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Good Afternoon.

I am Lorenzo Zambrano, Chairman and CEO of CEMEX.

I am pleased to be with you again and to have the opportunity to outline for you the core elements of our strategy. I want to discuss with you how we are positioning CEMEX to create value for our shareholders in good times and in bad. I want to talk to you about the resilience of our business model that delivers free cash flow and double-digit cash earnings growth, year in and year out. And I want to talk to you about the dynamics of our industry, about its future, and about the role that industry leaders like CEMEX can and must play in shaping that future.

We are meeting at a complicated and highly uncertain time. The world economy is slowing, seemingly headed toward recession. North America is not growing, and it is likely to be several quarters before we see a rebound in economic activity. Without the engine of strong U.S. growth and import demand, the downward economic pressures in Europe and Asia are increasing.

Weakening economies and growing pressures on many companies have unnerved financial markets. The threats of terrorism and war are driving a flight to quality and risk aversion. Renewed fear of a default in Argentina has added to the uncertainty that runs through the market.

Our industry is not immune to these forces. We are a globalizing industry, deeply invested in the health of the global economy. However, cyclical pressures come and go. I believe it is critical for our industry's long-term health that we recognize globalization will continue and will continue to create value for all the stakeholders in our industry. But, we also need to recognize that this will happen only if we manage the process actively and creatively.

We need to *drive* the globalization process, not be driven by it.

I wish I could tell you with certainty what is going to happen next year in the world economy, so we could spend our time together focused on discussing the specific consequences for our industry and for CEMEX. However, my crystal ball is cloudy—as, I suspect, are yours.

Nevertheless, there are several important developments that point in a positive direction:

- First, U.S. policy makers have demonstrated a strong commitment to using expansionary fiscal and monetary policies to reverse the downward momentum in that economy. Dollar interest rates are low and going lower; taxes are going to be cut; federal spending is going to increase; the United States is going to invest in infrastructure. The United States seems determined to be the engine of recovery from this slowdown.

- Second, European policy makers—although more slowly and with less room to maneuver than the Americans—are also moving to stimulate their economies. The degree of coordination among European, U.S., and Asian policy makers over the past several months has been particularly encouraging.

- Third, the new government in Mexico is moving ahead on its program of economic reform, even while maintaining sound fiscal and monetary policy. A new airport in Mexico City, a new highway program, as well as expanded petrochemical and energy facilities will soon be in the pipeline—and will help our industry. Mexico's strong economic linkages with the United States will eventually provide the basis for a substantial recovery.

- Fourth, as a consequence of aggressive monetary policy in all of the major countries, liquidity is abundant. Sooner or later, investors will put their money to work—and will seek companies and other investments that are financially strong, global in reach, and well positioned to ride the updraft of the next cycle.

  This means that the recovery, when it comes, will not fail for lack of oxygen.

Where does this leave us?

My own expectation is that the synchronized downturn in the major economies still has a way to run. Eventually, the United States will lead the way out of the decline. However, the first solid signs of U.S. recovery will not appear for another couple of quarters. European and Asian recovery will likely lag even further. We are near the bottom, but not there yet.

In short, I think the great weight of probability is that next year will be one of stagnation, with only modest growth starting in the second half of the year in the United States, gradually spreading to other markets. This is going to be a tough environment, with considerable financial and economic pressure.

But it is not the end of the world. Indeed, from today's perspective, the major risk to this forecast may be on the upside. We *could* see more recovery, sooner—powered by aggressive government action. That, of course, would be a happy surprise.

However, my core challenge at CEMEX is not economic forecasting.

My core challenges are to position the company to produce value for our shareholders in down markets as well up markets, to generate good returns when demand is weak and great returns when demand is strong, and to build a business model that generates abundant cash flow throughout the cycle.

Even in a difficult environment—and no one I know forecast the breadth or the depth of this downturn—CEMEX is delivering on its basic commitment: to grow our bottom line for the benefit of our shareholders. This year we expect to grow EBITDA to more than $2.2 billion, to produce operating free cash flow of $1.2 billion, and to generate cash earnings of $1.8 billion.

In a year when companies in most industries are struggling to avoid losses, these accomplishments underscore the strength of CEMEX's business model.

I believe that CEMEX is well positioned not only to cope with the current period of enormous uncertainty, but to prosper in the globalizing world economy that will reappear when this downturn runs its course.

My confidence in our future rests in part on the portfolio of assets that we have constructed:

- Today, CEMEX is positioned strategically around the globe, in Europe, Asia, North, and South America. We are operating profitably in widely diverse markets and using our global trading activities to extend our reach and to leverage our assets. This highly flexible, customer-oriented network creates value for our stakeholders and, frankly, for the industry.

- The CEMEX business model is designed to produce consistent profitability and growing efficiency. For the last ten years, we have maintained operating cash flow margins above 30%. This year we will produce operating free cash flow of around $1.2 billion and we have grown our operating free cash flow at an average annual rate of 20% since 1994. Moreover, we have become increasingly productive: our headcount has increased at a rate of 4% annually since 1990, while sales have increased at a 16% rate.

- In a consolidating, globalizing industry, CEMEX has developed the capacity to integrate new acquisitions fast and effectively, in dramatically different kinds of markets.

- Our strong cash earnings capacity and track record allow us to maintain a healthy balance sheet, give us investment grade ratings, and ensure our access to the capital markets. The result is that we have been able to recover our financial flexibility immediately after every acquisition. So far this year, even while we are still integrating Southdown, we have already reduced debt by $870 million.

- CEMEX is a recognized leader in applying information technology for the benefit of our customers, employees, and—ultimately—shareholders. We use information technology to make a good business model constantly better.

My confidence in our future also rests on an optimistic view of the dynamics of our industry and of CEMEX's ability to contribute to those dynamics.

We live in a globalizing world and work in a consolidating industry. Every year, our industry becomes more consolidated—and, in the process, more efficient, more productive, and more profitable, benefiting both our investors and our customers. Today, the largest 5 companies account for 54% of the industry's assets in Europe, 69% in North America, and 40% in South America. I am sure that all these numbers will be higher in a few years, and that the consolidating trend will spread through Asia.

It is in the long-term interest of all our industry's stakeholders that this process should continue to be rational. No one benefits if asset prices are bid to uneconomic levels. No one benefits if the industry's financial health is undermined by excessive leverage to support artificially elevated acquisition valuations. And, no one benefits if the pace of the consolidation process is forced by advisers too eager to make a commission or sellers too eager to cash out.

We have all seen too many companies and too many industries undermined by irrational behavior; the telecoms and airline industries are only the most recent examples. Companies that pay too much for acquisitions do not survive in the long run. When that happens, employees, investors, and—most of all—customers suffer. I am confident that this industry can, and will, avoid that fate.

But I also believe that we will need to be creative in how we think about our industry and its future. It makes little sense to look at the consolidation process as a zero sum game; that one industry leader must lose in a consolidating market if another is to win.

For example, we may need to develop new ways to approach large unconsolidated markets like China and India. If we do so, I think we would create value for our investors and for our customers—as well as for the industry as a whole. The dynamics of a growing, globalizing competitive industry require such creative thinking, a point that was well made in a seminal study sponsored by some of this industry's leading companies.

For our part, we at CEMEX are committed to profitable growth.

We have the resources, the people, the expertise, the management model, and the opportunities to grow—organically and through acquisitions. This is an essential part of who we are and of our commitment to our shareholders.

How will we grow in the future?

- First, as I said, our vision of growth is of ***profitable*** growth. No other kind is sustainable. Business history is littered with examples of companies that bulked up through acquisitions without growing earnings, only to collapse under their weight. That will never be CEMEX.

- Second, CEMEX is and will remain an industry ***consolidator*** because I believe it produces value for our shareholders, in both the short and long run. However, we do ***not*** believe in consolidation for its own sake and we will not overpay for an asset—and we do not think it makes sense for anyone else to do so, either.

- Third, in a globalizing world, we need to look constantly and in all markets for new growth opportunities.

- Fourth, growth—especially profitable growth—does not just happen; it requires continuous effort.

  This is why we are reshaping our culture around common global processes and platforms in a project we call the CEMEX Way. We are redefining how we work and how we use technology, freeing our professionals to spend more time innovating and more time with customers. This is a profound change that not only reflects a fundamental rethinking of all of our processes, but will significantly reduce our costs.

- Fifth, in our industry, growth increasingly means leveraging existing assets, skills, and competencies to provide new services to existing customers and to reach new customers through new channels. We are doing that with a variety of innovative projects, today in Mexico and tomorrow in other markets.

- Sixth, continuous growth in globalizing markets requires skillful financial management. Financial markets are increasingly volatile—volatility that produces both risk and opportunity. We have developed the capacity to manage the financial risks that are inherent in a worldwide network, as well as to maximize our access to capital markets around the world.

  This year, for example, we have been able to take full advantage of the unexpectedly rapid decline in interest rates. The net result is that we have reduced the cost of our debt by 350 basis points from its peak at the end of 1999. This translates into a 1 percentage point reduction in our weighted average cost of capital and directly creates shareholder value.

The bottom line is that our growth model delivers returns well in excess of our cost of capital. As we have diversified, increased our cash flow generation capacity, and strengthened our capital structure, we have produced higher returns on equity and on capital employed. We will continue to generate positive economic value added in the years ahead.

Let me share with you a few additional thoughts about our acquisition strategy, because it is central to our growth model.

I have already discussed the financial discipline we employ in pursuing opportunities. Although we are strategically driven, we will not pay a premium for the strategic "fit" of a potential acquisition. I think we all suspect that when businessmen use "strategy" as an explanation for their investments, they are making excuses for overly enthusiastic bidding.

However, we see many opportunities around the world that are potential candidates for CEMEX—companies from which we could generate substantial value. But we will pursue these companies *only* when they are for sale and *only* when they match our acquisition criteria.

Will you hear more from us about new acquisitions over the next year? I certainly hope so. We have the capacity to make significant acquisitions, tempered only by opportunity and, of course, discipline.

Central to my enthusiasm for new acquisitions is the tremendous success we are experiencing in creating value through our acquisition of Southdown in the United States.

We have moved aggressively and successfully to integrate Southdown with CEMEX USA and into the CEMEX global network. The result is that we have created a new company that is the largest marketer and the second largest producer of cement and cement products in the United States.

Our operations are heavily concentrated in the parts of that country that have the fastest growth rates and the greatest needs for new public works to accommodate rapidly expanding populations. This year our U.S. operations will produce almost $2 billion in revenues and $520 million in cash flow, and will make an important contribution to our overall profitability.

As many of you know, Southdown was a well-run company that occupied an important place in the U.S. industry. Nevertheless, in the process of our integration effort we have identified recurring savings opportunities that will eventually increase EBITDA by more than $100 million annually. The bulk of these savings are the results of carefully integrating the processes, systems, and people of Southdown into CEMEX's global network and applying CEMEX's best practices.

The point is simple. The organic growth we produce every year makes CEMEX an *interesting* company. Our ability to identify, negotiate, integrate, and manage new acquisitions in a broad range of markets throughout the world makes CEMEX an *outstanding* company.

What is next for CEMEX?

I have already told you our expectations for this year.

The dramatic slowing of the North American economy in the third quarter and the shock of September 11th in foreign exchange markets, somewhat reduced EBITDA, compared to our earlier expectations. The important point, though, is that these transitory factors that have not interfered with our success in delivering free cash flow and double-digit cash earnings growth in line with our promise and our track record.

I am sure that next year will be even more challenging. The weak economic scenario I painted earlier would generate little or no increase in our markets—which are typically some of the fastest growing cement markets in the world. Even the beginnings of a modest recovery would produce demand growth only in the second half of the year.

However, I am also sure that, even in a stagnant economy, CEMEX would again deliver on our commitment to produce substantial free cash flow and strong cash earnings growth for our shareholders. In a recovering economy, we will do even better.

Frankly, this kind of environment is why we built our business model to produce cash flow throughout the cycle, why we are relentless in managing our costs in good times and in bad, and why we devote so much energy to maintaining our financial strength and flexibility.

Indeed, I believe that every crisis breeds opportunity. With our financial flexibility intact, we can continue to implement our global strategy, to strengthen our network, to play a leading role in our industry, and to acquire attractive new assets. If we execute well, we will emerge from this period of global weakness more profitable, more dynamic, and even better positioned than we are today.

Let me close with a final thought.

CEMEX is a strategy driven company that is aggressively confronting the challenges we face in order to deliver better service to our customers and greater value to our shareholders, throughout the economic cycle.

We believe that we have built a company that can continue to grow. We have demonstrated that we know how to transform acquisitions into integrated global network. We have shown that we can work profitably and create high returns in markets that are perceived as high risk. We have built a global company that operates successfully in diverse markets and under diverse market conditions.

The result is that, even in these uncertain times, I am confident in CEMEX's future and in our ability to continue to create value for our investors.

Thank you, and I look forward to your questions.