

# Grupo Cementos de Chihuahua

## Results for the third quarter 2001

## Results for the third quarter 2001

- Sales through September 2001 grew by 21.2% over last year.
- The operating cash flow for the third quarter (operating profit + depreciation) increased 21.4%.
- Cash flow generated during the quarter increased 127% as compared with the same quarter in 2000.

Net sales for the third quarter of 2001 were \$972.7 million pesos, 25.0% greater in real terms than those of the same quarter last year.

During the quarter, 49.7% of sales were in the Mexican market (\$483.7 million pesos), indicating a decrease of 6.6% over the same quarter last year, given lower volumes of cement, concrete and aggregate sales in Mexico.

50.3% of third quarter sales (\$51.5 million dollars equivalent to \$489.0 million pesos) were made in the United States. These dollar sales increased 88.1% compared to the same quarter last year, as a result of incorporating GCC Dacotah sales in March 2001.

Net sales during the first nine months of 2001 reached \$2,659.7 million pesos, reflecting an increase of 21.2% in real terms as compared with the same period in 2000.

During these nine months, the company had 57.0% (\$1,517.3 million pesos) of its sales in the Mexican market and the balance (\$120.3 million dollars, equivalent to \$1,142.4 million pesos) in the North American market. Sales in the Mexican market increased 3.0% compared with last year and were distributed in the following fashion: 43.9% corresponds to cement and mortar, 32.1% to concrete, 7.5% to concrete block, 4.3% in aggregates, and 12.2% in other products.

Total accumulated sales as of September to the North American market increased 64.1% in U.S. dollars and are made up of: 89.9% cement and mortar and 10.1% concrete.

During the third quarter of 2001, GCC recorded an operating profit of \$260.2 million pesos, 14.8% more than the same quarter last year. The operating margin for this quarter was 26.7%. The operating profit accumulated through September 2001 was \$716.9 million pesos, showing an increase of 11.9% in real terms as compared with the same results for the same quarter in 2000. The operating margin during these nine months was 27.0%.

*The operating cash flow (operating profit plus depreciation and amortization) generated during the quarter was \$337.6 million pesos, 21.4% more than the same quarter of the previous year.*

This represents 34.7% of the sales for the quarter. The operating cash flow generated during the first nine months of 2001 was \$927.7 million pesos, an increase of 16.3% against the same period last year and representing 34.9% of total sales.

The cash flow generated for the third quarter in 2001 was 127% greater than that generated during the third quarter of last year. During the first nine months of 2001, the cash flow generated was below the one accumulated through September 2001, mainly as a result of investments in projects destined to increase the firm's capacity to produce concrete block and aggregates, as well the project to substitute the type of fuel utilized in the plants at Samalayuca and Chihuahua.

Total net financing costs (financial expenses less financial products) reported during the third quarter were \$40.7 million pesos, a larger number than that

reported during the same quarter last year as a result of the interests generated by the debt entered into for the purchase of Dacotah Cement. The net financial expense as of September 2001 was \$97.8 million pesos.

*Despite the increase in financial expenses, GCC's coverage of interests (EBITDA / interest) for the first nine months was 6.9 times.*

During the quarter, there were comprehensive financing costs of \$16.6 million pesos, compared with a comprehensive financial income of \$8.5 million pesos reported during the same quarter of last year. This cost was the result of greater net financial costs met during this quarter. The total financing costs accumulated through September 2001 were \$41.2 million pesos.

Of other expenses and products reported during the third quarter, \$49.2 million pesos (US\$5.2 million) correspond to deposits and provisions allocated to anti-dumping taxes and costs of exporting Mexican cement into the United States. The total sum for the quarter represents 6.2% less than the same quarter last year as a result of the lower export volume. In the first nine months of 2001, there were deposits and provisions of \$143.2 million pesos (US\$15.1 million) for the same item. These deposits and provisions are 11.4% greater than those reported during the same period last year as a result of a larger anti-dumping tax rate. The sum of these accumulated provisions during 2001 reached \$108.1 million pesos (US\$11.4 million).

The net consolidated profit for the third quarter of the year was \$134.1 million pesos, a number 17.7% lower than the same period the year before as a result of a greater net financial expense and higher income tax provisions. Consolidated net profit for the first nine months of 2001 were \$365.4 million pesos, 6.7% less than the previous year.

Total assets of Grupo Cementos de Chihuahua through the 30th of September 2001 reached \$7,529.1 million pesos, a figure 39.2% greater than that reported September 30, 2000, basically as result of incorporating the assets of Dacotah Cement into the balance sheet.

Total liabilities through September 30 are \$4,081.7 million pesos, 76.9% greater than those reported on the same date in 2000. This increase is primarily the result of the debt incurred during the acquisition of the assets of Dacotah Cement.

GCC's total net debt in million pesos and million dollars as of September 30, 2001 is:

	Sep 01	Jun 01	Sep 00
<b>Pesos</b>	MX\$ 214.7	MX\$ 228.1	MX\$ 270.7
<b>Dollars</b>	US\$ 227.0	US\$ 235.1	US\$ 58.6
	Sep 01/Jun 01	Sep 01/Sep 00	
<b>Pesos</b>	-5.9%	-20.7%	
<b>Dollars</b>	-3.4%	287.4%	

The company's net debt on September 30, 2001 (interest-bearing debt minus cash and investments) is \$1,749.3 million pesos. This indicates a reduction of 6.5% against those figures reported on June 30, 2001.

The short-term debt and current portion of the long-term bank debt through September 30, 2001, is \$163.7 million pesos, of which \$123.3 million pesos (US\$13.0 million) is denominated in U.S. dollars. The long-term bank debt is \$2,331.1 million pesos, of which \$2,156.9 million pesos (US\$227.0 million) is denominated in U.S. dollars.

Dollar denominated bank debt had an average annual cost of 6.0% during the third quarter. The financing cost of debt denominated in Mexican pesos had a cost of 11.3% during the same period.

### Sales volumes

During the first nine months of 2001, the cement sales volumes in the U.S. market represented 66.8% of the total cement sales volumes of GCC.

Of the total cement sales in the U.S. market, 28% was supplied through exports from the Samalayuca plant in Mexico.

	1Q01 / 1Q00	2Q01 / 2Q00	3Q01 / 3Q00	Accumulated 2001 / 2000
Cement in Mexico	15.2%	18.0%	-4.9%	9.0%
Cement in U.S.	3.9%	105.4%	120.0%	86.6%
<b>Total cement sales</b>	<b>9.3%</b>	<b>66.9%</b>	<b>63.8%</b>	<b>51.2%</b>
Concrete in Mexico	26.9%	31.6%	-6.3%	15.0%
Concrete in U.S.	-25.7%	-23.8%	-18.7%	-22.8%
<b>Total concrete sales</b>	<b>10.9%</b>	<b>17.1%</b>	<b>-9.0%</b>	<b>5.2%</b>
<b>Concrete block in Mexico</b>	<b>42.0%</b>	<b>29.6%</b>	<b>35.5%</b>	<b>35.0%</b>
<b>Aggregates in Mexico</b>	<b>29.0%</b>	<b>28.0%</b>	<b>-6.6%</b>	<b>14.1%</b>

### Important events

On August 31, 2000 the United States Department of Commerce disclosed the preliminary results of the tenth administrative review on antidumping taxes on Mexican cement imports into the United States. The preliminary result of this review, which comprises the period from August 1999 to July 2000, was an average weighted margin of 48.53%. This margin is similar to the one determined for the ninth review.

**Income Statement for the Third Quarter of 2001  
(Thousands of pesos as of September 30, 2001)**

	3Q 2001	3Q 2000	3Q01 / 3Q00
<b>Net sales</b>	<b>972,703</b> 100.0%	<b>777,961</b> 100.0%	25.0%
Domestic sales	483,732 49.7%	518,064 66.6%	-6.6%
Foreign sales	488,971 50.3%	259,897 33.4%	88.1%
Cost of sales	620,333 63.8%	474,066 60.9%	30.9%
<b>Gross income</b>	<b>352,371</b> 36.2%	<b>303,895</b> 39.1%	16.0%
Operating expenses	92,217 9.5%	77,360 9.9%	19.2%
<b>Operating income</b>	<b>260,154</b> 26.7%	<b>226,535</b> 29.1%	14.8%
<b>Financing costs</b>			
Financial expenses	49,294 5.1%	27,661 3.6%	78.2%
Financial income	(8,595) -0.9%	(17,221) -2.2%	-50.1%
Monetary effect	(24,217) -2.5%	(19,471) -2.5%	24.4%
Exchange loss	75 0.0%	506 0.1%	-85.2%
<b>Total</b>	<b>16,557</b> 1.7%	<b>(8,525)</b> -1.1%	NA
Other financial costs	60,303 6.2%	82,069 10.5%	-26.5%
<b>Income before taxes and profit sharing</b>	<b>183,294</b> 18.8%	<b>152,990</b> 19.7%	19.8%
Taxes and profit sharing	49,149 5.1%	(10,006) -1.3%	NA
<b>Net consolidated income</b>	<b>134,144</b> 13.8%	<b>162,996</b> 21.0%	-17.7%
Net income of majority interest	134,109 13.8%	162,960 20.9%	-17.7%
Net income of minority interest	36 0.0%	36 0.0%	-2.1%
<b>EBITDA</b>	<b>337,620</b> 34.7%	<b>278,152</b> 35.8%	21.4%
Net financial expenses	40,699 4.2%	10,440 1.3%	289.8%
Free cash flow*	180,785 0.0%	79,814 0.0%	126.5%

Free cash flow = Operating profit + depreciation – financial expenses – capital expenditures – working capital needs – taxes paid in cash – paid dividends – other cash expenses +/- other.

**Income Statement for the first nine months of 2001  
(Thousands of pesos as of September 30, 2001)**

	<b>Ac. 3Q 2001</b>	<b>%</b>	<b>Ac. 3Q 2000</b>	<b>%</b>	<b>2001 / 2000</b>
<b>Net sales</b>	<b>2,659,700</b>	100.0%	<b>2,194,100</b>	100.0%	21.2%
Domestic sales	1,517,346	57.0%	1,473,667	67.2%	3.0%
Foreign sales	1,142,354	43.0%	720,433	32.8%	58.6%
Cost of sales	1,695,300	63.7%	1,333,700	60.8%	27.1%
<b>Gross income</b>	<b>964,400</b>	36.3%	<b>860,400</b>	39.2%	12.1%
Operating expenses	247,500	9.3%	219,900	10.0%	12.6%
<b>Operating income</b>	<b>716,900</b>	27.0%	<b>640,500</b>	29.2%	11.9%
<b>Financing costs</b>					
Financial expenses	134,400	5.1%	82,400	3.8%	63.1%
Financial income	(36,600)	-1.4%	(47,300)	-2.2%	-22.6%
Monetary effect	(57,600)	-2.2%	(61,400)	-2.8%	-6.2%
Exchange loss	1,000	0.0%	(1,200)	-0.1%	NA
<b>Total</b>	<b>41,200</b>	1.5%	<b>(27,500)</b>	-1.3%	NA
Other financial costs	187,000	7.0%	179,600	8.2%	4.1%
<b>Income before taxes and profit sharing</b>	<b>488,700</b>	18.4%	<b>488,400</b>	22.3%	0.1%
Taxes and profit sharing	123,300	4.6%	96,900	4.4%	27.2%
<b>Net consolidated income</b>	<b>365,400</b>	13.7%	<b>391,500</b>	17.8%	-6.7%
Net income of majority interest	365,304	13.7%	391,408	17.8%	-6.7%
Net income of minority interest	96	0.0%	92	0.0%	4.3%
<b>EBITDA</b>	<b>927,700</b>	34.9%	<b>797,600</b>	36.4%	16.3%
Net financial expenses	97,800	3.7%	35,100	1.6%	178.6%
Free cash flow*	407,891	0.0%	485,725	0.0%	-16.0%

**Last twelve months figures**  
**(Thousands of pesos as of September 30, 2001)**

	Sep-01		Sep-00		Variation 2001/2000
<b>Net sales</b>	3,356,778	100.0%	2,882,890	100.0%	16.4%
<b>Operating income</b>	878,754	26.2%	836,685	29.0%	5.0%
<b>EBITDA</b>	1,127,161	33.6%	1,032,222	35.8%	9.2%
<b>Net consolidated income</b>	487,401	14.5%	482,892	16.8%	0.9%

**Balance sheet**  
**(Thousands of pesos as of September 30<sup>th</sup>, 2001)**

	30-Sep-2001	30-Sep-2000	Variation
<b>Total assets</b>	<b>7,529,100</b>	<b>5,407,600</b>	<b>39.2%</b>
Current assets	2,003,700	1,539,600	30.1%
<i>Cash and temporary investments</i>	745,500	658,000	13.3%
Long term assets	61,300	60,100	2.0%
Fixed assets	5,014,600	3,694,000	35.7%
Other assets	449,500	113,900	294.6%
<b>Total liabilities</b>	<b>4,081,700</b>	<b>2,307,000</b>	<b>76.9%</b>
Current liabilities	517,600	440,300	17.6%
<i>Bank debt</i>	163,700	171,300	-4.4%
Long term liabilities	2,331,100	675,400	245.1%
<i>Bank debt</i>	2,331,100	675,400	245.1%
Differed taxes	878,400	970,600	-9.5%
Other liabilities	354,600	220,700	60.7%
<b>Consolidated stockholder's equity</b>	<b>3,447,400</b>	<b>3,100,700</b>	<b>11.2%</b>
Majority interest	3,446,409	3,099,769	11.2%
Minority interest	991	931	6.4%