

# Grupo Cementos de Chihuahua

## Results for the third quarter of 2002

- Net sales for the third quarter of 2002 were increased by 10.6% as compared to sales obtained during the second quarter of the same year.
- Operating expenses for the third quarter of 2002 were 11.1% lower than the amount reported for the third quarter of 2001.
- Net financial expenses for the third quarter of 2002 decreased 65.5% against the third quarter of 2001.
- Consolidated net income obtained during the third quarter of 2002 was \$175.7 million pesos, an amount 22.4% larger than the one obtained during the third quarter of the previous year.
- GCC's total cement sales volumes during the third quarter of 2002 were 4.8% larger than the volumes for the second quarter of the same year.

Grupo Cementos de Chihuahua's net **sales** during the third quarter of 2002 totaled \$1,005.2 million pesos. This amount is 2.7% lower than the one obtained during the third quarter of last year. *It is worth noting that net sales for this quarter were 10.6% larger than sales for the second quarter of the same year. This should indicate that an economic recovery of the construction industry of the markets where we participate, is taking place.*

During the third quarter of 2002, GCC made 47.3% of its sales in the Mexican market (\$475.6 million pesos) and 52.7% in the U.S. market (\$51.9 million dollars equivalent to \$529.6 million pesos).

Sales for the first nine months of the year amount to \$2,605.0 million pesos, an 8.3% decline against the same period of last year.

The company made 53.7% (\$1,398.6 million pesos) of its sales in the Mexican market and the rest in the U.S. market (US\$ 118.3 million dollars equivalent to \$1,206.4 million pesos). Sales breakdown in Mexico was as follows: 40.4% in cement and masonry, 24.2% in ready-mix concrete, 8.5% in concrete block, 5.5% in aggregates and 21.4% in other products like plaster gypsum, land sales and other construction materials.

The sales breakdown in the U.S. was: 90.7% in cement and masonry, and 9.3% in ready-mix concrete.

The **operating income** for the third quarter of 2002 totaled \$283.9 million pesos. Despite a lower amount of sales, operating income was 1.8% larger than the one obtained during the third quarter of 2001. This reflects the effects of the costs and expenses reduction program implemented in all of GCC's operations, which resulted in a decrease of 17.0% and 11.1% in the fixed costs and selling, general and administrative expenses, respectively, during the third quarter. The operating margin for the third quarter was 28.2%, an increase of 1.2 percentage points, as compared to the third quarter of 2001.

Operating income for the first nine months of the year was \$673.8 million pesos, a decrease of 12.0% against the one obtained during the same period of 2001. Operating margin for the three quarters was 25.9%.

The **operating cash flow** for the third quarter of the year (operating income plus depreciation and amortization or EBITDA) was \$361.7 million pesos, an amount similar to the one obtained during the third quarter of 2001. This represented 36.0% of sales, which represents an increase of 1 percentage point over the margin obtained during the third quarter of 2002.

Operating cash flow for the first nine months of 2002 reached \$908.1 million pesos and a margin of 34.9%, which is equal to the margin obtained for the same period of 2001.

**Net financial expenses** (interest expense minus interest income) reported during the quarter were \$14.8 million pesos, a decrease of 65.5% as compared to the third quarter of 2001, due to a lower net debt and lower interest rates.

*GCC's net interest coverage for the first nine months (EBITDA divided by net financial expenses) was 18.4 times.*

There was a **net comprehensive financing income** during the third quarter of \$5.1 million pesos, an amount that compares favorable to the comprehensive financing cost of \$28.7 million pesos for the third quarter of 2001, due mainly to lower net financial expenses and a larger result from monetary position. During the first nine months of 2002, there was a net comprehensive financing cost of \$6.5 million pesos, an amount 91.2% lower than the one reported for the same period of 2001.

In **other expenses and income**, deposits for \$19.3 million pesos (US\$1.9 million) were made with regard to the antidumping tax on Mexican cement imports to the United States. During the first nine months of the year, deposits totaled \$41.3 million pesos (US\$ 4.0 million dollars) and the company registered provisions for \$64.4 million pesos (US\$6.3 million dollars).

*Net consolidated income obtained during the third quarter of 2002 was \$175.7 million pesos, an amount 22.4% larger than the one reported for the same quarter of 2001, due to the results obtained from the costs and expenses reduction program, lower net financial expenses and lower antidumping related expenses. During the first nine months of the year, there was a net consolidated income of \$413.4 million pesos, which represents an increase of 6.6% against the same period of 2001.*

Grupo Cementos de Chihuahua's **total assets** as of September 30, 2002 were \$8,653.0 million pesos. This figure is 7.5% greater than assets reported as of September 30, 2001, mainly as a result of a 66.4% increase in cash and temporary investments, a reduction of 13.6% in accounts receivable and an increase of 3.9% in fixed assets.

**Total liabilities** of GCC as of September 30, 2002 were \$4,436.6 million pesos, an increase of 2.7% compared to the figure reported on September 30, 2001, due mainly to a higher level of debt. However, the company's net debt for \$1,361.9 million pesos was 25.5% lower than the amount reported for the third quarter of 2001. GCC's financial leverage (debt divided by EBITDA) was 2.3 times and net leverage (debt less cash divided by EBITDA) was 1.2 times.

Short-term cost-bearing debt as of September 30, 2002 is \$193.0 million pesos, of which \$152.8 million pesos (US\$15.0 million) is denominated in U.S. dollars. The company's long-term debt is \$2,508.5 million pesos, of which \$2,374.4 million pesos (US\$232.8 million) is U.S. dollar denominated.

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

|                | Sep 02               | Jun 02               | Sep 01     |
|----------------|----------------------|----------------------|------------|
| <b>Pesos</b>   | MX\$ 1,407.3         | MX\$ 1,401.9         | MX\$ 225.3 |
| <b>Dollars</b> | US\$ 126.9           | US\$ 127.9           | US\$ 227.0 |
|                | <b>Sep 02/Jun 02</b> | <b>Sep 02/Sep 01</b> |            |
| <b>Pesos</b>   | 0.4%                 | 524.7%               |            |
| <b>Dollars</b> | -0.8%                | -44.1%               |            |

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 3.27% during the third quarter, while debt denominated in Mexican currency had a cost of 9.49% during the same period.

### Sales volumes for the third quarter of 2002

|                             | 3Q02 / 3Q01   | 2Q02 / 2Q01   | 1Q02 / 1Q01   | Ac. 2002 /<br>Ac. 2001 |
|-----------------------------|---------------|---------------|---------------|------------------------|
| Cement in Mexico            | -8.2%         | -20.4%        | -26.7%        | -18.9%                 |
| Cement in U.S.              | -10.3%        | -7.2%         | 30.0%         | -2.1%                  |
| <b>Total cement sales</b>   | <b>-9.8%</b>  | <b>-11.4%</b> | <b>1.8%</b>   | <b>-7.7%</b>           |
| Concrete in Mexico          | -31.7%        | -35.9%        | -30.8%        | -32.9%                 |
| Concrete in U.S.            | -15.1%        | 6.2%          | -25.6%        | -11.8%                 |
| <b>Total concrete sales</b> | <b>-28.5%</b> | <b>-28.7%</b> | <b>-29.7%</b> | <b>-29.0%</b>          |
| <b>Concrete block</b>       | <b>1.9%</b>   | <b>-17.0%</b> | <b>30.5%</b>  | <b>3.2%</b>            |
| <b>Aggregates</b>           | <b>-24.7%</b> | <b>-23.7%</b> | <b>-18.8%</b> | <b>-22.5%</b>          |

## Income statement for the third quarter of 2002 (Thousands of pesos as of September 30, 2002)

|   | 3Q02             |        | 3Q01             |        | 3Q02 / 3Q01 |
|---|------------------|--------|------------------|--------|-------------|
| <b>Net sales</b>                              | <b>1,005,200</b> | 100.0% | <b>1,033,100</b> | 100.0% | -2.7%       |
| Domestic sales                                | 475,559          | 47.3%  | 498,453          | 48.2%  | -4.6%       |
| Foreign sales                                 | 529,641          | 52.7%  | 534,647          | 51.8%  | -0.9%       |
| Cost of sales                                 | 634,100          | 63.1%  | 656,000          | 63.5%  | -3.3%       |
| <b>Gross income</b>                           | <b>371,100</b>   | 36.9%  | <b>377,100</b>   | 36.5%  | -1.6%       |
| Operating expenses                            | 87,200           | 8.7%   | 98,100           | 9.5%   | -11.1%      |
| <b>Operating income</b>                       | <b>283,900</b>   | 28.2%  | <b>279,000</b>   | 27.0%  | 1.8%        |
| <b>Financing costs</b>                        |                  |        |                  |        |             |
| Financial expenses                            | 26,000           | 2.6%   | 52,100           | 5.0%   | -50.1%      |
| Financial income                              | (11,200)         | -1.1%  | (9,200)          | -0.9%  | 21.7%       |
| Monetary effect                               | (25,700)         | -2.6%  | (14,300)         | -1.4%  | 79.7%       |
| Exchange loss                                 | 5,800            | 0.6%   | 100              | 0.0%   | 5700.0%     |
| <b>Total</b>                                  | <b>(5,100)</b>   | -0.5%  | <b>28,700</b>    | 2.8%   | NA          |
| Other financial costs                         | 53,200           | 5.3%   | 65,500           | 6.3%   | -18.8%      |
| <b>Income before taxes and profit sharing</b> | <b>235,800</b>   | 23.5%  | <b>184,800</b>   | 17.9%  | 27.6%       |
| Taxes and profit sharing                      | 60,100           | 6.0%   | 41,300           | 4.0%   | 45.5%       |
| <b>Net consolidated income</b>                | <b>175,700</b>   | 17.5%  | <b>143,500</b>   | 13.9%  | 22.4%       |
| Net income of majority interest               | 175,600          | 17.5%  | 143,400          | 13.9%  | 22.5%       |
| Net income of minority interest               | 100              | 0.0%   | 100              | 0.0%   | 0.0%        |
| <b>EBITDA</b>                                 | <b>361,700</b>   | 36.0%  | <b>361,700</b>   | 35.0%  | 0.0%        |
| Net financial expenses                        | 14,800           | 1.5%   | 42,900           | 4.2%   | -65.5%      |
| Interest coverage                             | 24.4             |        | 8.4              |        |             |
| Net financial leverage (LTM)                  | 1.2              |        | 1.5              |        |             |
| Generated cash flow*                          | 480,112          | 47.8%  | 367,127          | 35.5%  | 30.8%       |

\* 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 nine months of 2002 (Thousands of pesos as of September 30, 2002)

|   | Acc. 2002        | %      | Acc. 2001        | %      | 2002 / 2001 |
|---|------------------|--------|------------------|--------|-------------|
| <b>Net sales</b>                              | <b>2,605,000</b> | 100.0% | <b>2,840,100</b> | 100.0% | -8.3%       |
| Domestic sales                                | 1,398,559        | 54.6%  | 1,587,800        | 60.7%  | -11.9%      |
| Foreign sales                                 | 1,206,441        | 45.4%  | 1,252,300        | 39.3%  | -3.7%       |
| Cost of sales                                 | 1,672,200        | 64.8%  | 1,810,700        | 63.8%  | -7.6%       |
| <b>Gross income</b>                           | <b>932,800</b>   | 35.2%  | <b>1,029,400</b> | 36.2%  | -9.4%       |
| Operating expenses                            | 259,000          | 10.8%  | 263,600          | 9.2%   | -1.7%       |
| <b>Operating income</b>                       | <b>673,800</b>   | 24.4%  | <b>765,800</b>   | 27.0%  | -12.0%      |
| <b>Financing costs</b>                        |                  |        |                  |        |             |
| Financial expenses                            | 76,300           | 3.2%   | 143,500          | 5.1%   | -46.8%      |
| Financial income                              | (26,900)         | -1.0%  | (39,000)         | -1.7%  | -31.0%      |
| Monetary effect                               | (65,600)         | -4.0%  | (31,500)         | -2.0%  | 108.3%      |
| Exchange loss                                 | 22,700           | 1.1%   | 1,100            | 0.1%   | 1963.6%     |
| <b>Total</b>                                  | <b>6,500</b>     | -0.7%  | <b>74,100</b>    | 1.5%   | -91.2%      |
| Other financial costs                         | 161,000          | 6.7%   | 203,200          | 7.6%   | -20.8%      |
| <b>Income before taxes and profit sharing</b> | <b>506,300</b>   | 18.4%  | <b>488,500</b>   | 18.0%  | 3.6%        |
| Taxes and profit sharing                      | 92,900           | 3.5%   | 100,600          | 4.4%   | -7.7%       |
| <b>Net consolidated income</b>                | <b>413,400</b>   | 14.9%  | <b>387,900</b>   | 13.6%  | 6.6%        |
| Net income of majority interest               | 413,300          | 14.9%  | 387,800          | 13.6%  | 6.6%        |
| Net income of minority interest               | 100              | 0.0%   | 100              | 0.0%   | 0.0%        |
| <b>EBITDA</b>                                 | <b>908,100</b>   | 34.2%  | <b>991,100</b>   | 34.9%  | -8.4%       |
| Net financial expenses                        | 49,400           | 2.2%   | 104,500          | 3.4%   | -52.7%      |
| Interest coverage                             | 18.4             |        | 9.5              |        |             |
| Net financial leverage                        | 1.2              |        | 1.5              |        |             |
| Generated cash flow*                          | 702,556          | 0.0%   | 581,254          | 0.0%   | 20.9%       |

\* 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 September 30, 2002)

|                                | Sep-02    |        | Sep-01    |        | Variation<br>2002/2001 |
|--------------------------------|-----------|--------|-----------|--------|------------------------|
| <b>Net sales</b>               | 3,514,700 | 100.0% | 3,581,823 | 100.0% | -1.9%                  |
| <b>Operating income</b>        | 866,900   | 24.7%  | 937,132   | 26.2%  | -7.5%                  |
| <b>EBITDA</b>                  | 1,181,700 | 33.6%  | 1,202,523 | 33.6%  | -1.7%                  |
| <b>Net consolidated income</b> | 589,600   | 16.8%  | 515,405   | 14.4%  | 14.4%                  |

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

|  | Sept - 2002      | Sept - 2001      | Variation |
|--|------------------|------------------|-----------|
| <b>Total assets</b>                      | <b>8,653,000</b> | <b>8,049,400</b> | 7.5%      |
| Current assets                           | 2,548,500        | 2,146,700        | 18.7%     |
| <i>Cash and temporary investments</i>    | <i>1,339,600</i> | <i>805,100</i>   | 66.4%     |
| Long term assets                         | 66,700           | 64,500           | 3.4%      |
| Fixed assets                             | 5,557,300        | 5,349,500        | 3.9%      |
| Other assets                             | 480,500          | 488,700          | -1.7%     |
| <b>Total liabilities</b>                 | <b>4,436,600</b> | <b>4,320,800</b> | 2.7%      |
| Current liabilities                      | 533,300          | 553,800          | -3.7%     |
| <i>Bank debt</i>                         | <i>193,000</i>   | <i>173,100</i>   | 11.5%     |
| Long term liabilities                    | 2,508,500        | 2,457,000        | 2.1%      |
| <i>Bank debt</i>                         | <i>1,164,553</i> | <i>2,457,000</i> | -52.6%    |
| <i>Domestic bonds</i>                    | <i>1,200,000</i> | <i>0</i>         | NA        |
| <i>Other cost-bearing liabilities</i>    | <i>143,947</i>   | <i>0</i>         | NA        |
| Differed taxes                           | 953,200          | 923,300          | 3.2%      |
| Other liabilities                        | 441,600          | 386,700          | 14.2%     |
| <b>Consolidated stockholder's equity</b> | <b>4,216,400</b> | <b>3,728,600</b> | 13.1%     |
| Majority interest                        | 4,215,700        | 3,727,600        | 13.1%     |
| Minority interest                        | 700              | 1,000            | -30.0%    |