

# Grupo Cementos de Chihuahua

## Results for the second quarter of 2002

- Consolidated net income obtained during the second quarter grew 13.5% compared to the second quarter of 2001.
- GCC's total cement sales volumes during the second quarter were 42.7% larger than the first quarter. Cement sales volumes grew 58.5% in the U.S. and 14.1% in Mexico.
- Net financial expenses for the second quarter of 2002 were 55.8% lower than the amount reported for the second quarter of 2001.
- During the month of May of 2002, GCC paid dividends of \$0.21 pesos per share.

***During the second quarter of 2002, there was a recovery in the sales volumes of cement, concrete and aggregates in the markets where GCC participates, compared to the first quarter of 2002. In this way, the volume of cement sold by GCC grew 42.7% during the second quarter of 2002 compared to the first quarter of the same year.***

Likewise, concrete volume sold in Mexico and United States were 9.0% and 35.0% larger than the volumes sold during the first quarter.

Grupo Cementos de Chihuahua's net sales in the second quarter of 2002 totaled \$890.9 million pesos, 11.2% lower than sales obtained during the second quarter of last year, due to a lower economic activity in the markets where we participate. Nevertheless, the volumes sold during this quarter were larger than the first quarter, so we expect that the recovery would continue during the rest of the year.

During the second quarter of 2002, GCC made 50.8% of sales in the Mexican market (\$452.8 million pesos) and 49.2% in the U.S. market (\$44.1 million dollars equivalent to \$438.0 million pesos).

Sales for the first six months of the year amount to \$1,568.9 million pesos, an 11.3% decline against the same period of last year. The company made 54.6% (\$857.3 million pesos) of its sales in the Mexican market and the rest in the U.S. market (US\$ 71.7 million dollars equivalent to \$711.6 million pesos). Sales breakdown in Mexico was as follows: 44.5% in cement and masonry, 25.8% in ready-mix concrete,

8.6% in concrete block, 4.6% in aggregates and 16.5% in other products like plaster gypsum and other construction materials. The sales breakdown in the U.S. was: 89.8% in cement and masonry, and 10.2% in ready-mix concrete.

The **operating income** in the second quarter of 2002 totaled \$241.8 million pesos, 11.8% lower than the same quarter of 2001. It is important to highlight that the variable cost, as a percentage of sales, was four percentage points lower than the second quarter of last year. This decrease is a result of the costs and expenses reduction program implemented in all of GCC's operations. Furthermore, fixed production costs had a reduction of 2.0% on a quarter to quarter basis. This resulted in a 6.4 percentage points increase in the operating margin reaching 27.1%, as compared to the first quarter of 2002 (20.7%).

Operating income for the first semester of the year was \$382.5 million pesos, a decrease of 20.0% against the one obtained during the same period of 2001. This margin is the result of lower sales and a higher depreciation.

The **operating cash flow** for the second quarter of the year (operating income plus depreciation and amortization or EBITDA) was \$319.4 million pesos, a reduction of 9.4% compared to the second quarter of 2001. This represented 35.9% of sales, reflecting an increase of four percentage points against the first quarter of 2002.

**Net financial expenses** (interest expense minus interest income) reported during the quarter were \$18.2 million pesos, a decrease of 55.8% compared to the second quarter of 2001, due to a lower net debt and a reduction in interest rates. GCC's net interest coverage for the first six months (EBITDA divided by net financial expenses) was 15.7 times.

**Net comprehensive financing cost** during the second quarter was \$2.0 million pesos, an amount 88.9% lower than the one reported for the second quarter of last year, due to lower net financial expenses. During the first six months of 2002, there was a net comprehensive financing income of \$11.3 million pesos compared to a comprehensive financing cost of \$26.1 million pesos for the same period of 2001.

In **other expenses and income**, deposits for \$14.5 million pesos (US\$1.5 million) were made with regard to the antidumping tax on Mexican cement imports to the United States, a decrease of 5% compared to the same quarter of the previous year as a result of the improvements made in the U.S. cement sales logistics. During the first semester of the year, deposits totaled \$25.8 million pesos (US\$ 2.6 million pesos) and the company registered provisions for \$43.7 million pesos (US\$4.4 million dollars).

***Net consolidated income obtained during the second quarter of 2002 was \$150.5 million pesos, an amount 13.5% larger than the one reported for the same quarter of 2001, due to the costs and expenses reduction program implementation, lower net financial expenses, lower antidumping related expenses and a decrease in tax provisions. During the first six months of the year, there was a net consolidated income of \$233.3 million pesos, which represents a decrease of just 3.1% against the same period of 2001.***

Grupo Cementos de Chihuahua's **total assets** were \$8,302.0 million pesos, as of June 30, 2002. This figure is 8.3% greater than assets reported as of June 30, 2001, as a result of a higher level of cash and temporary investments and investments made in fixed assets.

**Total liabilities** of GCC as of June 30, 2002 were \$4,237.6 million pesos, an increase of 3.5% compared to the figure reported on June 30, 2001. This was due to a higher level of debt. The company's net debt was \$1,654.8 million pesos, an amount 14.8% lower than the one reported for the second quarter of 2001. In this way, GCC's financial leverage (debt divided by EBITDA) was 2.2 times and net leverage (debt less cash divided by EBITDA) was 1.3 times.

Short-term cost-bearing debt as of June 30, 2002 is \$192.6 million pesos, of which \$152.3 million pesos (US\$15.3 million) is denominated in U.S. dollars. The company's long-term debt is \$2,462.1 million pesos, of which \$2,318.7 million pesos (US\$233.5 million) is U.S. dollar denominated.

The company's total debt in millions of constant pesos of June 30, 2002 and in US\$ millions is:

	Jun 02	Mar 02	Jun 01
<b>Pesos</b>	MX\$ 1,384.3	MX\$ 1,420.7	MX\$ 235.7
<b>Dollars</b>	US\$ 127.9	US\$ 105.2	US\$ 235.1
	Jun 02/Mar 02	Jun 02/Jun 01	
<b>Pesos</b>	-2.6%	487.3%	
<b>Dollars</b>	21.6%	-45.6%	

Peso denominated debt includes domestic bonds (certificados bursátiles) issued in December 2001 for \$1,200 million pesos. Along with the issue, GCC made a cross currency swap in order to obtain a lower cost.

Average cost of the company's debt denominated in U.S. dollars was 3.2% during the second quarter, while debt denominated in Mexican currency had a cost of 9.0% during the same period.

## Sales Volumes

	2Q02 / 1Q02	1Q02 / 1Q01	2Q02 / 2Q01	Ac. 2Q02 / Ac. 2Q01
Cement in Mexico	14.1%	-26.7%	-20.4%	-23.5%
Cement in U.S.	58.5%	30.0%	-7.2%	4.2%
<b>Total cement sales</b>	<b>42.7%</b>	<b>1.8%</b>	<b>-11.4%</b>	<b>-6.4%</b>
Concrete in Mexico	9.0%	-30.8%	-35.9%	-33.5%
Concrete in U.S.	35.0%	-25.6%	6.2%	-10.2%
<b>Total concrete sales</b>	<b>14.6%</b>	<b>-29.7%</b>	<b>-28.7%</b>	<b>-29.2%</b>
<b>Concrete block</b>	<b>-19.4%</b>	<b>30.5%</b>	<b>-17.0%</b>	<b>4.0%</b>
<b>Aggregates</b>	<b>8.6%</b>	<b>-18.8%</b>	<b>-23.7%</b>	<b>-21.4%</b>

## Income statement for the second quarter of 2002

(Thousands of pesos as of June 30, 2002)

	2002		2001		2002 / 2001
<b>Net sales</b>	<b>890,858</b>	100.0%	<b>1,002,700</b>	100.0%	-11.2%
Domestic sales	452,818	50.8%	545,992	54.5%	-17.1%
Foreign sales	438,040	49.2%	456,708	45.5%	-4.1%
Cost of sales	564,817	63.4%	648,700	64.7%	-12.9%
<b>Gross income</b>	<b>326,041</b>	36.6%	<b>354,000</b>	35.3%	-7.9%
Operating expenses	84,201	9.5%	79,717	8.0%	5.6%
<b>Operating income</b>	<b>241,840</b>	27.1%	<b>274,283</b>	27.4%	-11.8%
<b>Financing costs</b>					
Financial expenses	24,833	2.8%	52,573	5.2%	-52.8%
Financial income	(6,589)	-0.7%	(11,286)	-1.1%	-41.6%
Monetary effect	(33,732)	-3.8%	(24,343)	-2.4%	38.6%
Exchange loss	17,492	2.0%	1,190	0.1%	1369.9%
<b>Total</b>	<b>2,004</b>	0.2%	<b>18,134</b>	1.8%	-88.9%
Other financial costs	55,800	6.3%	77,421	7.7%	-27.9%
<b>Income before taxes and profit sharing</b>	<b>184,036</b>	20.7%	<b>178,728</b>	17.8%	3.0%
Taxes and profit sharing	33,519	3.8%	46,120	4.6%	-27.3%
<b>Net consolidated income</b>	<b>150,517</b>	16.9%	<b>132,608</b>	13.2%	13.5%
Net income of majority interest	150,502	16.9%	132,575	13.2%	13.5%
Net income of minority interest	15	0.0%	33	0.0%	-54.5%
<b>EBITDA</b>	<b>319,375</b>	35.9%	<b>352,500</b>	35.2%	-9.4%
Net financial expenses	18,244	2.0%	41,287	4.1%	-55.8%
Interest coverage	17.5		8.5		
Net financial leverage	1.3		1.7		
Generated cash flow*	107,268	12.0%	53,208	5.3%	101.6%

\* Generated cash flow = Operating income + depreciation – net financial expenses – working capital needs – taxes paid in cash – other cash expenses +/- other.

## Income statement for the first semester of 2002 (Thousands of pesos as of June 30, 2002)

	Acc. 2002	%	Acc. 2001	%	2002 / 2001
<b>Net sales</b>	<b>1,568,900</b>	100.0%	<b>1,769,500</b>	100.0%	-11.3%
Domestic sales	857,300	54.6%	1,074,738	60.7%	-20.2%
Foreign sales	711,600	45.4%	694,762	39.3%	2.4%
Cost of sales	1,017,400	64.8%	1,129,100	63.8%	-9.9%
<b>Gross income</b>	<b>551,500</b>	35.2%	<b>640,400</b>	36.2%	-13.9%
Operating expenses	169,000	10.8%	162,500	9.2%	4.0%
<b>Operating income</b>	<b>382,500</b>	24.4%	<b>477,900</b>	27.0%	-20.0%
<b>Financing costs</b>					
Financial expenses	49,600	3.2%	89,400	5.1%	-44.5%
Financial income	(15,400)	-1.0%	(29,300)	-1.7%	-47.4%
Monetary effect	(62,100)	-4.0%	(35,100)	-2.0%	76.9%
Exchange loss	16,600	1.1%	1,100	0.1%	1409.1%
<b>Total</b>	<b>(11,300)</b>	-0.7%	<b>26,100</b>	1.5%	NA
Other financial costs	105,400	6.7%	134,000	7.6%	-21.3%
<b>Income before taxes and profit sharing</b>	<b>288,400</b>	18.4%	<b>317,800</b>	18.0%	-9.3%
Taxes and profit sharing	55,100	3.5%	77,000	4.4%	-28.4%
<b>Net consolidated income</b>	<b>233,300</b>	14.9%	<b>240,800</b>	13.6%	-3.1%
Net income of majority interest	233,280	14.9%	240,740	13.6%	-3.1%
Net income of minority interest	20	0.0%	60	0.0%	-66.7%
<b>EBITDA</b>	<b>536,100</b>	34.2%	<b>617,600</b>	34.9%	-13.2%
Net financial expenses	34,200	2.2%	60,100	3.4%	-43.1%
Interest coverage	15.7		10.3		
Net financial leverage	1.3		1.7		
Generated cash flow*	222,444	0.0%	214,127	0.0%	3.9%

\* Generated cash flow = Operating income + depreciation – net financial expenses – working capital needs – taxes paid in cash – other cash expenses +/- other.

**Last twelve months figures**  
**(Thousands of pesos as of June 30, 2002)**

	Jun-02		Jun-01		Variation 2002/2001
<b>Net sales</b>	3,468,500	100.0%	3,309,580	100.0%	4.8%
<b>Operating income</b>	843,310	24.3%	882,695	26.7%	-4.5%
<b>EBITDA</b>	1,156,785	33.4%	1,115,531	33.7%	3.7%
<b>Net consolidated income</b>	545,730	15.7%	536,310	16.2%	1.8%

**Balance sheet**  
**(Thousands of pesos as of June 30, 2002)**

	June 2002	June 2001	Variation
<b>Total assets</b>	<b>8,302,000</b>	<b>7,668,400</b>	8.3%
Current assets	2,279,200	1,967,500	15.8%
<i>Cash and temporary investments</i>	999,900	574,300	74.1%
Long term assets	66,900	60,100	11.3%
Fixed assets	5,490,900	4,764,400	15.2%
Other assets	465,000	876,400	-46.9%
<b>Total liabilities</b>	<b>4,237,600</b>	<b>4,094,600</b>	3.5%
Current liabilities	437,200	488,700	-10.5%
<i>Bank debt</i>	192,600	171,000	12.6%
Long term liabilities	2,462,100	2,345,900	5.0%
<i>Bank debt</i>	1,153,733	2,345,900	-50.8%
<i>Domestic bonds</i>	1,200,000	0	NA
<i>Other cost-bearing liabilities</i>	108,367	0	NA
Differed taxes	924,500	922,200	0.2%
Other liabilities	413,800	337,800	22.5%
<b>Consolidated stockholder's equity</b>	<b>4,064,400</b>	<b>3,573,800</b>	13.7%
Majority interest	4,063,300	3,572,800	13.7%
Minority interest	1,100	1,000	10.0%