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CORPORACION DURANGO SA DE CV
Form 6-K
March 02, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16
OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of Februray 27th, 2004
Durango Corporation
(f/k/a Grupo Industrial Durango, S.A. de C.V.)

(Translation of registrant's name into English)

Torre Corporativa Durango, Potasio 150, Ciudad Industrial,
Durango, Durango, Mexico

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. CORPORACION DURANGO, S.A. DE C.V.

Date: February 27th, 2004
Durango, Mexico

By /s/ Mayela Rincon de Velasco

Name: Mayela Rincon de Velasco
Title: Chief Financial Officer

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HIGHLIGHTS

BUSINESS ENVIRONMENT 2003

Nadir in paper industry cycle
Lower pricing compounded by lower demand
Rising raw material and energy prices
A Mexican recession that is deeper than that of the U.S.
Continued strength of the Mexican Peso
Fierce foreign competition in the Mexican paper markets

DURANGO RESPONSE IN 2003

Divested non-strategic assets for US\$95 million
Increased shipments by 7%
Reduced unit production costs by 2% despite an average increase in raw material and energy costs

INDUSTRY OUTLOOK

Industry has announced price increases beginning in 2Q04
Increased prices, if effective, will be reflected in the results of 2H04
Price increases in raw materials and energy could affect expected profitability

Durango, Mexico, February 27th, 2004 - Corporacion Durango, S.A. de C.V., (NYSE: CDG, BMV: CODUSA) ("Durango" or the "Company"), the largest integrated paper producer in Mexico, today announced its unaudited consolidated results for the full year 2003. All figures were prepared in accordance with Mexican generally accepted accounting principles and are stated in constant Mexican pesos as of the end of each period and converted into U.S. dollars using the exchange rate at the end of each period. All comparative figures for the full years 2002 and 2003 were prepared on a pro-forma basis after excluding the results of the Georgia, San Luis Potosi and Molded Pulp operations as well as discontinued operations.

INDUSTRY AND BUSINESS ENVIRONMENT

During 2003, the North American paper and packaging industry was characterized by a challenging business environment. Companies in the industry faced the most severe market conditions in recent years. This low point in the industry's cycle was reflected in lower prices, continued price pressure and weak demand. At the same time, raw material prices and energy prices increased. In addition, the Company was impacted by unanticipated macroeconomic factors beyond its control, including fluctuations in the exchange rate for the Peso against the U.S. dollar.

COMPANY'S PERFORMANCE

The Company's results for 2003 reflected anemic economic growth in Mexico, the effects of the low point in the industry cycle, which resulted in lower prices and weak demand, and the effects of higher energy and raw material prices. The increase in volume

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and lower unit costs achieved by the Company were offset by lower product pricing.

Item	FY03	FY02	4Q03	4Q02
Total Shipments(000 Short Tons)	1,245.4	1,166.7	339.2	305.3
Pricing (US\$/ShortTon)	498.0	541.0	473.0	520.0
Net Sales (US\$Million)	620.0	630.7	160.3	158.7
Unit Cost (US\$/Short Ton)	435.0	442.0	414.0	436.0
EBITDA (US\$Million)	65.0	105.2	15.5	21.7
EBITDA Margin	10%	17%	10%	14%

Operating Performance

The Company s EBITDA in 2003 was US\$65.0 million, compared to the US\$105.2 million achieved in 2002. The Company s EBITDA declined principally as a result of (i) an 8% decrease in average sales prices generated by a change in the Company s product mix, which produced a US\$50.0 million reduction in the Company s EBITDA, and (ii) an 8% devaluation of the Mexican Peso to 11.23 Ps./US\$ in 2003 from 10.43 Ps./US\$ in 2002, which produced a US\$5.0 million reduction in the Company s EBITDA. These negative effects were partially offset by (i) a 7% increase in shipments with a US\$5.0 million positive effect on EBITDA, and (ii) a 2% decrease in the Company s unit production cost with a US\$8.0 million positive effect on EBITDA.

2004 OUTLOOK

The Company expects that the recently announced price increases will be implemented in the second quarter and that the benefit will be reflected in the second half of the year. In addition, the Company believes that the signs of economy recovery and the better outlook for manufacturing and growth in the U.S. and world economies should lead to a general improvement in demand and pricing for packaging and paper. The current paper industry outlook provides support for the Company s belief that results should improve during the year.

FINANCIAL RESTRUCTURING

The Company continues to make progress in its ongoing discussions with certain of its bank lenders and members of the Ad Hoc Bondholders Committee, who collectively hold a substantial portion of its outstanding unsecured indebtedness. The discussions regarding the financial and legal framework of the restructuring are ongoing and the Company believes that these discussions are relatively advanced.

HIGHLIGHTS FULL YEAR 2003 AND FOURTH QUARTER 2003

Shipments(000 Short tons)	FY03	FY02	4Q03	4Q02
Paper	582.6	518.0	162.7	142.3
Packaging	652.0	632.8	173.7	159.7
Other	10.8	15.9	2.8	3.3
Total	1,245.4	1,166.7	339.2	305.3

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Net Sales (US\$Million)	FY03	FY02	4Q03	4Q02
Paper	256.6	250.1	68.9	66.6
Packaging	356.0	371.7	89.6	90.0
Other	7.4	8.9	1.9	2.1
Total	620.0	630.7	160.3	158.7

Prices (US\$/Short Ton)	FY03	FY02	4Q03	4Q02
Paper	440.0	483.0	423.0	468.0
Packaging	546.0	587.0	516.0	563.0
Other	681.0	561.0	656.0	623.0
Total	498.0	541.0	473.0	520.0

Unit Cost (US\$/Short Ton)	FY03	FY02	4Q03	4Q02
Total	435	442	414	436

EBITDA (US\$Million)	FY03	Margin	FY02	Margin	4Q03	4Q02
Paper	15.9	6%	45.4	18%	3.5	10.6
Packaging	48.9	14%	58.9	16%	11.8	11.0
Other	0.2	3%	0.9	10%	0.3	0.1
Total	65.0	10%	105.2	17%	15.5	21.7

Special Note Regarding Forward-Looking Statements

This press release contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are only predictions and are not guarantees of future performance. Investors are cautioned that any such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the operations and business environments of Corporacion Durango and its subsidiaries that may cause the actual results of the companies to be materially different from any future results expressed or implied in such forward-looking statements.

Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: the ability of Corporacion Durango and its subsidiaries to continue as going concerns; their ability to obtain and maintain normal terms with vendors and service providers; their ability to maintain contracts that are critical to their operations; their ability to fund and execute their business plan; their ability to attract, motivate and/or retain key

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executives and associates; their ability to attract and retain customers; general economic, market, or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company and its subsidiaries; the availability of raw materials used by the Company and its subsidiaries; competitive actions by other companies; changes in laws or regulations, and other factors, many of which are beyond the control of the Company and its subsidiaries.

Additionally, other factors should be considered in connection with any Forward Looking Statements, including other risks and uncertainties set forth from time to time in Corporacion Durango s reports filed with the United States Securities and Exchange Commission. Although Corporacion Durango believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to its management, Corporacion Durango cannot guarantee future results or events. Corporacion Durango expressly disclaims a duty to update any of the forward-looking statement.

CONTACTS

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CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED BALANCE SHEETS
 AS OF DECEMBER 31, 2002 AND DECEMBER 31, 2003 (UNAUDITED)
 EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
 AS OF DECEMBER 31, 2003
 (Stated in thousands of Pesos and Dollars)

	US\$ DLLS.		
	December 31, 2002 (Proforma)	December 31, 2003 (Unaudited)	December 31, 2003 (Unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 270,934	\$ 579,571	\$ 51,576
Restricted cash	0	160,901	14,319
Accounts receivable, net	2,022,940	2,060,131	183,331
Taxes recoverable and other assets	40,337	16,562	1,474
Inventories, net	1,334,764	1,164,901	103,665
Prepays	30,660	34,959	3,111
Total current assets	3,699,635	4,017,025	357,476
PROPERTY, PLANT AND EQUIPMENT, net	13,632,694	11,580,526	1,030,553
OTHER ASSETS, net	740,817	587,819	52,310
Total assets	\$ 18,073,146	\$ 16,185,370	\$ 1,440,338

LIABILITIES AND STOCKHOLDERS' EQUITY

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CURRENT LIABILITIES:			
Bank loans and current portion of long-term debt .	7,890,187	8,090,253	719,953
Interest payable	472,271	1,479,395	131,652
Trade accounts payable	945,835	935,518	83,252
Notes payable	52,226	52,734	4,693
Accrued liabilities	514,936	432,443	38,483
Employee profit-sharing	2,433	715	64
Total current liabilities	9,877,888	10,991,058	978,096
LONG-TERM DEBT	1,126,382	1,088,409	96,858
NOTES PAYABLE	145,871	102,906	9,158
DEFERRED TAXES.....	2,094,036	2,008,944	178,776
LIABILITY FOR EMPLOYEE BENEFITS.....	189,801	168,903	15,031
Total long term liabilities	3,556,090	3,369,162	299,822
Total liabilities	13,433,978	14,360,220	1,277,918
STOCKHOLDERS' EQUITY:			
Majority interest	4,568,035	1,761,169	156,727
Minority interest	71,133	63,981	5,694
Total stockholders' equity	4,639,168	1,825,150	162,420
Total liabilities and stockholders' equi\$	18,073,146\$	16,185,370	1,440,338

Exchange rate: \$ 11.2372 per Dollar

CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION
EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
AS OF DECEMBER 31, 2003
(Stated in thousands of Pesos and Dollars)

	Full Year 2002 (Proforma)	Acum.Dec 2003 (Unaudited)	* Acum.D US\$ 20
OPERATING ACTIVITIES:			
Net income (loss)	\$ -3,738,924\$	-3,278,040	-291,
Add (deduct)- Charges (credits) to income which do not require (provide) cash-			
Depreciation and amortization	384,304	402,055	35,
Provision for employee benefits	13,138	-12,902	-1,
Special items	1,509,053	283,933	25,
Amortization of Financial Comissions	126,244	92,502	8,
Provision for deferred taxes	-841,947	-203,911	-18,
Impairment	1,344,812	520,459	46,
Other.....	583,010	780,613	69,
Total items which do not require cash.....	3,118,614	1,862,749	165,
Net resources generated from income	-620,310	-1,415,291	-125,
Changes in operating assets and liabilities:			
Decrease (Increase) in inventories	-387,693	196,626	17,
Decrease (Increase) in current assets	-6,124	19,476	1,
Decrease (increase) in account receivables, net	-41,817	94,116	8,
(Decrease) increase in accounts payable and accrued liabilities	914,680	702,333	62,
Resources generated by operating activities	-141,264	-402,740	-35,
FINANCING ACTIVITIES:			
Increase (Decrease) in bank loans and others	764,945	149,899	13,
Increase (Decrease) in capital	0	-34,337	-3,
Net resources generated from financing activities	764,945	115,562	10,
INVESTMENT ACTIVITIES:			

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Additions to property, plant and equipment.....	-467,083	-87,504	-7,
Divestiture to property, plant and equipment.....	145,369	592,375	52,
Disposition of subsidiaries	-212,899	318,622	28,
Increase in deferred assets	-379,382	-66,777	-5,
Minority interest	24,360	0	
Net resources applied to investing activities	-889,635	756,716	67,
INCREASE IN CASH AND CASH EQUIVALENTS	-265,954	469,538	41,
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD.....	536,888	270,934	24,
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	270,934\$	740,472US	65,

* The exchange rate of 11.2372 was used for translation purposes.

CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
AS OF DECEMBER 31, 2003

	Thousands of Pesos			Thousands of Dollar	
	4Q 2002	4Q 2003	Var	4Q 2002	4Q 2003
	(Proforma)	(Unaudited)		(Proforma)	(Unaudi
NET SALES	\$ 1,738,895\$	1,801,432	4%	158,693	160,
COST OF SALES	1,459,877	1,576,934	8%	133,154	140,
Gross profit.....	279,018	224,498	-20%	25,539	19,
Selling and Administrative expenses	138,790	161,871	17%	12,671	14,
Operating income	140,228	62,627	-55%	12,868	5,
FINANCIAL EXPENSE:					
Interest expense	251,672	268,763	7%	23,167	23,
Interest income	-10,288	-12,689	23%	-923	-1,
Exchange (gain) loss, net	201,383	219,279	9%	18,554	19,
Gain on monetary position	-137,881	-173,873	26%	-12,698	-15,
Total financial expense	304,886	301,480	-1%	28,100	26,
OTHER INCOME (EXPENSES):					
Other income (expense), net	835	-4,704	N/A	84	-
Total other income (expense)	835	-4,704	N/A	84	-
Income (loss) before income and asset t	-163,823	-243,557	49%	-15,148	-21,
Provisions for income and asset taxes ...	-33,589	5,458	N/A	-3,089	
Provision for deferred income taxes	-434,087	-140,514	-68%	-38,688	-12,
Net income after taxes	303,853	-108,501	N/A	26,629	-9,
Special items	-12,136	482,086	N/A	-1,118	42,
Extraordinary items	0	3,127	0%	0	
Impairment	1,344,812	520,459	-61%	120,361	46,
Discontinued operations	129,554	936,139	623%	11,879	83,
Net income before minority interest.....\$	-1,158,37\$	-2,050,312	77%	-104,493	-182,
Minority interest.....	1,206	-15,447	N/A	109	-1,
Majority net income.....\$	-1,159,58\$	-2,034,865	75%	-104,602	-181,
Depreciation & amortization	96,496	111,875	16%	8,815	9,
EBITDA	236,724	174,502	-26%	21,683	15,

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CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
 EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
 AS OF DECEMBER 31, 2003

	Thousands of Pesos		Var	Thousands of Dollars	
	Ac 2002	Ac 2003		Ac 2002	Ac 2003
	(Proforma)	(Unaudited)		(Proforma)	(Unaudited)
NET SALES	\$ 6,745,186	\$ 6,876,231	2%	630,733	619,000
COST OF SALES	5,538,671	6,005,431	8%	515,799	541,000
Gross profit.....	1,206,515	870,800	-28%	114,934	78,000
Selling and Administrative expenses	486,456	552,956	14%	45,851	49,000
Operating income	720,059	317,844	-56%	69,083	28,000
FINANCIAL EXPENSE:					
Interest expense	940,673	1,152,955	23%	88,971	104,000
Interest income	-40,159	-41,880	4%	-3,667	-3,000
Exchange (gain) loss, net	988,276	822,051	-17%	91,081	72,000
Gain on monetary position	-376,620	-373,459	-1%	-35,794	-33,000
Total financial expense	1,512,170	1,559,667	3%	140,591	139,000
OTHER INCOME (EXPENSES):					
Other income (expense), net	-50,134	-41,828	-17%	-4,882	-3,000
Total other income (expense)	-50,134	-41,828	-17%	-4,882	-3,000
Income (loss) before income and asset t	-842,245	-1,283,651	52%	-76,390	-114,000
Provisions for income and asset taxes ...	115,973	146,862	27%	11,432	13,000
Provision for deferred income taxes	-841,947	-203,911	-76%	-77,983	-18,000
Net income after taxes	-116,271	-1,226,602	955%	-9,839	-109,000
Special items	1,509,053	742,606	-51%	139,527	67,000
Extraordinary items	0	57,251	0	0%	5,000
Impairment	1,344,812	520,459	-61%	120,361	46,000
Discontinued operations	768,788	731,122	-5%	67,932	64,000
Net income before minority interest.....\$	-3,738,92\$	-3,278,040	-12%	-337,659	-292,000
Minority interest.....	3,245	-7,736	N/A	329	-
Majority net income.....\$	-3,742,16\$	-3,270,304	-13%	-337,988	-292,000
Depreciation & amortization	384,304	402,055	5%	36,106	36,000
EBITDA	1,104,363	719,899	-35%	105,189	65,000