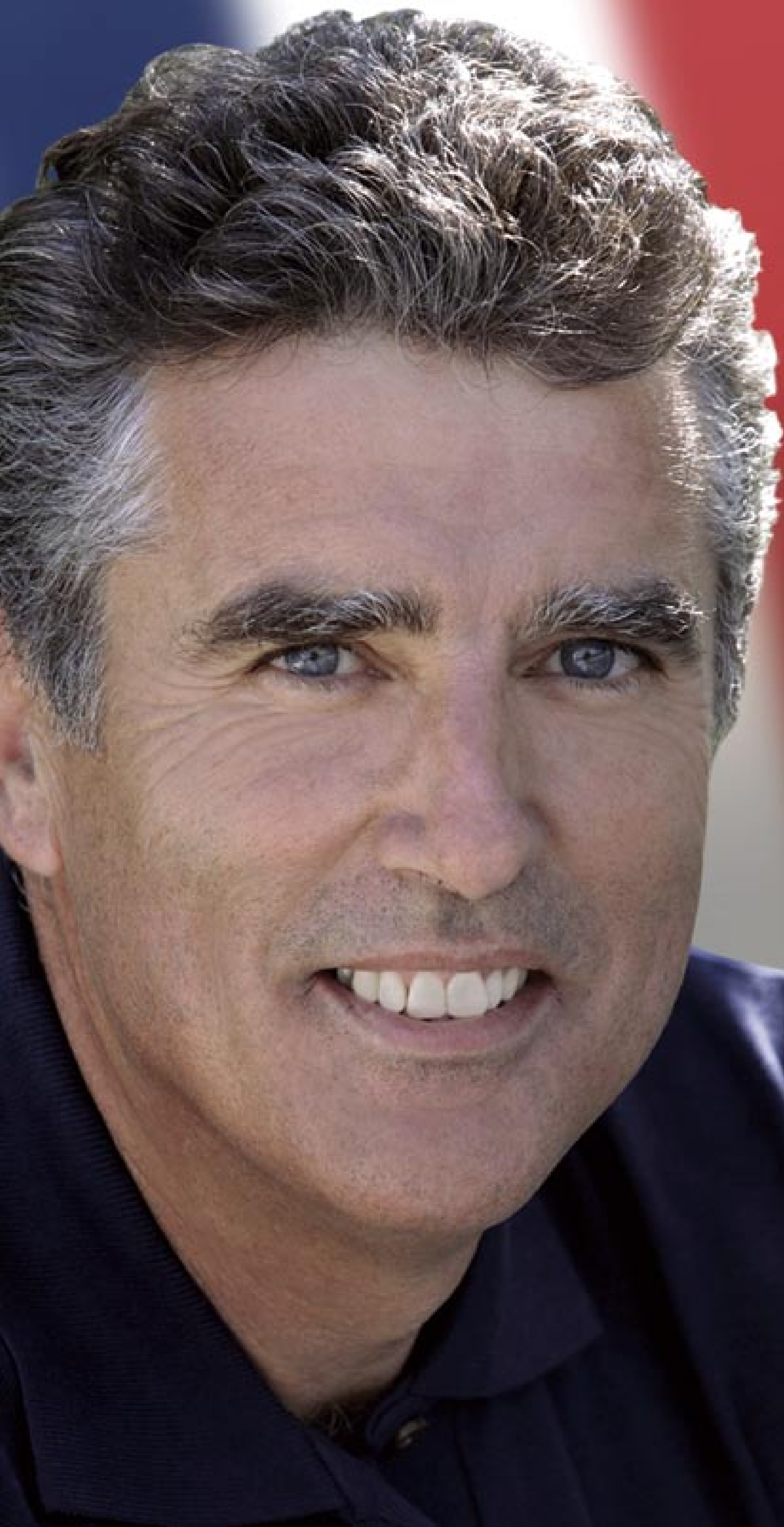
Using knowledge shared from our German operations, we are aggressively expanding our alternative fuels program—particularly in Europe. This program uses more cost-effective and environmentally friendly alternative fuels, including biomass and solid waste, in place of traditional fossil fuels such as coal, fuel oil, and natural gas. As a result of our network collaboration, alternative fuels now comprise 25 percent of the total fuels used in our European cement plants, as well as a growing percentage of our diversified fuel structure worldwide.

BUILDING knowledge

We also are lowering our energy consumption and offering our customers a wider array of blended cements by increasing our operations' use of alternative raw materials—such as slag, fly ash, and pozzolana—instead of clinker. Beyond the economic and commercial attributes of blended cements, our plants growing use of alternative raw materials lessens our environmental impact by reducing our operations' carbon-dioxide emissions.

Thanks to our successful post-merger integration of RMC Group, our new operations are reaping the benefits of CEMEX's shared best practices. For example, before the acquisition, many of these operations had conducted procurement on a local plant-by-plant basis, extracting limited, if any, economies of scale from the process. Now, with the implementation of CEMEX's centralized global procurement process, these operations are realizing significant cost savings. Similarly, our new cement operations have achieved improved productivity through CEMEX's standardized maintenance process. In Germany alone, our cement plants have been able to shorten the cement plant maintenance process by almost 20 percent—providing an additional six to eight days of production to meet growing domestic demand.

Alternative fuels now comprise 25 percent of the total fuels used in our European cement plants.



Our community offices have served more than **160,000** families through our Patrimonio Hoy program.

As a global industry leader, we will continue to forge lasting relationships with our customers and communities worldwide.

A century ago, Mosaicos Rivero—a Mexico-based company specializing in the production and sale of clay products and other construction materials—began a historic relationship with CEMEX that continues today. Founded in 1892, Mosaicos Rivero was the first to buy our company's cement when we started operations.

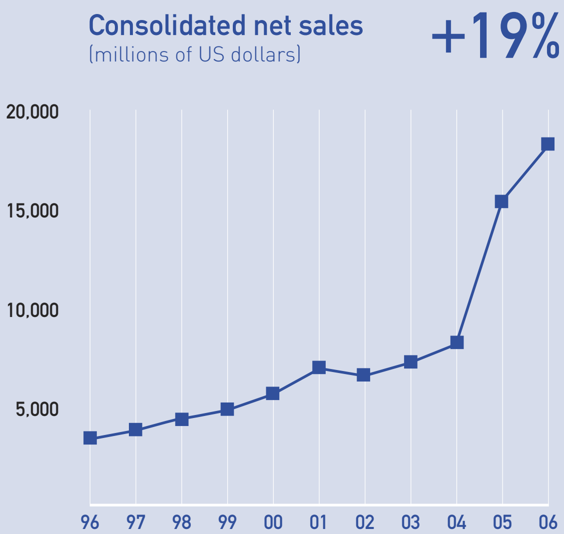
In many ways, the growth of Mosaicos Rivero has coincided with our own—transcending five generations of the Rivero family. "My father ran the company until 1934, and I took over in 1941," says José Rivero, the great grandson of Mosaicos Rivero's founder. And now that Rivero has retired, his children run the business. Together, the companies have worked closely on a number of important public works and have overcome many common challenges, from the Mexican Revolution to two World Wars. The attributes that José Rivero and his family appreciate most about the companies' century-long bond are the qualities that will continue to define our customer relationships going forward—deep personal respect, friendship, and professional integrity.

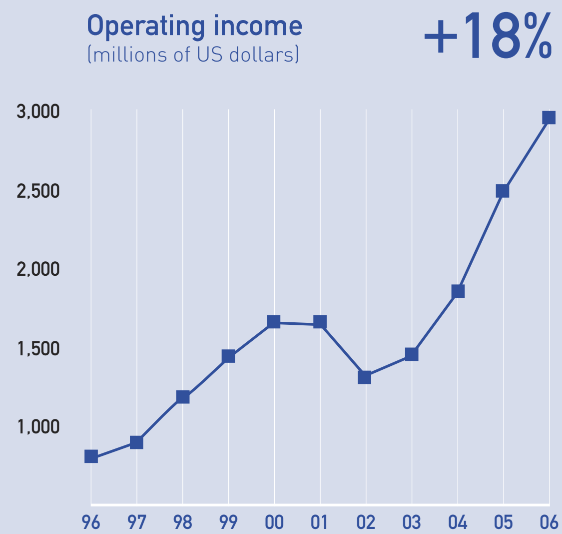
BUILDING relationships

Wherever we operate around the world, we work to foster the quality of life and welfare of our neighboring communities. Consistent with our Open Doors policy, many of our facilities hold regular meetings with community leaders, government officials, and employee groups to gather information about important local needs and develop initiatives to build stronger, healthier relationships with our communities. Among our efforts, we invest significant time and resources to create programs that further self-sufficiency, improve well-being, and provide greater access to our products and services.

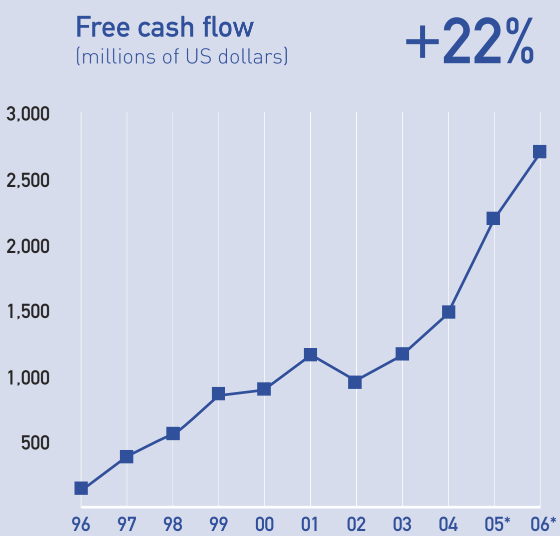
Established in 1998, Patrimonio Hoy is our flagship initiative to provide low-income families with reliable access to affordable materials to upgrade their homes. We help organize groups of people who pool their money in a structured savings plan that enables them to purchase our high-quality building materials at set prices. We also offer participants technical advice and comprehensive customer service, including conveniently scheduled deliveries. As a result of this program, we have helped to eliminate the credit issues that prevent people with limited financing options from achieving their housing goals. Given the success of this initiative, we have recently introduced Patrimonio Hoy in Colombia, Costa Rica, Nicaragua, and Venezuela.

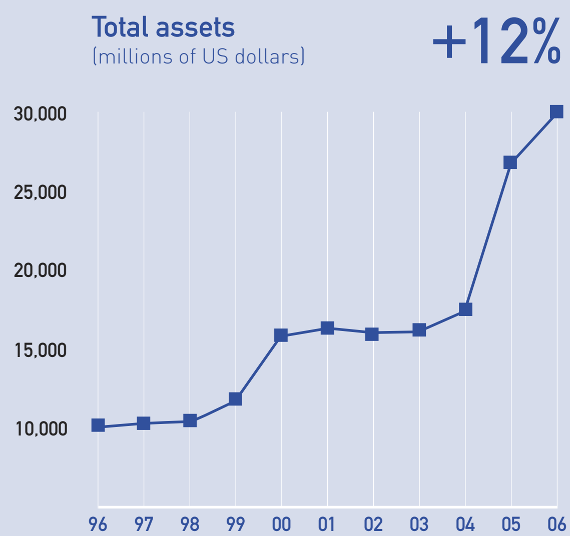
Financial highlights as of December 31, 2006.





BUILDING value





* Beginning in 2005, free cash flow is calculated after maintenance capital expenditures only.

In millions of US dollars[1], except per-ADR data

	2006	2005	%
Net sales	**18,249**	15,321	19
Operating income	**2,945**	2,487	18
EBITDA	**4,138**	3,557	16
Consolidated net income	**2,488**	2,167	15
Earnings per ADR[2]	**3.31**	3.05	8
Free cash flow after maintenance capital expenditures	**2,689**	2,198	22
Total assets	**29,972**	26,763	12
Net debt	**5,811**	8,665	(33)
Stockholders' equity, majority interest	**12,859**	9,825	31

[1] For your convenience, US dollar amounts are calculated by converting the constant Mexican peso amounts at the end of the year using the end-of-year Mexican peso/US dollar exchange rate for each year. The exchange rates used to convert results for 2005 and 2006 are 10.62 and 10.80 Mexican pesos per US dollar, respectively.

[2] Based on an average of 692.0 and 718.4 million American depositary receipts (ADRs) for 2005 and 2006, respectively.

2006 relevant events

JANUARY
Officials from the Mexican and US governments reach an agreement in principle to end the long-standing dispute over US imports of Mexican cement.

FEBRUARY - MARCH
As part of its planned worldwide expansion-capital program, CEMEX announces the expansion of its Balcones plant in the US; the construction of a new kiln at its Yaqui plant in Mexico; the building of a new mill and mortar plant at the Port of Cartagena in Spain; the construction of a new kiln at its Broceni plant in Latvia; and the building of a new grinding mill in Dubai, United Arab Emirates.

JUNE
More than 97 percent of CEMEX shareholders elect to receive stock (CPOs or ADSs) under the company's stock-dividend program.

SEPTEMBER
CEMEX initiates the construction of a new kiln at its Tepeaca plant in Mexico and a new grinding and blending facility at the Port of Tilbury in the UK.

SEPTEMBER - OCTOBER
More than 50,000 CEMEX employees celebrate the company's 100th anniversary worldwide.

OCTOBER
CEMEX announces an offer to acquire all of the outstanding shares of Rinker Group Limited. The combination of CEMEX and Rinker would create one of the largest and most profitable building-materials companies in the world.

SELECTED CONSOLIDATED financial information

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

In millions of US dollars, except ADRs and per-ADR amounts

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Operating results									
Net sales	3,365	3,788	4,315	4,828	5,621	6,923	6,543	7,164	8,149
Cost of sales(1)(2)	(2,041)	(2,322)	(2,495)	(2,690)	(3,141)	(3,894)	(3,656)	(4,130)	(4,586)
Gross profit	1,325	1,467	1,820	2,138	2,480	3,029	2,888	3,034	3,563
Operating expenses(2)	(522)	(572)	(642)	(702)	(826)	(1,376)	(1,577)	(1,579)	(1,711)
Operating income	802	895	1,178	1,436	1,654	1,653	1,310	1,455	1,852
Financial expense	(668)	(510)	(485)	(488)	(467)	(412)	(333)	(381)	(372)
Financial income	53	37	37	31	25	41	45	17	23
Comprehensive financing result(3)	529	159	(132)	(29)	(174)	265	(329)	(267)	133
Other income (expenses), net	(171)	(138)	(152)	(296)	(234)	(417)	(389)	(457)	(484)
Income before taxes and others	1,160	916	893	1,111	1,246	1,501	592	731	1,501
Minority interest net income(4)(5)(6)(7)	119	107	39	56	78	153	37	30	21
Majority interest net income	977	761	803	973	999	1,178	520	629	1,307
Millions of ADRs outstanding(8)(9)(12)	522	508	504	546	556	584	608	648	678
Earnings per ADR(9)(10)	1.88	1.49	1.59	1.94	1.83	2.07	0.87	1.00	1.96
Dividends per ADR(9)(11)(12)	–	0.30	0.35	0.40	0.49	0.51	0.52	0.51	0.61
Balance-sheet information									
Cash and temporary investments	409	380	407	326	308	428	361	291	342
Net working capital(13)	611	588	638	669	813	933	699	576	525
Property, plant, and equipment, net	5,743	6,006	6,142	6,922	9,034	8,940	8,963	9,265	9,613
Total assets	9,942	10,231	10,460	11,864	15,759	16,230	15,934	16,016	17,381
Short-term debt	815	657	1,106	1,030	2,962	1,028	1,393	1,329	1,044
Long-term debt	3,954	3,961	3,136	3,341	2,709	4,345	4,374	4,537	4,887
Total liabilities	5,605	5,535	5,321	5,430	8,111	8,078	8,983	9,250	9,161
Minority interest(4)(5)(6)(7)	1,000	1,181	1,251	1,253	2,398	1,975	1,207	532	389
Majority interest	3,337	3,515	3,887	5,182	5,251	6,177	5,744	6,234	7,831
Total stockholders' equity	4,337	4,696	5,138	6,435	7,649	8,152	6,951	6,766	8,220
Book value per ADR(9)	6.40	6.93	7.73	9.48	9.45	10.58	8.63	8.78	11.55
Other financial data									
Operating margin	23.8%	23.6%	27.3%	29.8%	29.4%	23.9%	20.0%	20.3%	22.7%
EBITDA margin(13)	32.3%	31.5%	34.4%	37.1%	36.1%	32.6%	29.3%	29.4%	31.1%
EBITDA(13)	1,087	1,193	1,485	1,791	2,030	2,256	1,917	2,108	2,538
Free cash flow(13)(14)	149	383	559	860	886	1,145	948	1,143	1,478

		Compounded annual growth	
2005	2006	05–06	96–06
15,321	18,249	19%	18%
(9,271)	(11,649)		
6,050	6,600		
(3,563)	(3,655)		
2,487	2,945	18%	14%
(526)	(494)		
39	46		
239	(32)		
(317)	(34)		
2,408	2,867		
55	110		
2,112	2,378	13%	9%
704	733		
3.05	3.31	8%	6%
0.60	n.a.		
601	1,579		
1,268	887		
15,542	17,196		
26,763	29,972		
1,191	1,252		
8,287	6,290		
16,409	15,193		
529	1,920		
9,825	12,859		
10,354	14,779		
13.94	17.55		
16.2%	16.1%		
23.2%	22.7%		
3,557	4,138	16%	14%
2,198	2,689	22%	n.a.

Notes to Selected Consolidated Financial Information

1. Cost of sales includes depreciation.
2. For the periods ended December 31, 2002 through 2006, and partially during 2001, the expenses related to the distribution of the company's products were classified as selling expenses on the income statement. Partially during 2001 and fully between the years 1996 and 2000, such expenses were recognized as part of cost of sales.
3. Comprehensive financing result includes financial expense, financial income, realized and unrealized gains and losses on derivative financial instruments and marketable securities, foreign exchange results, and the net monetary position result.
4. During 1996 and until August 2000, a minority interest was created in the consolidated stockholders' equity due to a financial transaction implying the ownership transfer of 24.77% of the common stock of CEMEX España, such shares were treated as owned by a third party, although, CEMEX retained dividends and voting rights over such shares during the life of the transaction.
5. In 2000, a Dutch subsidiary of CEMEX issued preferred stock for US$1.5 billion in connection with the financing required for the CEMEX, Inc. (formerly Southdown) acquisition. After redemptions of preferred stock made during the life of this transaction, the outstanding amount of preferred stock included as minority interest as of December 31, 2000, 2001, and 2002, was US$1,500 million, US$900 million, and US$650 million, respectively. In October 2003, CEMEX early redeemed the total outstanding amount of the preferred stock.
6. In 1998 a subsidiary of CEMEX in Spain issued US$250 million of capital securities. In April 2002, through a tender offer, US$184 million of capital securities were redeemed. The balance outstanding as of December 31, 2003 and 2002, was US$66 million and was liquidated during 2004. This transaction was recorded as minority interest during its validity (see note 16E to the 2006 annual report's Financial Statements).
7. As of December 31, 2006, minority interest stockholders' equity includes US$1,250 aggregate notional amount of perpetual debentures issued by consolidated entities. For accounting purposes, these debentures represent equity instruments (see note 16F to the 2006 annual report's Financial Statements).
8. The number of ADRs outstanding represents the total ADR equivalent units outstanding at the close of each year, stated in millions of ADRs, and includes the total number of ADR equivalents issued by CEMEX in underlying derivative transactions, and excludes the total number of ADR equivalents issued by CEMEX and owned by subsidiaries. Each ADR listed on the New York Stock Exchange represents ten CPOs.
9. Our shareholders approved stock splits in 2006, 2005, and 1999. As a result, 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. The proportional equity interest participation of the stockholders in CEMEX's common stock did not change as a result of the exchange offer and the stock splits mentioned above. The number of our outstanding ADRs did not change as a result of the stock splits of the years 2005 and 1999, instead the ratio of CPOs to ADRs was modified so that each ADR represented ten new CPOs; as a result of the stock split approved during 2006 one additional ADR was issued in exchange for each existing ADR, each ADR representing ten (10) new CPOs. Earnings per ADR and the number of ADRs outstanding for the years ended December 31, 1996 through 2005, have been adjusted to make the effect of the stock splits retroactive for the correspondent years. In order to comply with Mexico's accounting principles, in the Financial Statements these figures are presented on a per-share basis (see note 20 to the 2006 annual report's Financial Statements).
10. For the periods ended December 31, 1996 through 2006, the earnings-per-ADR amounts were determined by considering the average number of ADR equivalent units outstanding during each year, i.e., 519.2, 513.6, 504.8, 502.4, 549.8, 568.6, 598.3, 630.4, 665.8, 691.9, and 718.4 million, respectively.
11. Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year. CEMEX did not declare or pay any dividends with respect to 1996; rather, management recommended, and shareholders approved, a share repurchase program (see paragraph below).
12. As a result of CEMEX's Share Repurchase Program in 1997, 24.1 million CPOs were acquired for an amount of approximately US$119 million. The CPOs acquired through this program accounted for approximately 2% of the CPOs outstanding on that date.
13. Please refer to page 93 for the definition of terms.
14. Beginning in 2005, free cash flow is calculated after maintenance capital expenditures only.

Management discussion and analysis
OF THE OPERATIONAL RESULTS AND FINANCIAL CONDITION OF THE COMPANY

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

Our company was founded in Mexico in 1906, and we have grown from a local player to one of the top global companies in our industry, with more than 50,000 employees worldwide. Today, we are strategically positioned in the Americas, Europe, Africa, the Middle East, and Asia.

Our operations network produces, distributes, and markets cement, ready-mix concrete, aggregates, and related building materials to customers in over 50 countries, and we maintain trade relationships with more than 100 nations.

BUILDING growth

Business strategy
Over the past 20 years, we have built a portfolio of assets with sustainable, profitable, long-term growth potential. Looking forward, we will continue to

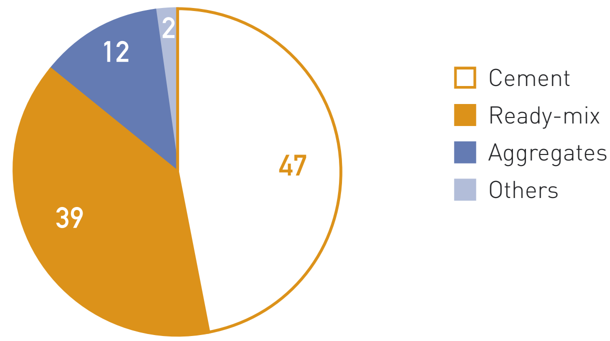
- Focus on our core business of cement, ready-mix concrete, and aggregates
- Provide our customers with the best value proposition
- Grow profitably through integrated positions across our industry's value chain
- Allocate capital effectively
- Integrate acquisitions quickly and achieve optimal operating standards

FOCUS ON OUR CORE BUSINESS OF CEMENT, READY-MIX CONCRETE, AND AGGREGATES
Our portfolio of cement, ready-mix concrete, and aggregates assets is concentrated in markets that provide sustainable top- and bottom-line growth throughout the economic cycle. Over the past two decades, our consolidated revenue and EBITDA have increased at compounded annual growth rates of 25% and 23%, respectively. And we have produced an average return on capital employed of more than 11% over the past five years.

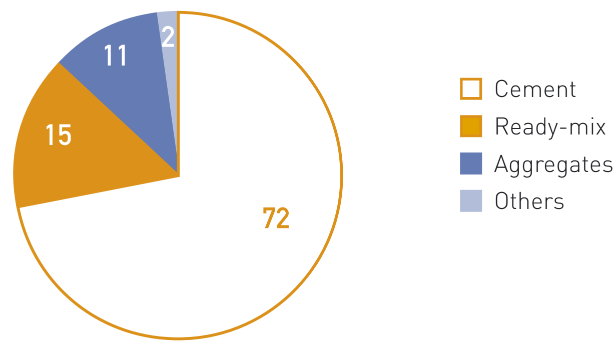
We intend to continue geographically diversifying our cement, ready-mix concrete, and aggregates assets and vertically integrating our operations in new and existing markets by acquiring or developing complementary assets along the value chain. By managing our cement, ready-mix

We are dedicated to delivering consistently strong performance throughout the business cycle.

Sales distribution by product
(percentage)



EBITDA distribution by product
(percentage)



concrete, and aggregates assets as one integrated business rather than as distinct businesses, we make them more efficient and profitable.

PROVIDE OUR CUSTOMERS WITH THE BEST VALUE PROPOSITION

We always work to provide superior building solutions in the markets we serve. To this end, we tailor our products and services to suit customers' specific needs—from home construction, improvement, and renovation to agricultural, industrial, and marine/hydraulic applications. Our durable paving concrete, for example, is ideal for driveways, paths, and patios, while our significantly less permeable and highly resistant concrete products are well-suited for coastal, marine, and other harsh environments.

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

GROW PROFITABLY THROUGH INTEGRATED POSITIONS ACROSS THE VALUE CHAIN

We see ample opportunity for profitable growth, across three avenues in particular: 1) organic growth from our existing portfolio; 2) EBITDA growth from disciplined investments in our existing businesses, which improve our margins and/or increase our production capacity; and 3) the acquisition of new operations in our existing or new markets.

Our potential for growth increases substantially when we look down the cement value chain. Today, we estimate that our industry's total value chain produces EBITDA of US$75 billion. In 2006, we generated EBITDA of just over US$4.1 billion or approximately 6% of our industry's total. Thus, we see substantial opportunity for us to acquire new operations and leverage our existing assets, expertise, and infrastructure to intensify our strategic growth across the value chain.

ALLOCATE CAPITAL EFFECTIVELY

We complement the organic growth of our business with strategic acquisitions and capital investments. As a leading industry consolidator, we take a disciplined approach to capital allocation. We evaluate potential acquisitions in light of three investment criteria:

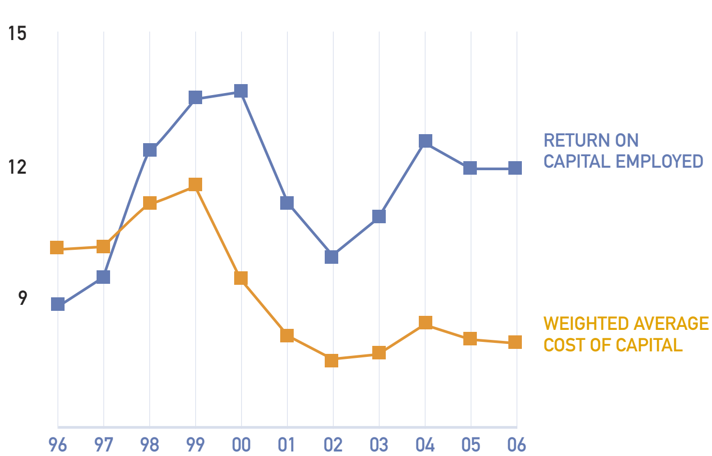
1. The acquisition should provide a long-term return on our investment that is higher than our cost of capital and offer a 10% minimum return on capital employed.
2. The acquisition should allow us to maintain our financial strength and investment-grade credit quality.
3. Factors that we can influence,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

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

In 2006, we made expansion capital expenditures of US$746 million. During the year, we initiated the expansion of the Balcones plant in the US; we began the construction of new kilns at the Yaqui and Tepeaca plants in Mexico; we initiated the construction of a new cement mill and dry mortar plant at the Port of Cartagena in Spain; we announced the construction of a new kiln at the Broceni plant in Latvia; and we began building a new grinding facility in Dubai, United Arab Emirates. We also announced plans to construct a new grinding and blending facility at the Port of Tilbury in the United Kingdom.

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

Growing spread of ROCE / WACC
(percentage)



We see abundant opportunities to deepen our customer relationships by focusing on more vertically integrated building solutions.

Since completing the RMC acquisition on March 1, 2005, we have reduced our net debt by US$4.6 billion—more than three quarters of the enterprise value of that acquisition. We have also lowered our net-debt-to-EBITDA ratio to 1.4 times and increased our interest coverage to 8.4 times for 2006.

In addition, we successfully refinanced US$6.7 billion of our debt maturities in 2006. The average maturity of our debt is now 3.1 years.

INTEGRATE ACQUISITIONS QUICKLY AND ACHIEVE OPTIMAL OPERATING STANDARDS

We are always looking for ways to improve our productivity and operating efficiency. Toward this end, we have implemented several standardized platforms to reduce our costs, streamline our processes, and extract synergies from our global operations. We have also taken various steps over the past several years to improve our overall product quality and the environmental impact of our operations.

With each international acquisition, we have further refined the technological and managerial processes required to integrate acquisitions into our corporate structure. Consequently, we have been able to consolidate acquisitions more quickly, smoothly, and effectively.

Our integration of RMC was a success. In 2006, we reached our target return on capital employed of more than 10% for the RMC acquisition—a year earlier than we had originally expected. We captured US$240 million in incremental synergies from the integration, and by December 2006, we had achieved our run-rate level of US$360 million in integration synergies—also one year earlier than we had originally expected. As a result, we expect to achieve net incremental synergies of US$60 million in 2007.

Alignment with investor interests

Employee stock-ownership plan

To better align our executives' interests with those of our stockholders, we began offering executives a new stock-ownership program in 2005. The plan's goal is to move our company's long-term incentives from stock options to programs based on restricted stock, which we believe is more highly valued by our executives and stockholders. As of December 31, 2006, our executives held 151,905,305 restricted CPOs, representing 2.1% of our total CPOs outstanding.

Corporate governance

We are committed to the highest standards of corporate governance. Our company's board of directors is composed of qualified directors who provide appropriate oversight. The requirement of independence of the audit committee members satisfies applicable law, and one member of our audit committee meets the requirements of a "financial expert" as defined by the Sarbanes-Oxley Act of 2002 (SOX).

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

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

As of December 31, 2006	PRODUCTION CAPACITY MILLION METRIC TONS/YEAR	CEMENT PLANTS CONTROLLED	CEMENT PLANTS MINORITY PART.	READY-MIX PLANTS	AGGREGATES QUARRIES	LAND DISTRIBUTION CENTERS	MARINE TERMINALS
Mexico	27.2	15	3	293	19	85	8
United States[1]	13.3	12	4	399	58	40	8
Spain	11.0	8	0	110	24	10	18
United Kingdom	2.8	3	0	269	78	26	6
Rest of Europe[2]	12.1	9	1	634	180	48	20
South/Central America & Caribbean[3]	15.5	14	3	126	18	37	15
Africa and Middle East[4]	5.0	1	0	74	13	6	1
Asia[5]	6.3	4	0	21	4	6	4
TOTAL	**93.2**	**66**	**11**	**1,926**	**394**	**258**	**80**

[1] Includes operations from joint venture with Ready Mix USA.
[2] Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Norway, Poland, and Sweden.
[3] Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Guatemala, Nicaragua, Panama, Puerto Rico, and Venezuela, as well as other operations in the Caribbean region.
[4] Includes operations in Egypt, Israel, and the United Arab Emirates.
[5] Includes operations in Bangladesh, Malaysia, the Philippines, Taiwan, and Thailand.

Consolidated RESULTS

Net sales increased 19% to US$18.25 billion. The increase was due to higher cement, ready-mix, and aggregates volumes and better supply-demand dynamics in most of our markets.

Cost of sales increased 26%, while **selling, general, and administrative (SG&A)** expenses increased 3%. As a percentage of net sales, cost of sales increased 3.3 percentage points, while our SG&A expenses decreased 3.2 percentage points compared with 2005.

Operating income was up 18% to US$2.95 billion, while **EBITDA** totaled US$4.14 billion, 16% more than 2005. Our EBITDA margin went from 23.2% in 2005 to 22.7% in 2006. Higher energy and transportation costs were partially offset by productivity gains throughout CEMEX, including synergies from the RMC post-merger integration and better supply-demand dynamics in most of our markets. Our EBITDA margin was also affected by the change in our product mix to less capital-intensive businesses.

Financial expenses decreased 6% to US$494 million as a result of the reduction of debt during the year. Our **interest coverage ratio** was 8.4 times, up from 6.8 times at the end of 2005.

We incurred a US$20 million **foreign-exchange gain** for the year, versus a loss of US$79 million for 2005. This gain was due primarily to the appreciation of the Mexican peso. This gain was partially offset by a loss on financial instruments of US$14 million in 2006 compared with a gain of US$386 million in 2005. This loss resulted mainly from our cross-currency swaps.

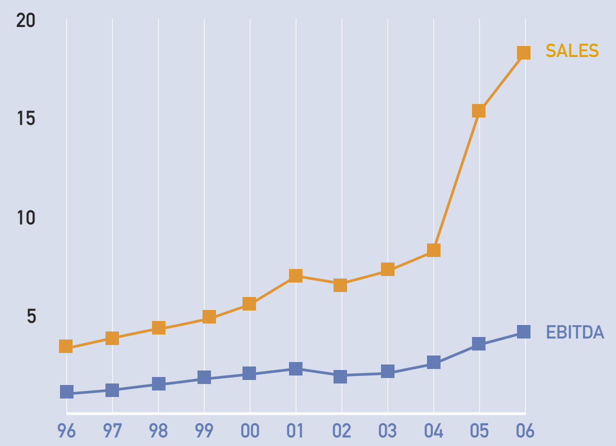
Despite the very high gain on financial instruments reported in 2005, our **majority interest net income** for the year increased 13% to US$2.38 billion as a result of our strong operating performance and our lower non-operating expenses, which mainly resulted from our gain from the sale of our minority position in Semen Gresik and revenues from the reimbursement of the US dumping duties and the cancellation of the related liability.

Free cash flow after maintenance capital expenditures increased 22% to US$2.69 billion, which we used to reduce debt and for other investments.

Net debt was US$5.81 billion at the end of 2006 compared with US$8.67 billion at year-end 2005. Since completing the acquisition of RMC on March 1, 2005, we have cut our net debt by US$4.6 billion, applying the majority of our free cash flow to debt reduction. At the end of 2006, our **net-debt-to-EBITDA ratio** stood at 1.4 times, down from 2.4 times for 2005.

In 2006, we engaged in **debt-refinancing transactions** totaling approximately US$6.7 billion. Also during the year, Fitch Ratings maintained its BBB investment-grade ratings on our debt, and Standard & Poor's upgraded its credit rating from BBB- to BBB.

EBITDA and sales
(billions of US dollars)



Global review OF OPERATIONS

Mexico

In 2006, our Mexican operations' net sales reached US$3.63 billion, a 14% increase compared with 2005, and EBITDA rose 9% to US$1.39 billion.

Cement and ready-mix concrete volumes grew 8% and 21%, respectively, for the year. The main drivers of demand were government infrastructure spending and residential construction. The self-construction sector showed moderate growth for the year.

In 2006, foreign direct investment and remittances from the United States—which reached a record US$24 billion for the year—remained high and contributed to Mexico's strong economic activity. Mortgage-origination levels also continued to grow, reaching approximately 780,000 mortgages for the year.

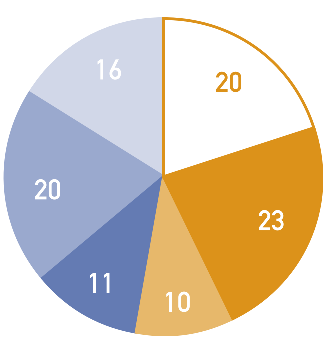
On the operations front, we continued with the expansion of our Yaqui and Tepeaca cement plants. These investments, which will extend into 2008 and 2009, respectively, reflect our confidence in the strength of the Mexican economy and the continued high growth of the country's housing and public infrastructure sectors.

United States

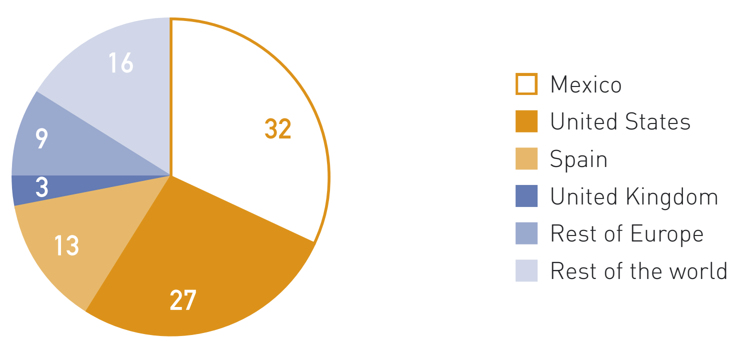
Our US operations' net sales increased 3% to US$4.17 billion in 2006. EBITDA reached US$1.21 billion, a 19% increase over 2005.

On a like-to-like basis from our continuing operations, cement, ready-mix concrete, and aggregates volumes decreased 1%, 17%, and 15%, respectively, for 2006. The year-over-year decline in volumes was driven by a weaker residential sector. Residential construction spending declined 2%, with housing starts, the fundamental driver of residential cement demand, down 13% for the year.

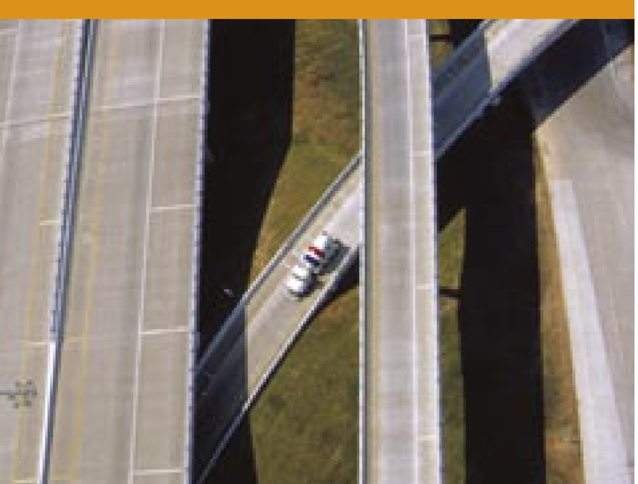
Sales geographic distribution
(percentage)



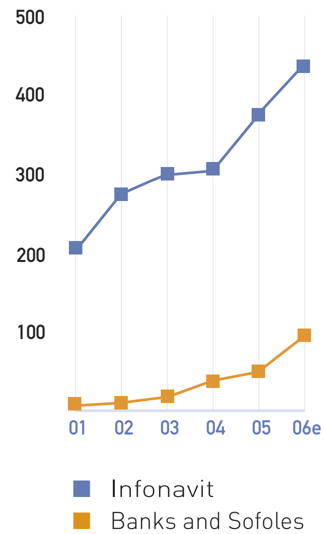
EBITDA geographic distribution
(percentage)



Our portfolio of assets is concentrated in markets that provide sustainable top- and bottom-line growth.



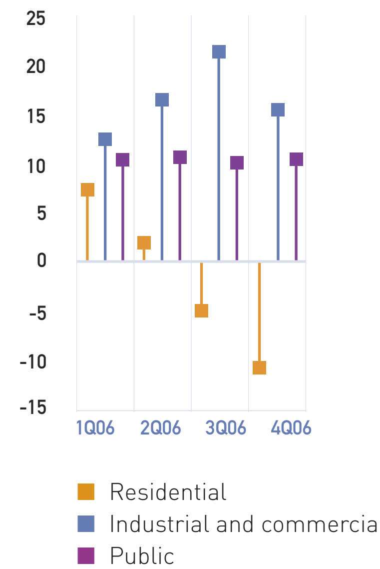
Housing in Mexico
(thousand mortgages/year)



Housing activity continues to expand, driven primarily by growing mortgage-origination levels through Infonavit, commercial banks, and Sofoles.

Source: Conafovi

Construction put in place by segment in the US
(year-over-year growth)



Despite the year-over-year decline in residential construction compared to the peak levels of 2005, overall US construction put in place increased 4.8% for 2006.

Source: US Census Bureau

Public construction spending rose 10% with streets and highways increasing 15% and other public spending rising 8%. Public-sector construction, particularly spending for streets and highways, continued to benefit from increased federal funding and the states' improving economic and fiscal conditions. Ongoing economic growth and increased business investment drove industrial-and-commercial construction spending up 16% in 2006.

Spain

Our net sales in Spain increased 24% to US$1.84 billion in 2006. EBITDA reached US$555 million, up 27% from 2005.

Cement volumes grew 10%. On a like-to-like basis from our continuing operations, ready-mix volumes rose 9% for 2006.

All of the country's construction sectors remained strong throughout 2006. The residential construction sector had a record year, with more than 850,000 housing starts. Strong municipal spending in anticipation of local elections in 2007 supported the growth of the public-works sector.

United Kingdom

Our UK operations' net sales grew 32% to US$2.01 billion and EBITDA increased 1% to US$149 million in 2006.

On a like-to-like basis from our continuing operations, cement and ready-mix concrete sales volumes declined 4% and 1%, respectively, for the year. Better performance in the industrial, commercial, and public-housing sectors partly offset a slowdown in the public infrastructure, private-residential, and repair-maintenance-and-improvement sectors.

Rest of Europe

The rest of our European operations produced net sales of US$3.64 billion and EBITDA of US$390 million for 2006. On a like-to-like basis from our continuing operations, cement and ready-mix concrete volumes increased 7% and 11%, respectively, for the year.

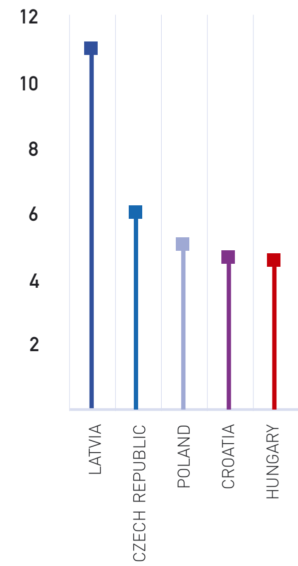
In Germany, the residential sector was the main driver of cement demand during 2006. The nonresidential sector grew approximately 6% for the year, as a result of the more favorable economic and business environment. The public-works sector also experienced growth for the year, benefiting from higher corporate-tax and toll-road revenues.

In France, our aggregates and ready-mix concrete volumes increased 6% and 5%, respectively, for the year. The residential sector, including private and public housing, was the main driver of demand in 2006. Social programs for new home buyers and easier access to lower-cost mortgages drove the number of housing starts to over 430,000 for the year.

South/Central America and Caribbean

Our net sales in the region rose 21% to US$1.59 billion, and EBITDA increased 24% to US$472 million in 2006. Our regional operations' domestic cement volumes grew 15% for the year.

CEMEX's Eastern European markets GDP growth 2006
(percentage)



The economic prospects for CEMEX's Eastern European markets remain very attractive.

Source: International Monetary Fund

In Venezuela, cement volumes increased 30% during the year. Public infrastructure spending, which continued to benefit from increased oil revenues, and a strong residential sector remained the main drivers of cement consumption in the country.

In Colombia, our operations' cement volumes grew 8% in 2006. This growth was driven primarily by demand from the public infrastructure, residential, and industrial-and-commercial sectors.

Africa and Middle East

Net sales from our operations in Africa and the Middle East were US$705 million, up 32% over 2005. EBITDA increased 13% to US$167 million.

In Egypt, our domestic cement volumes grew 3% for the year. The main driver of cement demand was the self-construction sector, supported by high remittances.

Asia

In 2006, our Asian operations' net sales rose 17% to US$346 million, and EBITDA increased 25% to US$75 million. In the aggregate, our regional cement volumes declined 1% for the year.

Trading

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

In 2006, our trading volume totaled more than 17 million metric tons of cementitious materials—including almost 16 million metric tons of cement and clinker—and we expanded our trading relationships to a record 108 countries from 97 in 2005. Also, our trading volume of slag increased 25% to 1.84 million metric tons from 1.47 million metric tons in 2005.

millions of US dollars	SALES	OPERATING INCOME	EBITDA	ASSETS
Mexico	3,635	1,235	1,391	5,800
United States[1]	4,170	919	1,207	7,118
Spain	1,841	471	555	3,089
United Kingdom	2,010	(7)	149	6,249
Rest of Europe[2]	3,644	176	390	6,692
South/Central America & Caribbean[3]	1,586	341	472	3,267
Africa & Middle East[4]	705	136	167	1,251
Asia[5]	346	58	75	861
Other	311	(384)	(270)	(4,355)
TOTAL	**18,249**	**2,945**	**4,138**	**29,972**

[1] Includes operations from joint venture with Ready Mix USA.
[2] Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Norway, Poland, and Sweden.
[3] Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Guatemala, Nicaragua, Panama, Puerto Rico, and Venezuela, as well as other operations in the Caribbean region.
[4] Includes operations in Egypt, Israel, and the United Arab Emirates.
[5] Includes operations in Bangladesh, Malaysia, the Philippines, Taiwan, and Thailand.

ACQUISITIONS, DIVESTITURES, AND OTHER relevant events

CEMEX offers to acquire Rinker

On October 27, 2006, CEMEX announced an offer to acquire all of the outstanding shares of Rinker Group Limited for US$13.00 per share. The offer represents a 26.2% premium over the three-month volume weighted-average price of Rinker's shares and a premium of 27.0% over its closing price on the Australian Stock Exchange on October 27, 2006. At the time of the announcement, this represented a multiple of 9.2 times Rinker's EBITDA for the 12-month period ending June 30, 2006. The total enterprise value of the transaction, including Rinker's debt, is approximately US$12.8 billion.

The combination of CEMEX and Rinker would create one of the largest and most profitable building-materials companies in the world with pro forma revenues of US$23.2 billion and more than 67,000 employees in more than 50 countries.

The transaction is subject to customary closing conditions, including the acquisition of more than 90% of Rinker's shares, Australian and US regulatory approval, and the approval of CEMEX's stockholders. As of the date of printing this report, March 30, 2007, the closing conditions had not yet been satisfied in their entirety.

The offer is also for all outstanding American depositary shares of Rinker for US$65 per American depositary share in cash. Each Rinker depositary share represents a beneficial interest in five shares of Rinker.

CEMEX has obtained committed facilities, sufficient to satisfy in full the cash consideration payable to Rinker's shareholders under the terms of the offer.

CEMEX's offer is being made in US dollars, consistent with Rinker's reporting currency and the location of the vast majority of its assets. Rinker's shareholders will be given the opportunity to elect to receive their offer consideration in Australian dollars, converted at the exchange rate prevailing at the time of payment.

On March 22, 2007, CEMEX extended the offer period until April 27, 2007.

United States and Mexico agree to resolve antidumping order on Mexican cement

On January 19, 2006, officials from the Mexican and US governments reached an agreement in principle to end the long-standing dispute over US imports of Mexican cement. Under the agreement, the United States will ease restrictions during a three-year transition period and completely revoke the US antidumping order in early 2009—allowing cement from Mexico to enter the United States without duties or other limits on volumes.

During the three-year transition period, the United States will allow three million metric tons of Mexican cement into the country annually—an increase from current levels—and will permit this quantity to increase as the market grows over the second and third years, subject to a 4.5% an-

As a leading industry consolidator, we take a disciplined approach to capital allocation.

nual cap. The United States will specify quota allocations on a regional basis and will lower the tariff to US$3 per metric ton during the transition period (from approximately US$26 per ton).

As a result of the settlement agreement reached by the US and Mexican governments, CEMEX received reimbursement of approximately US$111 million relating to dumping duties from the US Customs Department.

CEMEX to invest US$460 million to expand Tepeaca cement plant in Mexico

On September 28, 2006, CEMEX announced plans to construct a new kiln at its Tepeaca cement plant in Puebla, Mexico. The construction is expected to be completed in 2009. The total value of the investment, which will extend over three-year period, is approximately US$460 million.

The new kiln will increase the Tepeaca plant's installed capacity by 4.4 million metric tons to 7.6 million metric tons of cement per year. With this additional capacity, the Tepeaca plant will become the largest and most modern cement production facility in the Americas.

Strategically located in central Mexico, the Tepeaca plant will use the most modern and efficient processes, developed with CEMEX technology, for cement production, fuel use, and environmental standards.

CEMEX announces plans for new UK grinding and blending facility

On September 11, 2006, CEMEX announced plans to construct a new grinding and blending mill for the production of blended cements in the United Kingdom, at the Port of Tilbury near London.

The facility, which will have an annual capacity of 1.2 million metric tons, represents an investment of US$49 million and is expected to begin operations in the first half of 2008.

The mill's primary product, CEM3, is a blend of traditional Portland cement and slag; it provides improved workability in unhardened concrete and helps to improve the long-term durability of concrete structures that are subjected to aggressive environments.

The Tilbury facility is part of CEMEX's wider commitment to sustainable development. It could reduce carbon dioxide emissions by 50% for each metric ton of blended cement produced, saving a total of 600,000 tons per year.

The new mill will be well-positioned to help meet cement demand for new developments in the region, as well as the sustainable construction challenges of the London 2012 Olympic Games.

CEMEX divests investment in Semen Gresik

During the second half of the year, CEMEX divested its 25.5% interest in PT Semen Gresik to Indonesia-based Rajawali Group, receiving proceeds of approximately US$346 million. CEMEX and the Indonesian government have agreed to discontinue the arbitration case before the International Centre for Settlement of Investment Disputes.

PT Semen Gresik is a publicly traded company on the Jakarta Stock Exchange and trades under the ticker symbol "SMGR."

CEMEX CPO and ADS two-for-one split

On July 11, 2006, CEMEX announced that, beginning July 17, 2006, trading in its Ordinary Participation Certificates (“CPOs”) and, beginning July 24, 2006, trading in its American Depositary Shares (“ADSs”) would reflect its previously announced two-for-one stock split.

In connection with the stock split, which was approved by CEMEX’s stockholders on April 27, 2006, each one of CEMEX’s existing series A shares was exchanged for two new series A shares, and each one of CEMEX’s existing series B shares was exchanged for two new series B shares. Each CPO, which represented two existing A shares and one existing B share, was exchanged for two new CPOs. Each new CPO represents two new series A shares and one new series B share.

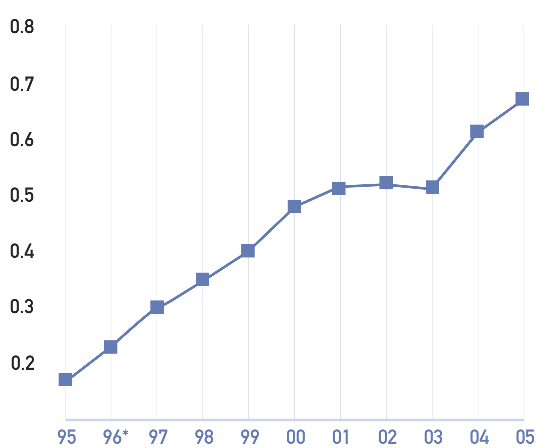
On July 24, 2006, trading on the New York Stock Exchange started reflecting the stock split, as each ADS holder received one additional ADS for every existing ADS, each representing 10 new CPOs. Between July 17 and July 21, 2006, the number of CEMEX’s existing ADSs, each of which previously represented 10 CPOs, did not change; instead, it included the right to receive an additional ADS on July 24, 2006.

The proportional equity interest participation of existing stockholders in both CPOs and ADSs did not change as a result of the stock split.

97.4% of stockholders receive CPOs or ADSs under CEMEX’s stock dividend program

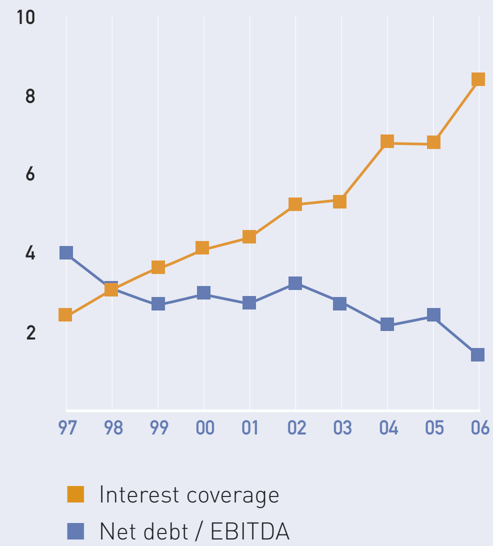
On June 5, 2006, CEMEX announced the completion of its stock dividend program, determined at the Annual Shareholders Meeting on April 27, 2006. A total of 105,937,857 CPOs, including CPOs in the form of ADSs (one ADS represents 10 CPOs), were issued on June 5, 2006, and were distributed to 97.4% of stockholders. The remaining 2.6% of stockholders, consisting of CPO holders, received a cash payment of MXN1.4887 per CPO in lieu of the stock dividend, for a total of approximately MXN144 million (US$13 million) paid by CEMEX.

Dividends
(US dollars)



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

Net debt / EBITDA - Interest coverage
(times)



Under the stock dividend program, CEMEX stockholders received one new CPO for each 35.2895 CPOs held (each representing two series A shares and one series B share), and ADS holders received one new ADS for each 35.2895 ADSs held.

CPO holders had the option to receive a cash payment in lieu of the stock dividend. ADS holders were entitled to receive a stock dividend only. ADS holders were entitled to instruct the ADS Depositary to sell all or a portion of the additional stock received as a result of the stock dividend into the market and receive the net cash proceeds from such sales.

(CPO amounts and the cash payment per CPO do not reflect the two-for-one CPO split effective July 17, 2006, nor do they reflect the two-for-one ADR split effective July 24, 2006.)

CEMEX to increase cement production in the UAE with construction of a new grinding facility

On March 27, 2006, CEMEX announced that it intended to begin construction of a new grinding facility for cement and slag in Dubai, United Arab Emirates, to help meet increased local demand.

The construction of the grinding facility will increase commercial and production capacity in the region to 1.6 million metric tons of cement. The estimated investment in the new facility is US$50 million.

CEMEX announces construction of new cement mill and dry mortar plant in Spain

On March 22, 2006, CEMEX announced that it would invest over 47 million euros in the construction of a new cement mill and dry mortar production plant at the Port of Cartagena in Spain. The new facilities are expected to have a production capacity of almost 1 million metric tons of cement and 200,000 metric tons of dry mortar per year.

The project will be undertaken in several phases and adhere to strict environmental requirements. It is expected that the project will be completed in the first quarter of 2008.

CEMEX to invest US$210 million to expand Yaqui cement plant

On March 6, 2006, CEMEX announced that it intended to begin construction of a new kiln at its Yaqui cement plant in Sonora, Mexico. The construction is expected to be completed in 2007. The total value of the investment, which will extend over a two-year period, is approximately US$210 million.

The current production capacity of the Yaqui cement plant is approximately 1.35 million metric tons per year and will increase by an additional 1.8 million metric tons a year when the expansion is completed.

CEMEX announces expansion of New Braunfels, Texas cement plant

On February 16, 2006, CEMEX announced that it intended to begin the construction of a second kiln at its Balcones cement plant in New Braunfels, Texas, US. The expansion is expected to be competed in 2008. The total value of the investment over the course of three years is approximately US$220 million.

CEMEX has received a permit from the Texas Commission on Environmental Quality that allows it to double its production capacity at Balcones. The permit includes several provisions and special conditions that ensure CEMEX's continued commitment to the environment and its neighboring communities, including the use of the latest "state-of-the-art" emission-control units.

Derivative instruments

In compliance with the guidelines established by our Financial Risk Management Committee, we use derivative financial instruments in order to change the risk profile associated with changes in interest rates and foreign-exchange rates of debt agreements; as a vehicle to reduce financing costs; and as hedges of forecasted transactions, our net assets in foreign subsidiaries, and our stock-option plans.

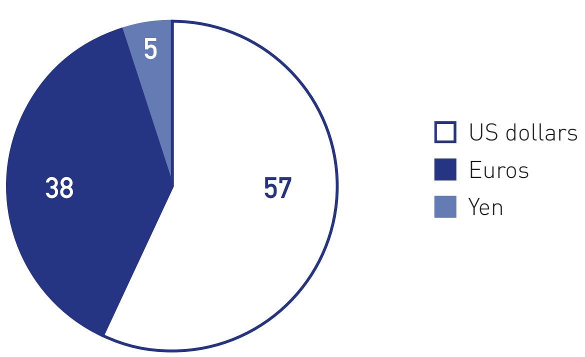
Under Mexican Financial Reporting Standards ("Mexican FRS"), derivative financial instruments should be recognized on the balance sheet as assets or liabilities, at their estimated fair market value, with changes in such fair values recorded on the income statement, except when transactions are entered into for cash-flow hedging purposes. In such cases, changes in the fair market value of the related derivative instruments are recognized temporarily in equity and are reclassified into earnings as the inverse effects of the underlying hedged items flow through the income statement. CEMEX has recognized increases in its assets and liabilities, which resulted in a net asset of US$362 million, arising from the fair market value of its derivative financial instruments as of December 31, 2006. The notional amounts of derivatives substantially match the amounts of underlying assets, liabilities, or equity transactions on which the derivatives are being entered into.

	notional amounts[1]
Equity derivatives (not prepaid)	171
Foreign-exchange derivatives	8,051
Interest-rate derivatives	3,334

[1] *Millions of US dollars as of December 31, 2006.*

The estimated aggregate fair market value of these derivative instruments was US$316 million on December 31, 2006.

Currency denomination of debt
(percentage)



INDEPENDENT auditors' report

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

We have audited the consolidated and the parent company-only balance sheets of CEMEX, S.A.B. de C.V. (previously CEMEX, S.A. de C.V.) and CEMEX, S.A.B. de C.V and subsidiaries as of December 31, 2006 and 2005, and the related consolidated and parent company-only statements of income, changes in stockholders' equity and changes in financial position for each of the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated and parent company-only financial statements referred to above present fairly, in all material respects, the financial position of CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries as of December 31, 2006 and 2005, and the consolidated and parent company-only results of their operations, the changes in their stockholders' equity and the changes in their financial position for each of the years ended December 31, 2006, 2005 and 2004, in conformity with Mexican Financial Reporting Standards.

Our audits were made for the purpose of forming an opinion expressed in the above paragraph. The supplementary information related to the conversion of Mexican pesos to U.S. dollars, included in the financial statements in accordance with the basis described in notes 3A) and 24B) and prepared under the responsibility of the Company's management, is presented only for convenience of the financial statements reader, and is not required for the interpretation of the basic financial statements. In our opinion, such additional information is fairly stated in all material respects, in relation to the basic financial statements.

KPMG Cárdenas Dosal, S.C.

C.P.C. Leandro Castillo Parada

Monterrey, N.L., México
January 26, 2007.

CONSOLIDATED
balance sheets

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

	Notes	2006 Convenience translation (note 3A)	DECEMBER 31, 2006	2005
ASSETS				
CURRENT ASSETS				
Cash and investments	4	U.S.$ 1,579	$ 17,051	6,963
Trade receivables less allowance for doubtful accounts	5	1,411	15,236	18,440
Other accounts receivable	6	786	8,488	8,979
Inventories	7	1,193	12,884	12,009
Other current assets	8	192	2,079	1,850
Total current assets		5,161	55,738	48,241
NON-CURRENT ASSETS				
Investments in associates	9A	709	7,654	9,728
Other investments and non-current accounts receivable	9B	886	9,567	8,324
Properties, machinery and equipment, net	10	17,196	185,714	179,942
Goodwill, intangible assets and deferred charges	11	6,020	65,025	63,631
Total non-current assets		24,811	267,960	261,625
TOTAL ASSETS		**U.S.$ 29,972**	**$ 323,698**	**309,866**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term debt including current maturities of long-term debt	12	U.S.$ 1,252	$ 13,514	13,788
Trade payables		1,717	18,541	15,771
Other accounts payable and accrued expenses	13	1,468	15,861	18,070
Total current liabilities		4,437	47,916	47,629
NON-CURRENT LIABILITIES				
Long-term debt	12	6,290	67,927	95,944
Pensions and other postretirement benefits	14	639	6,900	6,966
Deferred income taxes	15B	2,571	27,770	28,224
Other non-current liabilities	13	1,256	13,576	11,227
Total non-current liabilities		10,756	116,173	142,361
TOTAL LIABILITIES		**15,193**	**164,089**	**189,990**
STOCKHOLDERS' EQUITY				
Majority interest:				
Common stock	16A	366	3,956	3,954
Additional paid-in capital	16A	5,074	54,801	49,056
Other equity reserves	16B	(8,014)	(86,554)	(85,986)
Retained earnings	16C	13,055	140,993	122,283
Net income		2,378	25,682	24,450
Total majority interest		12,859	138,878	113,757
Minority interest	16F	1,920	20,731	6,119
TOTAL STOCKHOLDERS' EQUITY		**14,779**	**159,609**	**119,876**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**U.S.$ 29,972**	**$ 323,698**	**309,866**

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED
statements of income

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006, EXCEPT FOR EARNINGS PER SHARE)

		YEARS ENDED DECEMBER 31,			
	Notes	2006 Convenience translation (note 3A)	2006	2005	2004
Net sales	3Q	U.S.$ 18,249	$ 197,093	177,385	94,915
Cost of sales	3G	(11,649)	(125,804)	(107,341)	(53,417)
Gross profit		**6,600**	**71,289**	**70,044**	**41,498**
Administrative, selling and distribution expenses		(3,655)	(39,475)	(41,253)	(19,931)
Operating income		**2,945**	**31,814**	**28,791**	**21,567**
Comprehensive financing result:					
Financial expense		(494)	(5,334)	(6,092)	(4,336)
Financial income		46	494	455	273
Results from valuation and liquidation of financial instruments		(14)	(148)	4,471	1,395
Foreign exchange result		20	219	(912)	(275)
Monetary position result		398	4,303	4,914	4,495
Net comprehensive financing result		(44)	(466)	2,836	1,552
Other expenses, net	3S	(34)	(369)	(3,676)	(5,635)
Income before income taxes, employees' statutory profit sharing and equity in income of associates		**2,867**	**30,979**	**27,951**	**17,484**
Income taxes, net	15	(486)	(5,254)	(3,885)	(2,137)
Employees' statutory profit sharing	15	(15)	(166)	10	(346)
Total income taxes and employees' statutory profit sharing		(501)	(5,420)	(3,875)	(2,483)
Income before equity in income of associates		**2,366**	**25,559**	**24,076**	**15,001**
Equity in income of associates		122	1,314	1,012	467
Consolidated net income		2,488	26,873	25,088	15,468
Minority interest net income		110	1,191	638	244
Majority interest net income		**U.S.$ 2,378**	**$ 25,682**	**24,450**	**15,224**
Basic earnings per share	20	**U.S.$ 0.11**	**$ 1.19**	**1.18**	**0.77**
Diluted earnings per share	20	**U.S.$ 0.11**	**$ 1.19**	**1.17**	**0.76**

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF

changes in financial position

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

		YEARS ENDED DECEMBER 31,			
	Notes	2006 Convenience translation (note 3A)	2006	2005	2004
OPERATING ACTIVITIES					
Majority interest net income		**U.S.$ 2,378**	**$ 25,682**	**24,450**	**15,224**
Adjustments to reconcile majority interest net income to resources provided by operating activities:					
Depreciation of properties, machinery and equipment	10	1,055	11,393	10,887	6,985
Amortization of intangible assets and deferred charges	11	137	1,479	1,750	3,000
Impairment of assets	10, 11	60	649	181	1,641
Pension and other postretirement benefits	14	78	844	2,181	492
Deferred income taxes charged to results	15	107	1,160	1,225	1,097
Equity in income of associates	9B	(122)	(1,314)	(1,012)	(467)
Minority interest		110	1,191	638	244
Resources provided by operating activities		**3,803**	**41,084**	**40,300**	**28,216**
Changes in working capital, excluding acquisition effects:					
Trade receivables, net		298	3,222	(504)	770
Other accounts receivable and other assets		25	266	(1,496)	(348)
Inventories		(89)	(962)	1,718	(158)
Trade payables		256	2,761	1,990	164
Other accounts payable and accrued expenses		(209)	(2,260)	(2,094)	(2,906)
Net change in working capital		281	3,027	(386)	(2,478)
Net resources provided by operating activities		**4,084**	**44,111**	**39,914**	**25,738**
FINANCING ACTIVITIES					
Proceeds from debt (repayments), net, excluding the effect of business acquisitions		(2,667)	(28,799)	14,618	(4,254)
Decrease of treasury shares owned by subsidiaries		165	1,781	–	–
Liquidation of optional instruments		–	–	–	(1,129)
Dividends paid		(531)	(5,740)	(5,302)	(4,516)
Issuance of common stock from stock dividend elections		532	5,742	4,722	4,456
Issuance of common stock under stock option programs		–	5	19	72
Issuance (repurchase) of equity instruments by subsidiaries	16F	1,250	13,500	–	(827)
Other financing activities, net		148	1,594	(6,413)	(1,686)
Resources (used in) provided by financing activities		**(1,103)**	**(11,917)**	**7,644**	**(7,884)**
INVESTING ACTIVITIES					
Properties, machinery and equipment, net	10	(1,372)	(14,814)	(9,093)	(5,055)
Disposal (acquisition) of subsidiaries and associates	9A, 11	253	2,727	(44,928)	(8,608)
Minority interest		(7)	(79)	(169)	(1,528)
Goodwill, intangible assets and other deferred charges	11	(224)	(2,424)	11,205	1,622
Other investments and monetary foreign currency effect		(697)	(7,516)	(1,597)	(3,936)
Resources used in investing activities		**(2,047)**	**(22,106)**	**(44,582)**	**(17,505)**
Increase in cash and investments		934	10,088	2,976	349
Cash and investments at beginning of year		645	6,963	3,987	3,638
Cash and investments at end of year	4	**U.S.$ 1,579**	**$ 17,051**	**6,963**	**3,987**

The accompanying notes are part of these consolidated financial statements.

balance sheets

CEMEX, S.A.B. DE C.V.
Parent Company-Only
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

	Note 24	DECEMBER 31, 2006 Convenience translation (note 24B)	2006	2005
ASSETS				
CURRENT ASSETS				
Other accounts receivable	C	U.S.$ 69	$ 748	792
Related parties accounts receivable	I	597	6,444	519
Total current assets		666	7,192	1,311
NON-CURRENT ASSETS				
Investments in subsidiaries and associates	D	15,952	172,279	143,371
Other investments and non-current accounts receivable		283	3,054	2,679
Long-term related parties accounts receivable	I	–	–	21,766
Land and buildings, net	E	179	1,935	1,940
Goodwill and deferred charges	F	402	4,341	3,248
Total non-current assets		16,816	181,609	173,004
TOTAL ASSETS		**U.S.$ 17,482**	**$ 188,801**	**174,315**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term debt including current maturities of long-term debt	H	U.S.$ 406	$ 4,385	6,665
Other accounts payable and accrued expenses	G	107	1,155	470
Related parties accounts payable	I	28	302	422
Total current liabilities		541	5,842	7,557
NON-CURRENT LIABILITIES				
Long-term debt	H	2,740	29,597	31,342
Long-term related parties accounts payable	I	1,242	13,409	21,142
Other non-current liabilities		100	1,075	517
Total non-current liabilities		4,082	44,081	53,001
TOTAL LIABILITIES		**4,623**	**49,923**	**60,558**
STOCKHOLDERS' EQUITY	K			
Common stock		366	3,956	3,954
Additional paid-in capital		5,074	54,801	49,056
Other equity reserves		(8,014)	(86,554)	(85,986)
Retained earnings		13,055	140,993	122,283
Net income		2,378	25,682	24,450
TOTAL STOCKHOLDERS' EQUITY		**12,859**	**138,878**	**113,757**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**U.S.$ 17,482**	**$ 188,801**	**174,315**

The accompanying notes are part of these Parent Company-only financial statements.

statements of income

CEMEX, S.A.B. DE C.V.
Parent Company-Only
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006, EXCEPT FOR EARNINGS PER SHARE)

	Note 24	2006 Convenience translation (note 24B)	2006	2005	2004
			YEARS ENDED DECEMBER 31,		
Equity in income of subsidiaries and associates	D	U.S.$ 2,283	$ 24,663	25,724	13,866
Rental income	I	26	276	284	299
License fees	I	85	920	754	717
Total revenues		**2,394**	**25,859**	**26,762**	**14,882**
Administrative expenses		(3)	(33)	(60)	(41)
Operating income		**2,391**	**25,826**	**26,702**	**14,841**
Comprehensive financing result:					
Financial expense		(469)	(5,066)	(4,811)	(2,795)
Financial income		163	1,760	1,657	1,603
Results from valuation and liquidation of financial instruments		(118)	(1,273)	970	478
Foreign exchange result		39	421	(811)	882
Monetary position result		140	1,515	881	1,146
Net comprehensive financing result		(245)	(2,643)	(2,114)	1,314
Other expenses, net	I	(76)	(829)	(799)	(1,257)
Income before income taxes		**2,070**	**22,354**	**23,789**	**14,898**
Income taxes, net	J	308	3,328	661	326
Net income		**U.S.$ 2,378**	**$ 25,682**	**24,450**	**15,224**
Basic Earnings per Share	M	**U.S.$ 0.11**	**$ 1.19**	**1.18**	**0.77**
Diluted Earnings per Share	M	**U.S.$ 0.11**	**$ 1.19**	**1.17**	**0.76**

The accompanying notes are part of these Parent Company-only financial statements.

STATEMENTS OF
changes in financial position

CEMEX, S.A.B. DE C.V.
Parent Company-Only
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

	Note 24	2006 Convenience translation (note 24B)	YEARS ENDED DECEMBER 31, 2006	2005	2004
OPERATING ACTIVITIES					
Net income		**U.S.$ 2,378**	**$ 25,682**	**24,450**	**15,224**
Adjustments to reconcile net income to resources provided by operating activities:					
Depreciation of properties		–	5	4	7
Amortization of deferred charges		13	136	133	369
Deferred income tax charged to results	J	(119)	(1,284)	1,063	1,129
Equity in income of subsidiaries and associates		(2,283)	(24,663)	(25,724)	(13,866)
Resources (used in) provided by operating activities		**(11)**	**(124)**	**(74)**	**2,863**
Changes in working capital:					
Other accounts receivable		4	44	263	(251)
Short-term related parties accounts receivable and payable, net	I	(559)	(6,045)	(6,178)	1,807
Other accounts payable and accrued expenses		63	685	(231)	(2,480)
Net change in working capital		(492)	(5,316)	(6,146)	(924)
Net resources (used in) provided by operating activities		**(503)**	**(5,440)**	**(6,220)**	**1,939**
FINANCING ACTIVITIES					
Proceeds from debt (repayments), net		(373)	(4,025)	10,804	(1,635)
Liquidation of optional instruments		–	–	–	(1,129)
Dividends paid		(531)	(5,740)	(5,302)	(4,516)
Issuance of common stock from stock dividend elections		532	5,742	4,722	4,457
Issuance of common stock under stock option program		–	5	19	72
Other financing activities, net		52	558	(949)	(579)
Net resources (used in) provided by financing activities		**(320)**	**(3,460)**	**9,294**	**(3,330)**
INVESTING ACTIVITIES					
Long-term related parties accounts receivable and payable, net	I	1,299	14,033	8,851	2,150
Investments in subsidiaries and associates		(446)	(4,813)	(10,340)	(1,566)
Goodwill and deferred charges		5	55	54	287
Other investments and non-current accounts receivable		(35)	(375)	(1,751)	509
Net resources provided by (used in) investing activities		**823**	**8,900**	**(3,186)**	**1,380**
Decrease in cash and investments		–	–	(112)	(11)
Cash and investments at beginning of year		–	–	112	123
Cash and investments at end of year		**U.S.$ –**	**$ –**	**–**	**112**

The accompanying notes are part of these Parent Company-only financial statements.

STATEMENT OF
changes in stockholder's equity

CEMEX, S.A.B. DE C.V. (Parent Company-Only) AND CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

	Notes	Common stock
Balances at December 31, 2003		**$ 3,949**
Results for holding non-monetary assets	16B	–
Currency translation of foreign subsidiaries	16B	–
Hedge derivative financial instruments	12	–
Deferred income taxes in equity	15	–
Goodwill for acquisition of minority interest	9A	–
Net income		–
Comprehensive income for the period		–
Dividends ($0.41 pesos per share)	16A	–
Issuance of common stock	16A	3
Liquidation of optional instruments	16E	–
Treasury shares owned by subsidiaries	16B	–
Changes and transactions relating to minority interest	16F	–
Balances at December 31, 2004		**3,952**
Results for holding non-monetary assets	16B	–
Currency translation of foreign subsidiaries	16B	–
Hedge derivative financial instruments	12	–
Deferred income taxes in equity	15	–
Net income		–
Comprehensive income for the period		–
Dividends ($0.86 pesos per share)	16A	–
Issuance of common stock	16A	2
Treasury shares owned by subsidiaries	16B	–
Changes and transactions relating to minority interest	16F	–
Balances at December 31, 2005		**3,954**
Results for holding non-monetary assets	16B	–
Currency translation of foreign subsidiaries	16B	–
Hedge derivative financial instruments	12	–
Deferred income taxes in equity	15	–
Net income		–
Comprehensive income for the period		–
Dividends ($0.83 pesos per share)	16A	–
Issuance of common stock	16A	2
Treasury shares owned by subsidiaries	16B	–
Changes and transactions relating to minority interest	16F	–
Balances at December 31, 2006		**$ 3,956**

The accompanying notes are part of these consolidated and Parent Company-only financial statements.

Additional paid-in capital	Other equity reserves	Retained earnings	Total majority interest	Minority interest	Total stockholders' equity
40,921	**(83,915)**	**116,877**	**77,832**	**6,642**	**84,474**
–	(3,005)	–	(3,005)	–	(3,005)
–	3,568	–	3,568	–	3,568
–	2,507	–	2,507	–	2,507
–	747	–	747	–	747
–	(1,044)	–	(1,044)	–	(1,044)
–	–	15,224	15,224	244	15,468
–	2,773	15,224	17,997	244	18,241
–	–	(4,516)	(4,516)	–	(4,516)
4,525	–	–	4,528	–	4,528
(1,129)	–	–	(1,129)	–	(1,129)
–	(3,510)	–	(3,510)	–	(3,510)
–	–	–	–	(2,356)	(2,356)
44,317	**(84,652)**	**127,585**	**91,202**	**4,530**	**95,732**
–	10,532	–	10,532	–	10,532
–	(4,099)	–	(4,099)	–	(4,099)
–	(1,482)	–	(1,482)	–	(1,482)
–	1,902	–	1,902	–	1,902
–	–	24,450	24,450	638	25,088
–	6,853	24,450	31,303	638	31,941
–	–	(5,302)	(5,302)	–	(5,302)
4,739	–	–	4,741	–	4,741
–	(8,187)	–	(8,187)	–	(8,187)
–	–	–	–	951	951
49,056	**(85,986)**	**146,733**	**113,757**	**6,119**	**119,876**
–	(4,338)	–	(4,338)	–	(4,338)
–	3,071	–	3,071	–	3,071
–	136	–	136	–	136
–	(591)	–	(591)	–	(591)
–	–	25,682	25,682	1,191	26,873
–	(1,722)	25,682	23,960	1,191	25,151
–	–	(5,740)	(5,740)	–	(5,740)
5,745	–	–	5,747	–	5,747
–	1,154	–	1,154	–	1,154
–	–	–	–	13,421	13,421
54,801	**(86,554)**	**166,675**	**138,878**	**20,731**	**159,609**

NOTES TO THE
consolidated financial statements

CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES
AS OF DECEMBER 31, 2006, 2005 AND 2004
(MILLIONS OF CONSTANT MEXICAN PESOS AS OF DECEMBER 31, 2006)

1. DESCRIPTION OF BUSINESS

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

At the annual stockholders' meeting held on April 27, 2006, the entity's legal name was changed from CEMEX, *Sociedad Anónima de Capital Variable*, or S.A. de C.V., to CEMEX, *Sociedad Anónima Bursátil de Capital Variable* or S.A.B. de C.V., effective from July 3, 2006. The inclusion of the word *"Bursátil"* to the entity's legal name indicates that the shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange; therefore, the entity is a publicly held company. The change in the legal name was made to comply with requirements of the new Mexican Securities Law, enacted on December 28, 2005.

CEMEX, S.A.B. de C.V. was founded in 1906 and was registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, N.L., Mexico, on June 11, 1920 for a period of 99 years. In 2002 this period was extended to the year 2100. On April 27, 2006, the stockholders of CEMEX, S.A.B. de C.V. approved a new two-for-one stock split, which became effective on July 17, 2006. In connection with this stock split, each of our existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of our existing series "B" shares was surrendered in exchange for two new series "B" shares. The proportional equity interest participation of existing stockholders did not change as a result of the stock split (note 16).

Concurrent with the stock split mentioned above, two new CPOs were issued in exchange for each of the existing CPOs, with each new CPO representing two new series "A" shares and one new series "B" share. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADSs" under the symbol "CX". As a result of the stock split, one additional ADS was issued in exchange for each existing ADS, each ADS representing ten (10) CPOs. Unless otherwise indicated, all amounts in CPOs, shares and prices per share for 2005 and 2004 included in these notes to the financial statements have been adjusted to give retroactive effect to the new stock split.

The terms "CEMEX, S.A.B. de C.V." or "the Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms "the Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries.

The consolidated and Parent Company-only financial statements were authorized for their issuance by the Company's management on January 25, 2007.

2. OUTSTANDING EVENTS IN 2006

On October 27, 2006, CEMEX announced a cash offer to acquire all of the outstanding shares of the Australian building material company, Rinker Group Limited ("Rinker"), for 13 U.S. dollars per share, equivalent to 17 Australian dollars per share as of the offer date. The offer represents a 27% premium over the closing price of the share as of the announcement day. The total amount of the transaction, including the outstanding debt of Rinker, is approximately 12.8 billion U.S. dollars, equivalent to approximately 16.8 billion Australian dollars. The purchase offer expired originally on December 27, 2006, but was initially extended by CEMEX to January 31, 2007 and subsequently extended until March 31, 2007. The combination of CEMEX and Rinker, if consummated, would create one of world's largest building materials companies. As of the date of these financial statements, CEMEX cannot anticipate the decision of Rinker's stockholders in response to the purchase offer.

3. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND DISCLOSURE

The financial statements and accompanying notes of the Parent Company (note 24), presented in addition to the consolidated financial statements, are included in order to comply with legal requirements in Mexico for the Parent Company to report as an independent legal entity.

Beginning in 2006, the financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards (*"Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C."*, or CINIF). The MFRS, which replaced the Generally Accepted Accounting Principles in Mexico ("Mexican GAAP") issued by the Mexican Institute of Public Accountants ("IMCP"), recognize the effects of inflation on the financial information. The regulatory framework of the MFRS applicable beginning in 2006 initially adopted in their entirety the former Mexican GAAP effective in 2005 and 2004; therefore, there were no effects in CEMEX's financial statements resulting from the adoption of the MFRS.

When reference is made to “pesos” or “$”, it means Mexican pesos. Except when specific references are made to “earnings per share” and “prices per share”, the amounts in these notes are stated in millions of constant Mexican pesos as of the latest balance sheet date. When reference is made to “U.S.$” or “dollars”, it means dollars of the United States of America (“United States or U.S.A.”). When reference is made to “£” or “pounds”, it means British Sterling Pounds. When reference is made to “€” or euros, it means the currency in circulation in a significant number of the European Union countries. Except for per share data and as otherwise noted, all amounts in such currencies are stated in millions.

The consolidated balance sheet as of December 31, 2006, as well as the statement of income and the statement of changes in financial position for the year ended December 31, 2006, include the presentation, caption by caption, of amounts denominated in dollars under the column “Convenience translation”. These amounts in dollars have been presented solely for the convenience of the reader at the rate of $10.80 pesos per dollar, the CEMEX accounting exchange rate as of December 31, 2006. These translations are informative data and should not be constructed as representations that the amounts in pesos actually represent those dollar amounts or could be converted into dollars at the rate indicated.

Likewise, in the accompanying notes to the financial statements, when it deemed relevant and only for the convenience of the reader, next to an amount in pesos or dollars, CEMEX includes between parentheses the corresponding translation into dollars or pesos, as applicable. When the amount between parentheses is in dollars, it means that: a) the amount in pesos disclosed in the notes also appears on the face of financial statements; or b) the amount was originally generated in pesos or in a currency other than the dollar. When the amount between parentheses is in pesos, it means that the amount in dollars was originated from a transaction denominated in dollars. These convenience translations were calculated dividing the peso amounts by the closing accounting exchange rate of the respective year and restated into constant pesos as of December 31, 2006.

B) RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors applied to the consolidated financial statements of prior periods were calculated using the weighted average inflation and the fluctuation in the exchange rate of each country in which the Company operates relative to the Mexican peso. The restatement factors for the Parent Company-only financial statements for prior periods were calculated using Mexican inflation.

	Weighted average restatement factor	Mexican inflation restatement factor
2005 to 2006	1.0902	1.0408
2004 to 2005	0.9590	1.0300
2003 to 2004	1.0624	1.0539

Common stock and additional paid-in capital are restated by Mexican inflation. The weighted average inflation factor is used for all other restatement adjustments to stockholders’ equity.

C) PRINCIPLES OF CONSOLIDATION AND MAIN SUBSIDIARIES

The consolidated financial statements include those of CEMEX, S.A.B. de C.V. and the entities in which the Parent Company holds, directly or through subsidiaries, more than 50% of their common stock and/or has control. Control exists when CEMEX has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity in order to obtain benefits from its activities.

The financial statements of joint ventures, which are those entities in which CEMEX and third-party investors have agreed to exercise joint control, are consolidated through the proportional integration method considering CEMEX’s interest in the results of operations, assets and liabilities of such entities, based on International Accounting Standard 31, “Interests in Joint Ventures”. CEMEX applies the full consolidation or the equity method, as applicable, for those joint ventures in which one of the venture partners controls the entity’s administrative, financial and operating policies.

Investments in associates (note 9A) are accounted for by the equity method, when the Company holds between 10% and 50% of the issuer’s capital stock and does not have effective control. Under the equity method, after acquisition, the investment’s original cost is adjusted for the proportional interest of the holding company in the affiliate’s equity and earnings, considering the effects of inflation.

All significant balances and transactions between related parties have been eliminated in consolidation.

The main operating subsidiaries as of December 31, 2006 and 2005, ordered by holding company, are as follows:

Subsidiary	Country	% interest 2006	2005
CEMEX México, S. A. de C.V. [1]	México	100.0	100.0
CEMEX España, S.A. [2]	Spain	99.7	99.7
CEMEX Venezuela, S.A.C.A.	Venezuela	75.7	75.7
CEMEX, Inc.	United States	100.0	100.0
CEMEX (Costa Rica), S.A.	Costa Rica	99.1	99.1
Assiut Cement Company	Egypt	95.8	95.8
CEMEX Colombia, S.A.	Colombia	99.7	99.7
Cemento Bayano, S.A.	Panama	99.3	99.3
CEMEX Dominicana, S.A.	Dominican Republic	99.9	99.9
CEMEX de Puerto Rico, Inc.	Puerto Rico	100.0	100.0
RMC France, S.A.S.	France	100.0	100.0
CEMEX Asia Holdings Ltd. [3]	Singapore	100.0	100.0
Solid Cement Corporation [3]	Philippines	100.0	100.0
APO Cement Corporation [3]	Philippines	100.0	100.0
CEMEX (Thailand) Co. Ltd. [3]	Thailand	100.0	100.0
CEMEX U.K. Ltd.	United Kingdom	100.0	100.0
CEMEX Investments Limited	United Kingdom	100.0	100.0
CEMEX Deutschland, AG.	Germany	100.0	100.0
CEMEX Austria p.l.c.	Austria	100.0	100.0
Dalmacijacement d.d.	Croatia	99.2	99.2
CEMEX Czech Republic, s.r.o.	Czech Republic	100.0	100.0
CEMEX Polska sp. z.o.o.	Poland	100.0	100.0
Danubiusbeton Betonkészító Kft.	Hungary	100.0	100.0
Readymix Plc. [4]	Ireland	61.7	61.7
CEMEX Holdings (Israel) Ltd.	Israel	100.0	100.0
SIA CEMEX	Latvia	100.0	100.0
CEMEX Topmix LLC, Gulf Quarries Company LLC, CEMEX Supermix LLC and Falcon Cement LLC [5]	United Arab Emirates	100.0	100.0

[1] CEMEX México, S.A. de C.V., the entity that indirectly holds CEMEX España, S.A. and subsidiaries, also holds 100% of the shares of Empresas Tolteca de México, S.A. de C.V. and Centro Distribuidor de Cemento, S.A. de C.V.

[2] CEMEX España, S.A. is the indirect holding company of all CEMEX's international operations.

[3] Represents CEMEX's indirect interest in the economic benefits of these entities.

[4] The Irish subsidiary is a public company, whose main minority shareholder is the Bank of Ireland Nominees Ltd., which owns approximately 14.2% of the subsidiary's common stock.

[5] CEMEX owns 49% of the common stock and obtains 100% of the economic benefits of the operating subsidiaries in that country, through an agreement with other stockholders.

D) USE OF ESTIMATES

The preparation of financial statements in accordance with MFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

The main captions subject to estimates and assumptions include, among others, the book value of fixed assets, allowances for doubtful accounts, inventories and assets for deferred income taxes, the fair market values of financial instruments and the assets and liabilities related to labor obligations.

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

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the dates of their execution. Monetary assets and liabilities denominated in foreign currencies are adjusted into pesos at the exchange rates prevailing at the balance sheet date, and the resulting foreign exchange fluctuations are recognized in earnings, except for the exchange fluctuations arising from foreign currency indebtedness directly related to the acquisition of foreign entities and the fluctuations associated with related parties balances denominated in foreign currency that are of a long-term investment nature, considering that CEMEX does not anticipate their liquidation in the foreseeable future, which are recorded against stockholders' equity, as part of the foreign currency translation adjustment of foreign subsidiaries.

The financial statements of foreign subsidiaries, which are determined using the functional currency applicable in each country, are restated in their functional currency based on the subsidiary country's inflation rate and subsequently translated by using the foreign exchange rate at the end of the reporting period for balance sheet and income statement accounts.

The closing exchange rates used to translate the financial statements of the Company's main foreign subsidiaries as of December 31, 2006, 2005 and 2004, are as follows:

	Pesos per 1 unit of foreign currency		
Currency	2006	2005	2004
United States Dollar	10.8000	10.6200	11.1400
Euro	14.2612	12.5829	15.0887
British Pound Sterling	21.1557	18.2725	21.3492
Colombian Peso	0.0048	0.0046	0.0047
Venezuelan Bolivar	0.0050	0.0049	0.0058
Egyptian Pound	1.8888	1.8452	1.8258
Philippine Peso	0.2203	0.2000	0.1979

The financial statements of foreign subsidiaries are initially translated from their functional currencies into dollars and subsequently into pesos. Therefore, the foreign exchange rates presented in the table above between the functional currency and the peso represent the accounting exchange rates resulting from this methodology. Likewise, the peso to U.S. dollar exchange rate used by CEMEX is an average of free market rates available to settle its foreign currency transactions. The Mexican central bank ("Banco de México" or "Banxico") publishes exchange rates of the U.S. dollar, the pound sterling and the euro, among others, vis-à-vis the peso. No significant differences exist, in any case, between the foreign exchange rates used by CEMEX and those exchange rates published by Banxico in the most relevant foreign currencies for CEMEX.

F) CASH AND INVESTMENTS (NOTE 4)

The balance in this caption is comprised of available amounts of cash and cash equivalents, represented by investments held for trading purposes, which are easily convertible into cash and have maturities of less than three months from the investment date. Those investments in fixed-income securities are recorded at cost plus accrued interest. Investments in marketable securities, such as shares of public companies, are recorded at market value. Gains or losses resulting from changes in market values, accrued interest and the effects of inflation arising from these investments are included in the income statements as part of the Comprehensive Financing Result.

G) INVENTORIES AND COST OF SALES (NOTE 7)

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

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

H) OTHER INVESTMENTS AND NON-CURRENT RECEIVABLES (NOTE 9B)

Other investments and non-current accounts receivable include the Company's collection rights with maturities of more than twelve months as of the reporting date. Non-current assets resulting from the valuation of derivative financial instruments, as well as investments in private funds and other investments that are recognized at their estimated fair value as of the balance sheet date, and their changes in valuation are included in the income statement as part of the Comprehensive Financing Result.

I) PROPERTIES, MACHINERY AND EQUIPMENT (NOTE 10)

Properties, machinery and equipment ("fixed assets") are presented at their restated value, using the inflation index of each country, except for those foreign assets which are restated using the inflation index of the fixed assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency of the country holding the asset.

Depreciation of fixed assets is recognized within “Cost of sales” and “Administrative, selling and distibution expenses”, depending on the utilization of the respective assets, and is calculated using the straight-line method over the estimated useful lives of the assets, except for mineral reserves, which are depleted using the units-of-production method. The maximum useful lives by category of assets are as follows:

	Years
Administrative buildings	50
Industrial buildings	35
Machinery and equipment in plant	20
Ready-mix trucks and motor vehicles	8
Office equipment and other assets	10

The Comprehensive Financing Result arising from indebtedness incurred during the construction or installation period of significant fixed assets is capitalized as part of the historical cost of such assets.

Costs incurred on operating fixed assets that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. These capitalized costs are depreciated over the remaining useful lives of the related fixed assets. Other costs, including periodic maintenance on fixed assets, are expensed as incurred.

J) BUSINESS COMBINATIONS, GOODWILL, OTHER INTANGIBLE ASSETS AND DEFERRED CHARGES (NOTE 11)

In accordance with MFRS B-7, “Business Acquisitions”, effective from January 1, 2005, CEMEX applies the following accounting principles to business combinations: a) adoption of the purchase method as the sole recognition alternative; b) allocation of the purchase price to all assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date; c) goodwill is not amortized and is subject to periodic impairment evaluations; d) intangible assets acquired are identified, valued and recognized; and e) any unallocated portion of the purchase price is recognized as goodwill.

CEMEX capitalizes intangible assets acquired, as well as costs incurred in the development of intangible assets, when future economic benefits associated are identified and control over such benefits is evidentiated. Other costs not meeting these requirements are expensed as incurred. Intangible assets are presented at their restated value and are classified as having a definite or indefinite life; the latter are not amortized since the period cannot be accurately established in which the benefits associated with such intangibles will terminate. Amortization of intangible assets of definite life is calculated under the straight-line method.

Intangible assets acquired in a business combination are accounted for at fair value at the acquisition date. When the fair value of the intangible asset cannot be reasonably measured, such fair value is included as part of goodwill, which, since January 1, 2005, is not amortized. In 2004, goodwill was amortized under the present worth or sinking fund method, which was intended to provide a better matching of goodwill amortization with the revenues generated from the acquired companies. Goodwill generated from 1992 to 2004 was amortized over a maximum period of 20 years, while goodwill generated before 1992 was amortized over a maximum period of 40 years.

Direct costs incurred in debt issuances or borrowings are capitalized and amortized as part of the effective interest rate of each transaction over its maturity. These costs include discounts, commissions and professional fees. Direct costs incurred in the development stage of computer software for internal use are capitalized and amortized through the operating results over the useful life of the software, which is approximately 4 years.

Preoperational expenses are recognized in the income statement as they are incurred. Those preoperational expenses which had been deferred through December 31, 2003, in compliance with regulations effective as of that date, continue to be amortized over their original periods. Costs associated to research and development activities (“R&D”), performed by CEMEX to create new products and services, as well as to develop processes, equipments and methods to optimize operational efficiency and reduce costs, are recognized in the operating results as incurred. The Technology and Energy departments in CEMEX undertake all significant R&D activities as part of their daily routines. In 2006, 2005 and 2004, total combined expenses of these departments were approximately $464 (U.S.$43), $440 (U.S.$38) and $396 (U.S.$34), respectively.

K) IMPAIRMENT OF LONG LIVED ASSETS (NOTES 10 AND 11)

Property, machinery and equipment, intangible assets of definite life and other investments

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

Goodwill and intangible assets of indefinite life

Goodwill and other intangible assets of indefinite life are evaluated for impairment at least once a year, during the second half of the period, by determining the value in use (fair value) of the reporting units, which consists in the discounted amount of estimated future cash flows to be generated by such reporting units to which those assets relate. A reporting unit refers to a group of one or more cash generating units, which, for purposes of the impairment evaluation, each reporting unit is considered to comprise the entire operations in each country. An impairment loss is recognized if such discounted cash flows are lower than the net book value of the reporting unit. In applying the value in use (fair value) method, CEMEX determines the discounted amount of estimated future cash flows over a period of 5 years.

As of December 31, 2006, 2005 and 2004, the geographic segments reported by CEMEX (note 18), each integrated by multiple cash generating units, also represent CEMEX's reporting units for purposes of testing goodwill for impairment. Based on the Company's management analysis, it was concluded that the operating components that integrate the reported segment have similar economic characteristics, by considering: a) the reported segments are the level used by CEMEX to organize and evaluate its activities in the internal information system; b) the homogeneous nature of the items produced and traded in each operative component, which are all used by the construction industry; c) the vertical integration in the value chain of the products comprising each component; d) the type of clients, which are substantially similar in all components; e) the operative integration among operating components, evidenced by the adoption of the philosophy of shared service centers; and f) the compensation system of a specific country is based on the consolidated results of the geographic segment and not in the particular results of the components.

Impairment evaluations are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, local and international economic trends in the construction industry, as well as the long-term growth expectations in the different markets. Likewise, the discount rates and the rates of growth in perpetuity used have an effect on such impairment evaluations. CEMEX uses specific discount rates for each reporting unit, which considers the weighted average cost of capital of each geographic segment.

L) DERIVATIVE FINANCIAL INSTRUMENTS (NOTES 12C, D AND E)

In compliance with the guidelines established by its Risk Management Committee, CEMEX uses derivative financial instruments ("derivative instruments"), in order to change the risk profile associated with changes in interest rates and exchange rates of foreign currency denominated debt agreements, as a vehicle to reduce financing costs, as an alternative source of financing, and as hedges of: (i) highly probable forecasted transactions, (ii) the Company's net assets in foreign subsidiaries, and (iii) executive stock option programs.

In accordance with MFRS C-10, "Derivative Financial Instruments and Hedging Activities" ("MFRS C-10"), CEMEX recognizes derivative financial instruments as assets or liabilities in the balance sheet at their estimated fair value and the changes in such fair values are recognized in the income statement for the period in which they occur, except for changes in fair value of derivative instruments designated and that are effective as hedges of the variability in the cash flows associated to existing assets or liabilities and/or forecasted transactions. These effects are initially recognized in stockholders' equity and subsequently reclassified to earnings as the effects of the underlying hedged instruments or transactions impact the income statement. Some of our instruments have been designated as hedges of debt or equity instruments.

Until December 31, 2004, no specific rules existed in Mexico for hedging transactions; therefore, CEMEX applied international accounting rules, which in most cases complied with the rules set forth in MFRS C-10. During 2006, 2005 and 2004, the accounting rules applied to specific derivative instruments were as follows:

a) Changes in the estimated fair value of interest rate swaps to exchange floating rates for fixed rates, designated as hedges of the variability in the cash flows associated with the interest expense of a portion of the outstanding debt, as well as those instruments negotiated to hedge the interest rates at which certain forecasted debt is expected to be contracted or existing debt is expected to be renegotiated, are recognized temporarily in stockholders' equity. These effects are reclassified to earnings as the interest expense of the related debt is accrued, in the case of the forecasted transactions, once the related debt has been negotiated and recognized in the balance sheet.

b) Changes in the estimated fair value of foreign currency forwards, designated as hedges of a portion of the Company's net investments in foreign subsidiaries, are recognized in stockholders' equity, offsetting the foreign currency translation result (notes 3E and 16B). The accumulated effect in stockholders' equity is reversed through the income statement when the foreign investment is disposed of.

c) Beginning on January 1, 2005, changes in the estimated fair value of forward contracts in the Company's own shares are recognized in the income statement. In 2004, only the effects of those contracts designated as hedges for executive stock option programs were recognized in earnings as part of the costs related to such programs. The results derived from equity forward contracts not designated as hedges of the stock option programs were recognized in stockholders' equity upon settlement (note 12D).

d) Changes in the estimated fair value of foreign currency forward contracts or options, negotiated to hedge an underlying firm commitment are recognized through stockholders' equity, following the cash flow hedging model, and are reclassified to the income statement once the firm commitment takes place, as the effects from the hedged item are recognized in the income statement. With respect to hedges of the foreign exchange risk associated with a firm commitment for the acquisition of a net investment in a foreign country (note 12D), the accumulated effect in stockholders' equity is reclassified to the income statement when the purchase occurs.

e) Changes in fair value generated by derivative instruments not designated as cash flow hedges are recognized in the income statement as they occur within "Results from valuation and liquidation of financial instruments".

Interests accruals generated by interest rate swaps and cross currency swaps ("CCS") are recognized as financial expense, adjusting the effective interest rate of the related debt. Interest accruals from other hedging derivative instruments are recorded within the same caption where the effects of the primary instrument subject to the hedging relation are recognized.

For presentation purposes of short-term and long-term debt in the balance sheets, the valuation effects of related CCS are recognized and presented separately from the primary financial instruments; consequently, debt associated to the CCS is presented in the currencies originally negotiated.

Derivative instruments are negotiated with institutions with significant financial capacity; therefore, the Company considers the risk of non-performance of the obligations agreed to by such counterparties to be minimal. The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished, between willing parties in an arm's length transaction. Occasionally, there is a reference market that provides the estimated fair value; in the absence of such market, such value is determined by the net present value of projected cash flows or through mathematical valuation models. The estimated fair values of derivative instruments determined by CEMEX and used for recognition and disclosure purposes in the financial statements and their notes, are supported by the confirmations of these values received from the financial counterparties.

M) PROVISIONS

CEMEX recognizes a provision when it has a legal or constructive obligation resulting from past events, which resolution would imply cash outflows or the delivery of other resources owned by the Company.

Restructuring (note 13)

CEMEX recognizes a provision for restructuring costs, only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to third parties involved and/or affected before the balance sheet date. These provisions may include costs not associated with CEMEX's ongoing activities.

Asset retirement obligations (note 13)

CEMEX recognizes a liability for unavoidable obligations, legal or constructive, to restore operating sites upon retirement of tangible long-lived assets at the end of their useful lives. These liabilities represent the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' book value. The additional asset is depreciated during its remaining useful life. The increase in the liability, by the passage of time, is charged to the income statement. Adjustments to the liability for changes in the estimated cash flows or the estimated disbursement period are made against fixed assets, and depreciation is modified prospectively.

Asset retirement obligations are related mainly to future costs of demolition, cleaning and reforestation, so that at the end of their operation, the sites for the extraction of raw materials, the maritime terminals and other production sites are left in acceptable condition.

Costs related to remediation of the environment (notes 13 and 22)

Likewise, CEMEX recognizes a provision when it is probable that an environmental remediation liability exists and that it will represent an outflow of resources. The provision represents the estimated future cost of remediation. Reimbursements from insurance companies are recognized as assets only when their recovery is practically certain. In that case, such insurance reimbursement assets are not offset against the provision for remediation costs. Provisions for environmental remediation costs are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant. Otherwise, such provisions are recognized at their discounted value.

Contingencies and commitments (notes 21 and 22)

Obligations or losses, related to contingencies, are recognized as liabilities in the balance sheet when present obligations exist resulting from past events, are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the financial statements. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the financial statements on the incurred or accrued basis, taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

N) PENSIONS, OTHER POSTRETIREMENT BENEFITS AND TERMINATION BENEFITS (NOTE 14)

Defined contribution plans

Costs of defined contribution pension plans are recognized in the operating results as they are incurred.

Defined benefit plans, other postretirement benefits and termination benefits

In accordance with MFRS D-3, "Labor Obligations", amended beginning January 1, 2005 to incorporate the requirement to accrue those costs associated to termination benefits not associated to a restructuring event, the costs associated with employees' benefits for: a) defined benefit pension plans; b) other postretirement benefits, basically comprised of health care benefits, life insurance and seniority premiums, granted pursuant to applicable law or by Company grant; and c) termination benefits, which mainly represent ordinary severance payments, are recognized in the operating results, as services are rendered, based on actuarial estimations of the benefits' present value.

The actuarial assumptions upon which the Company's employee benefit liabilities are determined consider the use of real rates (nominal rates discounted by inflation). Actuarial gains and losses, outside a 10% corridor of the greater of plan assets and plan obligations, as well as the prior service cost and the transition liability, are amortized to the operating results over the employees' estimated active service life.

For certain pension plans, irrevocable trust funds have been created to cover future benefit payments. These assets are valued at their estimated fair value at the balance sheet date.

The net period cost recognized in the operating results includes: a) the increase in the obligation resulting from additional benefits earned by employees during the period; b) interest cost, which results from the increase in the liability by the passage of time; c) the amortization of the actuarial gains and losses, prior service cost and transition liability; and d) the expected return on plan assets for the period.

In 2004, termination benefits, consisting basically of ordinary severance payments, were recognized in the income statement as they were incurred. The liability associated with the initial accrual resulting from the accounting change was measured as of January 1, 2005 and recognized as part of the net transition liability.

O) INCOME TAX, BUSINESS ASSETS TAX, EMPLOYEES' STATUTORY PROFIT SHARING AND DEFERRED INCOME TAXES (NOTE 15)

The Income Tax ("IT"), Business Assets Tax ("BAT") and Employees' Statutory Profit Sharing ("ESPS"), reflected in the income statements, include amounts incurred during the period and the amounts of deferred IT and ESPS. Consolidated deferred IT represents the summary of the amounts determined in each subsidiary under the assets and liabilities method, by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, considering when the amounts became available and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. The effect of a change in enacted statutory tax rates is recognized in the income statement for the period in which the change occurs and is officially declared.

Management analyzes projections of future taxable income in each consolidated entity, to sustain the tax benefits associated with the deferred income tax assets and tax loss carryforwards, prior to their expiration. When it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the valuation allowance on such assets would be increased against the income statement.

The effect of deferred ESPS is recognized for those temporary differences, which are of a non-recurring nature, arising from the reconciliation of the net income for the period and the taxable income for the period for ESPS.

P) STOCKHOLDERS' EQUITY

Common stock and additional paid-in capital (note 16A)

Balances of common stock and additional paid-in capital represent the value of stockholders' contributions, restated to constant pesos as of the most recent reporting period presented, using Mexican inflation.

Other equity reserves (note 16B)

The caption of "Other equity reserves" groups the accrued balances of items and transactions that are, temporarily or permanently, recognized directly to stockholders' equity. This caption includes, except for net income for the period, the elements of "Comprehensive income", which are presented in the statement of changes in stockholders' equity. Comprehensive income includes all changes in stockholders' equity during a period, not resulting from investments by owners and distributions to owners. The most important items within "Other equity reserves" are as follows:

Items of comprehensive income within "Other equity reserves":

- Results from holding non-monetary assets, which represent the effect arising from the revaluation of non-monetary assets (inventories, fixed assets, intangible assets) in each country, using specific restatement factors that differ from the weighted average consolidated inflation;
- Currency translation effects from the translation of foreign subsidiaries' financial statements, net of the foreign exchange fluctuations arising from foreign currency indebtedness directly related to the acquisition of foreign subsidiaries and foreign currency related parties balances that are of a long-term investment nature (note 3E);
- The effective portion of the valuation and liquidation effects from derivative instruments under cash flow hedging relationships, which are recorded temporarily in stockholders' equity (note 3L); and
- The deferred income tax for the period arising from items which effects are directly recognized in stockholders' equity.

Items from "Other equity reserves" not included in Comprehensive Income:

- Effects related to majority stockholders' equity for changes or transactions affecting minority interest stockholders' in CEMEX's consolidated subsidiaries;
- Effects attributable to majority stockholders' equity for financial instruments issued by consolidated subsidiaries that qualify for accounting purposes as equity instruments;
- This caption includes the adjustment related with the cancellation of own shares held in the Parent Company's treasury, as well as those held by consolidated subsidiaries; and
- Likewise, "Other equity reserves" include the cumulative initial effect of deferred income taxes arising from the adoption of the assets and liabilities method on January 1, 2000. Note 16B presents the consolidated cumulative initial effect of deferred income taxes.

Retained earnings (note 16C)

Represents the cumulative net results of prior accounting periods, net of dividends declared to stockholders, restated to constant pesos as of the most recent balance sheet.

Minority interest (note 16F)

Represents the share of minority stockholders in the results and equity of consolidated subsidiaries. Likewise, this caption includes the notional amount of financial instruments issued by consolidated entities that qualify as equity instruments for accounting purposes. An equity instrument, which may take the form of a perpetual debenture or preferred stock, is an instrument in which the issuer does not have a contractual obligation to deliver cash or other financial asset, does not have a predefined maturity date, meaning that it is issued to perpetuity, and in which CEMEX has the unilateral option to defer interest payments or preferred dividends for indeterminate periods.

Q) REVENUE RECOGNITION

CEMEX's consolidated net sales represent the value, before tax on sales, of products and services sold by consolidated subsidiaries as a result of ordinary activities, after the elimination of transactions between related parties.

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

Income is quantified at the fair value of the consideration received or receivable, decreased by any trade discounts or volume rebates granted to customers.

R) MONETARY POSITION RESULT

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

S) OTHER EXPENSES, NET

The caption "Other expenses, net" in the statements of income, consists primarily of revenue and expense derived from transactions or events not directly related to the Company's main activity, or which are of unusual or non-recurring nature. The most significant items included under this caption are: a) goodwill amortization until 2004; b) anti-dumping duties paid and reimbursement obtained of duties previously paid; c) results from the sale of fixed assets and long-term investments; d) impairment losses of long-lived assets; and e) net results from the early extinguishment of debt.

T) EXECUTIVE STOCK OPTION PROGRAMS (NOTE 17)

Beginning in 2005, considering its mandatory application under MFRS, CEMEX adopted the International Financial Reporting Standard No. 2, "Share-based Payment" ("IFRS 2"). In accordance with IFRS 2, options granted to executives are defined as equity instruments, in which services received from employees are settled through the delivery of shares; or as liability instruments, in which the Company incurs a liability by committing to pay, in cash or other instruments, the intrinsic value of the option as of the exercise date. The intrinsic value represents the existing appreciation between the market price of the share and the exercise price of such share established in the option. Under IFRS 2, the cost of equity instruments represents their estimated fair value at the date of grant and is recognized in earnings during the instruments' vesting periods. In respect to liability instruments, these instruments should be valued at their estimated fair value at each reporting date, recognizing the changes in valuation through the income statement. CEMEX determines the estimated fair value of options using the binomial financial option-pricing model.

The Company determined that the options in its "fixed program" (note 17A) are defined as equity instruments considering that the exercise price was equal to the CPO price at the option's date of grant, remained fixed for the life of the option and implied the issuance of new shares upon exercise. CEMEX considers that the options granted under its other programs (note 17B, C and D) are defined as liability instruments.

Upon adoption of IFRS 2 in 2005, the Company did not recognize cost for those options classified as equity instruments, considering that, as of the adoption date, the executives' exercise rights were fully vested. In respect to the options classified as liability instruments, CEMEX determined the estimated fair value of the outstanding options in the different programs and recognized in the income statement in 2005 an expense of approximately $1,081 ($938 after income tax), resulting from the difference between the estimated fair value of the instruments and the existing accrual related to such programs, which was quantified through the intrinsic value of the options. This expense, which represented the cumulative initial effect arising from the change in accounting estimate, was recognized in the caption "Results from valuation and liquidation of financial instruments". At December 31, 2005, in accordance with the then effective Bulletin A-7, "Comparability", the Company did not restate the financial information of prior years.

Until 2004, in connection with those options that are classified as liability instruments under IFRS 2, CEMEX recognized the cost associated to these options using the intrinsic value method. In addition, until 2004, CEMEX did not recognize cost for those options classified as equity instruments under IFRS 2.

Had the Company used during the year ended December 31, 2004, the same accounting rules it applied in 2006 and 2005 to measure and recognize the cost associated with executives' stock option programs, net income and basic earnings per share would have been as follows:

	2004
Majority interest net income as reported	$ 15,224
Difference between the options' fair value and their intrinsic value [1]	(396)
Majority interest net income pro forma	$ 14,828
Basic earnings per share as reported	$ 0.77
Basic earnings per share pro forma	$ 0.74

[1] In order to determine fair value in 2004, considering the different exchanges of options which had previously occurred, CEMEX opted for simplicity to value the same portfolio of options outstanding as of the adoption date in 2005, as if it had been in effect in 2004, using the market prices and other assumptions prevailing during 2004 in the option pricing models.

U) EMISSION RIGHTS: EUROPEAN EMISSION TRADING SYSTEM TO REDUCE GREENHOUSE GAS EMISSIONS

CEMEX, as a cement producer, is involved in the European Emission Trading System, which aims to reduce carbon-dioxide emissions ("CO_2"), also known as "cap and trade" scheme. Under this directive, considering historical levels of emissions, governments of the European Union ("EU") countries have imposed limits to the total tons of CO_2 that industries can release into the atmosphere by granting, currently at nil cost, CO_2 emission allowances ("EUAs"). If upon conclusion of an annual review period, CO_2 emissions exceeded EUAs received, CEMEX would then be required to purchase the deficit of EUAs in the market, which would represent an additional production cost, complementary to fines or penalties imposed by governments. Considering this is a EU initiative, the emission allowances granted by any member state of the EU can be used to settle emissions in another member state. Consequently, CEMEX analyzes its portfolio of CO_2 emissions and EUAs held on a consolidated basis for its cement production operations in Europe.

CEMEX's accounting policy to recognize the effects derived from the CO_2 European Emission Trading System is the following: a) emission rights received from different EU country members are recognized in the balance sheet at cost; this presently means at zero value; b) any revenues received from eventual sales of spare EUAs are recognized by decreasing "Cost of sales"; c) purchases of EUAs in the market are recognized at cost within "Cost of sales", when they are acquired to cover current CO_2 emissions for the period, or as intangible assets, when they are acquired to cover emissions for future periods or for trading purposes; d) a provision is recognized against "Cost of sales" when the estimated annual emissions of CO_2 are expected to exceed the number of emission rights received for the period.

As of December 31, 2006 and 2005, CEMEX maintained a consolidated surplus of EUAs held over the total tons of CO_2 emissions released through the production process. CEMEX anticipates that it will have a consolidated surplus of EUAs during the reminder of the first allocation period (2005-2007). During 2006, sales or purchases of EUAs were not significant.

V) CONCENTRATION OF CREDIT

CEMEX sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which the Company operates. No single customer individually accounted for a significant amount of the Company's sales in 2006, 2005 and 2004, and there were no significant accounts receivable from a single customer for the same periods. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

W) NEWLY ISSUED FINANCIAL REPORTING STANDARDS WITH IMPACT IN 2007

In 2006, CINIF issued the following Mexican Financial Reporting Standards ("MFRS") that will have an effect on the Company's financial statements starting on January 1, 2007:

MFRS B-3, "Income statement". This standard modifies the current structure of the income statement by requiring entities to present two segments on the face of such statement. The first segment, or "Income from ordinary operations", must include all revenues and expenses originated by the entity's main activities. This segment could be compared to the existing "Operating income". The second segment corresponds to the "Result from non-ordinary operations", which will include all revenues, expenses, gains and/or losses generated by transactions or activities other than the entity's main activities, regardless their unusual or non-frequent nature. This second segment would comprise the existing captions of "Comprehensive financing result", "Other expenses, net", as well as "Equity in income of affiliates". The sum of the two new segments will represent "Income before income tax". The new MFRS B-3 eliminates the caption "Extraordinary items". CEMEX does not anticipate a material impact on its operating results resulting from the adoption of MFRS B-3.

MFRS B-13, "Events subsequent to the balance sheet date". Beginning on January 1, 2007, certain events that occur subsequent to the balance sheet date, before the financial statements are issued, are considered for disclosure but not for recognition. As of December 31, 2006, some of such events were subject to recognition and disclosure as of the balance sheet date.

MFRS C-13, "Related parties". In connection with disclosure requirements in the notes to the financial statements of transactions occurring during the period, from January 1, 2007, the current definition of related parties is broadened to include: a) joint ventures; b) immediate family of stockholders, members of the Board of Directors and key management personnel or top executives; c) companies in which people mentioned in the previous clause (b) have control or significant influence, or the enterprise exercises significant influence on the voting rights of the reporting entity; and d) pension funds. Key management personnel or top executives are defined as any persons with authority and responsibility to plan and execute, directly or indirectly, the business activities of the reporting entity. When transactions exist, MFRS C-13 requires the disclosure of payment conditions, balances, guarantees given (received), uncollected balances and charges to results. Likewise, if applicable, MFRS C-13 requires disclosing the reasons leading to transactions with related parties not being executed on the same conditions as those entered with other independent third parties. CEMEX does not anticipate any material impact on its current disclosures in connection with related party transactions resulting from the adoption of MFRS C-13.

MFRS D-6, "Capitalization of comprehensive financing results". Starting on January 1, 2007, it is mandatory to capitalize the comprehensive financing results (interest expense, foreign exchange fluctuations and the result from holding monetary assets) of debt associated with significant investments in qualifying construction projects. CEMEX does not anticipate any material impact on its operating results and net income as a result of the adoption of MFRS D-6, considering that is the Company's current policy to capitalize the comprehensive financing result from debt associated with significant construction projects.

4. CASH AND INVESTMENTS

Consolidated cash and investments as of December, 31 2006 and 2005 consists of:

		2006	2005
Cash and bank accounts	$	13,241	3,851
Fixed-income securities		3,800	2,599
Investments in marketable securities		10	513
	$	17,051	6,963

The increase in cash and bank accounts in 2006 is mainly due to proceeds obtained from the issuance of perpetual notes on December 18, 2006 for U.S.$1,250 (note 16F). These proceeds will be used to reduce debt.

5. TRADE ACCOUNTS RECEIVABLE

Consolidated trade accounts receivable as of December 31, 2006 and 2005 consist of:

		2006	2005
Trade accounts receivable	$	16,643	19,794
Allowances for doubtful accounts		(1,407)	(1,354)
	$	15,236	18,440

Allowances for doubtful accounts are established according to the credit history and risk profile of each customer.

As of December 31, 2006 and 2005, trade receivables exclude accounts for $11,738 (U.S.$1,087) and $7,996 (U.S.$740), respectively, that were sold to financial institutions under securitization programs for the sale of trade receivables, established in México, United States, Spain and France. Under these programs, CEMEX effectively surrenders control, risks and the benefits associated with the trade receivables sold; therefore, the amount of receivables sold is recognized as a sale and removed from the balance sheet at the moment of sale, except for the amounts owed by the counterparties, which are reclassified to other short-term accounts receivable. Trade receivables qualifying for sale do not include amounts over certain days past due or concentrations over certain limits to any one customer, according to the terms of the programs. The discount granted to the acquirers of the trade receivables is recognized as an expense in the income statements and amounted to approximately $438 (U.S.$41) in 2006, $229 (U.S.$21) in 2005 and $132 (U.S.$12) in 2004.

Changes in the valuation allowance for doubtful accounts in 2006 and 2005 are as follows:

		2006	2005
Allowances for doubtful accounts at beginning of period	$	1,354	790
Charged to selling expenses		254	303
Deductions		(176)	(280)
Business combinations		–	504
Foreign currency translation and inflation effects		(25)	37
Allowances for doubtful accounts at end of period	$	1,407	1,354

6. OTHER ACCOUNTS RECEIVABLE

Consolidated other accounts receivable as of December 31, 2006 and 2005 consist of:

		2006	2005
Non-trade accounts receivable	$	5,440	5,286
Current portion for valuation of derivative instruments		345	1,051
Interest and notes receivable		1,179	1,514
Loans to employees and others		874	286
Refundable taxes		650	842
	$	8,488	8,979

Non-trade accounts receivable are mainly originated by the sale of assets. Interest and notes receivable include $1,103 (U.S.$102) in 2006 and $1,493 (U.S.$138) in 2005, arising from securitization programs (note 5).

7. INVENTORIES

Consolidated balances of inventories as of December 31, 2006 and 2005 are summarized as follows:

		2006	2005
Finished goods	$	4,321	3,630
Work-in-process		2,131	1,866
Raw materials		2,106	2,794
Materials and spare parts		3,718	3,296
Advances to suppliers		528	383
Inventory in transit		601	584
Reserve for obsolescence provision		(521)	(544)
	$	12,884	12,009

Impairment losses of approximately $86 in 2006 and $198 in 2004 were recognized within other expenses.

8. OTHER CURRENT ASSETS

Other current assets in the consolidated balance sheets of as of December 31, 2006 and 2005 consist of:

		2006	2005
Advance payments	$	1,583	1,141
Assets held for sale		496	709
	$	2,079	1,850

Assets held for sale are stated at their estimated realizable value, and consist of diverse assets, including properties acquired in business combinations or received from customers as payment of trade receivables.

9. INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

9A) INVESTMENTS IN ASSOCIATES

Consolidated investments in shares of associates as of December 31, 2006 and 2005 are summarized as follows:

		2006	2005
Book value at acquisition date	$	3,490	5,488
Revaluation by equity method		4,164	4,240
	$	7,654	9,728

As of December 31, 2006 and 2005, CEMEX's main investments in associates are as follows:

	Activity	Country	%		2006	2005
PT Semen Gresik, Tbk.	Cement	Indonesia	25.5	$	–	2,770
Control Administrativo Mexicano, S.A. de C.V.	Cement	Mexico	49.0		3,162	2,716
Trinidad Cement Ltd	Cement	Trinidad	20.0		378	354
Huttig Building Products Inc.	Materials	United States	28.1		345	235
Cancem, S.A. de C.V.	Cement	Mexico	10.0		322	278
Lime & Stone Production Co Ltd.	Aggregates	Israel	50.0		312	175
Ready Mix USA	Concrete	United States	49.9		287	372
Société des Ciments Antillais	Cement	French Antilles	26.1		206	193
Société Méridionale de Carrières	Aggregates	France	33.3		191	185
Lehigh White Cement Company	Cement	United States	24.5		173	161
Société D'exploitation de Carrières	Aggregates	France	50.0		136	169
Other companies	–	–			2,142	2,120
				$	7,654	9,728

In transactions which took place in July, September and October 2006, CEMEX sold its 25.5% equity interest in PT Semen Gresik ("Gresik") for approximately U.S.$346 ($3,737), including dividends declared for approximately U.S.$7 ($76). The sale of Gresik´s shares generated a gain, net of selling expenses and the write off of related goodwill, of approximately $963 (U.S.$90), which was recognized within other expenses, net.

In connection with the sale of the Company's interest in Gresik, it was agreed by mutual consent with the Indonesian government to discontinue the arbitration case filed by CEMEX in December 2003 before the International Centre for Settlement of Investment Disputes.

9B) OTHER INVESTMENTS AND NON-CURRENT ACCOUNTS RECEIVABLE

As of December 31, 2006 and 2005, consolidated other investments and non-current accounts receivable are summarized as follows:

		2006	2005
Non-current portion from valuation of derivative instruments	$	5,294	4,568
Non-current accounts receivable		3,590	2,913
Investments in private funds		323	221
Other investments		360	622
	$	9,567	8,324

In 2006 and 2005, the amounts contributed to private funds were approximately U.S.$14 ($151) and U.S.$9 ($104), respectively.

10. PROPERTIES, MACHINERY AND EQUIPMENT

Consolidated properties, machinery and equipment as of December 31, 2006 and 2005 consist of:

		2006	2005
Land and mineral reserves	$	47,596	44,130
Buildings		55,629	52,418
Machinery and equipment		200,958	197,697
Construction in progress		9,541	5,757
Accumulated depreciation		(128,010)	(120,060)
	$	185,714	179,942

Changes in properties, machinery and equipment in 2006 and 2005 are as follows:

		2006	2005
Cost of properties, machinery and equipment at beginning of period	$	300,002	223,895
Accumulated depreciation at beginning of period		(120,060)	(111,929)
Net book value at beginning of period		179,942	111,966
Capital investments		16,637	9,221
Disposals		(1,823)	(128)
Acquisition through business combinations		315	76,660
Depreciation and depletion for the period		(11,393)	(10,887)
Impairment losses		(563)	(181)
Foreign currency translation and inflation effects		2,599	(6,709)
Cost of properties, machinery and equipment at end of period		313,724	300,002
Accumulated depreciation at end of period		(128,010)	(120,060)
Net book value at end of period	$	185,714	179,942

During 2006, 2005 and 2004, impairment losses of fixed assets for approximately $563, $181 and $1,182, respectively, were recognized within other expenses, derived from idle assets in the United Kingdom, Mexico and the Philippines. These assets were adjusted to their estimated realizable value.

11. GOODWILL, INTANGIBLE ASSETS AND DEFERRED CHARGES

Consolidated goodwill, intangible assets and deferred charges as of December 31, 2006 and 2005 are summarized as follows:

		2006				2005		
		Cost	Accumulated amortization	Carrying amount		Cost	Accumulated amortization	Carrying amount
Intangible assets of indefinite useful life:								
Goodwill	$	61,651	(9,516)	52,135	$	62,502	(10,458)	52,044
Intangible assets of definite useful life:								
Cost of internally developed software		5,341	(2,540)	2,801		3,524	(2,812)	712
Industrial property and trademarks		1,976	(779)	1,197		2,233	(378)	1,855
Mining projects		1,057	(72)	985		651	(43)	608
Concessions		607	(316)	291		299	(151)	148
Other intangible assets		4,387	(1,722)	2,665		4,945	(1,833)	3,112
Deferred charges and others:								
Deferred income taxes (note 15B)		3,797	–	3,797		3,998	–	3,998
Intangible asset for pensions (note 14)		735	–	735		659	–	659
Deferred financing costs		517	(98)	419		576	(81)	495
	$	80,068	(15,043)	65,025	$	79,387	(15,756)	63,631

Amortization of intangible assets and deferred charges was approximately $1,479 in 2006, $1,750 in 2005 and $3,000 in 2004, of which a portion of approximately 14% in 2005 and 66% in 2004 was recognized in other expenses, and the rest within operating results. In 2006, 100% of such amortization was recognized as part of the operating results.

Intangible assets of definite life

During 2006 and 2005, CEMEX capitalized the costs incurred in the development stage of internal-use software for $2,197 and $194, respectively. The increase in 2006 was attributable the Company's decision to initiate the replacement of the technological platform in which CEMEX executes the most important processes of its business model. The replacement of systems under this relevant project for the Company started in the subsidiaries located in the United Kingdom, Germany and France, obtained through the acquisition of RMC Grup p.l.c. in 2005. The items capitalized refer to direct costs incurred in the development phase of the software and relate mainly to professional fees, direct labor and related travel expenses. In 2007 and 2008 CEMEX will continue the development of the new technological platform in the rest of its subsidiaries.

Goodwill

Goodwill is recognized at the acquisition date based on the preliminary allocation of the purchase price. If applicable, goodwill is subsequently adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed, within the twelve-month period after purchase.

Changes in goodwill by reporting unit as of December 31, 2006 and 2005 are summarized as follows:

	2004	Acquisitions (disposals)	Adjustments [1]	2005	Acquisitions (disposals)	Adjustments [1]	2006
North America							
United States	$ 16,809	5,721	(62)	22,468	205	(1,556)	21,117
Mexico	6,158	–	405	6,563	–	82	6,645
Europe							
Spain	8,117	69	(4)	8,182	530	(764)	7,948
France	–	2,408	–	2,408	305	55	2,768
United Kingdom	–	706	924	1,630	1,440	211	3,281
Other Europe [2]	77	812	(6)	883	97	32	1,012
Central and South America and the Caribbean							
Colombia	3,785	–	227	4,012	–	(121)	3,891
Venezuela	692	–	(150)	542	–	20	562
Dominican Republic	186	–	(30)	156	–	11	167
Costa Rica	51	–	3	54	–	(24)	30
Other Central and South America and the Caribbean [3]	598	349	(16)	931	–	(148)	783
Africa and Middle East							
Egypt	231	–	10	241	–	(13)	228
United Arab Emirates	–	1,502	–	1,502	–	(75)	1,427
Asia							
Philippines	1,383	–	(201)	1,182	–	2	1,184
Thailand	391	–	7	398	–	(40)	358
Other Asia	13	–	–	13	–	(1)	12
Others							
Other reporting units [4]	718	–	45	763	–	(41)	722
Associates	123	(14)	7	116	(108)	(8)	–
	$ 39,332	11,553	1,159	52,044	2,469	(2,378)	52,135

[1] The amounts presented in this column refer to the effects on goodwill from foreign exchange fluctuations during the period between the reporting units' currencies and the Mexican peso, and the effect of the restatement into constant pesos.

[2] "Other Europe" refers to the reporting units in the Czech Republic, Ireland and Latvia.

[3] "Other Central and South America and the Caribbean" refers mainly to reporting units in Panama and Puerto Rico.

[4] This segment primarily consists of CEMEX's subsidiary in the information technology and software development business.

A) PRINCIPAL ACQUISITIONS AND DIVESTITURES DURING 2006 AND 2005

In January 2006, CEMEX acquired an equity interest of 51% in a cement-grinding mill facility with capacity of 400,000 tons per year in Guatemala for approximately U.S.$17.4 ($188).

Sale of Gresik

As mentioned in note 9A, during 2006, CEMEX sold the equity interest that it held in Gresik. The resulting goodwill write off recognized in 2006 associated to the sale of Gresik was of approximately $108.

Acquisition of RMC Group p.l.c.

On March 1, 2005, CEMEX completed the acquisition of 100% of the outstanding stock of RMC Group p.l.c. ("RMC"). The final purchase price of the shares, considering the 18.8% equity interest acquired in 2004, net from the sale of certain assets in 2005, and considering acquisition expenses incurred in 2005, amounted to approximately U.S.$4,301 ($46,451). This amount does not include approximately U.S.$2,249 ($26,039) of assumed debt. RMC, headquartered in the United Kingdom, was one of Europe's largest cement producers and one of the world's largest suppliers of ready-mix and aggregates, with operations in 22 countries, primarily in Europe and the United States, and employed over 26,000 people. The assets acquired included 13 cement plants with an approximate installed capacity of 17 million tons, located in the United Kingdom, the United States, Germany, Croatia, Poland and Latvia. The accompanying consolidated financial statements of CEMEX at December 31, 2005, include the balance of RMC at December 31, 2005 and the results of operations of the acquired businesses for the ten-month period ended December 31, 2005.

The preliminary goodwill arising from the RMC transaction in 2005 was approximately $13,535 (U.S.$1,169). In 2006, CEMEX identified other costs directly related to the purchase of approximately $907 (U.S.$84). Consequently, the final price amounted to approximately U.S.$4,301 ($46,451). In 2006, CEMEX concluded the allocation of the additional direct costs to the fair values of the assets acquired and liabilities assumed, and made certain modifications to the amounts determined during the preliminary allocation, resulting in adjustments to the preliminary goodwill associated with this acquisition, which at December 31, 2006 amounted to $14,576 (U.S.$1,350).

The final allocation of the purchase price of RMC to the fair value, as of March 1, 2005, of the assets acquired and liabilities is presented below:

	Final allocation RMC
Current assets	$ 22,355
Investments and other non-current assets	2,429
Properties, machinery and equipment	71,144
Other assets [A]	994
Intangible assets [B]	1,879
Goodwill	14,576
Total assets acquired	113,377
Current liabilities [C]	27,653
Non-current liabilities [C]	14,451
Remediation liabilities	4,828
Pensions and other postretirement benefits	5,851
Deferred income tax liabilities	13,502
Other non-current liabilities	641
Total liabilities assumed	66,926
Total net assets	$ 46,451

[A] The final allocation in 2006 includes $730 of deferred income tax assets.

[B] Identified intangible assets refer mainly to trade names and brands which have been assigned with an average useful life of approximately 5 years.

[C] Current liabilities include $13,064 of short-term debt, while long-term liabilities include $12,975 of debt.

Acquisition of Concretera Mayaguezana

In July 2005, CEMEX acquired 15 ready-mix concrete plants through the purchase of Concretera Mayaguezana ("Mayaguezana"), a ready-mix concrete producer located in Puerto Rico, for approximately $301 (U.S.$28). The consolidated financial statements of CEMEX as of December 31, 2005 include the balance sheet of Mayaguezana at December 31, 2005 and its operating results for the six-month period ended December 31, 2005. The resulting goodwill arising from this acquisition was approximately $161.

Other acquisitions

During 2005, CEMEX made other minor acquisitions in Central America for an aggregate purchase price of approximately $231 (U.S.$21), resulting in goodwill of approximately $167. The acquired entities are consolidated from the date of acquisition.

Divestiture of ReadyMix Asland in Spain, Betecna in Portugal and other assets in the United States

In December 2005, CEMEX terminated its joint ventures with the French company Lafarge S.A. (“Lafarge”), through the sale to Lafarge of its 50% equity interest in ReadyMix Asland S.A. (“RMA”) in Spain and Betecna Betao Pronto S.A. (“Betecna”) in Portugal. Subsequent to the sale and according to the agreements, CEMEX acquired from RMA assets in the ready-mix and aggregates sector, representing 29 concrete plants and 5 aggregates quarries. The net sale price, considering the purchase of assets from RMA, was approximately U.S.$61 ($706). CEMEX’s equity interest in RMA and Betecna was acquired with the purchase of RMC. The consolidated income statement for the year ended December 31, 2005, includes the operating results of RMA and Betecna from March 1 to December 22, 2005, recognized under the proportionate consolidation method (note 3C).

In addition, in connection with clearances of antitrust authorities in the United States related to the acquisition of RMC, in August 2005, ready-mix assets were sold to California Portland Cement Company in the area of Tucson, AZ, for an approximate amount of U.S.$16.

Divestiture of Charlevoix and Dixon in the United States

In March 2005, CEMEX sold to Votorantim Participações S.A. the cement plants in Charlevoix, MI, and Dixon, IL, both in the United States. In July 2005, CEMEX sold a cement terminal located in the Great Lakes region to the City of Detroit. The aggregate sale price of both transactions was approximately U.S.$413. The annual capacity of the two cement plants was approximately two million tons, and their operations represented approximately 9% of CEMEX’s annual operating cash flow in the U.S. before the RMC acquisition. The consolidated income statement for the year ended December 31, 2005, includes the operating results of these plants for the three-month period ended March 31, 2005. As a result of the sale of these assets, goodwill previously generated in the purchase of CEMEX’s operations in the U.S. was reduced by approximately $1,712.

Alliance with Ready Mix USA, Inc. (“Ready Mix USA”)

In July 2005, in order to satisfy construction needs in the Southeastern United States, CEMEX Inc., the Company’s subsidiary in the United States, and Ready Mix USA, Inc. established two limited liability companies, CEMEX Southeast, LLC and Ready Mix USA, LLC. Pursuant to the relevant agreements, CEMEX contributed to CEMEX Southeast, LLC the cement plants in Demopolis, AL and Clinchfield, GA and 11 cement terminals. CEMEX’s contributions to CEMEX Southeast, LLC represented approximately 98% of the contributed capital, while Ready Mix USA’s contributions represented approximately 2% of the contributed capital. To Ready Mix USA, LLC, CEMEX contributed ready-mix, aggregates and concrete block plants in Florida and Georgia, while Ready Mix USA contributed all its ready-mix concrete and aggregates operations in Alabama, Georgia, the Florida Panhandle and Tennessee, as well as its concrete block operations in Arkansas, Tennessee, Mississippi, Florida and Alabama. CEMEX’s contributions to Ready Mix USA, LLC represented approximately 9% of the contributed capital, while Ready Mix USA’s contributions represented approximately 91% of the contributed capital. CEMEX owns a 50.01% interest, and Ready Mix USA owns a 49.99% interest, in the profits and losses and voting rights of CEMEX Southeast, LLC, whereas Ready Mix USA owns a 50.01% interest, and CEMEX owns a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA, LLC.

After the third year of the strategic alliance and for an approximate 22-year period, Ready Mix USA will have the right, but not the obligation, to sell CEMEX its interests in both entities. As of December 31, 2006 and 2005, CEMEX has control and fully consolidates CEMEX Southeast, LLC, while the CEMEX interest in Ready Mix USA, LLC is accounted for by the equity method.

In September 2005, CEMEX sold to Ready Mix USA, LLC, 27 ready-mix plants and 4 concrete block facilities located in the Atlanta, GA area, as well as working capital related to these assets, in exchange for approximately U.S.$125 ($1,443).

Divestiture of Cementos Bío Bío

In April 2005, CEMEX divested its 11.9% interest in Cementos Bío Bío, S.A., a cement company in Chile, for approximately U.S.$65 million ($753), resulting in a net gain of $226 recorded within “Other expenses, net” and in the cancellation of goodwill of approximately $14. Until the sale, this investment was accounted for by the equity method.

Purchase of minority interest in CEMEX Asia Holdings (“CAH”)

In December 2005, for approximately U.S$8 ($93), CEMEX acquired the 0.9% equity interest in CAH that remained as property of third parties. In 2004, CEMEX acquired 20.6% of CAH common stock in exchange for a cash payment of approximately U.S.$70 and 27,850,713 CPOs, with a value of approximately U.S.$172 ($1,991), resulting in goodwill of approximately $1,044. In accordance with MFRS, this goodwill was charged to equity within “Comprehensive income”, considering it was a transaction between stockholders. CAH is the holding company of CEMEX’s subsidiaries in the Philippines, Thailand and Bangladesh, and had been the owner of the Company’s equity interest in Gresik. Through these operations, the Company’s interest in CAH increased to 100%.

B) CONDENSED PRO FORMA INCOME STATEMENT

In order to comply with disclosure requirements pertaining to significant acquisitions, CEMEX presents condensed pro forma income statements for the twelve-month periods ended December 31, 2005 and 2004, giving effect to the RMC acquisition as if it had occurred on January 1, 2004.

The pro forma financial information, presented solely for the reader's convenience, is not indicative of the results that CEMEX would have reported, nor should such information be taken as representative of the Company's future results. Pro forma adjustments consider the fair values of the net assets acquired, under certain assumptions that CEMEX considered reasonable.

Year ended December 31, 2005	CEMEX [1]	RMC [2]	Adjustments [3]	CEMEX pro forma
Sales	$ 177,385	10,995	–	188,380
Operating income	28,791	(319)	(125)	28,347
Comprehensive financing result	2,836	(117)	(1,951)	768
Other expenses, net	(3,676)	2	(41)	(3,715)
Income taxes	(3,875)	(50)	289	(3,636)
Equity in income of associates	1,012	11	–	1,023
Consolidated net income	25,088	(473)	(1,828)	22,787
Minority interest	638	14	–	652
Majority interest net income	$ 24,450	(487)	(1,828)	22,135
Basic EPS	$ 1.18			1.07
Diluted EPS	1.17			1.06

Year ended December 31, 2004	CEMEX [1]	RMC [2]	Adjustments [3]	CEMEX pro forma
Sales	$ 94,915	89,573	–	184,488
Operating income	21,567	2,736	(830)	23,473
Comprehensive financing result	1,552	(1,059)	4,198	4,691
Other expenses, net	(5,635)	(5,709)	(911)	(12,255)
Income taxes	(2,483)	(687)	(411)	(3,581)
Equity in income of associates	467	549	–	1,016
Consolidated net income	15,468	(4,170)	2,046	13,344
Minority interest	244	249	–	493
Majority interest net income	$ 15,224	(4,419)	2,046	12,851
Basic EPS	$ 0.77			0.65
Diluted EPS	0.76			0.64

[1] Information derived from the consolidated income statements for the years 2005 and 2004, as reported. In 2005, includes RMC's operating results for the ten-month period ended December 31, 2005.

[2] In 2005, the information relates to the two-month period ended on February 28, 2005 (unaudited), prepared under IFRS. In 2004, the information was obtained from the audited consolidated financial statements, prepared under generally accepted accounting principles in the United Kingdom ("UK GAAP") and include reclassifications to conform RMC amounts to CEMEX's presentation. RMC's information was translated into pesos at the exchange rates of $21.30 and $18.27, effective as of February 28, 2005 and December 31, 2004, respectively, per £1, and was restated to constant pesos at December 31, 2006.

[3] The pro forma adjustments determined for the two-month period of RMC in pro forma 2005 and the twelve-month period of RMC in pro forma 2004 include adjustments related to the purchase price allocation, and in 2004, adjustments resulting from the relevant differences between UK GAAP and MFRS. The main adjustments as of February 28, 2005 and December 31, 2004 consist of:

Item	2005	2004
Complementary depreciation expense	$ (125)	(830)
Financial expense [D]	(183)	(1,214)
Valuation of derivative instruments	(1,431)	1,608
Foreign exchange fluctuations [D]	(383)	1,406
Monetary position result	46	2,398
Intangible assets amortization	(41)	(268)
Goodwill amortization	–	(643)
Deferred income tax	289	(411)
	$ (1,828)	2,046

[D] Pro forma complementary financial expense for the two-month period was determined on the basis of the U.S.$3,311 in 2005 and U.S.$3,326 in 2004 of average debt incurred in connection with the purchase, using the interest rates of 2.8% in 2005 and 2.4% in 2004.

C) ANALYSIS OF GOODWILL IMPAIRMENT

For the years ended December 31, 2006 and 2005, CEMEX did not recognize impairment losses of goodwill, considering that all the annual evaluations presented an excess of the value in use over the net book value of the reporting units. In 2004 it was determined that the net book value of the information technology business exceeded the amount of expected discounted cash flows; therefore, an impairment loss of goodwill was recognized within "Other expenses, net" for $261.

CEMEX's methodology for testing goodwill for impairment is described in note 3K. Goodwill amounts are allocated to the multiple cash generating units, which comprise a geographic operating segment, commonly the operations in each country as explained in the financial information by geographic segments presented in note 18. The Company's geographic segments also represent its reporting units for purposes of impairment testing. The fair value of each reporting unit is determined through the value in use method, considering cash flow projections over a five-year period. CEMEX uses after-tax discount rates, which are applied to after-tax cash flows. The following table presents the discount rates and perpetual growth rates used in the impairment testing of those reporting units that represent a significant portion of the consolidated goodwill in 2006 and 2005:

	Discount rates		Perpetual growth rates	
Reporting units	2006	2005	2006	2005
United States	8.9%	8.5%	2.5%	1.0%
Spain	9.1%	8.6%	2.5%	1.5%
Mexico	10.1%	9.1%	2.5%	2.5%
Colombia	10.4%	9.7%	2.5%	2.0%
France	9.0%	N/A	2.5%	N/A
United Arab Emirates	9.4%	N/A	2.5%	N/A
United Kingdom	9.0%	N/A	2.5%	N/A

The reporting units acquired from RMC were not tested for impairment in 2005 considering that the related net assets were recorded at their estimated fair values as of the acquisition date.

The main assumption used in the impairment testing of CEMEX's other cash generating units, which account for the remaining portion of goodwill in 2006 and 2005 are summarized as follows:

	2006	2005
Range of discount rates	8.9% – 12.7%	8.5% – 11.4%
Range of perpetual growth rates	2.5%	1.0% – 2.5%

12. FINANCIAL INSTRUMENTS

A) SHORT-TERM AND LONG-TERM DEBT

As of December 31, 2006 and 2005, short-term and long-term consolidated debt by interest rate, by currency (excluding effects of derivative instruments associated to such debt) and by instrument type and maturity, are summarized as follows:

Debt according to the interest rate in which debt was contracted:

	Carrying amount 2006	Carrying amount 2005	Effective rate [1] 2006	Effective rate [1] 2005
Short-term				
Floating rate	$ 10,901	12,884	4.14%	4.65%
Fixed rate	2,613	904	3.09%	11.08%
	13,514	13,788		
Long-term				
Fixed rate	36,103	46,082	4.72%	5.14%
Floating rate	31,824	49,862	4.45%	4.01%
	67,927	95,944		
	$ 81,441	109,732		

Debt according to currency contracted:

Currency	2006 Short-term	2006 Long-term	2006 Total	2006 Effective rate [1]	2005 Short-term	2005 Long-term	2005 Total	2005 Effective rate [1]
Dollar	$ 536	26,310	26,846	5.0%	$ 5,972	50,063	56,035	5.2%
Pesos	4,502	20,187	24,689	5.0%	4,431	18,716	23,147	10.4%
Euros	7,943	16,416	24,359	3.8%	2,237	20,465	22,702	2.9%
Japanese yen	352	4,251	4,603	1.2%	367	4,605	4,972	1.1%
Pounds sterling	174	728	902	5.0%	585	2,041	2,626	5.5%
Other currencies	7	35	42	4.0%	196	54	250	10.4%
	$ 13,514	67,927	81,441		$ 13,788	95,944	109,732	

[1] Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies, which are denominated as cross currency swaps (note 12C).

Debt by category or instrument type and maturity:

2006	Short-term	Long-term	2005	Short-term	Long-term
Bank loans			**Bank loans**		
Lines of credit in Mexico	$ 216	–	Lines of credit in Mexico	$ 2,223	–
Lines of credit in foreign countries	8,227	–	Lines of credit in foreign countries	4,319	–
Syndicated loans, 2007 to 2011	–	34,175	Syndicated loans, 2006 to 2010	–	56,394
Other bank loans, 2007 to 2016	–	2,646	Other bank loans, 2006 to 2007	–	9,535
	8,443	36,821		6,542	65,929
Notes payable			**Notes payable**		
			Euro medium-term notes, 2006 to 2009	–	1,313
Euro medium-term notes, 2007 to 2009	–	664	Medium-term notes, 2006 to 2008	–	6,343
Medium-term notes, 2007 to 2012	–	31,678	Medium-term notes, 2006 to 2015	–	26,261
Other notes payable	1,663	2,172	Other notes payable	710	2,634
	1,663	34,514		710	36,551
Total bank loans and notes payable	10,106	71,335	Total bank loans and notes payable	7,252	102,480
Current maturities	3,408	(3,408)	Current maturities	6,536	(6,536)
	$ 13,514	67,927		$ 13,788	95,944

The most representative exchange rates to the financial debt as of December 31, 2006 and 2005 are as follows:

	2006	2005
Mexican pesos per dollar	10.80	10.62
Japanese yen per dollar	119.05	117.81
Euros per dollar	0.7573	0.8440
Pounds sterling per dollar	0.5105	0.5812

Changes in consolidated debt during 2006 and 2005 are as follows:

		2006	2005
Debt at beginning of year	$	109,732	69,073
Proceeds from new credits		34,297	104,522
Debt repayments		(58,254)	(82,819)
Increase from business combinations		508	26,041
Foreign currency translation and inflation effects		(4,842)	(7,085)
Debt at end of year	$	81,441	109,732

The maturities of consolidated long-term debt as of December 31, 2006 are as follows:

		2006
2008	$	14,672
2009		17,090
2010		11,679
2011		14,273
2012 and thereafter		10,213
	$	67,927

As of December 31, 2006 and 2005, there were short-term debt transactions amounting to U.S.$110 ($1,188) and U.S.$505 ($5,847), respectively, classified as long-term debt due to the Company's ability and the intention to refinance such indebtedness with the available amounts of committed long-term lines of credit.

As of December 31, 2006, CEMEX has the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging between 0.6% and 15.5%, depending on the negotiated currency:

		Lines of credit	Available
Revolving credit facilities (U.S.$1,400)	$	15,120	3,802
Multi-currency revolving credit facility (U.S.$1,200)		12,960	8,986
Other lines of credit in foreign subsidiaries		39,332	10,245
Other lines of credit from banks		4,914	3,063
	$	72,326	26,096

In addition to the amounts mentioned above, as of December 31, 2006, CEMEX has committed lines of credit for approximately U.S.$11,200 ($120,960) that would be used for future business combinations.

Covenants

Certain debt contracts of CEMEX contain restrictive covenants limiting sale of assets and requiring maintenance of a controlling interest in certain subsidiaries. As of December 31, 2006 and 2005, CEMEX was in compliance with such covenants.

B) FAIR VALUE OF ASSETS AND FINANCIAL INSTRUMENTS

The Company's carrying amounts of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses, as well as short-term debt, approximate their corresponding estimated fair value due to the short-term maturity and revolving nature of these financial assets and liabilities. Temporary investments (cash equivalents) and long-term investments are recognized at fair value, considering quoted market prices for the same or similar instruments.

The carrying amounts of long-term debt and the related fair value is based on estimated market prices for equal or similar instruments or on interest rates currently available for CEMEX to negotiate debt with the same maturities, or it is determined by discounting future cash flows using interest rates currently available to CEMEX. The information is summarized as follows:

		Carrying amount	Fair value
Bank loans	$	45,264	45,093
Notes payable		36,177	35,274

C) DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO DEBT

As described in CEMEX's accounting policy for derivative instruments in note 3L, derivative instruments are recognized as assets or liabilities in the balance sheet at their estimated fair value. Changes in such values are recognized in the income statement for the period in which they occur, except for those changes originated by derivative instruments designated in a cash flow hedge relationship, which are originally recognized within stockholders' equity and are subsequently reflected in the income statement as adjustments to the interest expense of the debt related to the hedge.

As of December 31, 2006 and 2005, derivative instruments related to short-term and long-term debt are summarized as follows:

U.S. dollars millions	2006 Notional amount	2006 Fair value	2005 Notional amount	2005 Fair value
Interest rate swaps	U.S.$ 3,184	39	2,725	52
Cross currency swaps	2,144	154	2,290	212
Foreign exchange forward contracts	703	(3)	–	–
	U.S.$ 6,031	190	5,015	264

Interest rate swap contracts

As of December 31, 2006 and 2005, in order to change the profile of the interest rates originally negotiated on a portion of its debt, CEMEX has negotiated interest rate swaps, which are detailed as follows:

U.S. dollars millions	2006 Notional amount	2006 Fair value	2006 Effective rate	2005 Notional amount	2005 Fair value	2005 Effective rate
Swaps related to long-term debt [1]	U.S.$ 363	6	4.2%	387	6	4.4%
Swaps related to long-term debt [2]	1,037	10	4.9%	1,113	6	4.5%
Swaps related to long-term debt [3]	1,584	21	4.5%	1,000	37	4.9%
Swaps related to long-term debt [4]	200	2	4.5%	225	3	4.9%
	U.S.$ 3,184	39		2,725	52	

[1] CEMEX receives a floating LIBOR* rate and pays a fixed rate of 4.0%. These contracts were designated as hedges of contractual cash flows (interest payments) of the related underlying U.S. dollar floating rate debt, and mature in June 2009.

[2] CEMEX receives a floating LIBOR* rate and pays a fixed rate of 4.7%. These contracts were designated as hedges of contractual cash flows (interest payments) of the related underlying U.S. dollar floating rate debt, and mature in August 2009.

[3] CEMEX receives a floating LIBOR* rate and pays a fixed rate of 5.0%. These contracts, which mature in August 2010, were not designed as accounting hedges since they have optionality; nevertheless, such contracts complement CEMEX's financial strategy.

[4] CEMEX receives a floating LIBOR* rate and pays a fixed rate of 4.3% until maturity in March 2010. Likewise, these contracts were not designed as accounting hedges since they have optionality.

* LIBOR represents the *London Interbank Offering Rate* used in international markets for debt denominated in U.S. dollars.

During 2006 and 2005, due to changes in the interest rate mix of CEMEX's debt portfolio, interest rate swaps were settled covering notional amounts of U.S.$459 and U.S.$775, respectively. As a result of these settlements, CEMEX recognized gains of U.S.$48 ($518) in 2006, U.S.$4 ($46) in 2005 and U.S.$8 ($93) in 2004, which were recognized in earnings of the period.

In June 2005, CEMEX settled interest rate swaps covering a notional amount of approximately U.S.$585, assumed through the purchase of RMC, generating a gain of approximately U.S.$8 ($93) recognized in earnings of the period.

Cross currency swap contracts

With the intention of reducing the financial costs, CEMEX has negotiated cross currency swaps ("CCS") in order to change the profile of interest rates and currencies in a portion of its short-term and long-term debt originally contracted in dollars or pesos. These contracts are not designated as hedges; therefore, changes in fair value are recognized in earnings as they occur. During the tenure of the CCS and at their maturity, the cash flows related to the exchange of interest rates and currencies under the CCS match, in interest payment dates and conditions, those of the related debt. As of December 31, 2006 and 2005, information with respect to the CCS is summarized as follows:

U.S. dollars millions	2006 Notional amount	2006 Fair value	2006 Effective rate	U.S. dollars millions	2005 Notional amount	2005 Fair value	2005 Effective rate
Short-term				**Short-term**			
Exchange $1,400 to dollars [1]	126	4	5.3%	Exchange $5,362 to dollars [1]	500	6	4.7%
Exchange $3,213 to dollars [2]	295	14	2.0%	Exchange $2,800 to dollars [2]	260	5	4.9%
Exchange $869 to dollars [3]	65	17	5.1%	–	–	–	–
Exchange $800 to dollars [4]	77	–	4.1%	–	–	–	–
	563	35			760	11	
Long-term				**Long-term**			
Exchange $3,126 to dollars [5]	271	66	3.9%	Exchange $2,488 to dollars [3]	142	100	4.8%
Exchange $2,031 to dollars [6]	181	17	7.1%	Exchange $6,888 to dollars [4]	618	86	4.0%
Exchange $2,140 to dollars [7]	193	17	3.3%	Exchange $2,940 to dollars [5]	270	17	4.8%
Exchange $7,250 to dollars [8]	664	14	5.4%	Exchange $5,281 to dollars [6]	500	(2)	4.5%
Exchange $2,950 to dollars [9]	272	5	5.3%	–	–	–	–
	1,581	119			1,530	201	
	2,144	154			2,290	212	

Maturity	2006 CEMEX receives	2006 CEMEX pays	2005 CEMEX receives	2005 CEMEX pays
[1] June 2007	TIIE minus 23 bps	*L* minus 13 bps	TIIE plus 25 bps	*L* plus 28 bps
[2] June 2007	Peso 10.8%	Dollar 2.0%	TIIE plus 80 bps	*L* plus 55 bps
[3] April 2007	Peso 10.6%	*L* plus 23 bps	Peso 10.8%	*L* plus 96 bps
[4] October 2007	CETES plus 145 bps	Dollar 4.1%	Peso 9.2%	Dollar 5.1%
[5] April 2012	Peso 8.7%	Dollar 3.9%	CETES plus 112 bps	Dollar 4.8%
[6] March 2011	Peso 8.8%	*L* plus 162 bps	Peso 8.3%	*L* plus 25 bps
[7] April 2009	CETES plus 99 bps	Dollar 3.3%	–	–
[8] September 2011	CETES plus 52 bps	*L* minus 2 bps	–	–
[9] March 2012	TIIE plus 9 bps	*L* minus 2.5 bps	–	–

* TIIE represents the *Interbank Offering Rate* in Mexico, and CETES are public debt instruments issued by the Mexican government. LIBOR or "L" represents the *London Interbank Offering Rate* used in international markets for debt denominated in U.S. dollars. As of December 31, 2006 and 2005, the LIBOR rate was 5.32% and 4.39%, respectively; the year-end TIIE was 7.37% in 2006 and 8.56% in 2005 and the year-end CETES yield was 7.10% in 2006 and 8.01% in 2005. The contraction "bps" means basis points. One basis point is .01 per cent.

The carrying amounts of CEMEX's debt as of December 31, 2006 and 2005 exclude the valuation effects of related CCS, which are presented within other short-term and long-term accounts receivable and/or payable, as applicable.

As of December 31, 2006 and 2005, related to the fair value of the CCS, the Company recognized net assets of U.S.$154 ($1,663) and U.S.$212 ($2,453), respectively, of which U.S.$34 ($367) in 2006 and U.S.$138 ($1,598) in 2005 relate to prepayments made of dollar denominated obligations under the contracts. The estimated fair value of CCS, excluding the effects of prepayments, resulted in a net asset of U.S.$120 ($1,296) in 2006 and a net asset of U.S.$74 ($857) in 2005. For the years ended December 31, 2006, 2005 and 2004, changes in the estimated fair value of the CCS, before prepayments, resulted in a loss of U.S.$58 ($626), and gains of U.S.$3 ($35) and U.S.$10 ($116), respectively. The periodic interest rate cash flows under the CCS were recognized within financial expense as part of the effective interest rate of the related debt.

In May and June 2005, CEMEX settled CCS for a notional amount of approximately U.S.$397, assumed through the purchase of RMC, generating a gain of approximately U.S.$21 ($243), which was recognized in earnings of the period.

Foreign exchange forward contracts related to debt

During 2006, in order to change the mix of currencies in its debt portfolio, CEMEX negotiated foreign exchange forward contracts for a notional amount of U.S.$703. These contracts had a fair value of approximately U.S.$3 at December 31, 2006. Of the aggregate notional amount, U.S.$566 exchanges euros to dollars, U.S.$92 exchanges pounds sterling to dollars, and U.S.$45 exchanges Japanese yen to dollars. Changes in fair values of these contracts are recognized in the income statement.

In 2005, CEMEX settled foreign exchange options for a notional amount of U.S.$488. These options were sold in 2003 for approximately U.S.$63. Changes in fair value of these options generated losses of approximately U.S.$6 ($69) in 2005 and U.S.$19 ($221) in 2004, recognized in the income statement of the corresponding period.

In September 2004, in connection with the commitment to acquire RMC that was denominated in pounds sterling, the Company negotiated foreign exchange forwards, collars and options, for a combined notional amount of U.S.$3,453 in order to hedge the variability in cash flows associated with exchange fluctuations between the U.S. dollar, the currency in which CEMEX obtained the proceeds, and pounds sterling. These contracts were designated as accounting hedges of the foreign exchange risk associated with the firm commitment agreed on November 17, 2004, the date on which RMC's stockholders 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 ($1,537), was recognized in stockholders' equity in 2004. This gain was reclassified to earnings in 2005 on the purchase date. Changes in fair value of these contracts from their origination until their designation as hedges, which resulted in a gain of approximately U.S.$102 ($1,188), was recognized in earnings in 2004.

D) OTHER DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2006 and 2005, outstanding derivative instruments, other than those related to debt (note 12C) and those related to equity items (note 12E), are detailed as follows:

		2006		2005	
U.S.dollars millions		Notional amount	Fair value	Notional amount	Fair value
Equity forwards in the CEMEX's own shares	U.S.$	171	–	–	–
Other foreign exchange instruments		81	1	63	–
Derivatives related to energy projects		159	(4)	159	(4)
	U.S.$	411	(3)	222	(4)

Equity forwards in CEMEX's own shares

For the years ended December 31, 2006 and 2005, changes in the fair value of equity forward contracts in CEMEX's own shares were recognized in the results of the corresponding period, considering that upon liquidation, such contracts allow for net cash settlement. In 2004, changes in valuation were recognized in the income statement or as part of stockholders' equity, according to their characteristics and use.

On December 20, 2006, CEMEX sold in the market 50 million CPOs that it held in the Company's treasury for approximately $1,781. On the same date, CEMEX negotiated a forward contract for the same number of CPOs with maturity in December 2009. The notional amount of the contract as of December 31, 2006 is approximately U.S.$171 ($1,847). This equity forward contract provides for net cash settlement at its maturity.

On October 3, 2005, through a secondary equity offering agreed to by the Company, launched simultaneously on the Mexican Stock Exchange and the NYSE, financial institutions offered and sold 45,886,680 ADSs and 161,000,000 CPOs, at a price of approximately U.S.$24.75 per ADS and U.S.$26.95 per CPO. Of the total consideration of approximately U.S.$1,500 ($17,367), net of the offering expenses, the financial institutions kept approximately U.S.$1,300 as payment for the liquidation of the related forward contracts. The ADSs and CPOs subject to the offer represented the entire amount of shares subject to the forward contracts in the Company's own shares as of the offering date. This transaction did not increase the number of shares outstanding. For the year ended December 31, 2005, considering the results of the secondary offering, as well as those of the forward contracts initiated and settled during the year to hedge the exercises of options under the stock option programs, CEMEX recognized in the income statement a gain of approximately U.S.$422 ($4,886), which offset the expenses generated by the stock option programs (note 17).

During 2004, forward contracts covering 52,264,048 CPOs were settled, generating a gain of approximately U.S.$18 ($210), which was recognized in stockholders' equity.

Other foreign exchange instruments

As of December 31, 2006 and 2005, CEMEX had foreign exchange forward contracts for notional amounts of U.S.$81 and U.S.$63, respectively, not designated as hedges, which valuation effects are recognized in the income statement for the period.

Derivatives related to energy projects

As of December 31, 2006 and 2005, CEMEX had an interest rate swap maturing in May 2017 with notional amounts of U.S.$141 and U.S.$150, respectively, negotiated to exchange floating for fixed interest rates in connection with agreements entered into by CEMEX for the acquisition of electric energy (note 21D). During the life of the swap and based on its notional amount, CEMEX will pay a LIBOR rate and will receive a 7.53% fixed rate until 2017. In addition, during 2001, CEMEX sold a floor option with a notional amount of U.S.$149 in 2006 and U.S.$159 in 2005, related to the interest rate swap contract, pursuant to which, until 2017, CEMEX will pay the difference between the 7.53% fixed rate and the LIBOR rate. As of December 31, 2006 and 2005, the combined fair value of the interest rate swap and the floor option represented losses of approximately U.S.$3 ($32) and U.S.$4 ($46), respectively, recognized in earnings during the respective periods. The notional amount of these contracts is not aggregated, considering that there is only one notional amount with exposure to changes in interest rates and the effects of both contracts offset each other.

In addition, in December 2006, CEMEX negotiated a derivative instrument based on gas prices for a notional amount of U.S.$9. The instrument matures in December 2007.

E) DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO EQUITY

As of December 31, 2006 and 2005, outstanding derivative instruments that hedge equity transactions or items, other than those related to debt (note 12C) and those related to other transactions (note 12D), are detailed as follows:

	2006		2005	
U.S.dollars millions	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange forward contracts	U.S.$ 5,034	132	3,137	173
Derivatives related to perpetual equity instruments	1,250	46	–	–
	U.S.$ 6,284	178	3,137	173

Foreign exchange forward contracts

At December 31, 2006 and 2005, in order to hedge financial risks associated with variations in foreign exchange rates of certain net investments in foreign countries denominated in euros and dollars vis-à-vis the peso, and consequently reducing volatility in the value of stockholders' equity in the reporting currency, CEMEX has negotiated foreign exchange forward contracts for notional amounts of U.S.$5,034 and U.S.$3,137, respectively, with different maturities until 2010. These contracts have been designated as hedges of the Company's net investment in foreign subsidiaries. Changes in the estimated fair value of these instruments are recorded in stockholders' equity as part of the foreign currency translation effect.

Derivative instruments related to perpetual equity instruments

In connection with the issuance of U.S.$1,250 aggregate notional amount of perpetual debentures described in note 16F, pursuant to which CEMEX pays a fixed U.S. dollar rate of 6.196% on a notional amount of U.S.$350 and a fixed U.S. dollar rate of 6.722% on a notional amount of U.S.$900, CEMEX decided to change the foreign exchange exposure on the coupon payments from U.S. dollars to Japanese yen. In order to do so, on December 18, 2006, CEMEX entered into in two CCS agreements: a U.S.$350 notional amount CCS, pursuant to which, for a five-year period, CEMEX receives a fixed rate in dollars of 6.196% of the notional amount and pays six-month Yen LIBOR multiplied by a factor of 4.3531, and a U.S.$900 notional amount CCS, pursuant to which, for a ten-year period, CEMEX receives a fixed rate in dollars of 6.722% of the notional amount and pays six-month Yen LIBOR multiplied by a factor of 3.3878. Each CCS include an extinguishable swap, which provides that if the relevant perpetual debentures are extinguished for certain stated conditions but before the maturity of the CCS, such CCS would be automatically extinguished, with no amounts payable by the swaps counterparties. In addition, in order to eliminate variability during the first two years in the yen denominated payments due under the CCSs, CEMEX entered into foreign exchange forwards for a notional amount of U.S.$89, under which CEMEX pays U.S. dollars and receives payments in yen. Changes in fair value of all the derivative instruments associated with the perpetual debentures are recognized in the income statement.

F) FAIR VALUE OF DERIVATIVE INSTRUMENTS

The estimated fair value of derivative instruments fluctuates over time and is determined by measuring the effect of future interest rates, exchange rates and share prices, according to the yield curves shown in the market as of the balance sheet date. These values should be viewed in relation to the fair values of the underlying transactions and as part of CEMEX's overall exposure attributable to fluctuations in interest rates and foreign exchange rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties, and consequently, there is no direct measure of CEMEX's exposure to the use of these derivatives. The amounts exchanged are determined based on the basis of the notional amounts and other terms included in the derivative instruments.

13. OTHER CURRENT AND NON-CURRENT LIABILITIES

As of December 31, 2006 and 2005, consolidated other accounts payable and accrued expenses are as follows:

		2006	2005
Provisions	$	8,520	7,165
Other accounts payable and accrued expenses		3,112	4,459
Tax payable		2,456	3,009
Current liabilities for valuation of derivative instruments		98	1,580
Advances from customers		1,282	1,228
Interest payable		393	593
Dividends payable		–	36
	$	15,861	18,070

The carrying amount of current provisions primarily consist of employee benefits accrued at the balance sheet date, insurance payments, and accruals related to legal and environmental assessments expected to be settled in the short-term (note 22C). These amounts are revolving in nature and are to be settled and replaced by similar amounts within the next 12 months.

As of December 31, 2006 and 2005, the carrying amounts of consolidated other non-current liabilities are detailed as follows:

		2006	2005
Asset retirement obligations	$	1,315	1,254
Other remediation or environmental liabilities		3,178	3,869
Accruals for legal assessments and other responsibilities		1,658	2,249
Non-current liabilities for valuation of derivative instruments		1,859	2,067
Other non-current liabilities and provisions		5,566	1,788
	$	13,576	11,227

Non-current provisions refer to the best estimate of cash flows with respect to diverse issues where CEMEX is determined to be responsible and which are expected to be settled over a period greater than twelve months.

Asset retirement obligations include future estimated costs for demolition, cleaning and reforestation of production sites at the end of their operation, which are initially recognized against the related assets and are depreciated over their estimated useful lives and charged to results of operations.

Other remediation and environmental liabilities include future estimated costs arising from legal or constructive obligations, related to cleaning, reforestation and other remedial actions, in order to remedy damage caused to the environment. The expected average period to settle these obligations is greater than 15 years.

As of December 31, 2006 and 2005, the most significant legal proceedings that give rise to the carrying amounts of CEMEX's other non-current liabilities are detailed in note 22.

Changes in consolidated other non-current liabilities during 2006 and 2005 are as follows:

		2006	2005
Balance at beginning of period	$	11,227	7,588
Current period additions due to new obligations or increase in estimates		7,247	4,801
Current period releases due to payments or decrease in estimates		(6,257)	(5,845)
Additions through business combinations		204	4,366
Reclassification from current to non-current liabilities		1,104	–
Foreign currency translation effects		51	317
Balance at end of period	$	13,576	11,227

14. PENSIONS, OTHER POSTRETIRMENT BENEFITS AND TERMINATION BENEFITS

As mentioned in note 3N, the costs of defined contribution pension plans are recognized in the period in which the funds are transferred to the employees' investment accounts, without generating future obligations. Costs of defined benefit pension plans and other postretirement benefits, such as health care benefits, life insurance and seniority premiums, as well as termination benefits not associated with a restructuring event, are recognized in the income statement as employees' services are rendered, based on actuarial calculations of the benefits' present value.

The net periodic costs of pension plans and other benefits in 2006, 2005 and 2004 are summarized as follows:

	Pensions			Other benefits			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Net periodic cost:									
Service cost	$ 735	699	322	93	88	43	828	787	365
Interest cost	1,349	1,242	379	80	82	36	1,429	1,324	415
Actuarial return on plan assets	(1,449)	(1,174)	(415)	(2)	(1)	(1)	(1,451)	(1,175)	(416)
Amortization of prior service cost, transition liability and actuarial results	(15)	134	137	53	48	(9)	38	182	128
Settlements and curtailments	–	1,063	–	–	–	–	–	1,063	–
	$ 620	1,964	423	224	217	69	844	2,181	492

The reconciliation of the actuarial benefits obligations, pension plan assets, and the carrying amounts as of December 31, 2006 and 2005, are presented as follows:

	Pensions		Other benefits		Total	
	2006	2005	2006	2005	2006	2005
Change in benefits obligation:						
Projected benefit obligation at beginning of year	$ 26,571	6,770	1,737	639	28,308	7,409
Service cost	735	699	93	88	828	787
Interest cost	1,349	1,242	80	82	1,429	1,324
Actuarial results	2,466	738	69	90	2,535	828
Employee contributions	75	70	–	–	75	70
Addition through business combinations	84	21,985	61	715	145	22,700
Initial valuation of other postretirement benefits	–	–	–	333	–	333
Foreign currency translation and inflation effects	843	(2,585)	(84)	(68)	759	(2,653)
Settlements and curtailments	(2)	(1,156)	(27)	–	(29)	(1,156)
Benefits paid	(1,485)	(1,192)	(112)	(142)	(1,597)	(1,334)
Projected benefit obligation at end of year	30,636	26,571	1,817	1,737	32,453	28,308
Change in plan assets:						
Fair value of plan assets at beginning of year	21,966	6,228	29	22	21,995	6,250
Return on plan assets	2,102	3,329	2	7	2,104	3,336
Foreign currency translation and inflation effects	517	(1,995)	(2)	–	515	(1,995)
Addition through business combinations	51	15,753	–	–	51	15,753
Employer contributions	1,171	929	80	52	1,251	981
Employee contributions	75	70	–	–	75	70
Settlements and curtailments	(2)	(1,156)	(27)	–	(29)	(1,156)
Benefits paid	(1,485)	(1,192)	(57)	(52)	(1,542)	(1,244)
Fair value of plan assets at end of year	24,395	21,966	25	29	24,420	21,995
Amounts recognized in the balance sheets:						
Funded status	6,241	4,605	1,792	1,708	8,033	6,313
Transition liability	(103)	(116)	(335)	(421)	(438)	(537)
Prior service cost and actuarial results	(1,456)	455	26	76	(1,430)	531
Accrued benefit liability	4,682	4,944	1,483	1,363	6,165	6,307
Additional minimum liability (note 11)	489	361	246	298	735	659
Net projected liability recognized	$ 5,171	5,305	1,729	1,661	6,900	6,966

CEMEX recognizes an additional minimum liability in those individual cases in which actual benefit obligations ("ABO") less the plan assets (net actual liability) is lower than the net projected liability. As of December 31, 2006 and 2005, the Company recognized minimum liabilities against intangible assets for approximately $735 and $659, respectively.

The transition liability, prior service cost and actuarial results are amortized over the estimated service life of the employees under plan benefits. As of December 31, 2006, the average estimated service life for pension plans is approximately 12.2 years, and for other postretirement benefits is approximately 13.8 years.

As of December 31, 2006 and 2005, the projected benefit obligations ("PBO") derive from the following type of plans and benefits:

	2006	2005
Plans and benefits totally unfunded	$ 1,586	1,592
Plans and benefits partially or totally funded	30,867	26,716
PBO at end of the period	$ 32,453	28,308

As of December 31, 2006 and 2005, the consolidated plan assets are valued at their estimated fair value and consist of:

	2006	2005
Fixed-income securities	$ 8,944	9,434
Marketable securities	12,252	10,471
Private funds and other investments	3,224	2,090
	$ 24,420	21,995

As of December 31, 2006, estimated future benefit payments for pensions and other postretirement benefits during the next ten years are as follows:

	2006
2007	$ 1,700
2008	1,750
2009	1,718
2010	1,875
2011	1,936
2012 – 2016	10,173

CEMEX applies real rates (nominal rates discounted for inflation) in the actuarial assumptions used to determine pensions and other postretirement benefit liabilities. The most significant assumptions used in the determination of the net periodic cost, which are agreed with external actuaries, are summarized as follows:

	2006				2005			
	Mexico	United States	United Kingdom	Other countries [1]	Mexico	United States	United Kingdom	Other countries [1]
Discount rates	5.5%	5.8%	5.1%	3.5% - 11.2%	5.5%	6.0%	5.3%	3.5% - 12.0%
Rate of return on plan assets	6.5%	8.0%	6.4%	4.0% - 9.0%	6.5%	8.0%	6.5%	4.0% - 8.3%
Rate of salary increases	1.5%	3.5%	3.6%	2.0% - 4.0%	1.5%	3.5%	3.7%	2.0% - 5.6%

[1] Range of rates.

As of December 31, 2006 and 2005, the aggregate PBO for pension plans and other benefits and the plan assets by country are as follows:

	2006			2005		
	PBO	Assets	Deficit (Excess)	PBO	Assets	Deficit (Excess)
Mexico	$ 2,825	2,142	683	$ 3,143	2,714	429
United States	4,023	4,100	(77)	4,326	4,076	250
United Kingdom	20,108	16,271	3,837	15,527	13,666	1,861
Other countries	5,497	1,907	3,590	5,312	1,539	3,773
	$ 32,453	24,420	8,033	$ 28,308	21,995	6,313

Other information related to employees' benefits at retirement

The increase in the United Kingdom's PBO in 2006 results primarily from the growth in the life expectancy of the employees under the benefit plans, which grew by three years despite the fact that the defined benefit plan has been closed to new participants since January 2004. Regulation in the United Kingdom requires entities to maintain plan assets in a level similar to that of the obligations; consequently, it is expected that CEMEX will incur significant contributions to the United Kingdom's pension plan in the following years. As presented in the table above, as of December 31, 2006, the deficit in the funded status amounted to $8,033. After reducing the deficit related to other postretirement benefits, which do not require mandatory funding, the deficit as of December 31, 2006 is approximately $6,241.

In January 2006, CEMEX communicated to its employees in Mexico subject to pension benefits a new defined contribution pension plan scheme, which, from the communication date, replaced the former defined benefit pension plan scheme. As part of the plan conversion process, CEMEX contributed to the employees' retirement individual accounts, with a private retirement funds manager, the actuarial value of the PBO as of the change date. Approximately 5% of the employees, or those with 50 years of age or more, had a period to elect between the defined benefit plan and their migration to the new plan. For all other employees the change was automatic. As a result of the new plan, events of settlement and curtailment of obligations occurred, and since this was a material event which occurred before the issuance of the financial statements, the accounting effects arising from the change were retroactively recognized in the consolidated financial statements as of December 31, 2005. The administrative execution of the pension plan migration occurred during the first quarter of 2006. The initial contributions to the employees' individual accounts were transferred from the existing pension funds.

For purposes of the early accounting recognition in 2005 resulting from the change of plan in Mexico, the actuarial calculations assumed that approximately 85% of the employees with 50 years of age or more would elect to remain in the defined benefit plan. As a result of the settlement and curtailment events, the accrued actuarial results were amortized proportionally to the decrease in the PBO, which was estimated at $1,156, representing a 32% reduction, while the unrecognized transition liability and prior service costs were amortized proportionally to the reduction of the expected years of future service of the employees under the plan benefits, generating in 2005 an aggregate loss of approximately $1,063 recognized within "Other expenses, net". Upon finalization of the election period in 2006 for those employees with 50 years of age or more, approximately 78% elected the migration to the defined contribution plan. Therefore, in 2006 the PBO decreased by approximately $439 in addition to the $1,156 recognized in 2005, while the total contribution to the individual accounts was approximately $1,499. The differences between the estimates determined in 2005 and the final results in 2006 in connection with the PBO and the plan assets were included within the "Actuarial results" in the reconciliation of the actuarial value of obligations.

In addition, there are benefits paid to personnel pursuant to legal requirements upon termination of the working relationship, based on the years of service and the last salary received, as in the case of Mexico and Austria. The PBO of these benefits as of December 31, 2006 and 2005 was approximately $472 and $464, respectively.

In some countries, CEMEX has established health care benefits for retired personnel, limited to a certain number of years after retirement. As of December 31, 2006 and 2005, the PBO related to these benefits, included in the table above, was approximately $1,183 and $1,174, respectively. The medical inflation rate used in 2006 to determine the PBO of these benefits was 3.0% in Mexico, 9.0% in Puerto Rico, 11.5% in the United States and 6.9% in the United Kingdom.

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

For their Mexican operations, entities must pay the greater of IT and BAT, both of which recognize the effects of inflation, although in a manner different from MFRS. ESPS is calculated on similar basis as IT without recognizing the effects of inflation.

A) IT, BAT AND ESPS

CEMEX and its Mexican subsidiaries generate IT and BAT on a consolidated basis; therefore, the amounts of these items included in the financial statements, with respect to the Mexican subsidiaries, represent the consolidated result of these taxes. For ESPS purposes, the amount presented is the sum of the individual results of each company.

Beginning in 1999, the determination of the consolidated IT for the Mexican companies considers a maximum of 60% of the taxable income or loss of each of the subsidiaries. When the subsidiaries determine taxable income and have tax loss carryforwards generated before 1999, such taxable income will be considered by the parent company according to its equity ownership. Beginning in 2002, in the determination of consolidated IT, 60% of the taxable result of the controlling entity should be considered, unless it obtains taxable income, in which case 100% should be considered, until the restated balance of the individual tax loss carryforwards before 2001 are amortized. According to 2004 reforms to the Income Tax law, the tax rate for 2005 was established at 30%, 29% in 2006 and 28% starting in 2007. In addition, beginning in 2005, the maximum of 60% for tax consolidation factor was eliminated, except in those situations when the subsidiaries would have generated tax loss carryforwards in the period from 1999 to 2004, or the parent company in the period from 2002 to 2004. In those cases, the 60% factor still prevails in the IT consolidation, until the tax loss carryforwards are extinguished in each company. The IT expense, presented in the income statements for the years ended December 31, 2006, 2005 and 2004, is summarized as follows:

		2006	2005	2004
Current income tax	$	(4,094)	(2,660)	(1,040)
Deferred income tax		(1,160)	(1,225)	(1,097)
	$	(5,254)	(3,885)	(2,137)

In 2006, 2005 and 2004, consolidated IT includes expenses of $7,455, $1,540 and $1,316, respectively, from foreign subsidiaries, and income of $2,201, and expenses of $2,345 and $821, respectively from Mexican subsidiaries. Current income tax expense includes the tax benefits resulting from the tax consolidation of $2,044 in 2006, $1,688 in 2005 and $1,419 in 2004. Tax loss carryforwards related to Mexican operations are restated for inflation and amortized against taxable income generated in the succeeding ten years. Tax loss carryforwards as of December 31, 2006 are as follows:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
2001	$ 936	2011
2002	4,362	2012
2003	620	2013
2006	3,312	2016
	$ 9,230	

Until December 2006, the BAT Law in Mexico established a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeded the BAT in such period. The recoverable BAT as of December 31, 2006 is as follows:

Year in which BAT exceeded IT	Amount of carryforwards	Year of expiration
1997	$ 152	2007

Starting on January 1, 2007, due to amendments approved to the BAT law, the tax levy on assets decreased to 1.25%, but entities will no longer be allowed to deduct their liabilities from the taxable base; therefore, the new law appreciably increases the BAT payable. The tax authorities offered to clarify relevant aspects in connection with the deduction of liabilities; nevertheless, as of December 31, 2006, there had not been any official communication. CEMEX considers that the BAT law, as amended, is unconstitutional, among other reasons, because it contravenes the required equilibrium between the tax burden and the entities' payment capacity. Therefore, CEMEX intends to challenge the BAT law amendments through appropriate judicial action (juicio de amparo).

Notwithstanding the intended challenge to the BAT law, CEMEX will be required to pay BAT as per the amended law, until the relevant judicial procedure is finally resolved. Likewise, if the challenge does not succeed and/or if the Mexican tax authorities do not modify the prohibition to offset liabilities, the BAT of CEMEX in Mexico will rise appreciably. BAT is complementary to IT incurred, and it is paid only when the BAT is levied in excess of the IT for the period.

B) DEFERRED IT AND ESPS

The valuation method for deferred income taxes is detailed in note 30. Deferred IT for the period represents the difference in nominal pesos between the deferred IT initial balance and the year-end balance. All items charged or credited directly in stockholders' equity are recognized net of their deferred income tax effects. Deferred IT assets and liabilities relating to different tax jurisdictions are not offset. As of December 31, 2006 and 2005, the IT effects of the main temporary differences that generate the consolidated deferred IT assets and liabilities are presented below:

	2006	2005
Deferred tax assets:		
Tax loss carryforwards and other tax credits to be amortized	$ 23,634	15,032
Accounts payable and accrued expenses	5,397	4,241
Trade accounts receivable	–	237
Inventories	57	–
Others	937	642
Total deferred tax assets	30,025	20,152
Less – Valuation allowance	(13,544)	(6,176)
Net deferred tax asset	16,481	13,976
Deferred tax liabilities:		
Properties, machinery and equipment	(36,846)	(30,479)
Trade account receivables	(703)	–
Others	(2,905)	(7,723)
Total deferred tax liabilities	(40,454)	(38,202)
Net deferred tax position (liability)	(23,973)	(24,226)
Less – Deferred IT of acquired subsidiaries at acquisition date	(18,954)	(18,954)
Total effect of deferred IT in stockholders' equity at end of year	(5,019)	(5,272)
Less – Total effect of deferred IT in stockholders' equity at beginning of year	(5,272)	(7,013)
Restatement effect of beginning balance	(2,004)	(920)
Change in deferred IT for the period	$ (1,751)	821

The change in consolidated deferred IT for the period in 2006, 2005 and 2004 is as follows:

		2006	2005	2004
Deferred IT charged to the income statement	$	(1,160)	(1,225)	(1,097)
Changes in accounting principles		–	144	–
Deferred IT of the period applied directly to stockholders' equity		(591)	1,902	747
Change in deferred IT for the period	$	(1,751)	821	(350)

CEMEX considers that sufficient taxable income will be generated to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the valuation allowance would be increased and reflected in the income statement.

Temporary differences between net income of the period and taxable income for ESPS generated income of $194 in 2005 and an expense of $221 in 2004, reflected in the income statement of such periods. Deferred ESPS was not generated in 2006.

C) EFFECTIVE TAX RATE

Differences between the financial reporting and the corresponding tax basis of assets and liabilities and the different IT rates and laws applicable to CEMEX, among other factors, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the consolidated income statements, which in 2006, 2005 and 2004 are as follows:

	2006	2005	2004
	%	%	%
Approximated consolidate statutory tax rate	29.0	30.0	33.0
Additional deductions and other deductible items	(22.0)	(10.7)	(21.6)
Expenses and other non-deductible items	13.4	(1.4)	1.9
Non-taxable sale of marketable securities and fixed assets	(3.5)	(0.3)	0.4
Difference between book and tax inflation	(2.7)	1.2	1.6
Others [1]	2.8	(4.9)	(3.1)
Effective consolidated tax rate	17.0	13.9	12.2

[1] Includes the effects of the different income tax rates in the countries where CEMEX operates.

16. STOCKHOLDERS' EQUITY

On April 27, 2006, the annual extraordinary stockholders' meeting approved a new stock split, which became effective on July 17, 2006. In connection with the stock split, each of the existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of the existing series "B" shares was surrendered in exchange for two new series "B" shares. Previously, on April 28, 2005, the annual extraordinary stockholders' meeting approved a two-for-one stock split, which became effective on July 1, 2005, by means of which each of the then existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of the then existing series "B" shares was surrendered in exchange for two new series "B" shares. The proportional equity interest of the stockholders did not change as a result of these stock splits.

For the years 2006 and 2005, all amounts in CPOs, shares and prices per share disclosed in the stockholders' equity note, except as otherwise indicated, have been adjusted to retroactively reflect the stock splits of July 1, 2005 and July 17, 2006.

The carrying amounts of consolidated stockholders' equity as of December 31, 2006 and 2005 for $159,609 and $119,876, respectively, exclude investments in shares of CEMEX, S.A.B. de C.V. held by subsidiaries, which implied a reduction to majority interest stockholders' equity of $20,501 (559,984,409 CPOs) in 2006 and $21,655 (628,617,040 CPOs) in 2005. This reduction is included within "Other capital reserves".

A) COMMON STOCK

As of December 31, 2006 and 2005, the common stock of CEMEX, S.A.B. de C.V. was as follows:

	2006		2005	
Shares	Series A (1)	Series B (2)	Series A (1)	Series B (2)
Subscribed and paid shares	15,778,133,836	7,889,066,918	15,353,143,508	7,676,571,754
Treasury shares (3)	536,248,572	268,124,286	426,174,000	213,087,000
Unissued shares authorized for stock option programs	425,823,064	212,911,532	427,061,964	213,530,982
	16,740,205,472	8,370,102,736	16,206,379,472	8,103,189,736

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

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

(3) Includes the shares issued as a stock dividend pursuant to the ordinary stockholders' meeting of April 27, 2006 that were not subscribed by stockholders that elected to receive the cash dividend.

Of the total number of shares, 13,068,000,000 in 2006 and 2005 correspond to the fixed portion and 12,042,308,208 in 2006 and 11,241,569,208 in 2005 to the variable portion.

On April 27, 2006, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $6,718 (nominal amount), issuing shares as a stock dividend for up to 720 million shares equivalent to up 240 million CPOs, based on a price of $52.5368 (nominal amount) per CPO; or instead, stockholders could have chosen to receive $1.4887 (nominal amount) in cash for each CPO. As a result, shares equivalent to 105,937,857 CPOs were issued, representing an increase in common stock of $2, considering a nominal value of $0.01665 per CPO, and additional paid-in capital of $5,740, while and approximate cash payment through December 31, 2006 was made for $148 (nominal amount); and (iii) the cancellation of of the corresponding shares held in the Company's treasury. The amounts of CPOs and other prices per share related to the annual ordinary stockholders' meeting held on April 27, 2006 were not adjusted to retroactively reflect the stock split of July 17, 2006.

On April 28, 2005, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $4,815 (nominal amount), issuing shares as a stock dividend for up to 360 million shares equivalent to up 120 million CPOs, based on a price of $66.448 (nominal amount) per CPO; or instead, stockholders could have chosen to receive $2.60 (nominal amount) in cash for each CPO. As a result, shares equivalent to 66,728,250 CPOs were issued, representing an increase in common stock of $2, considering a nominal value of $0.0333 per CPO, and additional paid-in capital of $4,535, while an approximate cash payment through December 31, 2005 was made for $380 (nominal amount); and (iii) the cancellation of the corresponding shares held in the Company's treasury. The amounts of CPOs and other prices per share related to the annual ordinary stockholders' meeting held on April 28, 2005 were not adjusted to retroactively reflect the stock splits of July 2006 and July 2005.

During 2006 and 2005, the new CPOs issued pursuant the exercise of options under the "fixed program" (note 17) generated additional paid-in capital of approximately $5 and $19, respectively, and increased the number of shares outstanding.

B) OTHER EQUITY RESERVES

As of December 31, 2006 and 2005, other equity reserves are summarized as follows:

		2006	2005
Deficit in equity restatement	$	(59,675)	(57,953)
Treasury shares		(20,501)	(21,655)
Cumulative initial deferred income tax effects		(6,378)	(6,378)
	$	(86,554)	(85,986)

In 2006, 2005 and 2004, the most significant items within deficit in equity restatement, which are also elements of the comprehensive income presented in the statement of changes in stockholders' equity, are detailed as follows:

		2006	2005	2004
Foreign currency translation adjustment [1]	$	3,606	(5,641)	3,398
Capitalized foreign exchange gain (loss) [2]		(535)	1,542	170
Effects from holding non-monetary assets		(4,338)	10,532	(3,005)
Hedge derivative instruments (notes 12C and E)		136	(1,482)	2,507
Deferred IT for the period recorded in stockholders' equity (note 15B)		(591)	1,902	747
Results from the purchase of minority interests (note 11A)		–	–	(1,044)
	$	(1,722)	6,853	2,773

[1] These effects result from the translation of the financial statements of foreign subsidiaries and include foreign exchange fluctuations from financing related to the acquisition of foreign subsidiaries generated by CEMEX's subsidiary in Spain, representing a loss of $11 in 2005 and a gain of $3 in 2004. There were no exchange fluctuations in this subsidiary during 2006.

[2] Generated by foreign exchange fluctuations of debt associated with the acquisition of foreign subsidiaries.

C) RETAINED EARNINGS

Retained earnings as of December 31, 2006 and 2005 include $134,298 and $108,515, respectively, of earnings generated by subsidiaries and associates that are not available to be paid as dividends by CEMEX until these entities distribute such amounts to CEMEX. Additionally, retained earnings include a share repurchase reserve in the amount of $6,152 in 2006 and $6,254 in 2005. Net income for the year is subject to a 5% allocation toward a legal reserve until such reserve equals one fifth of the common stock. As of December 31, 2006, the legal reserve amounted to $1,663.

D) EFFECTS OF INFLATION

The effects of inflation on certain items of stockholders' equity as of December 31, 2006 are as follows:

		Nominal	Restatement	Total
Common stock	$	66	3,890	3,956
Additional paid-in-capital		34,074	20,727	54,801
Cumulative initial deferred income tax effects		(4,698)	(1,680)	(6,378)
Retained earnings		80,500	60,493	140,993
Net income	$	25,056	626	25,682

E) OTHER EQUITY TRANSACTIONS

In October 2004, CEMEX liquidated the remaining capital securities for approximately U.S.$66 ($769). The capital securities were issued in 1998 by a Spanish subsidiary for U.S.$250, with an annual dividend rate of 9.66%. In April 2002, through a tender offer, U.S.$184 of capital securities were repurchased. Pursuant to the early retirement, holders of the capital securities received a premium in cash of approximately U.S.$20 ($255), which was recognized in stockholders' equity. During 2004, resulting from the adoption of new accounting principles, the capital securities were treated as debt. Preferred dividends declared in 2004 of approximately U.S.$6 ($70) were recognized in the income statement as part of financial expenses.

In December 2004, CEMEX recognized a loss of $1,129 within "Other equity reserves" in connection with the settlement, upon maturity, of 13,772,903 appreciation warrants ("warrants") remaining from the public tender offer that took place in December 2003, in which CEMEX repurchased approximately 86.7% of the then outstanding warrants, including approximately 34.9 million warrants owned by or controlled by CEMEX and its subsidiaries. These financial instruments were originally issued in 1999 by means of a public offer on the MSE and the NYSE, in which 105 million warrants and warrants represented by ADWs were sold. Each ADW represented five warrants. The warrants permitted the holders to benefit from the future increases in the market price of the Company's CPOs above the strike price.

F) MINORITY INTEREST

As of December 31, 2006, minority interest stockholders' equity includes U.S.$1,250 ($13,500) aggregate principal amount of perpetual debentures issued by consolidated entities. For accounting purposes, these debentures represent equity instruments.

On December 18, 2006, two entities denominated as Special Purpose Vehicles or "SPVs" issued perpetual debentures for an aggregate amount of U.S.$1,250 ($13,500). These debentures have no fixed maturity date and do not represent a contractual payment obligation for CEMEX. The first SPV, C5 Capital (SPV) Limited, issued debentures for U.S.$350, which include an option that allows the issuer to redeem the debentures at the end of the fifth anniversary. The second SPV, C10 Capital (SPV) Limited, issued debentures for U.S.$900, which include an option that allows the issuer to redeem the debentures at the end of the tenth anniversary. The two SPVs have the unilateral right to indefinitely defer the payment of interest due on the debentures. The debentures for U.S.$350 bear interest at the annual rate of 6.196%, while the debentures for U.S.$900 bear interest at the annual rate of 6.722%. The two SPVs, which were established solely for purposes of issuing the perpetual debentures, are included in the Company's consolidated financial statements. Based on their characteristics, the debentures qualify for accounting purposes as equity instruments and are classified within minority interest as they were issued by consolidated entities. The definition of the debentures as equity instruments according was made under applicable International Financing Reporting Standards ("IFRS"), which were applied to these transactions in compliance with the supplementary application of IFRS in Mexico. Issuance costs of approximately U.S.$10 ($108), as well as the interest expense, which is recognized based on the principal amount, are included within "Other capital reserves".

As mentioned in note 12E, there are derivative instruments associated with the perpetual debentures, through which CEMEX changes the risk profile associated with interest rates and foreign exchange rates in respect of the debentures from the U.S. dollar to the yen.

17. EXECUTIVE STOCK OPTION PROGRAMS

Between 1995 and 2004, CEMEX granted to a group of executives different types of stock options. Starting in 2005, stock option programs were replaced by a long-term compensation scheme through which such executives receive cash bonuses, recognized in the operating results, which are used by the executives to acquire CPOs in the market. The expense recognized through the income statements during 2006 and 2005 arising from these bonuses was $397 and $334, respectively. Pursuant to an agreement between CEMEX and the executives, the acquired CPOs are placed in an executives' owned trust to comply with a restriction for sale period of 4 years, which vests up to 25% at the end of each year.

As mentioned in note 3T, in 2005, CEMEX adopted IFRS 2 to account for its stock option programs. Under IFRS 2, the cost associated with stock options that qualify as equity instruments is represented by the estimated fair value of the awards as of the grant date, and should be recognized through earnings over the options' vesting period. Likewise, IFRS 2 defines liability instruments, comprised by those awards in which an entity incurs an obligation by committing to pay the employee, through the exercise of the option, an amount in cash or in other financial assets. In connection with liability instruments, IFRS 2 requires the determination of the estimated fair value of the awards at each reporting date, recognizing the changes in valuation through the income statement.

The stock options granted by CEMEX, except for those under the "fixed program" described below, represent liability instruments, considering that CEMEX is committed to pay the executive the intrinsic value of the options at the exercise date. Starting in 2001 and until the adoption of IFRS2, CEMEX recognized the cost associated with those programs that under IFRS 2 qualify as liability instruments through the intrinsic value method. Under this method, CEMEX accrued a provision at each balance sheet date against the income statement, for the difference between the CPO's market price and the exercise price of such CPO established in the option. In respect to those options that now qualify as equity instruments under IFRS 2, CEMEX did not recognize cost considering that: 1) the CPO exercise price equaled its market price as of the grant date; 2) the exercise price was fixed thorough the tenure of the award; and 3) the exercise of these options implied the issuance of new CPOs.

As of December 31, 2006 and 2005, CEMEX's subsidiary in Ireland has 1,230,000 and 1,640,000 options, respectively, under stock option programs in its own shares, with an average exercise price per share of approximately €1.41 in 2006 and €1.35 in 2005. As of December 31, 2006 and 2005, the market price per share of this subsidiary was €2.60 and €2.35, respectively. These programs are not periodically measured at fair value considering that the executives' exercise rights were fully vested as of the adoption of IFRS 2.

In May 2005, as a result of change of control clauses, except for the stock option programs of the Irish subsidiary, the existing stock option and share programs in RMC as of the acquisition date were liquidated through the payment of approximately £40 (U.S.$69 or $ 799). This amount was included as part of the purchase price of RMC.

The information related to options granted in respect of CEMEX, S.A.B. de C.V shares is as follows:

Options	Fixed programs (A)	Variable programs (B)	Restricted programs (C)	Special program (D)
Options at the beginning of 2005	2,690,869	3,112,847	152,064,600	1,925,452
Changes in 2005:				
Options cancelled	(1,141,345)	–	–	–
Options granted	–	–	–	185,900
Options exercised	(469,224)	(622,848)	(135,254,554)	(447,546)
Options at the end of 2005	1,080,300	2,489,999	16,810,046	1,663,806
Changes in 2006:				
Options cancelled	(12,554)	–	–	–
Options exercised	(118,042)	(934,885)	(1,208,373)	(433,853)
Options at the end of 2006	949,704	1,555,114	15,601,673	1,229,953
Underlying CPOs [1]	5,075,073	7,387,468	66,410,081	24,599,060
Exercise price:				
Options outstanding at the beginning of 2006 [1, 2]	$7.27	U.S.$1.34	U.S.$1.90	U.S.$1.31
Options exercise in the year [1, 2]	$7.36	U.S.$1.38	U.S.$1.93	U.S.$1.25
Options outstanding at the end of 2006 [1, 2]	$7.12	U.S.$1.36	U.S.$1.92	U.S.$1.33
Average useful life of options:	2.1 years	5.3 years	5.5 years	6.7 years
Number of options per exercise price:	266,385 - $5.2	965,190 - U.S.$1.4	15,601,673 - U.S.$1.9	143,868 - U.S.$1.1
	46,022 - $5.8	221,414 - U.S.$1.5	–	221,161 - U.S.$1.4
	134,295 - $7.6	67,295 - U.S.$1.2	–	296,839 - U.S.$1.0
	155,099 - $6.8	237,473 - U.S.$1.1	–	400,590 - U.S.$1.4
	149,314 - $8.5	58,742 - U.S.$1.3	–	167,495 - U.S.$1.9
	198,589 - $8.9	5,000 - U.S.$1.6	–	–
Percent of options fully vested:				
Options fully vested	100%	86.2%	100%	55.5%

[1] Exercise prices and the number of underlying CPOs are technically adjusted for the effect of stock dividends.

[2] Weighted average exercise prices per CPO. Prices include the effects of the stock splits detailed in note 16.

A) Fixed Program

From June 1995 through June 2001, CEMEX granted stock options with a fixed exercise price in pesos ("fixed program"), equivalent to the market price of the CPO at the grant date and with a tenure of 10 years. Exercise prices are adjusted for stock dividends. The employees' option rights vested up to 25% annually during the first four years after having been granted.

B) Variable Program

In November 2001, by means of a voluntary exchange program for options granted under the fixed program, CEMEX initiated a stock option program with exercise prices denominated in U.S. dollars increasing annually at a 7% rate, through the payment of the options' intrinsic value and the issuance of new options. As a result of the exchanges of February and December 2004 described below, 129,075,815 options granted under the variable program were exercised.

C) Restricted Program

In February 2004, through a voluntary exchange program, 112,495,811 options from the variable program and 1,625,547 options from other programs were redeemed through the payment of the options' intrinsic value and the grant of 122,708,146 new options with a remaining tenure of 8.4 years. These options had an initial exercise price of U.S.$1.265 per CPO (after the stock splits of 2005 and 2006), increasing annually at a 7% rate, and included a mandatory exercise condition when the CPO price reached U.S.$1.875 (after giving effect to the stock splits of 2005 and 2006). The mandatory exercise condition was satisfied in 2004, and the payment to the executives was made in the form of CPOs. These CPOs are restricted for sale for an approximate period of four years. This program was intended, by limiting the potential for gains, to be an improved hedge through equity forward contracts. As consideration to the executives resulting from the mandatory exercise condition and the sale restriction, CEMEX paid in 2004 U.S.$0.10 per option, net of taxes.

In addition, in December 2004, through a voluntary exercise program, 16,580,004 options from the variable program, 120,827,370 options from the exchange of February 2004 and 399,848 options from other programs were redeemed, through the payment of the options' intrinsic value, and the issuance of 139,151,236 new options with a remaining tenure of 7.5 years. These options had an initial exercise price of U.S.$1.865 per CPO (after giving effect to the stock splits of 2005 and 2006), increasing annually at a 5.5% rate, of which 120,827,370 options included a mandatory exercise condition when the CPO price reached U.S.$2.125 (after giving effect to the stock splits of 2005 and 2006), while the remaining 18,323,866 options did not have the exercise condition. The initial exercise price was U.S.$0.125 higher than the CPO market price at the exercise date. The mandatory exercise condition was satisfied in 2004, and the intrinsic value was paid in the form of CPOs, which were restricted for sale for a period of four years from the exercise date. This exercise program was intended to improve the hedge efficiency through equity forward contracts. The cost of the exercise of approximately U.S.$61 ($710) was recognized in earnings in the year 2004. As consideration to the employees resulting from the initial exercise price being above market, the mandatory exercise condition and the sale restriction, CEMEX paid in 2005 U.S.$0.11 per option, net of taxes.

In January 2005, the 1,190,224 options then outstanding from the February 2004 exchange program and that contained a mandatory exercise condition, were automatically exercised when the CPO market price reached the level of U.S.$1.875 (after giving effect to the stock splits of 2005 and 2006). Likewise, in June 2005, 131,996,243 options from the exchange program of December 2004 were automatically exercised when the CPO market price reached the level of U.S.$2.125 (after the stock splits of 2005 and 2006). As a result of the mandatory exercises of options occurred during 2005, CEMEX recognized a cost of approximately U.S.$177 ($2,049) in the income statement of the period.

D) Special Program

From June 2001 through June 2005, the Company's subsidiary in the United States granted to a group of its employees a stock option program to purchase CEMEX ADSs. The options granted have a fixed exercise price in dollars and tenure of 10 years. The employees' option rights vested up to 25% annually after having been granted. The option exercises are hedged using ADSs currently owned by subsidiaries, which increases stockholders' equity and the number of shares outstanding. The amounts of these ADS programs are presented in terms of equivalent CPOs (ten CPOs represent one ADS).

In addition, as of December 31, 2006, there are 5,000 options with an exercise price of U.S.$1.56 (after giving effect to the stock splits of 2005 and 2006) and a remaining tenure of less than one year.

FAIR VALUE OF OPTIONS, ACCOUNTING RECOGNITION AND OPTIONS' HEDGING ACTIVITIES

Valuation of options at fair value and accounting recognition

Upon adoption of IFRS 2 in 2005, no cost was recognized in connection with the fixed program, considering that all options were fully vested as of the adoption date. All other programs are measured at their estimated fair value as of the balance sheet date, recognizing changes in fair value through the income statement. The income statement for the year ended December 31, 2005, includes the cumulative effect from the adoption of IFRS 2, which represented a cost of $1,081 ($938 after tax).

Changes in the provision for the executive stock option programs in 2006 and 2005 are as follows:

		Restricted program	Variable program	Special program	Total
Provision as of December 31, 2004	$	(235)	(126)	(228)	(589)
Net valuation effects in current period results		1,458	(109)	(373)	976
Cumulative effect from change to fair value method		(937)	(101)	(43)	(1,081)
Estimated decrease from options' exercises		(2,063)	(7)	(142)	(2,212)
Foreign currency translation effect		8	–	1	9
Provision as of December 31, 2005		(1,769)	(343)	(785)	(2,897)
Net valuation effects in current period results		145	176	228	549
Estimated decrease from options' exercises		(86)	(68)	(128)	(282)
Foreign currency translation effect		119	23	53	195
Provision as of December 31, 2006	$	(1,591)	(212)	(632)	(2,435)

The options' fair values were determined through the binomial option-pricing model. As of December 31, 2006 and 2005, the most significant assumptions used in the valuations are as follows:

Assumptions	2006	2005
Expected dividend yield	2.8%	3.8%
Volatility	35%	35%
Interest rate	4.7%	4.4%
Weighted average remaining tenure	5.9 years	6.8 years

For the year ended December 31, 2004, the change of the provision under the intrinsic value method generated a cost of approximately U.S.$51 ($589).

Options hedging activities

From 2001 until September 2005, CEMEX hedged most of its stock option programs through equity forward contracts in its own stock (note 12D), negotiated to guarantee that shares would be available at prices equivalent to those established in the options, without the necessity of issuing new CPOs into the market; therefore, these programs did not increase the number of shares outstanding and consequently did not result in dilution to the stockholders. The equity forward contracts were fully settled during September 2005 through a secondary public offering of shares. Changes in the estimated fair value and cash flows generated through the settlement of the forward contracts related to the stock option plans, generated gains of approximately U.S.$422 ($4,886) in 2005 and U.S.$45 ($524) in 2004, which were recognized in earnings, offsetting the cost related to stock option programs.

In December 2005, CEMEX negotiated a derivative instrument in its own shares, by means of which, through a prepayment of U.S.$145 ($1,679), CEMEX secured the appreciation rights over 25 million CPOs, sufficient to hedge cash flows from the exercise of options in the short and medium term. As of December 31, 2006 and 2005, changes in the fair value of this instrument generated gains of approximately U.S.$13 ($140) and U.S.$3 ($35), respectively, recognized in earnings.

18. SELECTED FINANCIAL INFORMATION BY GEOGRAPHIC OPERATING SEGMENT

Operating segments are defined as the components of an entity oriented to the production and sale of goods and services, which are subject to risks and benefits different from those associated to other business segments. CEMEX operates principally in the construction industry segment through the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates.

CEMEX operates geographically on regional basis. Each regional manager supervises and is responsible for all the business activities undergoing in the countries comprising the region. These activities refer to the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates. The country manager, who is one level below the regional manager in the organizational structure, reports to the regional manager the operating results of the country manager's business unit, including all the operating sectors. In consequence, CEMEX's management internally evaluates the results and performance of each country and region for decision-making purposes, following a vertical integration approach. According to this approach in the daily operations, management allocates economic resources on a country basis rather than on an operating component basis.

The main indicator used by CEMEX's management to evaluate the performance of each country is operating cash flow, which CEMEX defines as operating income plus depreciation and amortization. This indicator, which is presented in the selected financial information by geographic operating segment, is consistent with the information used by CEMEX's management for the decision-making purposes.

The accounting policies applied to determine the financial information by geographic operating segment are consistent with those described in note 3. CEMEX recognizes sales and other transactions between related parties based on market values.

For purposes of the tables below, in 2005, the segment "United States" and "Spain" includes the operations acquired from RMC for the 10-month ended as of December 31, 2005. In 2006 and 2005, the segment "Rest of Europe" refers primarily to CEMEX's operations in Germany, France, Ireland, Czech Republic, Austria, Poland, Croatia, Hungary and Latvia, acquired from RMC, in addition to CEMEX's operations in Italy, which were established before the acquisition of RMC.

In 2004, the segment "Rest of Central and South America and the Caribbean", includes CEMEX's operations in Costa Rica, Panama, Puerto Rico, the Dominican Republic, Nicaragua and the Caribbean; in 2005, through the purchase of RMC, small ready-mix concrete operations in Jamaica and Argentina were incorporated into this segment; and in 2006 a cement-grinding mill in Guatemala was incorporated. Likewise, in 2006 and 2005, the segment "Rest of Africa and Middle East" includes the operations in the United Arab Emirates and Israel, acquired from RMC. In addition, the segment "Rest of Asia" in 2004 includes the operations in Thailand and Bangladesh; and in 2006 and 2005, the operations in Malaysia acquired from RMC. Finally, "Others" segment primarily refers to cement trade maritime operations, to the subsidiary (Neoris, S.A. de C.V.) involved in the development of information technology solutions, as well as to other minor subsidiaries.

Selected financial information of the income statement by geographic operating segment for the years ended December 31, 2006, 2005 and 2004 is as follows:

2006	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Depreciation and amortization	Operating cash flow
North America						
Mexico	$ 39,256	(970)	38,286	12,180	1,680	13,860
United States	45,096	(339)	44,757	9,305	3,261	12,566
Europe						
Spain	20,131	(191)	19,940	5,197	797	5,994
United Kingdom	21,993	(17)	21,976	142	1,303	1,445
Rest of Europe	41,205	(824)	40,381	2,047	2,338	4,385
Central and South America and the Caribbean						
Venezuela	5,732	(665)	5,067	1,659	541	2,200
Colombia	3,878	(2)	3,876	1,049	367	1,416
Rest of Central and South America and the Caribbean	8,340	(263)	8,077	1,219	644	1,863
Africa and Middle East						
Egypt	3,298	–	3,298	1,360	207	1,567
Rest of Africa and Middle East	4,420	–	4,420	111	82	193
Asia						
Philippines	2,416	(428)	1,988	669	203	872
Rest of Asia	1,562	–	1,562	(57)	42	(15)
Others	18,564	(15,099)	3,465	(3,067)	1,407	(1,660)
Total Consolidated	$ 215,891	(18,798)	197,093	31,814	12,872	44,686

2005	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Depreciation and amortization	Operating cash flow
North America						
Mexico	$ 36,775	(1,055)	35,720	11,702	1,803	13,505
United States	47,359	–	47,359	7,790	3,493	11,283
Europe						
Spain	17,550	(120)	17,430	4,164	825	4,989
United Kingdom	17,769	–	17,769	618	1,075	1,693
Rest of Europe	31,594	(503)	31,091	1,969	1,949	3,918
Central and South America and the Caribbean						
Venezuela	4,795	(1,042)	3,753	1,561	611	2,172
Colombia	2,904	–	2,904	394	402	796
Rest of Central and South America and the Caribbean	7,844	(665)	7,179	747	658	1,405
Africa and Middle East						
Egypt	3,059	(160)	2,899	1,139	220	1,359
Rest of Africa and Middle East	3,250	–	3,250	109	107	216
Asia						
Philippines	2,223	(245)	1,978	476	248	724
Rest of Asia	1,111	–	1,111	(19)	75	56
Others	15,265	(10,323)	4,942	(1,859)	928	(931)
Total Consolidated [1]	$ 191,498	(14,113)	177,385	28,791	12,394	41,185

2004	Net sales (including related parties)	Related parties	Consolidated net sales	Operating income	Depreciation and amortization	Operating cash flow
North America						
Mexico	$ 34,010	(765)	33,245	12,763	1,838	14,601
United States	23,000	–	23,000	3,026	2,042	5,068
Europe						
Spain	16,070	(243)	15,827	3,905	874	4,779
Rest of Europe	256	–	256	(45)	20	(25)
Central and South America and the Caribbean						
Venezuela	4,080	(962)	3,118	1,274	566	1,840
Colombia	2,856	–	2,856	1,302	348	1,650
Rest of Central and South America and the Caribbean	8,020	(452)	7,568	1,837	606	2,443
Africa and Middle East						
Egypt	2,211	(435)	1,776	668	208	876
Asia						
Philippines	1,763	(300)	1,463	315	314	629
Rest of Asia	321	–	321	41	47	88
Others	10,965	(5,480)	5,485	(3,519)	1,099	(2,420)
Total Consolidated [1]	$ 103,552	(8,637)	94,915	21,567	7,962	29,529

[1] The consolidated amounts of depreciation and amortization in 2005 and 2004 do not include the portion of amortization recognized within “Other expenses, net”.

The selected financial information of balance sheet by geographic operating segments includes the elimination of balances between related parties. As of December 31, 2006 and 2005, the information is as follows:

December 31, 2006	Investments in associates	Other segment assets	Total assets	Total liabilities	Net assets by segment	Capital expenditure
North America						
Mexico	$ 405	57,674	58,079	13,803	44,276	3,908
United States	459	74,088	74,547	14,706	59,841	3,824
Europe						
Spain	23	32,852	32,875	18,549	14,326	1,790
United Kingdom	547	25,780	26,327	11,114	15,213	1,107
Rest of Europe	872	40,887	41,759	13,851	27,908	2,248
Central and South America and the Caribbean						
Venezuela	206	9,880	10,086	1,022	9,064	452
Colombia	–	8,539	8,539	2,215	6,324	343
Rest of Central and South America and the Caribbean	16	14,980	14,996	2,527	12,469	1,006
Africa and Middle East						
Egypt	–	5,919	5,919	1,279	4,640	175
Rest of Africa and Middle East	312	4,545	4,857	1,202	3,655	274
Asia						
Philippines	–	6,645	6,645	1,256	5,389	115
Rest of Asia	–	1,987	1,987	334	1,653	71
Corporate	3,171	8,034	11,205	71,522	(60,317)	–
Others	1,643	24,234	25,877	10,709	15,168	1,324
Total Consolidated	$ 7,654	316,044	323,698	164,089	159,609	16,637

December 31, 2005	Investments in associates	Other segment assets	Total assets	Total liabilities	Net assets by segment	Capital expenditure
North America						
Mexico	$ 329	53,953	54,282	14,014	40,268	1,197
United States	535	71,414	71,949	25,982	45,967	1,876
Europe						
Spain	25	30,426	30,451	10,666	19,785	767
United Kingdom	–	27,637	27,637	19,722	7,915	629
Rest of Europe	931	33,831	34,762	12,712	22,050	1,599
Central and South America and the Caribbean						
Venezuela	208	9,868	10,076	715	9,361	263
Colombia	–	7,937	7,937	2,105	5,832	86
Rest of Central and South America and the Caribbean	15	14,155	14,170	3,368	10,802	1,378
Africa and Middle East						
Egypt	–	5,915	5,915	925	4,990	109
Rest of Africa and Middle East	325	2,425	2,750	1,232	1,518	80
Asia						
Philippines	–	6,892	6,892	991	5,901	42
Rest of Asia	–	4,987	4,987	136	4,851	58
Corporate	2,724	5,032	7,756	89,883	(82,127)	–
Others	4,636	25,666	30,302	7,539	22,763	1,137
Total Consolidated	$ 9,728	300,138	309,866	189,990	119,876	9,221

Total consolidated liabilities include debt of $81,441 in 2006 and $109,732 in 2005. Of such debt, approximately 42% in 2006 and 36% in 2005 was in the Parent Company, 1% and 7% in the United States, 33% and 32% in Spain, 9% and 7% in a Dutch subsidiary, guaranteed by certain Mexican subsidiaries and the Parent Company, 11% and 9% in finance companies in the United States, guaranteed by the Spanish subsidiary, and 4% and 9% in other countries, respectively.

The information of net sales by sector for the years ended December 31, 2006, 2005 and 2004 is as follows:

2006	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 27,734	11,960	618	6,805	(8,831)	38,286
United States	20,691	19,471	5,764	6,029	(7,198)	44,757
Europe						
Spain	13,647	5,907	1,253	5,123	(5,990)	19,940
United Kingdom	3,550	8,899	6,977	9,698	(7,148)	21,976
Rest of Europe	9,743	22,328	8,141	8,219	(8,050)	40,381
Central and South America and the Caribbean						
Venezuela	4,369	1,494	154	218	(1,168)	5,067
Colombia	2,758	1,424	246	678	(1,230)	3,876
Rest of Central and South America and the Caribbean	6,574	2,058	80	358	(993)	8,077
Africa and Middle East						
Egypt	3,076	216	–	30	(24)	3,298
Rest of Africa and Middle East	–	3,650	–	5,266	(4,496)	4,420
Asia						
Philippines	2,415	–	–	1	(428)	1,988
Rest of Asia	683	648	128	177	(74)	1,562
Others	–	–	–	18,564	(15,099)	3,465
Total Consolidated	$ 95,240	78,055	23,361	61,166	(60,729)	197,093

2005	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 26,873	10,231	425	5,548	(7,357)	35,720
United States	19,958	21,514	5,377	4,725	(4,215)	47,359
Europe						
Spain	11,143	5,590	1,232	2,804	(3,339)	17,430
United Kingdom	2,723	6,970	5,037	8,195	(5,156)	17,769
Rest of Europe	7,077	17,407	6,507	6,308	(6,208)	31,091
Central and South America and the Caribbean						
Venezuela	4,005	1,104	74	84	(1,514)	3,753
Colombia	2,022	1,277	209	161	(765)	2,904
Rest of Central and South America and the Caribbean	6,023	1,687	57	261	(849)	7,179
Africa and Middle East						
Egypt	2,889	183	–	9	(182)	2,899
Rest of Africa and Middle East	–	2,970	–	280	–	3,250
Asia						
Philippines	2,223	–	1	1	(247)	1,978
Rest of Asia	319	565	117	113	(3)	1,111
Others	–	–	–	15,246	(10,304)	4,942
Total Consolidated	$ 85,255	69,498	19,036	43,735	(40,139)	177,385

2004	Cement	Concrete	Aggregates	Others	Eliminations	Net sales
North America						
Mexico	$ 24,963	8,374	289	5,011	(5,392)	33,245
United States	16,076	6,252	2,090	1,526	(2,944)	23,000
Europe						
Spain	11,599	4,026	713	2,196	(2,707)	15,827
Rest of Europe	–	155	92	62	(53)	256
Central and South America and The Caribbean						
Venezuela	3,540	814	61	64	(1,361)	3,118
Colombia	2,113	1,112	180	87	(636)	2,856
Rest of Central and South America and The Caribbean	6,678	1,217	32	224	(583)	7,568
Africa and Middle East						
Egypt	2,136	101	–	6	(467)	1,776
Asia						
Philippines	1,759	1	8	1	(306)	1,463
Rest of Asia	321	–	–	–	–	321
Others	–	–	–	10,912	(5,427)	5,485
Total Consolidated	$ 69,185	22,052	3,465	20,089	(19,876)	94,915

19. FOREIGN CURRENCY POSITION

As of December 31, 2006, the main balances denominated in foreign currencies are as follows:

		Mexico	Foreign	Total
Current assets	U.S.$	72	4,252	4,324
Non-current assets [1]		2,663	15,011	17,674
Total assets	U.S.$	2,735	19,263	21,998
Current liabilities	U.S.$	85	3,159	3,244
Non-current liabilities		1,292	6,553	7,845
Total liabilities	U.S.$	1,377	9,712	11,089

[1] In the case of Mexico the amounts refer primarily to machinery and equipment of foreign origin.

The peso to dollar exchange rate as of December 31, 2006, 2005 and 2004 was $10.80, $10.62 and $11.14 pesos per dollar, respectively. The exchange rate as of January 26, 2007 was $11.05 pesos per dollar.

The portion of the Company's Mexican operations denominated in foreign currencies during 2006, 2005 and 2004 are summarized as follows:

U.S. dollars millions	2006	2005	2004
Export sales	145	124	76
Import purchases	140	85	88
Financial income	26	16	13
Financial expense	291	337	338

20. EARNINGS PER SHARE

The amounts considered for calculations in 2006, 2005 and 2004 are summarized as follows:

		2006	2005	2004
Numerator				
Majority interest net income	$	25,682	24,450	15,224
Denominator (thousands of shares)				
Weighted average number of shares outstanding		21,552,250	20,757,180	19,974,730
Effect of dilutive instruments – executives' stock options		12,500	20,372	31,492
Effect of dilutive instruments – equity forwards on CEMEX's CPOs		2,379	44,224	72,308
Potentially dilutive shares		14,879	64,596	103,800
Weighted average number of shares outstanding – diluted		21,567,129	20,821,776	20,078,530
Basic earnings per share ("Basic EPS")	$	1.19	1.18	0.77
Diluted earnings per share ("Diluted EPS")	$	1.19	1.17	0.76

Basic earnings per share are calculated by dividing majority interest net income for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the effects of any transactions carried out by the Company which have a potentially dilutive effect on the weighted average number of common shares outstanding. The numbers of shares considered for calculation include the effects of the stock splits of July 2005 and July 2006.

The difference between the basic and diluted average number of shares in 2006, 2005 and 2004 is attributable to the additional shares to be issued under the fixed stock option program (note 17A). In addition, CEMEX includes the dilutive effect of the number of shares resulting from equity forward contracts in CEMEX's own stock, determined under the inverse treasury method.

21. CONTINGENCIES AND COMMITMENTS

A) GUARANTEES

As of December 31, 2006 and 2005, CEMEX, S.A.B. de C.V. had guaranteed loans made to certain subsidiaries for approximately U.S.$735 and U.S.$711, respectively.

B) CONTRACTUAL OBLIGATIONS

As of December 31, 2006 and 2005, the approximate cash flows that will be required by CEMEX to meet its material contractual obligations are summarized as follows:

U.S. dollars millions	Payments per period					
	2006					2005
Contractual Obligations	Less than 1 year	1-3 Years	3-5 Years	More than 5 years	Total	Total
Long-term debt	U.S.$ 296	2,913	2,385	943	6,537	8,745
Capital lease obligations	20	28	17	3	68	106
Total debt [1]	316	2,941	2,402	946	6,605	8,851
Operating leases [2]	166	241	135	111	653	634
Interest payments on debt [3]	411	603	304	100	1,418	1,968
Estimated cash flows under interest rate derivatives [4]	93	127	83	8	311	330
Planned funding of pension plans and other postretirement benefits [5]	157	321	353	942	1,773	1,466
Total contractual obligations	U.S.$ 1,143	4,233	3,277	2,107	10,760	13,249
	$ 12,344	45,716	35,392	22,756	116,208	153,396

[1] The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing that may occur of debt during the following years. However, CEMEX has been successful in the past in replacing its long-term obligations with others of similar nature.

[2] The amounts of operating leases have been determined on the basis of nominal future cash flows. In 2005, operating leases included the lease of the Balcones cement plant in New Braunfels, Texas, which was scheduled to expire in September 2009. In March 2006, by agreement with the financial counterparties, CEMEX terminated this lease prior to its scheduled expiration and purchased the related assets for approximately U.S.$61 million ($659).

[3] In the determination of the future estimated interest payments on the floating rate denominated debt, CEMEX used the interest rates in effect as of December 31, 2006 and 2005.

[4] The estimated cash flows under interest rate derivatives include the approximate cash flows under CEMEX's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate CEMEX pays and the rate received under such contracts. In the determination of the future estimated cash flows, CEMEX used the interest rates applicable under such contracts as of December 31, 2006 and 2005.

[5] Amounts relating to planned funding of pensions and other postretirement benefits represent estimated annual payments under these benefits for the next 10 years, determined in local currency and translated into U.S. dollars at the exchange rates as of December 31, 2006 and 2005, and include the estimate of new retirees during such future years.

As mentioned in the table above, CEMEX has entered into various operating leases, primarily for operating facilities, cement storage and distribution facilities and certain transportation and other equipment, under which annual rental payments are required plus the payment of certain operating expenses. As of December 31, 2006, future minimum rental payments due under such lease contracts are as follows:

For the years ended December 31,	U.S. dollars millions
2007	U.S.$ 166
2008	137
2009	104
2010	79
2011	56
2012 and thereafter	111
	U.S.$ 653

Rental expense for the years ended December 31, 2006, 2005 and 2004 was approximately U.S.$178 ($1,922), U.S.$152 ($1,760) and U.S.$114 ($1,328), respectively.

C) PLEDGED ASSETS

As of December 31, 2006 and 2005, there were liabilities amounting to U.S.$62 and U.S.$100, respectively, secured by properties, machinery and equipment.

D) COMMITMENTS

As of December 31, 2006 and 2005, the Company had commitments for the purchase of raw materials for an approximate amount of U.S.$225 and U.S.$169, respectively.

During 1999, CEMEX entered into agreements with an international partnership, which built and currently operates an electrical energy generating plant in Mexico called Termoeléctrica del Golfo (“TEG”). According to the agreements, CEMEX is required to purchase, starting from the beginning of operations of the plant, all the energy generated for a term of not less than 20 years. The electrical energy generating plant started operations on April 29, 2004. In addition, as part of the agreements, CEMEX has committed to supply the electrical energy plant with all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement entered into by the Company with Petróleos Mexicanos. Through these arrangements CEMEX expects to decrease its energy costs. The Company is not required to make any capital investment in the project. By means of this transaction, for the years ended December 31, 2006, 2005 and 2004, TEG delivered energy to CEMEX Mexico’s 15 cement plants, supplying 57.1%, 57.5% and 46.9%, respectively, of such year’s needs, decreasing electricity costs by 29.1%, 28.2% and 21.2%, respectively, as compared to industrial tariffs from the Comisión Federal de Electricidad, which is the supplier in Mexico.

22. LEGAL PROCEDURES

A) TAX ASSESSMENTS

CEMEX and some of its subsidiaries in Mexico have been notified by the Mexican tax authorities of several tax assessments related to different tax periods in a total amount of approximately $4,000 as of December 31, 2006. The tax assessments are based primarily on: (i) disallowed restatement of tax loss carryforwards in the same period in which they occurred, (ii) disallowed determination of cumulative tax loss carryforwards, and (iii) investments made in entities incorporated in foreign countries with preferential tax regimes. The companies involved are using the available defense actions granted by law in order to cancel the tax claims. The appeals are pending resolution.

Pursuant to amendments to the Mexican income tax law, 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, are required to pay taxes in Mexico on income derived from such foreign entities, provided that the income is not derived from entrepreneurial activities in such countries. In those applicable cases, 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 2006. CEMEX believes these amendments are contrary to Mexican constitutional principles; consequently, on August 8, 2005 the Company filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. In this endeavor, the Company obtained a favorable ruling on December 23, 2005 in the first stage; however, the Mexican tax authority has appealed this ruling, and it is pending resolution. In March 2006, CEMEX filed another motion in the Mexican federal courts challenging the constitutionality of the amendments. On June 29, 2006, CEMEX obtained a favorable ruling from the Mexican federal court stating that the amendments were unconstitutional. The Mexican tax authority has appealed this ruling, and it is pending for resolution.

As of December 31, 2006, the Philippine Bureau of Internal Revenue assessed the Company’s subsidiaries in the Philippines, for deficiencies in the amount of income tax paid in prior tax years amounting to a total of approximately 1,947 million Philippine pesos (approximately U.S.$40). Tax assessments result primarily from: (i) disallowed determination of certain tax benefits from 1999 to 2001, and (ii) deficiencies in the determination of national taxes. The affected companies have appealed and in some cases, some assessments are pending resolution or have been disregarded by the Philippine tax authorities as the subsidiaries continue to present evidence to dispute their findings.

In addition to the assessments mentioned above, as of the balance sheet date, the tax returns submitted by some subsidiaries of CEMEX located in several countries are under ordinary review by the respective tax authorities. CEMEX cannot anticipate if such reviews will originate new tax assessments, which, should any exist, would be appropriately disclosed and/or recognized in the financial statements.

B) ANTI-DUMPING DUTIES

In 1990, the United States Department of Commerce (“DOC”) imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, since that year and until April 3, 2006, CEMEX paid anti-dumping duties for cement and clinker exports to the United States at rates that fluctuated between 37.49% and 80.75% over the transaction amount, and beginning in August 2003, anti-dumping duties had been paid at a fixed rate of approximately U.S.$52.4 per ton, which decreased to U.S.$32.9 per ton starting in December 2004 and to U.S.$26.0 per ton in 2005. Through these years, CEMEX has used all available legal resources to revoke the order from the United States International Trade Commission (“ITC”).

In January 2006, officials from the Mexican and the United States governments announced that they had reached an agreement that will bring to an end the longstanding dispute over anti-dumping duties on Mexican cement exports to the United States. According to the agreement, restrictions imposed by the United States will first be eased during a three-year transition period and completely eliminated in early 2009, allowing cement from Mexico to enter the U.S. without duties or other limits on volumes. During the transition period, Mexican cement imports into the U.S. will be subject to volume limitations of three million tons per year. This amount may be increased in response to market conditions during the second and third year of the transition period, subject to a maximum increase per year of 4.5%. Quota allocations to companies that import Mexican cement into the U.S. will be made on a regional basis. The transitional anti-dumping duty was lowered to U.S.$3.0 per ton from the previous amount of approximately U.S.$26.0 per ton as of December 31, 2005. As a result of this agreement, CEMEX received a cash refund from the U.S. government associated with the historic anti-dumping duties of approximately U.S.$111 ($1,198) and eliminated a provision of approximately U.S.$65, both of which were recognized in 2006 within "Other expenses, net". At December 31, 2005, CEMEX had accrued a provision of U.S.$68, including accrued interest, for the difference between the anti-dumping duties paid on imports and the latest findings of the DOC in its administrative reviews for all periods under review.

During 2001, the Ministry of Finance ("MOF") of Taiwan, in response to the claim of five Taiwanese cement producers, initiated a formal anti-dumping investigation involving imported gray Portland cement and clinker from the Philippines and South Korea. In July 2002, the MOF gave notice of a cement and clinker import duty, from imports on South Korea and the Philippines, beginning on July 19, 2002. The imposed tariff was 42% on imports from the Company's Philippine subsidiaries. In September 2002, these entities appealed the anti-dumping duty before the Taipei High Administrative Council ("THAC"). In August 2004, the Company received an adverse response to its requests from the THAC. CEMEX did not appeal this resolution, which became final.

C) OTHER LEGAL PROCEEDINGS AND CONTINGENCIES

In December 2006, the Polish Competition and Consumers Protection Office (the "Protection Office") notified CEMEX Polska, a subsidiary of the Company in Poland, about the formal initiation of an antitrust proceeding against all cement producers in the country, which include CEMEX's subsidiaries CEMEX Polska and Cementownia Chelm. The Protection Office assumed in the notification that there was an agreement between all cement producers in Poland by means of which such cement producers agreed on market quotas in terms of production and sales, establishment of prices and other sale conditions and the exchange of information, which limited competition in the Polish market in respect of the production and sale of cement. According to the Polish competition law, the maximum fine may reach 10% of the total revenues of a fined company from the previous year to the year, in which a fine is imposed. The theoretical estimated penalty applicable to the Polish subsidiaries would amount to approximately U.S.$32 ($346). As of December 31, 2006, CEMEX considers there are not justified factual grounds to expect fines to be imposed on its subsidiaries; nevertheless, at this stage of the proceeding it is not possible for CEMEX to predict that there would not be an adverse result in the investigation.

In December 2006, the United States District Court, District of Puerto Rico, notified the Company's subsidiary in Puerto Rico in connection with a civil action in the amount of approximately U.S.$21 ($227) derived from injuries caused to an individual by a truck owned by the Puerto Rican subsidiary. At this stage of the proceeding it is not possible for CEMEX to predict that there would not be an adverse result in the proceeding.

In 2005, through the acquisition of RMC, the Company assumed environmental remediation liabilities in the United Kingdom, for which, as of December 31, 2006, CEMEX has generated a provision of approximately £117 (U.S.$229 or $2,473). The costs have been assessed on a net present value basis. These environmental remediation liabilities refer to closed and current landfill sites for the confinement of waste, and expenditure has been assessed and quantified over the period in which the sites have the potential to cause environmental harm, which has been accepted by the regulator as being up to 60 years from the date of closure. The assessed expenditure relates to the costs of monitoring the sites and the installation, repair and renewal of environmental infrastructure.

On August 5, 2005, Cartel Damages Claims, S.A. ("CDC"), filed a lawsuit in the District Court in Düsseldorf, Germany against CEMEX Deutschland AG, the Company's German subsidiary, and other German cement companies. By means of this lawsuit, CDC is seeking €102 (appoximately U.S.$135 or $1,455) in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002. CDC is a Belgian company established 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 purpose of purchasing potential damage claims from cement consumers and pursuing those claims against the cartel participants. During 2006 new petitioners assigned alleged claims to CDC and the amount of damages being sought by CDC increased to €113.5 (approximately U.S.$150 or $1,619) plus interest. The District Court in Düsseldorf will issue a final decision on February 21, 2007. As of December 31, 2006, CEMEX Deutschland AG has accrued liabilities relating this matter for approximately €20 (approximately U.S.$26 or $285). Based on the information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded.

In August 2005, a lawsuit was filed against a subsidiary of CEMEX Colombia, claiming that it was liable along with the other members of the Asociación Colombiana de Productores de Concreto, or ASOCRETO, a union formed by all the ready-mix producers in Colombia, for the premature distress of the roads built for the mass public transportation system in Bogotá using ready-mix concrete supplied by CEMEX Colombia and other ASOCRETO members. The plaintiffs allege that the base material supplied for the road construction failed to meet the quality standards offered by CEMEX Colombia and the other ASOCRETO members and/or that they provided insufficient or inaccurate information in connection with the product. The plaintiffs seek the repair of the roads and estimate that the cost of such repair will be approximately U.S.$45. In December 2006, two ASOCRETO officers were formally accused as participants (determiners) in the execution of a state contract without fulfilling all legal requirements thereof. At this stage in the proceedings, it is not possible to assess the likelihood of an adverse result or the potential damages that could be borne by CEMEX Colombia. Typically, proceedings of this nature continue for several years before final resolution.

As of December 31, 2006, CEMEX Inc., the Company's subsidiary in the United States, has accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately U.S.$44 ($475). The environmental matters relate to: a) in the past, in accordance with industry practices, disposing of various materials, which might be currently categorized as hazardous substances or wastes, and b) the cleanup of sites used or operated by CEMEX Inc., including discontinued operations, regarding the disposal of hazardous substances or wastes, either individually or jointly with other parties. Most of the proceedings remain in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, the subsidiary considers that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on the information developed to date, the subsidiary does not believe it will be required to spend significant sums on these matters in excess of the amounts previously recorded. Until all environmental studies, investigations, remediation work and negotiations with or litigation against potential sources of recovery have been completed, the ultimate cost that might be incurred to resolve these environmental issues cannot be assured.

During 2001, a subsidiary of the Company in Colombia received a civil liability suit from 42 transporters, alleging that this subsidiary is responsible for alleged damages caused by the alleged breach of provision of raw materials contracts. The plaintiffs have asked for relief in an amount in Colombian pesos equivalent, as of December 31, 2006, to approximately U.S.$57. In February 2006, CEMEX was notified of the judgment of the court dismissing the claims of the plaintiffs. The case is currently under review by the appellate court.

During 1999, several companies filed a lawsuit against two subsidiaries of the Company in Colombia, alleging that the Ibagué plants were causing damage to their lands due to the pollution they generate. In January 2004, CEMEX Colombia, S.A. was notified that the court's decision was that plaintiffs should be paid in the amount in Colombian pesos equivalent, as of December 31 2006, to approximately U.S.$9. The Company's subsidiary appealed the judgment. The appeal was accepted and the case was sent to the Superior Court of Ibagué. The case is currently under review by the appellate court. CEMEX expects this proceeding to continue for several years before its final resolution.

In addition to the above, as of the balance sheet date, CEMEX is involved in various legal proceedings that have arisen in the ordinary course of business. These proceedings involve: 1) product warranty claims; 2) claims for environmental damages; 3) indemnification claims relating to acquisitions; 4) claims to revoke licenses and/or concessions; and 5) other diverse civil actions. In connection with these proceedings, CEMEX considers that in those instances in which obligations had been incurred, CEMEX has accrued adequate provisions to cover the related risks. CEMEX believes that these matters will be resolved without any significant effect on its business.

23. RELATED PARTIES

All significant balances and transactions between the entities that constitute the CEMEX group have been eliminated in the preparation of the consolidated financial statements. These balances with related parties result primarily from: (i) the sale and purchase of cement, clinker and other raw materials to and from group entities; (ii) the sale and/or acquisition of subsidiaries' shares within the CEMEX group, (iii) the invoicing of administrative services, rentals, trademarks and commercial names rights, royalties and other services rendered between group entities; and (iv) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage from being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. The Company has identified the following transactions between related parties:

- Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., until December 31, 2006, was chief executive officer and chairman of the board of directors of Empresas ICA, S.A.B de C.V., or Empresas ICA, a large Mexican construction company. In the ordinary course of business, CEMEX extends financing to Empresas ICA for varying amounts at market rates, as CEMEX does for other customers.
- In the past, CEMEX extended loans of varying amounts and interest rates to its directors and executives. During 2005 the maximum aggregate amount of loans to such persons was approximately $11. In 2006 these loans were fully paid.

24. NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

A. DESCRIPTION OF BUSINESS

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

At the annual stockholders' meeting held on April 27, 2006, the entity's legal name was changed from CEMEX, *Sociedad Anónima de Capital Variable* or S.A. de C.V., to CEMEX, S*ociedad Anónima Bursátil de Capital Variable* or S.A.B. de C.V., effective from July 3, 2006. The inclusion of the word *"Bursátil"* to the entity's legal name indicates that the shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange; therefore, the entity is a publicly held company. The change in the legal name was made to comply with requirements of the new Mexican Securities Law, enacted on December 28, 2005.

CEMEX, S.A.B. de C.V. was founded in 1906 and was registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, N.L., Mexico, on June 11, 1920 for a period of 99 years. In 2002 this period was extended to the year 2100. On April 27, 2006, the stockholders of CEMEX, S.A.B. de C.V. approved a new two-for-one stock split, which became effective on July 17, 2006. In connection with this stock split, each of our existing series "A" shares was surrendered in exchange for two new series "A" shares, and each of our existing series "B" shares was surrendered in exchange for two new series "B" shares. The proportional equity interest participation of existing stockholders did not change as a result of the stock split (note 16).

Concurrent with the stock split mentioned above, two new CPOs were issued in exchange for each of the existing CPOs, with each new CPO representing two new series "A" shares and one new series "B" share. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADSs" under the symbol "CX". As a result of the stock split, one additional ADS was issued in exchange for each existing ADS, each ADS representing ten (10) CPOs. Unless otherwise indicated, all amounts in CPOs, shares and prices per share for 2005 and 2004 included in these notes to the financial statements have been adjusted to give retroactive effect to the new stock split.

The terms "CEMEX, S.A.B. de C.V." or "the Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms "the Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries.

B. SIGNIFICANT ACCOUNTING POLICIES

B.1BASIS OF PRESENTATION AND DISCLOSURE

Beginning in 2006, the financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards (*"Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C."*, or CINIF). The MFRS, which replaced the Generally Accepted Accounting Principles in Mexico ("Mexican GAAP") issued by the Mexican Institute of Public Accountants ("IMCP"), recognize the effects of inflation on the financial information. The regulatory framework of the MFRS applicable beginning in 2006 initially adopted in their entirety the former Mexican GAAP effective in 2005 and 2004; therefore, there were no effects in CEMEX's financial statements resulting from the adoption of the MFRS.

When reference is made to "pesos" or "$", it means Mexican pesos. Except when specific references are made to "earnings per share" and "prices per share", the amounts in these notes are stated in millions of constant Mexican pesos as of the latest balance sheet date. When reference is made to "U.S.$" or "dollars", it means dollars of the United States of America ("United States or U.S.A."). When reference is made to "€" or euros, it means the currency in circulation in a significant number of the European Union countries. Except for per share data and as otherwise noted, all amounts in such currencies are stated in millions.

The Parent Company's balance sheet as of December 31, 2006, as well as the statement of income and the statement of changes in financial position for the year ended December 31, 2006, include the presentation, caption by caption, of amounts denominated in dollars under the column "Convenience translation". These amounts in dollars have been presented solely for the convenience of the reader at the rate of $10.80 pesos per dollar, the CEMEX accounting exchange rate as of December 31, 2006. These translations are informative data and should not be constructed as representations that the amounts in pesos actually represent those dollar amounts or could be converted into dollars at the rate indicated.

The preparation of the Parent Company's financial statements considered, when applicable, the same accounting policies listed in note 3 to CEMEX and subsidiaries' consolidated financial statements. In addition, note 24 includes references to other notes to the consolidated financial statements, in those cases when information also refers to the Parent Company.

B.2RESTATEMENT OF COMPARATIVE FINANCIAL STATEMENTS

The restatement factors applied to the Parent Company's financial statements of prior periods were determined using Mexican inflation.

	Factor using Mexican inflation
2005 to 2006	1.0408
2004 to 2005	1.0300
2003 to 2004	1.0539

C. OTHER ACCOUNTS RECEIVABLE

As of December 31, 2006 and 2005, other short-term accounts receivable of the Parent Company consist of:

		2006	2005
Non-trade receivables	$	233	234
Valuation of derivative instruments		312	55
Other refundable taxes		203	503
	$	748	792

D. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As of December 31, 2006 and 2005, investments of the Parent Company in subsidiaries and associates, which are accounted for by the equity method, are as follows:

		2006	2005
Book value at acquisition date	$	82,056	81,314
Revaluation by equity method		90,223	62,057
	$	172,279	143,371

E. LAND AND BUILDINGS

As of December 31, 2006 and 2005, the Parent Company's land and buildings are summarized as follows:

		2006	2005
Land	$	1,760	1,760
Buildings		452	452
Accumulated depreciation		(277)	(272)
Total land and buildings	$	1,935	1,940

F. GOODWILL AND DEFERRED CHARGES

As of December 31, 2006 and 2005, goodwill and deferred charges are summarized as follows:

		2006	2005
Intangible assets of indefinite useful life:			
Goodwill	$	2,080	2,165
Accumulated amortization		(187)	(195)
		1,893	1,970
Deferred charges:			
Deferred financing costs		150	170
Deferred taxes (note 24J)		2,292	1,050
Others		435	393
Accumulated amortization		(429)	(335)
	$	2,448	1,278
	$	4,341	3,248

G. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other accounts payable and accrued expenses of the Parent Company as of December 31, 2006 and 2005 consist of:

		2006	2005
Accounts payable and accrued expenses	$	1	1
Interest payable		193	266
Tax payable		887	198
Dividends payable		5	5
Valuation of derivative instruments		69	–
	$	1,155	470

H. SHORT-TERM AND LONG-TERM DEBT

The breakdown of the Parent Company's short-term and long-term debt as of December 31, 2006 and 2005 by interest rate and by currency type (excluding effects of derivative instruments associated to such debt), are summarized as follows:

		Carrying amount		Effective rate [1]	
		2006	2005	2006	2005
Short-term					
Floating rate	$	2,380	6,091	5.46%	4.97%
Fixed rate		2,005	574	2.22%	12.75%
		4,385	6,665		
Long-term					
Fixed rate		14,173	15,734	4.34%	4.88%
Floating rate		15,424	15,608	5.01%	4.93%
		29,597	31,342		
	$	33,982	38,007		

	2006					2005				
		Short-term	Long-term	Total	Effective rate [1]		Short-term	Long-term	Total	Effective rate [1]
Dollars	$	221	5,632	5,853	5.1%	$	2,710	11,976	14,686	5.3%
Pesos		4,164	19,928	24,092	4.9%		3,955	19,366	23,321	4.8%
Euros		–	4,037	4,037	3.9%		–	–	–	
	$	4,385	29,597	33,982		$	6,665	31,342	38,007	

[1] Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies, which are denominated as cross currency swaps.

As of December 31, 2006 and 2005, the Parent Company's short-term debt includes $2,981 and $4,543, respectively, from current maturities of long-term debt.

The maturities of the Parent Company's long-term debt as of December 31, 2006 are as follows:

	Parent
2008	$ 3,728
2009	9,383
2010	4,036
2011	8,000
2012 and thereafter	4,450
	$ 29,597

In the Parent Company's balance sheet at December 31, 2006 and 2005, there were short-term debt transactions, classified as long-term debt, for U.S.$110 ($1,188) and U.S.$125 ($1,447), respectively, due to the Parent Company's ability and the intention to refinance such indebtedness with the available amounts of committed long-term lines of credit.

I. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2006 and 2005, the Parent Company's main accounts receivable and payable with related parties are as follows:

	Assets		Liabilities	
2006	Short-term	Long-term	Short-term	Long-term
CEMEX México, S.A. de C.V.	$ 6,394	–	–	537
CEMEX International Finance Co	–	–	46	9,083
CEMEX Irish Investments Company Limited	–	–	44	3,789
CEMEX Venezuela, S.A.C.A.	40	–	–	–
CEMEX Concreto, S.A. de C.V.	–	–	209	–
LAI, Ltd.	5	–	–	–
Others	5	–	3	–
	$ 6,444	–	302	13,409

	Assets		Liabilities	
2005	Short-term	Long-term	Short-term	Long-term
CEMEX México, S.A. de C.V.	$ –	–	328	8,069
CEMEX International Finance Co	–	–	46	9,194
Empresas Tolteca de México, S.A. de C.V.	–	21,766	–	–
CEMEX Irish Investments Company Limited	–	–	37	3,879
CEMEX UK Limited	480	–	–	–
CEMEX Venezuela, S.A.C.A.	31	–	–	–
LAI, Ltd.	5	–	–	–
Others	3	–	11	–
	$ 519	21,766	422	21,142

The main operations with related parties are summarized as follows:

Parent	2006	2005	2004
Rental income	$ 276	284	299
License fees	920	754	717
Financial expenses	(2,761)	(2,065)	(1,007)
Management service expense	(773)	(871)	(997)
Financial income	1,754	1,651	1,596
Dividends received	–	–	297
Other expenses	$ (23)	–	–

Balances and transactions of the Parent Company with related parties result primarily from (i) the sale and/or acquisition of subsidiaries' shares within the CEMEX group; (ii) the invoicing of administrative services, rentals, trademarks and commercial names rights, royalties and other services rendered between group entities; and (iii) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage from being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. The Company has identified the following transactions between related parties:

- Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., until December 31, 2006, was chief executive officer and chairman of the board of directors of Empresas ICA, S.A.B de C.V., or Empresas ICA, a large Mexican construction company. In the ordinary course of business, CEMEX extends financing to Empresas ICA for varying amounts at market rates, as CEMEX does for other customers.

J. INCOME TAX (IT) AND BUSINESS ASSETS TAX (BAT) (NOTE 15)

CURRENT PERIOD IT AND BAT

The income tax law in Mexico provides that companies must pay either IT or BAT depending on which amount is greater with respect to their Mexican operations. Both taxes recognize the effects of inflation, although in a manner different from MFRS. The IT benefit (income) presented in the Parent Company's income statements is summarized as follows:

	2006	2005	2004
Received from subsidiaries	$ 2,044	1,724	1,455
Deferred IT	1,284	(1,063)	(1,129)
	$ 3,328	661	326

The Parent Company has accumulated consolidated IT loss carryforwards for its Mexican operations which, restated for inflation, can be amortized against taxable income in the succeeding ten years as established in the income tax law. The amount of tax loss carryforwards as of December 31, 2006 are summarized as follows:

Year in which tax loss occurred	Amount of carryforwards	Year of expiration
2001	$ 936	2011
2002	4,362	2012
2003	620	2013
2006	3,312	2016
	$ 9,230	

Until December 2006, the BAT Law in Mexico established a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds the BAT in such period. The recoverable BAT as of December 31, 2006 is as follows:

Year in which BAT exceeded IT	Amount of carryforwards	Year of expiration
1997	$ 152	2007

Starting on January 1, 2007, due to amendments approved to the BAT law, the tax levy on assets decreased to 1.25%, but entities will no longer be allowed to deduct their liabilities from the taxable base; therefore, the new law appreciably increases the BAT payable. The tax authorities offered to clarify relevant aspects in connection with the deduction of liabilities; nevertheless, as of December 31, 2006, there had not been any official communication. CEMEX considers that the BAT law, as amended, is unconstitutional, among other reasons, because it contravenes the required equilibrium between the tax burden and the entities' payment capacity. Therefore, CEMEX intends to challenge the BAT law amendments through appropriate judicial action (*juicio de amparo*).

Notwithstanding the intended challenge to the BAT law, CEMEX will be required to pay BAT as per the amended law, until the relevant judicial procedure is finally resolved. Likewise, if the challenge does not succeed and/or if the Mexican tax authorities do not modify the prohibition to offset liabilities, the BAT of CEMEX in Mexico will rise appreciably. BAT is complementary to IT incurred and it is paid only when the BAT is levied in excess of the IT for the period.

DEFERRED INCOME TAX

The valuation method for deferred taxes is detailed in note 30. Deferred IT for the period represents the difference in nominal pesos between the deferred IT initial balance and the year-end balance. All items charged or credited directly in stockholders' equity are recognized net of their deferred income tax effects. Deferred IT assets and liabilities in the Parent Company have been offset. As of December 31, 2006 and 2005, the IT effects of the main temporary differences that generate the Parent Company's deferred IT assets and liabilities are presented below:

		2006	2005
Deferred tax assets:			
Tax loss carryforwards and other tax credits to be amortized	$	5,049	4,752
Advances		359	78
Derivative financial instruments		309	116
Total deferred tax assets		5,717	4,946
Less – valuation allowance		(2,465)	(3,107)
Net deferred tax assets		3,252	1,839
Deferred tax liabilities:			
Land and buildings		(483)	(490)
Derivative financial instruments		(477)	(299)
Total deferred tax liabilities		(960)	(789)
Net deferred tax position		2,292	1,050
Total effect of deferred IT in stockholders' equity at end of year		2,292	1,050
Less – Total effect of deferred IT in stockholders' equity at beginning of year		1,050	2,197
Restatement effect of beginning balance		42	84
Change in deferred IT for the period	$	1,284	(1,063)

For the years ended December 31, 2006, 2005 and 2004, deferred income tax for the period in the income statement represented income of $1,284 and expenses of $1,063 and $1,304, respectively.

The Parent Company's management considers that sufficient taxable income will be generated as to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the valuation allowance would be increased and reflected in the income statement.

RECONCILIATION OF EFFECTIVE TAX RATE

The effects of inflation are recognized differently for IT and for accounting purposes. This situation, and other differences between the book and the IT basis give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the Parent Company's income statements. As of December 31, 2006, 2005 and 2004, these differences are summarized as follows:

	2006 %	2005 %	2004 %
Approximate Parent Company consolidated statutory tax rate	29.0	30.0	33.0
Equity in income of subsidiaries and associates	(32.1)	(32.4)	(30.5)
Valuation allowance for tax carryforwards	(2.5)	4.7	2.1
Benefit for tax consolidation	(9.3)	(7.2)	(9.7)
Others [1]	0.1	2.1	2.9
Parent Company's effective tax rate	(14.8)	(2.8)	(2.2)

[1] Includes the effects for the decrease in between the income tax rates in Mexico.

K. STOCKHOLDERS' EQUITY

The consolidated majority interest stockholders' equity is the same as the Parent Company's stockholders' equity. Therefore, stockholders' equity information detailed in note 16A to the consolidated financial statements also refers to the Parent Company, except for minority interest and the cumulative initial effect of deferred taxes.

L. EXECUTIVE STOCK OPTION PROGRAMS

Of the different stock option programs disclosed in note 17 to the consolidated financial statements, only the "fixed program" was issued by the Parent Company. Entities obligated under the other programs are part of the consolidated group.

M. EARNINGS PER SHARE

See note 20 to the consolidated financial statements.

N. CONTINGENCIES AND COMMITMENTS

N.1 GUARANTEES

As of December 31, 2006 and 2005, CEMEX, S.A.B. de C.V. guaranteed loans made to certain subsidiaries for approximately U.S.$735 and U.S.$711, respectively.

N.2 CONTRACTUAL OBLIGATIONS

As of December 31, 2006 and 2005, the approximate cash flows that will be required by the Parent Company to meet its material contractual obligations are summarized as follows:

U.S. dollars millions	Payments per period					
	2006					2005
Obligations	Less than 1 year	1-3 Years	3-5 Years	More than 5 years	Total	Total
Long-term debt [1]	U.S.$ 276	1,214	1,115	412	3,017	3,246
Interest payments on debt [2]	203	303	159	14	679	680
Estimated cash flows under interest rate derivatives [3]	68	91	55	4	218	208
Total contractual obligations	U.S.$ 547	1,608	1,329	430	3,914	4,134
	$ 5,908	17,366	14,353	4,644	42,271	43,903

[1] The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing that may occur of debt during the following years. CEMEX, S.A.B. de C.V. has been successful in the past in replacing its long-term obligations with others of similar nature.

[2] In the determination of the future estimated interest payments on the floating rate denominated debt, the Parent Company used the floating interest rates in effect as of December 31, 2006 and 2005.

[3] The estimated cash flows under interest rate derivatives include the approximate cash flows under the Parent Company's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate the Parent Company pays and the rate received under such contracts. In the determination of the future estimated cash flows, the Parent Company used the interest rates applicable under such contracts as of December 31, 2006 and 2005.

O. TAX ASSESSMENTS AND LEGAL PROCEEDINGS

CEMEX, S.A.B. de C.V. has been notified by the Mexican tax authorities of several tax assessments related to different tax periods in a total amount of approximately $3,760 as of December 31, 2006. The tax assessments are based primarily on: (i) disallowed restatement of tax loss carryforwards in the same period in which they occurred, and (ii) disallowed determination of cumulative tax loss carryforwards. The Parent Company is using the available defense actions granted by law in order to cancel the tax claims. The appeals are pending resolution.

Pursuant to amendments to the Mexican income tax law, 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, are required to pay taxes in Mexico on income derived from such foreign entities, provided that the income is not derived from entrepreneurial activities in such countries. In those applicable cases, 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 2006. CEMEX believes these amendments are contrary to Mexican constitutional principles; consequently, on August 8, 2005 the Company filed a motion in the Mexican federal courts challenging the constitutionality of the amendments. In this endeavor, the Company obtained a favorable ruling on December 23, 2005 in the first stage; however, the Mexican tax authority has appealed this ruling, and it is pending resolution. In March 2006, CEMEX filed another motion in the Mexican federal courts challenging the constitutionality of the amendments. On June 29, 2006, CEMEX obtained a favorable ruling from the Mexican federal court stating that the amendments were unconstitutional. The Mexican tax authority has appealed this ruling, and it is pending for resolution.

Terms WE USE

Financial

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

Expansion capital expenditures consist of expansion spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Free cash flow equals EBITDA minus net interest expense, maintenance and expansion capital expenditures, change in working capital, taxes paid, and other cash items (net other expenses less proceeds from the disposal of obsolete and/or substantially depleted operating fixed assets that are no longer in operation and coupon payments on our perpetual notes.)

Interest coverage equals EBITDA divided by financial expenses.

Maintenance capital expenditures consist of maintenance spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Net debt equals total debt minus the fair value of cross-currency swaps associated with debt minus cash and cash equivalents.

Net debt to EBITDA is calculated by dividing net debt by EBITDA for the last 12 months.

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

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

Industry

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

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

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

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

Metric ton is the equivalent of 1.102 short tons.

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

Board OF DIRECTORS

Directors

Lorenzo H. Zambrano
Chairman of the Board

Lorenzo Milmo Zambrano

Armando J. García Segovia

Rodolfo García Muriel

Rogelio Zambrano Lozano

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Independent member

Bernardo Quintana Isaac
Independent member

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Independent member

Alfonso Romo Garza
Independent member

Mauricio Zambrano Villarreal
Independent member

Tomás Brittingham Longoria
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Independent member

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Eduardo Brittingham Sumner
Independent member

Luis Santos de la Garza
Independent member

Fernando Ruiz Arredondo
Independent member

Secretary

Ramiro Villarreal Morales
(not a member of the board)

Audit committee

Roberto Zambrano Villarreal
President

José Manuel Rincón Gallardo

Tomás Brittingham Longoria

Alfonso Romo Garza

Mauricio Zambrano Villarreal

Management TEAM

Lorenzo H. Zambrano (62)
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
Mr. Zambrano joined CEMEX in 1968. He was named CEO in 1985 and has served as Chairman of the Board since 1995. He holds a B.S. degree in mechanical engineering from Tecnológico de Monterrey and an M.B.A. from Stanford University. He is a member of the IBM Board of Directors, the Citigroup International Advisory Board, the International Advisory Board of the Allianz Companies, and the boards of Alfa, Grupo Financiero Banamex, FEMSA, Televisa, and Vitro. Mr. Zambrano is also Chairman of the Board of Tecnológico de Monterrey.

Héctor Medina (56)
EXECUTIVE VICE PRESIDENT OF PLANNING AND FINANCE
Mr. Medina, who joined CEMEX in 1988, has a degree in chemical engineering from Tecnológico de Monterrey. He received an M.Sc. degree in management from the University of Bradford Management Center in the United Kingdom and an M.S. Diploma from the Escuela de Organización Industrial in Madrid, Spain. Mr. Medina is responsible for CEMEX's worldwide strategic planning and finance.

Armando J. García (54)
EXECUTIVE VICE PRESIDENT OF DEVELOPMENT
Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, holds a degree in mechanical engineering and business administration from Tecnológico de Monterrey and an M.B.A. from the University of Texas. He is responsible for managing CEMEX's operations technology, human resources, energy, processes and information technology, and sustainability.

Víctor M. Romo (48)
EXECUTIVE VICE PRESIDENT OF ADMINISTRATION
Mr. Romo joined CEMEX in 1985. He earned his bachelor's degree in accounting and his M.S. degree in administration from Tecnológico de Monterrey. Before assuming his current position, Mr. Romo served as President of the South America and Caribbean Region. He is now responsible for the areas of comptrollership, procurement, taxation, security, risk management, and administrative services, processes, and projects.

Francisco Garza (51)
PRESIDENT OF THE NORTH AMERICA REGION & TRADING
Mr. Garza is a graduate of Tecnológico de Monterrey and has an M.B.A. from Cornell University's Johnson Graduate School of Management. Since he joined CEMEX in 1988, he has occupied several senior management positions in the company. Mr. Garza is directly responsible for CEMEX's interests and operations in Mexico and the United States and the company's trading unit.

Fernando A. González (52)
PRESIDENT OF THE EUROPE, MIDDLE EAST, AFRICA & ASIA REGION (since March 2007)
Mr. González earned his B.A. and M.B.A. from Tecnológico de Monterrey. Since he joined CEMEX in 1989, he has held several senior management positions, including Corporate Vice President of Strategic Planning, President of CEMEX Venezuela, President of CEMEX Asia, President of CEMEX South America and Caribbean Region, and President of CEMEX Europe. In addition to his existing role, Mr. González assumed responsibility for the company's operations in Southern Europe, the Middle East, Africa, and Asia in March 2007.

Juan Romero (49)
PRESIDENT OF THE SOUTH AMERICA & CARIBBEAN REGION
Mr. Romero graduated from Universidad de Comillas, Spain, where he studied Law and Economic and Enterprise Sciences. He joined CEMEX in 1989 and has occupied several senior management positions, including responsibility for the company's operations in Colombia and Mexico. Currently, he is directly responsible for CEMEX's operations and interests in the South America and Caribbean region.

José Luis Sáenz de Miera (60)
PRESIDENT OF THE SOUTHERN EUROPE, AFRICA, MIDDLE EAST & ASIA REGION (until February 2007)
Mr. Sáenz de Miera began in CEMEX in 1993 as General Manager of Administration and Finance of CEMEX Spain. One year later, he was appointed President of these operations. In 1998, he was appointed President of the Europe and Asia Region. Until his retirement from the company in February 2007, he was responsible for CEMEX's operations in Southern Europe, Africa, the Middle East, and Asia. Mr. Sáenz de Miera has a degree in economics from Universidad de Madrid, and received a certified public accountant's degree in Spain.

Rodrigo Treviño (50)
CHIEF FINANCIAL OFFICER
Mr. Treviño, who joined CEMEX in 1997, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, capital markets, treasury, and investor relations.

Investor and media INFORMATION

Exchange listings
Bolsa Mexicana de Valores (BMV)
Mexico

New York Stock Exchange (NYSE)
United States

Share series
CPO (representing two A shares and one B share)

ADR (representing ten CPOs)

BMV ticker symbol
CEMEX CPO

NYSE ticker symbol
CX

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