

Grupo Cementos de Chihuahua

Results for the first semester of 2003

- Cement sales volumes in Mexico grew 16.7% during the first half of 2003.
- Fixed production costs diminished 6.9% and administrative and sales costs were reduced 4.8%.
- Net income posted 22.8% growth during the first six months of 2003 compared with the same period of 2002.
- GCC net interest coverage registered during the second quarter of 2003 (operating cash flow by net financial expense) was 45.4 times. Net leverage (net debt divided by operating cash flow) was reduced from 1.4 times, in June 2002, to 0.7 times in June 2003.
- Cash flow generated during the first half of the year grew 35.2% compared with the same period the previous year.

Net sales of Grupo Cementos de Chihuahua obtained during the first half of 2003 for \$1,643.8 million pesos were similar to those of the first six months of 2002. This result was due to the combination of the following factors: sales growth in Mexico stemming from the recovery of demand in the region where we participate and a reduction of cement sales volumes in the United States as a result of weakness in the construction industry due to adverse weather conditions in the region where GCC participates and the reduction of public works in infrastructure and highways by the state governments.

The sales volumes of our products in Mexico increased during the first six months of 2003 compared to the first half of 2002 as follows: cement sales rose 16.7%; ready-mix concrete sales grew 20.6%; concrete block sales increased 39.7% and the sale of limestone aggregates grew 12.5%, whereas in the U.S. market we had a reduction in cement sales volumes of 7.3%.

During the first half of 2003, sales in Mexico grew 10.3% compared to the first half of 2002, reaching a total of \$987.3 million pesos. These sales represented 60.1% of total sales of GCC.

Sales in the United States during the first six months were 656.5 million pesos, representing 39.9% of consolidated sales. These sales fell 13.8% compared to the same period of 2002, due to reduced demand for cement and the effect on ready-mix concrete sales due to the divestment of assets of Rio Grande Materials in October of 2002.

During the second quarter of 2003, sales reached \$867.6 million pesos, a reduction of 7.8% compared with the second quarter of the previous year. This is due to lower sales volumes in the United States and the fact that the greater portion of increased volumes in Mexico was obtained in products destined for the market segment of low-cost housing and concrete pavement.

GCC has continued with the strategy of cost reductions to increase the company's operating profitability. During the first half of 2003, fixed production costs were reduced 6.9% and selling, general and administrative costs were cut 4.8%.

During the first six months of the year, operating profit was \$406.2 million pesos, 0.6% higher than in the first half of 2002. The operating profit margin was 24.7%, slightly higher than that of the first half of 2002.

Operating profit during the second quarter of 2003 was \$221.3 million pesos, 13.4% lower than that obtained during the same period of 2002.

Operating cash flow (operating profit plus depreciation and amortization or EBITDA) obtained during the first half of the year increased 2.7% compared with the same period of 2002, reaching a total of \$580.6 million pesos. An improvement was also seen in the operating cash flow margin of 1.2 percentage points over that of the first half of 2002.

Operating cash flow for the second quarter of the year was \$308.8 million pesos a reduction of 8.4% compared to 2002, resulting from lower sales volumes registered in the quarter. Despite this, the operating cash flow margin on sales was maintained at practically the same level of the second quarter of 2002.

Net financial expense (financial expenses minus financial products) reported during the first half of 2003 was \$16.8 million pesos, 52.8% lower than that of the same period of 2002, as a result of lower debt margins, a lower net debt and lower interest rates in the United States. The net financial expenses during the second quarter of 2003 were \$6.8 million pesos, a reduction of 64.0% over the same period the previous year.

GCC net interest coverage during the second quarter of 2003 (operating cash flow by net financial expense) was 45.4 times, a figure far larger than that of the second quarter of 2002 of 17.8 times.

During the first half of 2003, a comprehensive financial income of \$4.3 million pesos was obtained. This compares favorably with a cost of \$6.8 million pesos registered for the first six months of 2002.

The comprehensive financial cost in the second half of 2003 was \$8.5 million pesos, a figure higher than that registered for the same period of 2002. This was due mainly to a loss in the result from monetary position.

As a result of the strategy of import substitution of cement with purchases from U.S. producers to lower the cost of anti-dumping taxes, the other expenses item was reduced 66.7% during the second quarter of 2003 compared with the second quarter of 2002. Deposits made during the second quarter of the year as a result of the anti-dumping tax applied on Mexican cement imports into the United States were US\$1.4 million, equivalent to \$14.7 million pesos. In addition,

provisions of US\$0.7 million, equivalent to \$6.9 million pesos.

Net consolidated income obtained in the first six months of 2003 increased 22.8% compared to that of the same period of 2002, reaching a total of \$302.1 million pesos.

Net income for the second quarter of the year was \$157.5 million pesos, a figure similar to that of the same quarter of the previous year. Net margin over sales increased 1.2 percentage points.

Total assets of Grupo Cementos de Chihuahua as of June 30, 2003 were \$9,201.8 million pesos. This figure is 4.7% greater than that of June 30, 2002, due mainly to an increase of 55.8% in the treasury.

Total liabilities of GCC as of June 30, 2003 were \$4,446.0 million pesos, a figure similar to that reported for the same date of 2002. The company's net debt as of June 30, 2003 is \$914.3 million pesos, an amount 46.3% lower than on June 30, 2002.

Net leverage (net debt divided by operating cash flow) was reduced from 1.4 times, in June 2002, to 0.7 times in June 2003.

Cost-bearing short-term debt as of June 30, 2003 is \$188.1 million pesos, of which \$148.7 million pesos (US \$14.2 million) are denominated in dollars. Long-term debt is \$2,389.9 million pesos, of which the domestic bonds issued in 2001 for \$1,200.0 million pesos are converted to dollars through a cross currency swap and \$1,085.3 million pesos (US\$103.4 million) are denominated in U.S. dollars.

The annual average cost of dollar-denominated debt during the month of June 2003 was 2.35%, while debt denominated in pesos had an annual average cost of 8.1%.

Sales volume growth

	<u>1Q03 / 1Q02</u>	<u>2Q03 / 2Q02</u>	<u>2003 vs. 2002</u>
Cement in Mexico	25.1%	9.4%	16.7%
Cement in U.S.	-8.1%	-6.9%	-7.3%
Total cement sales	3.7%	-2.3%	0.3%
Concrete in Mexico	25.5%	16.1%	20.6%
Concrete block	43.0%	40.2%	39.7%
Aggregates	10.8%	14.1%	12.5%

Income statement for the second quarter of 2003 (Thousands of pesos of June 30, 2003)

	2Q 2003		2Q2002		2Q03 / 2Q02
Net sales	867,550	100.0%	941,420	100.0%	-7.8%
Domestic sales	472,543	54.5%	472,853	50.2%	-0.1%
Foreign sales	395,007	45.5%	468,567	49.8%	-15.7%
Cost of sales	558,400	64.4%	597,500	63.5%	-6.5%
Gross income	309,150	35.6%	343,920	36.5%	-10.1%
Operating expenses	87,800	10.1%	88,400	9.4%	-0.7%
Operating income	221,350	25.5%	255,520	27.1%	-13.4%
Financing costs					
Financial expenses	20,400	2.4%	25,900	2.8%	-21.2%
Financial income	(13,600)	-1.6%	(7,000)	-0.7%	94.3%
Monetary effect	6,600	0.8%	(35,200)	-3.7%	NA
Exchange loss	(4,900)	-0.6%	18,300	1.9%	NA
Total	8,500	1.0%	2,000	0.2%	325.0%
Other financial costs	19,700	2.3%	59,200	6.3%	-66.7%
Income before taxes and profit sharing	193,150	22.3%	194,320	20.6%	-0.6%
Taxes and profit sharing	35,700	4.1%	35,400	3.8%	0.8%
Net consolidated income	157,450	18.1%	158,920	16.9%	-0.9%
Net income of majority interest	157,390	18.1%	158,900	16.9%	-1.0%
Net income of minority interest	60	0.0%	20	0.0%	200.0%
EBITDA	308,750	35.6%	337,220	35.8%	-8.4%
Net financial expenses	6,800	0.8%	18,900	2.0%	-64.0%
Free cash flow*	172,354	19.9%	221,060	23.5%	-22.0%

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

Income statement for the first semester of 2003 (Thousands of pesos of June 30, 2003)

	2003	%	2002	%	2003 / 2002
Net sales	1,643,800	100.0%	1,656,500	100.0%	-0.8%
Domestic sales	987,332	60.1%	895,300	54.0%	10.3%
Foreign sales	656,468	39.9%	761,200	46.0%	-13.8%
Cost of sales	1,068,600	65.0%	1,075,200	64.9%	-0.6%
Gross income	575,200	35.0%	581,300	35.1%	-1.0%
Operating expenses	169,000	10.3%	177,600	10.7%	-4.8%
Operating income	406,200	24.7%	403,700	24.4%	0.6%
Financing costs					
Financial expenses	45,000	2.7%	51,900	3.1%	-13.3%
Financial income	(28,200)	-1.7%	(16,300)	-1.0%	73.0%
Monetary effect	(19,100)	-1.2%	(46,200)	-2.8%	-58.7%
Exchange loss	(2,000)	-0.1%	17,400	1.1%	NA
Total	(4,300)	-0.3%	6,800	0.4%	NA
Other financial costs	50,800	3.1%	111,900	6.8%	-54.6%
Income before taxes and profit sharing	359,700	21.9%	285,000	17.2%	26.2%
Taxes and profit sharing	57,600	3.5%	39,000	2.4%	47.7%
Net consolidated income	302,100	18.4%	246,000	14.9%	22.8%
Net income of majority interest	302,019	18.4%	245,968	14.8%	22.8%
Net income of minority interest	81	0.0%	32	0.0%	153.1%
EBITDA	580,600	35.3%	565,500	34.1%	2.7%
Net financial expenses	16,800	1.0%	35,600	2.1%	-52.8%
Free cash flow*	410,642	25.0%	303,765	18.3%	35.2%

* 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 June 30, 2003)

	Jun-03		Jun-02		Variation 2003/2002
Net sales	3,493,500	100.0%	3,671,678	100.0%	-4.9%
Operating income	903,000	25.8%	906,140	24.7%	-0.3%
EBITDA	1,247,600	35.7%	1,223,040	33.3%	2.0%
Net consolidated income	681,200	19.5%	584,495	15.9%	16.5%

Balance Sheet (Thousands of pesos of June 30, 2003)

	June 2003	June 2002	Variation
Total assets	9,201,800	8,791,400	4.7%
Current assets	3,098,700	2,420,600	28.0%
<i>Cash and temporary investments</i>	<i>1,663,700</i>	<i>1,068,000</i>	55.8%
Long term assets	60,400	69,900	-13.6%
Fixed assets	5,523,000	5,801,400	-4.8%
Other assets	519,700	499,500	4.0%
Total liabilities	4,446,000	4,432,600	0.3%
Current liabilities	506,500	460,500	10.0%
<i>Bank debt</i>	<i>188,100</i>	<i>201,100</i>	-6.5%
Long term liabilities	2,389,900	2,570,400	-7.0%
<i>Bank debt</i>	<i>1,023,451</i>	<i>1,204,509</i>	-15.0%
<i>Domestic bonds</i>	<i>1,200,000</i>	<i>1,200,000</i>	0.0%
<i>Other cost bearing liabilities</i>	<i>166,449</i>	<i>165,891</i>	0.3%
Differed taxes	1,059,400	966,300	9.6%
Other liabilities	490,200	435,400	12.6%
Consolidated stockholder's equity	4,755,800	4,358,800	9.1%
Majority interest	4,754,200	4,357,700	9.1%
Minority interest	1,600	1,100	45.5%