

Grupo Cementos de Chihuahua

Results for the First Quarter 2003

- Net sales growth in the first quarter of 2003 was 8.5%, compared to first quarter sales in 2002.
- Overhead production costs were reduced 5.3%, while management and sales expenses were cut 8.8%.
- Net income during the first three months of the year grew 66.0%, compared to the same period of 2002.
- Cash flow generated during the quarter grew 188.1% compared to first quarter 2002.
- The cement volume sold in Mexico during the first quarter of 2003 grew 25.1% compared to first quarter 2002, and was 13.8% higher than in the fourth quarter of 2002.

Grupo Cementos de Chihuahua net sales, totaling \$781.9 million pesos during the first quarter of 2003, grew 8.5% compared to first quarter 2002 sales.

This growth is due to the increase in the sales volume of the company's products in México, as a result of growing activity in the construction industry in the state of Chihuahua, mainly in housing construction programs and public works.

Sales in the Mexican market were \$513.9 million pesos during the quarter, 21.9% higher than in the first quarter of 2002. These sales were 65.7% of GCC total sales, broken down as follows: cement and mortar 39.4%, ready-mix concrete 26.1%, concrete block 10.6%, aggregates 6.8% and other products, such as plaster gypsum and other building materials 17.1%.

Cement sales in the United States during represented 34.3% of GCC first quarter sales in 2003, equivalent to \$268.0 million pesos (US\$24.9 million). These sales fell 10.5% compared to the first quarter of 2002, derived from a combination of the following factors: lower cement sales volumes in the Mountain region of that country, as a result of intensive snowfall during the period, which affected the construction industry in the region and the effect of the divestment of assets of Rio Grande Materials in October 2002 on ready-mix concrete sales.

During the first quarter of the year, GCC achieved substantial reductions in costs and expenses. Overhead production costs

were reduced 5.3% and administrative and sales costs were cut 8.8%, compared to the first quarter of 2002.

Overhead production expenses represented 24.2% of sales, lower than 27.8% obtained during the first quarter of 2002. In addition, selling, general and administrative expenses were 10% of sales, comparing favorably with 12% during the first quarter of 2002.

Operating income grew 24.6% compared to the first quarter of 2002, rising from \$149.2 million to \$185.9 million pesos. This was the result of the growth in sales and the reduction of overhead production costs and selling, general and administrative expenses. Operating profit margin was 23.8%, 3.1 percentage points higher than the 20.7% margin obtained during the same quarter of 2002.

Operating cash flow (operating income plus depreciation and amortization) grew 19.0%, compared to the first quarter of 2002, reaching a figure of \$273.5 million pesos. The margin over sales was 3.1 percentage points higher than that of the first quarter of 2002, growing from 31.9% to 35.0%.

Net financing costs (financial expenses minus financial product) reported during the quarter totaled \$9.8 million pesos, 41.0% lower than the previous year, as a result of lower debt-cost margins, a lower net debt level and lower interest rates in the United States.

GCC's net interest coverage during the first quarter of 2003 (operating flow divided by net financing cost) was 27.9 times, a figure higher than that for the last 12 months, of 24.1 times.

During the first quarter of 2003, there was comprehensive financial product of \$6.4 million pesos, 64% larger than the product for the same period of 2002.

As a result of the strategy of import substitution through purchases to U.S. producers to reduce the cost of the anti-dumping tax, deposits were reduced 45.9%, compared to the first quarter of 2002. These were US\$1.8 million, equivalent to \$19.5 million pesos. In addition, provisions were registered in the amount of US\$1.0 million, equivalent to \$10.6 million pesos.

Consolidated net income during the first quarter of 2003 increased 66.0%, totaling \$145.2 million pesos.

Total assets of Grupo Cementos de Chihuahua as of March 31, 2003 were \$9,164.7 million pesos. This figure is 7.6% higher than that registered on March 31, 2002, due mainly to an 84.6% increase in available treasury position.

Total liabilities of GCC as of the first quarter of 2003 were \$4,548.1 million pesos, 8.0% higher than the figure reported during the first quarter of 2002, due mainly to larger debt. However, the company's net debt at the same date is \$1,013.7 million pesos, a figure 35.5% lower than on March 31, 2002. Net leverage (net debt divided by operating cash flow) was reduced from 1.2 times in March 2002, to 0.8 times in March 2003, reflecting the company's solid financial position.

Short-term cost-bearing debt as of March 31, 2003 is \$194.7 million pesos, of which \$155.0 million pesos (US\$14.4 million) is denominated in dollars. Long-term debt is \$2,525.5 million pesos, of which \$1,010.8 million pesos (US\$93.9 million) is denominated in dollars.

The company's total debt in millions of pesos and dollars, as of March 31, 2003, is:

	Mar 03	Dec 02	Mar 02
Pesos	MX\$ 1,554.3	MX\$ 1,544.5	MX\$ 1,474.7
Dollars	US\$ 108.3	US\$ 109.3	US\$ 105.1
	Mar 03/Dec 02	Mar 03/Mar 02	
Pesos	0.6%	5.4%	
Dollars	-0.9%	3.0%	

The annual cost of the dollar-denominated debt during the first quarter of 2003 was 2.7%, while that of peso-denominated debt had an average cost of 10.4%.

Sales Volume Growth

	1Q03 / 1Q02
Cement in México	+ 25.1%
Cement in the U.S.	- 8.1%
Total Cement	+ 3.7%
Ready-mix concrete in México	+ 25.5%
Concrete Block	+ 43.0%
Aggregates	+ 10.8%

Income statement for the first quarter of 2003 (Thousands of pesos of March 31, 2003)

	1Q 2003		1Q 2002		1Q03/1Q02
Net sales	781,900	100.0%	720,800	100.0%	8.5%
Domestic sales	513,900	65.7%	421,500	58.5%	21.9%
Foreign sales	268,000	34.3%	299,300	41.5%	-10.5%
Cost of sales	514,400	65.8%	482,100	66.9%	6.7%
Gross income	267,500	34.2%	238,700	33.1%	12.1%
Operating expenses	81,600	10.4%	89,500	12.4%	-8.8%
Operating income	185,900	23.8%	149,200	20.7%	24.6%
Financing costs					
Financial expenses	24,500	3.1%	26,000	3.6%	-5.8%
Financial income	(14,700)	-1.9%	(9,400)	-1.3%	56.4%
Monetary effect	(19,100)	-2.4%	(19,600)	-2.7%	-2.6%
Exchange loss	2,900	0.4%	(900)	-0.1%	NA
Total	(6,400)	-0.8%	(3,900)	-0.5%	64.1%
Other financial costs	31,800	4.1%	53,400	7.4%	-40.4%
Income before taxes and profit sharing	160,500	20.5%	99,700	13.8%	61.0%
Taxes and profit sharing	15,280	2.0%	12,195	1.7%	25.3%
Net consolidated income	145,220	18.6%	87,505	12.1%	66.0%
Net income of majority interest	145,200	18.6%	87,500	12.1%	65.9%
Net income of minority interest	20	0.0%	5	0.0%	300.0%
EBITDA	273,500	35.0%	229,800	31.9%	19.0%
Net financial expenses	9,800	1.3%	16,600	2.3%	-41.0%
Free cash flow*	238,288	30.5%	82,705	11.5%	188.1%

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

Figures for the last 12 months (Thousands of pesos of March 31, 2003)

	Mar-03		Mar-02		Variation 2003/2002
Net sales	3,600,300	100.0%	3,793,300	100.0%	-5.1%
Operating income	946,000	26.3%	987,200	26.0%	-4.2%
EBITDA	1,287,200	35.8%	1,297,935	34.2%	-0.8%
Net consolidated income	687,800	19.1%	634,450	16.7%	8.4%

Balance Sheet (Thousands of pesos of March 31, 2003)

	March 2003	March 2002	Variation
Total assets	9,164,700	8,514,500	7.6%
Current assets	3,027,100	2,303,300	31.4%
<i>Cash and temporary investments</i>	<i>1,706,500</i>	<i>924,400</i>	84.6%
Long term assets	57,700	67,300	-14.3%
Fixed assets	5,544,500	5,639,600	-1.7%
Other assets	535,400	504,300	6.2%
Total liabilities	4,548,100	4,212,700	8.0%
Current liabilities	511,500	499,100	2.5%
<i>Bank debt</i>	<i>194,700</i>	<i>178,600</i>	9.0%
Long term liabilities	2,525,500	2,317,200	9.0%
<i>Bank debt</i>	<i>1,125,215</i>	<i>1,051,772</i>	7.0%
<i>Domestic bonds</i>	<i>1,200,000</i>	<i>1,200,000</i>	0.0%
<i>Other loans</i>	<i>200,285</i>	<i>65,428</i>	206.1%
Differed taxes	1,013,100	964,800	5.0%
Other liabilities	498,000	431,600	15.4%
Consolidated stockholder's equity	4,616,600	4,301,800	7.3%
Majority interest	4,615,100	4,300,800	7.3%
Minority interest	1,500	1,000	50.0%