# GRUPO CEMENTOS DE CHIHUAHUA

GCC

April 24, 2001

## Grupo Cementos de Chihuahua's performance during the first quarter of 2001

Grupo Cementos de Chihuahua, successfully concluded the acquisition of the assets of Dacotah Cement on March 16, 2001, through its subsidiary GCC Dacotah, Inc.

Through this acquisition, which provides GCC's United States Division with strategic assets, GCC will increase its annual cement production capacity by approximately 1,050,000 short tons (950,000 metric tons).

The acquisition included the fixed assets and working capital of Dacotah Cement. The fixed assets are comprised of the cement production plant in Rapid City, South Dakota; five cement distribution terminals in Sioux Falls and Watertown, South Dakota; Casper, Wyoming; Scottsbluff, Nebraska, and Denver, Colorado, as well as two transfer stations located in Moorcroft, Wyoming and Brookings, South Dakota.

The transaction, valued at US$252 million, included working capital of US$18 million and US$69 million in cash. GCC financed part of the acquisition with US$183 million in debt and the remaining amount with the cash acquired in the transaction.

In this way, the results obtained by GCC in the first quarter of 2001 include two weeks of operations of the new subsidiary, GCC Dacotah, Inc.

Grupo Cementos de Chihuahua's net sales in the first quarter of 2001 totaled 720.1 million pesos, reflecting an increase of 8.8% in real terms compared to net sales in the same quarter of 2000. This was achieved despite the economic slowdown phase that both Mexico and the United States are undergoing.

During the first quarter of 2001, 69.1% of the company's sales were in the domestic market (497.7 million pesos), reflecting 10.1% growth compared to the same quarter of 2000. The sales breakdown was as follows: 46.7% in cement and mortar, 30.5% in ready-mix concrete, 6.3% in concrete block, 4.2% in aggregates and 12.3% in other products.

Of the company's quarterly sales, 30.9% were in the United States (US$23.4 million, equivalent to 222.4 million pesos). Sales growth was 9.9% in dollar terms, and the sales breakdown was: 82.8% in cement and mortar, and 17.2% in ready-mix concrete.

Operating income in the first quarter of 2001 was 191.3 million pesos, posting a 2.7% increase, in real terms, compared to the same quarter of 2000, and obtaining an operating margin of 26.6%.

The operating cash flow generated (operating income plus depreciation and amortization or EBITDA) was 249.1 million pesos, a 4.6% increase compared to the first quarter of 2000. This represented 34.6% of sales.

Net financial cost (interest expense minus interest income) reported during the quarter was 17.7 million pesos, 27.3% higher than in 2000, due to interest payments derived from debt acquired to purchase the assets of Dacotah Cement.

Because of the greater net financing cost and lower income from monetary position, the net comprehensive financing cost was 7.9 million pesos in the quarter.

In other expenses and income, 39.5 million pesos (US$4.2 million) correspond to deposits (US$1.5 million) and provisions (US$2.7 million) made with regard to the antidumping tax on Mexican cement imports to the United States. The amount reported for this item during the quarter is 9.6% greater than that of the same quarter of 2000, due to greater volumes of exported cement.

The net consolidated income obtained during the first quarter of 2001 was 104.4 million pesos, 7.4% lower than in the same quarter of 2000. This was due mainly to a greater net financing cost, lower income from monetary position and higher deposits and provisions for the antidumping tax.

The incorporation of the assets of Dacotah Cement brought Grupo Cementos de Chihuahua's total assets to 7,228.2 million pesos, as of March 21, 2001. This figure is 37.2% greater, in real terms than assets reported as of March 31, 2000.

Total liabilities of GCC as of March 31, 2001 were 3,936.7 million pesos, 70.3% greater than those reported on March 31, 2000. This was due to debt contracted to acquire Dacotah Cement. In the same manner, the company's net debt (cost-bearing debt minus cash and investments) grew to 1,822.1 million pesos.

Short-term cost-bearing debt as of March 31, 2001 is 164.2 million pesos, of which 123.9 million pesos (U.S$13.0 million) is denominated in U.S. dollars. The company's long-term bank debt is 2,363.9 million pesos, of which 2,169.5 million pesos (US$228.4 million) is denominated in U.S. dollars.

The company's total debt in millions of constant pesos of March 31, 2001 and in U.S. millions is:

| | **Mar 01** | **Dec 00** | **Mar 00** | **Mar 01 / Dec 00** | **Mar 01 / Mar 00** |
|---|---|---|---|---|---|
| **Pesos** | MX$ 234.8 | MX$ 247.7 | MX$ 288.7 | -5.2% | -18.7% |
| **Dollars** | US$ 241.4 | US$ 51.7 | US$ 70.0 | 367.0% | 244.9% |

Average cost of the company's bank debt denominated in U.S. dollars was 7.15% during the first quarter, while debt denominated in Mexican currency had a cost of 19.85% during the same period.

**Sales Volumes**

| | 1Q01 / 1Q00 |
|---|---|
| Cement in Mexico | 15.2% |
| Cement in U.S. | 3.9% |
| **Total cement sales** | **9.3%** |
| Concrete in Mexico | 26.9% |
| Concrete in U.S. | -25.7% |
| **Total concrete sales** | **10.9%** |
| **Concrete block in Mexico** | **42.0%** |
| **Aggregates in México** | **29.0%** |

GCC's cement sales volumes, both in Mexico and the United States, were benefited mainly from the construction of road infrastructure. The main highway construction project in the state of Chihuahua, which had a positive influence on the volumes sold during the first quarter, is expected to conclude in the month of April of this year.

Of GCC's cement volumes sold in the United States market, 56.6% was supplied through exports from the Samalayuca plant.

Of GCC's total cement sales in tons, 50.9% was in the Mexican market, and 49.1% was in the United States market.

## Income Statement

(Thousands of pesos as of March 31st, 2001)

| | 1Q 2001 | | 1Q 2000 | | 1Q01 / 1Q00 |
|---|---|---|---|---|---|
| **Net sales** | **720,100** | 100.0% | **661,700** | 100.0% | 8.8% |
| Domestic sales | 497,711 | 69.1% | 451,900 | 68.3% | 10.1% |
| Foreign sales | 222,389 | 30.9% | 209,800 | 31.7% | 6.0% |
| Cost of sales | 449,400 | 62.4% | 404,600 | 61.1% | 11.1% |
| **Gross income** | **270,700** | 37.6% | **257,100** | 38.9% | 5.3% |
| Operating expenses | 79,400 | 11.0% | 70,900 | 10.7% | 12.0% |
| **Operating income** | **191,300** | 26.6% | **186,200** | 28.1% | 2.7% |
| **Financing costs** | | | | | |
| Financial expenses | 34,600 | 4.8% | 28,000 | 4.2% | 23.6% |
| Financial income | (16,900) | -2.3% | (14,100) | -2.1% | 19.9% |
| Monetary effect | (9,700) | -1.3% | (27,600) | -4.2% | -64.9% |
| Exchange loss | (100) | 0.0% | (300) | 0.0% | -66.7% |
| **Total** | **7,900** | 1.1% | **(14,000)** | -2.1% | -156.4% |
| Other financial costs | 52,900 | 7.3% | 44,900 | 6.8% | 17.8% |
| **Income before taxes and profit sharing** | **130,500** | 18.1% | **155,300** | 23.5% | -16.0% |
| Taxes and profit sharing | 26,100 | 3.6% | 42,500 | 6.4% | -38.6% |
| **Net consolidated income** | **104,400** | 14.5% | **112,800** | 17.0% | -7.4% |
| Net income of majority interest | 104,372 | 14.5% | 112,768 | 17.0% | -7.4% |
| Net income of minority interest | 28 | 0.0% | 32 | 0.0% | -12.5% |
| Ebitda | 249,100 | 34.6% | 238,200 | 36.0% | 4.6% |
| Net financial expenses | 17,700 | 2.5% | 13,900 | 2.1% | 27.3% |

| | Last 12 m Mar-01 | % | Last 12 m Mar-00 | % | Variation % |
|---|---|---|---|---|---|
| **Net sales** | **2,897,794** | 100.0% | **2,644,892** | 100.0% | 9.6% |
| **Operating income** | **792,556** | 27.4% | **757,154** | 28.6% | 4.7% |
| **EBITDA** | **989,456** | 34.1% | **948,925** | 35.9% | 4.3% |
| **Net consolidated income** | **495,314** | 17.1% | **444,222** | 16.8% | 11.5% |

## Balance sheet

(Thousands of pesos as of March 31st, 2001)

| | 31-Mar-2001 | 31-Mar-2000 | Variation |
|---|---|---|---|
| **Total assets** | **7,228,200** | **5,267,300** | 37.2% |
| Current assets | 1,888,500 | 1,448,400 | 30.4% |
| *Cash and temporary investments* | *706,000* | *661,000* | 6.8% |
| Long term assets | 55,900 | 60,500 | -7.6% |
| Fixed assets | 4,357,000 | 3,639,100 | 19.7% |
| Other assets | 926,800 | 119,300 | 676.9% |
| **Total liabilities** | **3,936,700** | **2,312,200** | 70.3% |
| Current liabilities | 419,600 | 350,000 | 19.9% |
| *Bank debt* | *164,200* | *163,300* | 0.6% |
| Long term liabilities | 2,363,900 | 811,000 | 191.5% |
| *Bank debt* | *2,363,900* | *811,000* | 191.5% |
| Differed taxes | 878,400 | 997,700 | -12.0% |
| Other liabilities | 274,800 | 153,500 | 79.0% |
| **Consolidated stockholder's equity** | **3,291,500** | **2,955,100** | 11.4% |
| Majority interest | 3,290,585 | 2,954,200 | 11.4% |
| Minority interest | 915 | 900 | 1.7% |