

Grupo Cementos de Chihuahua

Results for the fourth quarter of 2002

- Operating cash flow (operating income + depreciation or EBITDA) grew 4.0% during the fourth quarter of 2002 against the fourth quarter of 2001.
- Net financial expenses for the fourth quarter of 2002 decreased 51.9% compared to the fourth quarter of 2001 and 52.7% during 2002 compared to 2001.
- Net consolidated income obtained during 2002 grew 6.3% against 2001.
- The cash flow generated during 2002 was 11.1% higher than 2001.
- Fixed production costs and selling, general and administrative expenses decreased 7.7 and 26.7%, respectively during the fourth quarter.
- Increase in cash and temporary investments of 55%.

During the fourth quarter of 2002 cement and concrete block volumes in Mexico grew 8.9 and 18.1%, respectively, as compared to the fourth quarter of 2001. GCC's **net sales** during the fourth quarter of 2002 totaled \$794.6 million pesos. This amount is 14.0% lower than the one obtained during the fourth quarter of last year mainly because of lower cement sales volumes in United States, a reduction in land sales and lower sales of other products. Additionally, this quarter includes just one month of concrete sales in the U.S., due to the divestment of the concrete operations.

During the fourth quarter of 2002, GCC made 55.4% of its sales in the Mexican market (\$440.5 million pesos) and 44.6% in the U.S. market (\$34.1 million dollars equivalent to \$354.1 million pesos).

Sales for 2002 totaled \$3,455.8 million pesos, an amount 9.5% lower than the one obtained in 2001, due to lower cement and concrete sales volumes in Mexico and United States, as well as lower aggregates sales and prices.

The incremental sales volumes for some of our products during the fourth quarter of 2002 and the trend registered during the month of January of 2003 confirms our expectation that the recovery of the construction industry in the markets where we participate is under way.

During 2002 the company made 53.9% (\$1,861.5 million pesos) of its sales in Mexico and the rest in the U.S. market (US\$ 152.4 million dollars equivalent to \$1,594.3 million pesos). Sales breakdown in Mexico was as follows: 42.9% in cement and masonry, 24.8% in ready-mix concrete, 8.7% in concrete block, 5.1% in aggregates and 18.5% in other products like plaster gypsum, land sales and other construction materials.

The sales breakdown in the U.S. was: 92.0% in cement and masonry, and 8.0% in ready-mix concrete.

During the fourth quarter of 2002, fixed production costs and selling, general and administrative expenses decreased 7.7 and 26.7%, respectively, as compared to the fourth quarter of 2001. This reflects the great effort that was made during the year to reduce the costs and expenses in all of GCC operations with the goal to compensate, in part, the decrease in sales caused by the economic weakness in Mexico and United States.

With this effort, the **operating income** for the fourth quarter of 2002 reached \$200.0 million pesos, which represents a decrease of just 4% as compared to the fourth quarter of 2001. The operating margin for the fourth quarter was 25.2%, an increase of 2.6 percentage points, as compared to the fourth quarter of 2001. The effort to increase GCC's profitability was reflected on the reduction of the variable cost margin as a percentage of sales, which was reduced from

35.7% in the fourth quarter of 2001 to 30.1% for the fourth quarter of 2002.

Operating income for 2002 was \$888.1 million pesos, a decrease of 10.2% against the one obtained during 2001. Notwithstanding, GCC achieved the same operating margin of 25.7% as in 2001.

It is worth noting that the fixed production costs and selling, general and administrative expenses were reduced by 2.9 and 9.9%, respectively, during 2002, even though the figures for this year include 12 months of operation of GCC Dacotah, compared to the year 2001, which included only 9 months of operations.

GCC will continue the search of opportunities for reducing costs and expenses to achieve a larger profitability.

The **operating cash flow** for the fourth quarter of the year (operating income plus depreciation and amortization or EBITDA) was \$287.3 million pesos, which represents an increase of 4.0% as compared to the one obtained during the fourth quarter of 2001. The operating cash flow margin was 36.2%, which represents an increase of more than 6 percentage point over the margin obtained during the fourth quarter of 2001.

During 2002, the operating cash flow margin was increased from 33.7% to 35.1% reaching \$1,214.5 million pesos.

Net financial expenses (interest expense minus interest income) reported during the fourth quarter were \$9.5 million pesos, 51.9% less than the amount reported for the same period of 2001, due to lower interest rates and less net debt.

GCC's net interest coverage for 2002 (EBITDA divided by net financial expenses) was 20.4 times.

There was a **net comprehensive financing cost** during the fourth quarter of \$16.6 million pesos, an amount larger than the one reported for the fourth quarter of 2001 for \$13.9 million pesos, due to lower net financial expenses and a larger loss from monetary position that resulted from a higher inflation rate.

During 2002, GCC achieved a reduction in the comprehensive financing cost of \$70.8 million pesos which resulted in an income of \$11.9 million pesos.

In **other expenses and income**, deposits for \$30.8 million pesos (US\$3.0 million) were made with regard to the antidumping tax on Mexican cement imports to the United States. During the year 2002, deposits totaled \$72.8 million pesos (US\$ 7.0 million dollars) and the company registered provisions for \$83.2 million pesos (US\$8.0 million dollars).

Net consolidated income obtained during the fourth quarter of 2002 was \$195.8 million pesos, an amount 5.3% larger than the one obtained for the same quarter of 2001, due to reductions in costs and expenses, as well as in net financial expenses.

During the year of 2002, there was a net consolidated income of \$617.7 million pesos, which represents an increase of 6.3% against 2001.

Grupo Cementos de Chihuahua's **total assets** as of December 31, 2002 were \$8,883.6 million pesos. This figure is 6.0% greater than the amount reported as of December 31, 2001, mainly as a result of the increase in cash and temporary investments.

Our Treasury position was strengthened by an increase of 55%.

Total liabilities of GCC as of December 31, 2002 were \$4,424.7 million pesos, an increase of 4.9% compared to the figure reported on December 31, 2001. The company's net debt totaled \$1,169.4 million pesos, which represents a reduction of 25.3% against the amount reported for 2001. GCC's financial leverage (debt divided by EBITDA) was 2.2 times and net leverage (debt less cash divided by EBITDA) was 1.0 times.

Short-term cost-bearing debt as of December 31, 2002 was \$193.0 million pesos, of which \$153.1 million pesos (US\$14.7 million) is denominated in U.S. dollars. The company's long-term debt is \$2,471.1 million pesos, of which \$2,346.8 million pesos (US\$226.1 million) is U.S. dollar denominated.

The company's total debt in millions of constant pesos of December 31, 2002 and in US\$ millions is:

	Dec 02	Sep 02	Dec 01
Pesos	MX\$ 1,364.2	MX\$ 1,401.1	MX\$ 1,484.6
Dollars	US\$ 125.2	US\$ 129.8	US\$ 106.0
	Dec 02/Sep 02	Dec 02/Dec 01	
Pesos	-2.6%	-8.1%	
Dollars	-3.5%	18.1%	

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 reduce the cost of financing.

Average cost of the company's debt denominated in U.S. dollars, for the month of December of 2002, was 2.87%, while debt denominated in Mexican currency had a cost of 9.89% during the same period.

Relevant event

On October, 2002 Grupo Cementos de Chihuahua, S.A. de C.V. entered into an agreement, through its

indirect subsidiary Rio Grande Materials, Inc. (RGM), with Jobe Concrete Products, Inc. to sell substantially all of the assets of RGM related with its ready mix concrete business in the cities of El Paso, Texas, and Las Cruces, Alamogordo and Ruidoso in the state of New Mexico.

The divested RGM ready mix assets are not strategic to GCC's regional business plan.

Sales volumes growth for 2002

	4Q02 / 4Q01	3Q02 / 3Q01	2Q02 / 2Q01	1Q02 / 1Q01	2002/2001
Cement in Mexico	8.9%	-8.2%	-20.4%	-26.7%	-13.3%
Cement in U.S.	-6.7%	-10.3%	-7.2%	30.0%	-3.2%
Total cement sales	-2.2%	-9.8%	-11.4%	1.8%	-6.5%
Concrete in Mexico	-1.5%	-31.7%	-35.9%	-30.8%	-26.9%
Concrete in U.S.	-63.5%*	-15.1%	6.2%	-25.6%	-22.5%
Total concrete sales	-14.2*	-28.5%	-28.7%	-29.7%	-26.1%
Concrete block	18.1%	1.9%	-17.0%	30.5%	6.6%
Aggregates	5.3%	-24.7%	-23.7%	-18.8%	-17.0%

* GCC divested the concrete operations assets in the United States in the month of October of 2002.

Income statement for the fourth quarter of 2002 (Thousands of pesos as of December 31, 2002)

	4Q 2002		4Q 2001		4Q02 / 4Q01
Net sales	794,594	100.0%	923,452	100.0%	-14.0%
Domestic sales	440,540	55.4%	527,538	57.1%	-16.5%
Foreign sales	354,054	44.6%	395,914	42.9%	-10.6%
Cost of sales	498,050	62.7%	583,393	63.2%	-14.6%
Gross income	296,544	37.3%	340,059	36.8%	-12.8%
Operating expenses	96,536	12.1%	131,688	14.3%	-26.7%
Operating income	200,008	25.2%	208,371	22.6%	-4.0%
Financing costs					
Financial expenses	29,296	3.7%	37,310	4.0%	-21.5%
Financial income	(19,759)	-2.5%	(17,469)	-1.9%	13.1%
Monetary effect	6,649	0.8%	(5,034)	-0.5%	-232.1%
Exchange loss	404	0.1%	(941)	-0.1%	NA
Total	16,590	2.1%	13,866	1.5%	19.6%
Other financial costs	50,980	6.4%	39,020	4.2%	30.7%
Income before taxes and profit sharing	132,438	16.7%	155,485	16.8%	-14.8%
Taxes and profit sharing	(63,331)	-8.0%	(30,421)	-3.3%	108.2%
Net consolidated income	195,769	24.6%	185,906	20.1%	5.3%
Net income of majority interest	195,725	24.6%	185,902	20.1%	5.3%
Net income of minority interest	44	0.0%	4	0.0%	1000.0%
EBITDA	287,307	36.2%	276,324	29.9%	4.0%
Net financial expenses	9,537	1.2%	19,841	2.1%	-51.9%
Generated cash flow*	142,074	17.9%	179,147	19.4%	-20.7%

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

Income statement for 2002
(Thousands of pesos as of December 31, 2002)

	2002	%	2001	%	2002 / 2001
Net sales	3,455,790	100.0%	3,818,885	100.0%	-9.5%
Domestic sales	1,861,478	53.9%	2,140,788	56.1%	-13.0%
Foreign sales	1,594,312	46.1%	1,678,097	43.9%	-5.0%
Cost of sales	2,207,121	63.9%	2,430,229	63.6%	-9.2%
Gross income	1,248,669	36.1%	1,388,656	36.4%	-10.1%
Operating expenses	360,592	10.4%	399,994	10.5%	-9.9%
Operating income	888,077	25.7%	988,662	25.9%	-10.2%
Financing costs					
Financial expenses	106,901	3.1%	183,426	4.8%	-41.7%
Financial income	(47,220)	-1.4%	(57,149)	-1.5%	-17.4%
Monetary effect	(95,021)	-2.7%	(67,592)	-1.8%	40.6%
Exchange loss	23,440	0.7%	223	0.0%	10411.2%
Total	(11,900)	-0.3%	58,908	1.5%	NA
Other financial costs	215,898	6.2%	246,514	6.5%	-12.4%
Income before taxes and profit sharing	684,079	19.8%	683,240	17.9%	0.1%
Taxes and profit sharing	66,399	1.9%	102,351	2.7%	-35.1%
Net consolidated income	617,680	17.9%	580,889	15.2%	6.3%
Net income of majority interest	617,576	17.9%	580,782	15.2%	6.3%
Net income of minority interest	104	0.0%	107	0.0%	-2.8%
EBITDA	1,214,518	35.1%	1,286,098	33.7%	-5.6%
Net financial expenses	59,681	1.7%	126,277	3.3%	-52.7%
Generated cash flow*	844,630	106.3%	760,401	82.3%	11.1%

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

Balance sheet
(Thousands of pesos as of December 31, 2002)

	December 2002	December 2001	Variation
Total assets	8,883,635	8,381,992	6.0%
Current assets	2,771,697	2,240,515	23.7%
<i>Cash and temporary investments</i>	1,494,769	964,619	55.0%
Long term assets	56,467	65,513	-13.8%
Fixed assets	5,537,295	5,550,209	-0.2%
Other assets	518,176	525,755	-1.4%
Total liabilities	4,424,717	4,218,984	4.9%
Current liabilities	461,880	518,903	-11.0%
<i>Bank debt</i>	192,981	183,348	5.3%
Long term liabilities	2,471,145	2,345,727	5.3%
<i>Bank debt</i>	1,106,206	1,077,927	2.6%
<i>Domestic bonds</i>	1,200,000	1,267,800	-5.3%
Differed taxes	1,018,722	956,697	6.5%
Other liabilities	472,970	397,657	18.9%
Consolidated stockholder's equity	4,458,918	4,163,008	7.1%
Majority interest	4,457,529	4,161,645	7.1%
Minority interest	1,389	1,363	1.9%