CENTEX CONSTRUCTION PRODUCTS INC
Form 10-K/A
November 26, 2003

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

ANNUAL REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended

March 31, 2003

Commission File No. 1-12984

CENTEX CONSTRUCTION PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

75-2520779
(I.R.S. Employer Identification No.)

2728 N. Harwood, Dallas, Texas 75201
(Address of principal executive offices)

(214) 981-5000
(Registrant s telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to Form 10-K. þ

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes þ No o

The aggregate market value of the voting stock held by nonaffiliates of the company at September 28, 2002 (the last business day of the registrants most recently completed second fiscal quarter) was $228.2 million.

There were 18,419,612 shares of common stock (or other similar equity securities) outstanding as of the close of business on June 18, 2003:

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy statement for the Annual Meeting of Stockholders of Centex Construction Products, Inc. held on July 21, 2003 are incorporated by reference in Part III of this Report.

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This Form 10-K/A of Centex Construction Products, Inc. (the Company) for the fiscal year ended March 31, 2003, is being amended to restate the financial statements of the Company to reflect a change in the method of accounting for the Company s interest in two cement joint ventures. **This restatement had no impact on our earnings before income taxes, net earnings, earnings per share or retained earnings.** In connection with this restatement, changes have been made to (i) amend Item 1. Business, (ii) amend Item 6. Selected Financial Data, (iii) amend Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, (iv) amend Item 8. Financial Statements and Supplementary Data, and (v) amend Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K to update the certifications of certain executive officers as of the date of this amendment. The amendments to Items 1, 6, 7, and 8 are being made in response to a comment letter received from the Securities and Exchange Commission. See Item 1. Business Restatement of Financial Statements and Note (B) to the Consolidated Financial Statements included in Item 8 for a discussion of the restatement of the financial statements referred to above. This Form 10-K/A is hereby amended, as described above, and for convenience of reference is restated in its entirety as set forth herein (except that exhibits previously filed with the Form 10-K are not being refiled in this Form 10-K/A).

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PART I

ITEM 1. BUSINESS

Restatement of Financial Statements

This Annual Report on Form 10-K/A (the Annual Report) of Centex Construction Products, Inc. and subsidiaries (CXP or the Company) reflects a change in our method of accounting for the Company s interests in two 50%-owned cement joint ventures that operate in Illinois and Texas (the Joint Ventures). For many years, the Company proportionately consolidated its pro rata interest in the revenues, expenses, assets and liabilities of the Joint Ventures. The Company has restated its consolidated financial statements to reflect a change in the method of accounting for the joint ventures from the proportionate consolidation method to the equity method of accounting. **The restatement had no impact on our earnings before income taxes, net earnings, earnings per share or retained earnings**. Under the equity method of accounting, the Company s statements of earnings include a single line item entitled Equity in Earnings of Unconsolidated Joint Ventures which reflects the Company s 50% interest in the earnings of the Joint Ventures. Similarly, the Company s balance sheets include a single line item entitled Investment in Joint Ventures which reflects the Company s 50% interest in the net assets of the Joint Ventures.

This change is being made at the direction of the Securities and Exchange Commission (the SEC) in connection with its review of our preliminary proxy statement filed in connection with the proposed spin-off of the Company s shares held by Centex Corporation and certain related transactions, together with our periodic reports incorporated by reference in the proxy statement.

This amended Annual Report continues to speak as of the date of the original Annual Report and we have not updated the disclosure in this amended Annual Report to speak as of a later date.

General

The Company is a producer of a variety of basic construction products used in residential, industrial, commercial and infrastructure applications. CXP is a holding company and the businesses of the consolidated group are conducted through CXP s subsidiaries. Unless the context indicates to the contrary, the terms CXP and the Company as used herein, should be understood to include subsidiaries of CXP and predecessor corporations. The Company produces and sells cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete. The Company is incorporated in the state of Delaware. Prior to April 19, 1994, the Company was a wholly-owned subsidiary of Centex Corporation (Centex). On April 19, 1994, the Company completed an Initial Public Offering (IPO) of 51% of its common stock. As a result of the IPO, Centex s ownership of the Company was reduced to 49%. The Company s common stock (CXP Common Stock) began trading publicly on the New York Stock Exchange on April 19, 1994. As of June 18, 2003, 18,419,612 shares of CXP Common Stock were outstanding.

As a result of repurchases by CXP of its common stock from the public since fiscal year 1997, and certain purchases of CXP common stock by Centex from the public, Centex owned approximately 65.1% of the outstanding shares of CXP Common Stock at March 31, 2003.

CXP s involvement in the construction products business dates to 1963, when it began construction of its first cement plant. Since that time, the Company s operations have expanded to include additional cement production and distribution facilities and the production, distribution and sale of aggregates, readymix concrete, gypsum wallboard and recycled paperboard. The Company s production facilities are located principally in the western half of the U.S. and in certain key southwestern states.

On November 10, 2000 the Company acquired certain selected strategic assets (the Strategic Assets Purchase). The purchase price was $342.2 million in cash plus the assumption by a subsidiary of $100 million of subordinated debt. The principal strategic assets acquired were: a gypsum wallboard

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plant with 1.1 billion square feet of capacity located at Duke, Oklahoma; a short line railroad and railcars linking the Duke plant to adjacent railroads; a 220,000 ton-per-year lightweight recycled paperboard mill in Lawton, Oklahoma; a 50,000 ton-per-year recycled paperboard mill located in Commerce City, Colorado; and three recycled paper fiber collection sites. The Commerce City mill was closed in April 2001 and the recycled paper fiber collection sites sold in April 2002. The gypsum wallboard operations are operated by the Company s American Gypsum Company located in Albuquerque, New Mexico. The paperboard operation is located in Lawton, Oklahoma and focuses primarily on the gypsum wallboard paper business.

Industry Segment Information

The following table presents revenues and earnings before interest and income taxes contributed by each of the Company s industry segments during the periods indicated. The Company conducts two out of four of its cement plant operations through joint ventures, Texas Lehigh Cement Company, which is located in Buda, Texas and Illinois Cement Company, which is located in LaSalle, Illinois. For segment reporting purposes, the Company proportionately consolidates its 50% share of the cement joint ventures revenues and operating earnings, which, in accordance with FASB Statement 131, is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance. Identifiable assets, depreciation, depletion and amortization, and capital expenditures by segment are presented in Note F of the Notes to the Consolidated Financial Statements on pages 49 52. The contribution from assets acquired in the Strategic Assets Purchase only includes results from the date of acquisition.

	(Restated) For the Fiscal Years Ended March 31,				
	2003	2002	2001	2000	1999
Contribution to Revenues[(1)]:			(dollars in millions)		
Cement	$ 173.2	$ 183.2	$ 178.8	$ 175.4	$ 168.5
Gypsum Wallboard	212.8	183.5	187.3	244.3	170.9
Paperboard	92.9	84.3	31.5		
Concrete and Aggregates	56.6	57.6	61.1	55.9	47.3
Other, net	2.6	(0.8)	3.3	(0.1)	0.8
Sub-Total	538.1	507.8	462.0	475.5	387.5
Less: Intersegment Revenues	(37.1)	(37.1)	(21.3)	(6.3)	(6.5)
Less: Joint Ventures Revenues	(71.8)	(75.5)	(73.5)	(76.7)	(70.4)
Total Net Revenues	$ 429.2	$ 395.2	$ 367.2	$ 392.5	$ 310.6

	(Restated) For the Fiscal Years Ended March 31,				
	2003	2002	2001	2000	1999
Contribution to Operating Earnings:			(dollars in millions)		
Cement	$ 54.7	$ 60.7	$ 60.2	$ 54.3	$ 57.7
Gypsum Wallboard	27.2	4.6	27.1	107.6	56.6
Paperboard	17.6	10.0	1.4		
Concrete and Aggregates	(0.3)	4.4	7.5	9.3	7.4
Other, net	2.6	(0.8)	3.3	(0.1)	0.8
	101.8	78.9	99.5	171.1	122.5
Corporate Overhead	(5.6)	(5.5)	(4.7)	(4.7)	(4.4)
Earnings Before Interest and Income Taxes	$ 96.2	$ 73.4	$ 94.8	$ 166.4	$ 118.1

(1) The Company adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during Fiscal Year 2001. As a result of this adoption, net revenues prior to fiscal year 2001 have been restated to include freight and delivery costs billed to customers. Previously such billings were offset against corresponding expenses in cost of sales.

Net revenues for the past three years from each of the Company s business segments, expressed as a percentage of total consolidated net revenues, were as follows:

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Segment:	Percentage of Total Consolidated Net Revenues		
	2003	2002	2001
Cement	22.8%	26.0%	26.9%
Gypsum Wallboard	49.6%	46.4%	51.0%
Paperboard	14.0%	13.4%	4.7%
Concrete and Aggregates:			
Readymix Concrete	8.5%	9.5%	11.8%
Aggregates	4.5%	4.9%	4.7%
	13.0%	14.4%	16.5%
Other, net	0.6%	(0.2%)	0.9%
Total Consolidated Net Revenues	100.0%	100.0%	100.0%

Cement Operations

Company Operations. The Company s cement production facilities are located in or near Buda, Texas; LaSalle, Illinois; Laramie, Wyoming; and Fernley, Nevada. The Laramie, Wyoming and Fernley, Nevada facilities are wholly-owned. The Buda, Texas plant is owned by Texas Lehigh Cement Company LP, a limited partnership joint venture owned 50% by the Company and 50% by Lehigh Cement Company, a subsidiary of Heidelberg Cement AG. The LaSalle, Illinois plant is owned by Illinois Cement Company, a joint venture owned 50% by the Company and 50% by RAAM Limited Partnership, a partnership controlled by members of the Pritzker family. The Company receives a management fee of $150,000 per year to manage the Illinois joint venture. The Company s Laramie, Wyoming plant operates under the name of Mountain Cement Company and the Fernley, Nevada plant under the name of Nevada Cement Company.

Cement is the basic binding agent for concrete, a primary construction material. The manufacture of portland cement primarily involves the extracting, crushing, grinding and blending of limestone and other raw materials into a chemically proportioned mixture which is then burned in a rotary kiln at extremely high temperatures to produce an intermediate product known as clinker. The clinker is cooled and interground with a small amount of gypsum to the consistency of face powder to produce finished cement. Clinker can be produced utilizing either of two basic methods, a wet or a dry process. In the wet process, the raw materials are mixed with water to take advantage of the greater ease in the handling and mixing of the raw materials. However, additional heat, and therefore fuel, is required to evaporate the moisture before the raw materials can react to form clinker. The dry process, a more fuel efficient technology, excludes the addition of water into the process. Dry process plants are either preheater plants, in which hot air is recycled from the rotary kiln to preheat materials, or are precalciner plants, in which separate burners are added to accomplish a significant portion of the chemical reaction prior to the introduction of the raw materials into the rotary kiln. As fuel is a major cost component in the production of clinker, most modern cement plants, including all four of the plants operated by the Company, incorporate the more fuel-efficient dry process technology. At present, approximately 80% of the Company s net clinker capacity is from preheater or preheater/precalciner kilns, compared to approximately 60% of U.S. cement capacity manufactured from such kilns. The following table sets forth certain information regarding these plants:

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Location	Rated Annual Clinker Capacity (M short tons)[1]	Manufacturing Process	Number of Kilns	Dedication Date	Estimated Minimum Limestone Reserves (Years)
Buda, Tx [2]	1,250	Dry - 4 Stage Preheater Flash Calciner	1	1978 1983	60[5]
LaSalle, Il[2]	640	Dry - 4 Stage Preheater	1	1974	30[5]
Laramie, Wy	670	Dry - 2 Stage Preheater Dry - Long Dry Kiln	1 1	1988 1996	30[6]
Fernley, Nv	515	Dry - Long Dry Kiln Dry - 1 Stage Preheater	1 1	1964 1969	10[5]
Total-Gross[3]	3,075				
Total-Net[3][4]	2,130				

(1) One short ton equals 2,000 pounds.

(2) The amounts shown represent 100% of plant capacity and production. Each of these plants is owned by a separate partnership in which the Company has a 50% interest.

(3) Generally, a plant s cement grinding production capacity is greater than its clinker production capacity.

(4) Net of partners 50% interest.

(5) Owned reserves.

(6) Includes both owned and leased reserves.

The Company s net cement production, including its 50% share of the cement Joint Ventures production, totaled 2.27 million tons in fiscal 2003 and 2.24 million tons in fiscal 2002. Total net cement sales, including the Company s 50% share of the cement Joint Ventures sales, were 2.36 million tons in fiscal 2003 and 2.44 million tons in fiscal 2002 as all plants sold all of the product they produced. Cement production is capital-intensive and involves high fixed costs. As a result, plant capacity utilization levels are an important measure of a plant s profitability, since incremental sales volumes tend to generate increasing profit margins. During the past two years, the Company purchased cement from others to be resold. Purchased cement sales typically occur at lower gross profit margins. In fiscal 2003, 6.7% of the cement sold by the Company was acquired from outside sources, compared to 10.5% in fiscal 2002.

Raw Materials and Fuel Supplies. The principal raw material used in the production of portland cement is calcium carbonate in the form of limestone. Limestone is obtained principally through mining and extraction operations conducted at quarries owned or leased by the Company and located in close proximity to its plants. The Company believes that the estimated recoverable limestone reserves owned or leased by it will permit each of its plants to operate at its present production capacity for at least 30 years or, in the case of the Company s Nevada plant, at least 10 years. The Company expects that additional limestone reserves for its Nevada plant will be available when needed on an economically feasible basis, although such reserves may be more distant and more expensive to transport than the Company s existing reserves. Other raw materials used in substantially smaller quantities than limestone are sand, clay, iron ore and gypsum. These materials are readily available and can either be obtained from Company-owned or leased reserves or are purchased from outside suppliers.

The Company s cement plants use coal and coke as their primary fuel, but are equipped to burn natural gas as an alternative. The Company has not used hazardous waste-derived fuels in its plants. The Company s LaSalle, Illinois and Buda, Texas plants have been permitted to burn scrap tires as a partial fuel alternative. Electric power is also a major cost component in the manufacture of cement. The Company has sought to diminish overall power costs by adopting interruptible power supply agreements

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which may expose the Company to some production interruptions during periods of power curtailment. Although power and coal costs have generally increased in the U.S. during fiscal 2003, because of the location of the Company s cement plants, such increases are not expected to significantly impact cement manufacturing costs in fiscal 2004.

Sales and Distribution. Demand for cement is highly cyclical and derived from the demand for concrete products which, in turn, is derived from demand for construction. According to estimates of the Portland Cement Association (the PCA), the industry s primary trade organization, the construction sectors that are the major components of cement consumption are (i) public construction, (ii) non-residential buildings (iii) residential buildings, and (iv) other, which comprised 49%, 23%, 22%, and 6%, respectively, of U.S. cement consumption in 2002, the most recent period for which such data is available. Public works construction was favorably impacted when the U.S. Congress passed legislation in 1998 known as the Transportation Equity Act for the 21st Century (TEA-21). This legislation authorized $218 billion in federal expenditures on highways, bridges and mass transit projects over the six year period beginning in 1998. This represents a 44% increase over the previous six-year period, which ended in 1997. A proposal is currently pending in Congress to reauthorize the current six-year Federal Highway Program, TEA-21. The new proposal, SAFETEA totals $192.5 billion. This legislation would represent an 11% increase over the Guaranteed funding levels under TEA-21. Nevertheless, the average expenditure per year of $31.2 billion would be only slightly above highway appropriation levels in recent years. Construction spending and cement consumption have historically fluctuated widely. The construction sector is affected by the general condition of the economy as well as regional economic influences. Regional cement markets experience peaks and valleys correlated with regional construction cycles. Also, demand for cement is seasonal, particularly in northern states where inclement weather affects construction activity. Sales are generally greater from spring through the middle of autumn than during the remainder of the year. While the impact on the Company of regional construction cycles may be mitigated to some degree by the geographic diversification of the Company, profitability is very sensitive to shifts in the balance between supply and demand. As a consequence, the Company s cement segment sales and earnings follow a similar cyclical pattern.

The following table sets forth certain information regarding the geographic area served by each of the Company s cement plants and the location of the Company s distribution terminals in each area. The Company has a total of 10 cement storage and distribution terminals that are strategically located to extend the sales areas of its plants.

Plant Location	Principal Geographic Areas	Distribution Terminals
Buda, Texas	Texas and western Louisiana	Corpus Christi, Texas Houston, Texas Orange, Texas Roanoke (Ft. Worth), Texas Waco, Texas
LaSalle, Illinois	Illinois and southern Wisconsin	Hartland, Wisconsin
Laramie, Wyoming	Wyoming, Utah, northern Colorado, western Nebraska and eastern Nevada	Salt Lake City, Utah Denver, Colorado North Platte, Nebraska
Fernley, Nevada	Northern Nevada and northern California	Sacramento, California

Cement is distributed directly to customers by common carriers and customer pickups. The Company transports cement principally by rail to its storage and distribution terminals. Cement is

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distributed primarily in bulk, but also in paper bags. No single customer accounted for 10% or more of the Company s cement sales during fiscal 2003.

Sales are made on the basis of competitive prices in each area. As is customary in the industry, the Company does not typically enter into long-term sales contracts, except with respect to major construction projects.

Competition. The cement industry is extremely competitive as a result of multiple domestic suppliers and the importation of foreign cement through various terminal operations. Competition among producers and suppliers of cement is based primarily on price, with consistency of quality and service to customers being important but of lesser significance. Price competition among individual producers and suppliers of cement within a geographic area is intense because of the fungible nature of the product. Because of cement s low value-to-weight ratio, the relative cost of transporting cement is high and limits the geographic area in which each company can market its products economically. Therefore, the U.S. cement industry is fragmented into regional geographic areas rather than a single national selling area. No one cement company has a distribution of plants extensive enough to serve all geographic areas. The number of principal competitors of the Company s Texas, Illinois, Wyoming and Nevada plants are six, six, four and six, respectively, operating in these regional areas.

According to the PCA, the United States cement industry is comprised of approximately 39 companies which own 105 gray cement plants with approximately 98 million short tons of clinker manufacturing capacity (approximately 103 million short tons of cement manufacturing capacity, assuming a 105% conversion ratio). The top five companies account for nearly 50% of industry capacity with the top ten companies accounting for a 69% concentration ratio. The PCA estimates that U.S. portland cement demand was approximately 120 million short tons in calendar 2002, with approximately 23% of such demand being satisfied by imported cement and clinker. As a result of weak commercial construction activity, calendar 2002 consumption was down 3% from calendar 2001, breaking the string of eight consecutive years of record setting cement consumption in the U.S. Based on the level of demand, the Company estimates that the cement industry as a whole operated in excess of 91% of its aggregate manufacturing capacity during calendar 2002. The PCA reported that, as of December 2001, approximately 22 plant modernization and expansion projects, including six new cement plants, were announced or are underway. These projects, if completed, could add almost 22 million short tons of new domestic cement manufacturing capacity and increase existing capacity by 22%. The announced expansions represent a significant change for the industry, but market forces and other factors may interfere with producers plans. The Company does not anticipate that all of the industry s announced expansions will actually be constructed, and, because of the long lead times associated with adding additional capacity, any increased production capability is expected to be gradual over the next several years. The PCA has predicted total cement consumption will grow to 133 million short tons by 2007, compared with an estimated 120 million short tons of cement consumption in calendar 2002. The Company, however, cannot offer any assurances regarding any near-term or long-term increases in demand. In addition, the Company does not know how much, if any, old, inefficient cement production capacity may be retired during this period. Even if all announced expansions are completed, a capacity deficit would still exist in 2007 if the PCA consumption projections are realized.

Cement imports into the United States occur primarily to supplement domestic cement production during peak demand periods. Throughout most of the 1980 s, however, competition from low-priced imported cement in most coastal and border areas of the U.S. grew significantly, which included the markets served by the Company s Fernley, Nevada and Buda, Texas plants. According to the PCA, the 1980 s were a period of relatively high cement imports. This high level of imports depressed cement prices during a period of strong U.S. cement demand. As a result of antidumping petitions filed by a group of domestic cement producers, significant antidumping duty cash deposit requirements have been imposed on cement imported from Mexico since 1990 and from Japan since 1991. The existing antidumping orders have contributed substantially to an improvement in the condition of the U.S. cement industry.

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In the case of imports from Mexico, margins to calculate cash deposit rates and the resulting antidumping duties are subject to annual review by the Department of Commerce and appeal to the U.S. Court of International Trade and the U.S. Court of Appeals or to binational dispute panels under the North American Free Trade Agreement (NAFTA).

Pursuant to the Uruguay Round Agreement, the General Agreement on Tariffs and Trade (GATT) Antidumping Code was superseded on January 1, 1995 by a new antidumping agreement that is administered by the World Trade Organization. As a result of legislation passed by the U.S. Congress in 1994, the Department of Commerce and the ITC conducted sunset reviews during the last two years of the first five years of antidumping orders and determined they should remain in effect for another five years until 2005.

NAFTA thus far has had no material adverse effect on the antidumping duty cash deposit rates imposed on gray portland cement and clinker imported from Mexico. The Company does not believe that NAFTA will likely have a material adverse effect on the foregoing antidumping duty cash deposit rates in the near future. A substantial reduction or elimination of the existing antidumping duties as a result of GATT, NAFTA or any other reason could adversely affect the Company s results of operations.

U.S. imports of foreign cement began to increase in the mid-1990 s as the use of cement in the U.S. began to recover. The PCA has estimated that imports represented approximately 23% of cement used in the U.S. during calendar 2002 as compared with approximately 24% in 2001 and 25% in 2000. Unlike the imports during the 1980 s, however, most of the recent imports have provided an additional source of supply rather than disrupting the market with unfair prices. While the average price of imported cement rose during calendar 2001, the price of cement imports from some countries, particularly those in Southeast Asia, are less. Moreover, independently owned cement operators could undertake to construct new import facilities and begin to purchase large quantities of low-priced cement from countries not yet subject to antidumping orders, such as those in Asia, which could compete with domestic producers, as has happened in the Company s Houston, Texas market. The introduction of low-priced imported cement from such sources could adversely affect the Company s result of operations.

Capital Expenditures. Capital expenditures, not including capital expenditures associated with the 50% owned cement Joint Ventures, during fiscal 2003 amounted to $2.5 million for the Company s wholly owned cement operations compared with $1.7 million and $3.6 million in fiscal 2002 and 2001, respectively. Capital outlays in fiscal 2004 are estimated to be approximately $4.6 million. Approximately 16% of the estimated fiscal 2004 total is related to compliance with environmental regulations.

Environmental Matters. The operations of the Company are subject to numerous federal, state and local laws and regulations pertaining to health, safety and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws) impose environmental permitting requirements and govern the nature and amount of emissions that may be generated when conducting particular operations. Some laws, such as the federal Comprehensive Environmental Response, Compensation, and Liability Act (and analogous state laws) impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim certain land upon completion of extraction and mining operations in our quarries. We believe that the Company has obtained all the material environmental permits that are necessary to conduct its operations. We further believe that the Company is conducting its operations in material compliance with these permits. In addition, none of the Company s sites is listed as a CERCLA Superfund site.

Four environmental issues involving the cement manufacturing industry deserve special mention. The first issue involves cement kiln dust or CKD. The federal Environmental Protection Agency or EPA has been evaluating the regulatory status of CKD under the federal Resource Conservation and Recovery Act (RCRA) for a number of years. In 1999, the EPA proposed a rule that would allow states to regulate properly-managed CKD as a non-hazardous waste under state laws and regulations governing

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solid waste. In contrast, CKD that was not properly managed would be treated as a hazardous waste under RCRA. In 2002, the EPA confirmed its intention to exempt properly-managed CKD from the hazardous waste requirements of RCRA. The agency announced that it would collect additional data over the next three to five years to determine if the states regulation of CKD is effective, which may lead the EPA to withdraw its 1999 proposal to treat any CKD as a hazardous waste. Final action implementing the 2002 announcement is expected to occur in fiscal 2004.

Currently, substantially all CKD produced in connection with the Company s operations is recycled, and therefore such CKD is not viewed as a hazardous waste under RCRA. However, CKD was historically collected and stored on-site at its Illinois, Nevada and Wyoming cement plants and at a former plant site in Corpus Christi, Texas, which is no longer in operation. If either the EPA or the states decide to impose management standards on this CKD at some point in the future, the Company could incur additional costs to comply with those requirements with respect to its historically collected CKD. CKD that comes in contact with water might produce a leachate with an alkalinity high enough to be classified as hazardous and might also leach certain hazardous trace metals therein.

A second environmental issue involves the historical disposal of refractory brick containing chromium. Such refractory brick was formerly widely used in the cement industry to line cement kilns. The Company currently crushes spent refractory brick (which does not contain chromium) and uses it as raw feed in the kiln.

A third environmental issue involves the potential regulation of greenhouse gasses from cement plants. Carbon dioxide is a greenhouse gas many scientists and others believe contributes to the warming of the Earth s atmosphere. Although no restrictions have yet been imposed under federal laws, it is possible that cement plants may be targeted because of the large amounts of carbon dioxide generated during the manufacturing process. Any imposition of raw materials or production limitations or fuel-use or carbon taxes could have a significant impact on the cement manufacturing industry.

Fourth, the U.S. EPA has promulgated regulations for certain toxic air pollutants including standards for portland cement manufacturing. The maximum attainable control technology standards require cement plants to test for certain pollutants and meet certain emission and operating standards. Management has no reason to believe, however, that these standards have placed the Company at a competitive disadvantage.

Management believes that the Company s current procedures and practices in its operations, including those for handling and managing materials, are consistent with industry standards and are in substantial compliance with applicable environmental laws and regulations. Nevertheless, because of the complexity of operations and compliance with environmental laws, there can be no assurance that past or future operations will not result in violations, remediation or other liabilities or claims. Moreover, the Company cannot predict what environmental laws will be enacted or adopted in the future or how such future environmental laws or regulations will be administered or interpreted. Compliance with more stringent environmental laws, or stricter interpretation of existing environmental laws, could necessitate significant capital outlays.

Gypsum Wallboard Operations

Company Operations. The Company owns and operates four gypsum wallboard manufacturing facilities, two located in Albuquerque and nearby Bernalillo, New Mexico, one located in Gypsum (near Vail), Colorado and one located in Duke, Oklahoma. The Company mines and extracts gypsum and then manufactures gypsum wallboard by first pulverizing quarried gypsum, then placing it in a calciner for conversion into plaster. The plaster is mixed with various chemicals and water to produce a mixture known as slurry, which is inserted between two continuous sheets of recycled paperboard on a high-speed production line and allowed to harden. The resulting sheets of gypsum wallboard are then cut to appropriate lengths, dried and bundled for sale. Gypsum wallboard is used to finish the interior walls and

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ceilings in residential, commercial and institutional construction. These panel products have aesthetic as well as sound-dampening and fire-retarding characteristics.

The Albuquerque plant was acquired in 1985, and was operated until early 1991. Following the start-up of the new Bernalillo plant in the spring of 1990, the Company elected to suspend operations at the Albuquerque plant due to weak market conditions. Operations at the Albuquerque plant were recommenced in May 1993, due to improvements in wallboard demand and prices. The Gypsum, Colorado gypsum wallboard plant and accompanying electric power cogeneration facility were purchased in February 1997. The plant originally commenced production in early 1990 and had been operated by an independent producer until its acquisition by CXP. The Duke, Oklahoma plant was acquired in November 2000 as part of the Strategic Assets Purchase (see Item 1, Business General). The plant commenced production in 1964 and has operated continuously since then. In 1999, a second line was added that expanded the plant s annual capacity to 1.2 billion square feet. The Company believes that the Duke plant is the second largest single gypsum wallboard plant in North America.

The following table sets forth certain information regarding these plants:

Location	Rated Annual Gypsum Wallboard Capacity (MMSF)[1]	Estimated Minimum Gypsum Rock Reserves (years)
Albuquerque, New Mexico	360	80 [2][3]
Bernalillo, New Mexico	510	80 [2][3]
Gypsum, Colorado	640	35 [4]
Duke, Oklahoma	1,200	15 [4]
Total	2,710	

(1) Million Square Feet (MMSF)
(2) The same reserves serve both New Mexico plants
(3) Leased reserves.
(4) Includes both owned and leased reserves.

The Company s gypsum wallboard production totaled 1,956 MMSF in fiscal 2003 and 1,890 MMSF in fiscal 2002. Total gypsum wallboard sales were 1,933 MMSF in fiscal 2003 and 1,930 MMSF in fiscal 2002. Total wallboard production as a percentage of rated capacity was 72% in fiscal 2003 and 70% in fiscal 2002.

Raw Materials and Fuel Supplies. The Company mines and extracts natural gypsum rock, the principal raw material used in the manufacture of gypsum wallboard, from mines and quarries owned, leased or subject to claims owned by the Company and located near its plants. The Company does not use synthetic gypsum. The New Mexico, Colorado and Oklahoma mines and quarries are estimated to contain approximately 50 million tons, 21 million tons and 15 million tons, respectively, of gypsum reserves. Other gypsum deposits are located in the immediate area of the Duke, Oklahoma plant and may be obtained at reasonable costs when needed. Based on its current production capacity, the Company estimates that the life of its existing gypsum rock reserves is a minimum of 80 years in New Mexico, 35 years in Colorado and 15 years in Oklahoma.

Prior to November 2000, the Company purchased paper used in manufacturing gypsum wallboard from third-party suppliers. The Company now manufactures almost all of the paper needed for its gypsum wallboard production.

The Company s gypsum wallboard manufacturing operations use large quantities of natural gas and electrical power. A significant portion of the Company s natural gas requirements for its gypsum wallboard plants are currently provided by three gas producers under gas supply agreements expiring in

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September 2003 for Colorado, November 2003 for New Mexico, and June 2004 for Oklahoma. If the agreements are not renewed, the Company expects to be able to obtain its gas supplies from other suppliers at competitive prices. Electrical power is supplied to the Company s New Mexico plants at standard industrial rates by a local utility. The Company s Albuquerque plant utilizes an interruptible power supply agreement, which may expose it to some production interruptions during periods of power curtailment. Power for the Gypsum, Colorado facility is generated at the facility by a cogeneration power plant. Currently the cogeneration power facility supplies only the power needs of the gypsum wallboard plant and does not sell any power to third parties. Power at the Duke, Oklahoma plant is supplied by a local electric cooperative under a contract, which expires in January 2005. Gas costs significantly increased in fiscal 2003 and are likely to increase further during fiscal 2004. If they remain at the current high level, or continue to increase during fiscal 2004, they are expected to significantly impact fiscal 2004 gypsum wallboard manufacturing cost and operating earnings.

Sales and Distribution. The principal sources of demand for gypsum wallboard are (i) residential construction, (ii) repair and remodeling, (iii) non-residential construction, and (iv) other activities such as exports and temporary construction, which the Company estimates accounted for approximately 45%, 38%, 10% and 7%, respectively, of calendar 2002 industry sales. While the gypsum wallboard industry remains highly cyclical, recent growth in the repair and remodeling segment have partially mitigated the impact of fluctuations in overall levels of new construction.

Although the percentage of gypsum wallboard shipments accounted for by new residential construction has declined in recent years, new residential construction remains the largest single source of gypsum wallboard demand. In recent years, demand has been favorably impacted by a shift toward more single-family detached housing within the new residential construction segment and by an increase in the size of the average single-family detached home.

The Company estimates that the size of the total residential repair and remodel market grew to a record $167 billion in calendar 2002, up from $46 billion in 1980. Although data on commercial repair and remodel activity is not readily available, the Company believes that this segment has also grown significantly in recent years. The growth of the repair and remodeling market is primarily due to the aging of housing stock, remodeling of existing buildings and tenant turnover in commercial space. In addition, repair and remodeling activity has benefited from the fact that it has increasingly come to be viewed by homeowners, particularly in recessionary periods, as a low cost alternative to purchasing a new house.

The Company sells gypsum wallboard to numerous building materials dealers, gypsum wallboard specialty distributors, home center chains and other customers located throughout the United States. Two customers with multiple shipping locations accounted for approximately 12.3% and 10.4%, respectively, of the Company s total gypsum wallboard sales during fiscal 2003. The Company believes that the loss of either of these customers could have a material adverse effect on the Company and its subsidiaries taken as a whole.

During fiscal 2003, the principal states in which the Company had gypsum wallboard sales were Texas, Colorado, California, Arizona and New Mexico. Prior to fiscal 2001, a large portion of the Company s gypsum wallboard sales were made in the southeastern United States, with significant sales in Florida. However, due to a dramatic increase in new capacity in the eastern portion of the United States and falling prices, the Company has focused the distribution of its gypsum wallboard in the southwestern and western areas of the United States.

Although gypsum wallboard is distributed principally in regional areas, the Company and certain other producers have the ability to ship gypsum wallboard by rail outside their usual regional distribution areas to take advantage of these other regional increases in demand. The Company owns or leases 244 railcars for transporting gypsum wallboard. In addition, in order to facilitate distribution in certain strategic areas, the Company maintains a distribution center in Albuquerque, New Mexico and six reload

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yards in Arizona and California. The Company s rail distribution capabilities permit it to reach customers in all states west of the Mississippi River and many eastern states. During fiscal 2003, approximately 22% of the Company s sales volume of gypsum wallboard was transported by rail.

Competition. There are eight manufacturers of gypsum wallboard in the U.S. operating a total of 81 plants. The Company estimates that the three largest producers USG Corporation, National Gypsum Company and Georgia-Pacific Corporation account for approximately 65% of gypsum wallboard sales in the United States. The industry has experienced some consolidation, the largest being Georgia-Pacific Corporation s purchase of the gypsum wallboard business of Domtar, Inc. and British Plasterboard s purchase of James Hardie and Celotex. In general, a number of the Company s competitors in the gypsum wallboard industry have greater financial, manufacturing, marketing and distribution resources than the Company. Furthermore, certain of its competitors have vertically integrated operations consisting of gypsum wallboard manufacturing plants, paperboard mills and distribution centers, which may provide them with certain cost advantages over the Company.

Competition among gypsum wallboard producers is primarily on a regional basis, with local producers benefiting from lower transportation costs, and to a lesser extent on a national basis. Because of the commodity nature of the product, competition is based principally on price, which is highly sensitive to changes in supply and demand, and to a lesser extent, on product quality and customer service.

Currently total United States gypsum wallboard production capacity is estimated at 34.4 billion square feet per year, a 25% rise from 1998. The Gypsum Association, an industry trade group, estimates that total calendar 2002 gypsum wallboard shipments by U.S. manufacturers was approximately 29.9 billion square feet (30.7 billion square feet including imports), resulting in industry capacity utilization of approximately 87%.

Capital Expenditures. Capital expenditures during fiscal 2003 for the gypsum wallboard segment amounted to $3.0 million; $1.2 million in fiscal year 2002; and $4.5 million in fiscal 2001. Capital outlays in fiscal 2004 are estimated to be approximately $10.6 million with less than 1% of the estimated expenditures related to compliance with environmental regulations.

Environmental Matters. The gypsum wallboard industry is subject to environmental regulations similar to those governing the Company s cement operations. None of the Company s gypsum wallboard operations are presently the subject of any local, state or federal environmental proceedings or inquiries. The Company does not, and has not, used asbestos in any of its gypsum wallboard products.

Recycled Paperboard Operations

Company Operations. The Company s recycled paperboard manufacturing operation is located in Lawton, Oklahoma. This mill, in addition to the closed Commerce City, Colorado paperboard mill and the sold four recovered fiber centers were acquired as part of the Strategic Assets Purchase in November 2000. The Commerce City mill was closed in April 2001, due to high manufacturing costs and the successful ramp up rate of the Lawton facility. The four recovered fiber centers were sold early in fiscal 2003, as it was determined that their location and supply capabilities were not strategically favorable to the Lawton location.

All of the paper products manufactured at Lawton are produced from 100% recovered (recycled) paper fiber. The recycled paperboard products manufactured by the Company primarily include the facing and backside paper used in the manufacture of gypsum wallboard. Other recycled paperboard grades used by manufacturers of consumer packaging (e.g. corrugate medium, linerboard and Kraft bag) and industrial paperboard products (e.g. angle board, tube and core board) are also produced for diversity and mill expansion needs.

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Manufacturing Process. Recycled paperboard is manufactured at the Lawton mill in a continuous process during which reclaimed paper fiber is mixed with water and pulped to separate the individual fibers. This mixture is passed through a series of filters and cleaners to remove all of the undesirable materials (e.g. tapes, glass, staples, glues, waxes) from the recovered fiber. This slurry is diluted to a very low concentration and is then applied to a series of rotating wire screens through a mechanical distribution system. The Lawton paper machine is designed so that four individual webs of paper are combined to form one multi-ply sheet of paperboard. The excess water from this process is allowed to be drained through the wire mesh fabric and is continuously recycled for additional paper making. The multi-ply paper mat is then mechanically pressed, steam dried and trimmed to specific customer size and packaged requirements. The finished product is wound in roll form weighing approximately 2.5 tons and containing 2.2 miles of paper. It is made specifically to customer quality specifications.

Raw Materials. The principal raw materials used by the Company s Lawton paperboard mill are recovered paper fiber (in other words, wastepaper), water and chemicals. Several different types of recovered fiber (e.g. newspaper, grocery store boxes) are formulated together to give the desired paperboard qualities. Recovered paper fiber is currently purchased from several sources, with 47% being under contract commitments.

Management believes that adequate supplies of recovered paper fiber will continue to be available from generators and wholesalers located within a 400-mile radius of the Lawton mill. One third of all purchased fiber is supplied by rail. Recovered paper fiber is a commodity bought, sold and traded under the guidelines of the Institute of Scrap Recycling Industries, Inc. (ISRI). Monthly pricing is established in several industry publications based on location. Prices are subject to fluctuations based on generation, demand and export. The current outlook for fiscal 2004 is for stable wastepaper prices. The current customer contracts include price escalators to compensate for changes in raw material prices.

Chemicals, including size, retention aids and bactericides, used by the Company in its recycled paperboard operations are environmentally friendly and are readily available from several manufacturers at competitive prices. Size is used principally as a water-resisting agent in the production of recycled paperboard. Retention aids are agents used to retain fiber and chemicals in the papermaking process by preventing their loss into the waste stream. Bactericides are agents used to control bacteria and other organisms in the papermaking process.

The manufacture of recycled paperboard involves the use of large volumes of water both in the production process and for cooling purposes. The Oklahoma mill uses water provided by the City of Lawton, Oklahoma municipal services. The term of the agreement with the City of Lawton, Oklahoma is fifteen years (commencing in calendar 1999) with two automatic five-year extensions unless the Company notifies the City in writing at least six months prior to the expiration of the term or extended term. Although adequate sources of water have historically been available, an extended period of general water shortages, legal curtailment of any mill s current water sources or uses, or deterioration of the current quality of water could adversely affect the mill s operations and limit its production capacity.

Electricity, natural gas and other utilities are available to the mill either at contracted rates or at standard industrial rates in adequate supplies, subject to standard industrial curtailment provisions. If periods of natural gas curtailment or unfavorable pricing occur, the Lawton mill is equipped to use fuel oil as an alternative fuel. The Lawton mill has a seven year contract for natural gas transportation.

Paperboard mills are generally large consumers of natural gas, with Lawton s needs in excess of 3200 MMBTU per day. During fiscal 2003, natural gas pricing significantly increased and is expected to increase further during fiscal 2004. If natural gas prices remain at the current high level, or continue to increase during fiscal 2004, they are expected to significantly impact fiscal 2004 production cost and operating earnings.

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The Lawton mill is under a very favorable electrical agreement with Public Service of Oklahoma that renews annually, unless terminated by notice by either party. The mill site has also entered into a letter of intent with a third party co-generation operator for the purchase of steam for the paper making process and possible electrical generation. If the Company is able to reach a definitive agreement with this operator, this co-generation plant should come on line during the fall of 2006, and would be expected to significantly reduce utility price volatility.

Sales and Distribution. The recycled paperboard products manufactured by the Company are sold primarily to gypsum wallboard manufacturers. During fiscal 2003, approximately 31% of the recycled paperboard manufactured and shipped by the Lawton mill was consumed by the Company s gypsum wallboard manufacturing operations, approximately 9% was shipped to another gypsum wallboard manufacturer and 45% was sold to BPB Gypsum (f/k/a James Hardie Gypsum) (BPB Gypsum) pursuant to a paper supply contract (the BPB Gypsum Agreement). The BPB Gypsum Agreement is a long-term paper supply contract with sales to BPB Gypsum made at a fixed base price determined at the time of execution of the BPB Gypsum Agreement. This base price is subject to adjustment based on changes in the major variable costs of production of recycled paperboard, including the cost of power, transportation and the primary raw materials, and changes in the purchaser price index for industrial commodities and a reference employment cost index. Under this agreement, the Lawton mill is obligated to sell and BPB Gypsum is obligated to purchase at least 95% (plus or minus 5%) of the gypsum-grade recycled paperboard requirements of BPB Gypsum s three gypsum wallboard plants purchased from James Hardie Gypsum. In addition, the loss of any one or more gypsum wallboard manufacturers as customers or a termination or reduction of their production of gypsum wallboard, unless replaced by a commercially similar arrangement, could have a material adverse effect on the Company.

Competition. In selling the portion of its production not consumed by its own gypsum wallboard manufacturing operations, the Company competes with approximately nine other manufacturers of gypsum-grade paperboard, six of which have gypsum wallboard manufacturing operations. Substantially all of these competitors have greater financial resources than the Company. During periods of peak demand for gypsum wallboard, the demand for recycled paperboard typically matches or exceeds the productive capacities of the gypsum-grade paperboard producers. During periods of reduced demand for gypsum wallboard, the demand for recycled paperboard falls, and selling prices may decrease.

Price, quality and timeliness of deliveries are the principal methods of competition among paperboard producers. The location of the Company s Lawton recycled paperboard mill allows the Company to serve a variety of markets, including several gypsum wallboard plants in the midwest, southeast, southwest and western United States.

The Lawton Mill. The Lawton mill is located in southwestern Oklahoma and commenced commercial operations in March 2000. The Lawton mill is designed to manufacture gypsum-grade recycled paperboard utilizing technologies that have been successfully employed in recycled paperboard mills in the United States. These technologies include (i) the use of an advanced paper forming section in which the roll forming process utilizes a hydraulic headbox and a twin wire de-watering system to form a paper sheet operating in excess of 2,500 feet per minute, thereby allowing reduced labor costs per ton produced, (ii) an advanced control system, which immediately senses changes in the paper as it is being formed and adjusts the forming section of the paper machine to maintain the uniformity of the paper and also monitors and adjusts the recovered paper fiber cleaning process to maintain the quality of this raw material, (iii) modern pressing technology, which permits water removal in a way that provides more uniformity and enhances the properties of the paper, (iv) dryer felts on all dryer sections, which improve drying efficiency and reduce shrinkage, and (v) a cleaning and screening process for the reclaimed paper fiber that enhances the strength, surface characteristics and overall surface uniformity of the paperboard.

The Company expects that the Lawton mill will be able to produce recycled paperboard that is technologically superior to, and approximately 20% to 30% lighter than that currently generally available in the United States, but with equal strength characteristics. The Company believes that being one of the

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first to produce higher quality, lower basis-weight recycled paperboard will give it a competitive advantage over other recycled paperboard manufacturers until other mills using similar technology come on-line. Because gypsum-grade recycled paperboard generally is sold on the basis of surface area, manufacturing lighter paper potentially translates into higher profit margins per ton for the recycled paperboard manufacturer. Lighter recycled paperboard also reduces drying costs associated with the production of gypsum wallboard and reduces inbound and outbound freight costs of both recycled paperboard and gypsum wallboard. In addition, because the Lawton mill is designed as an efficient, high-speed mill, operating costs are expected to be lower than existing mills now producing recycled paperboard for the wallboard industry. In addition to producing a product which should be more attractive to customers, it is anticipated that the lighter weight, better quality recycled paperboard from the Lawton mill will reduce production and transportation costs at the Company s gypsum wallboard plants.

The Lawton mill currently has the capacity to produce approximately 275,000 tons of recycled paperboard annually. Production from the Lawton mill will be used both internally at all four of CXP s gypsum wallboard plants and sold to third parties. Although primarily designed for the production of gypsum-grade recycled paperboard, the Lawton mill is also capable of producing recycled paperboard for other uses.

Environmental Matters. Prior to the Strategic Assets Purchase, the now closed Commerce City, Colorado paper mill (the Commerce City Mill) had investigated the presence of subsurface petroleum hydrocarbons at the mill site and had retained an environmental consultant, who concluded that fuel oil, jet fuel, and gasoline additives had migrated in the subsurface of the property from an adjacent property. As a result of an additional subsequent investigation by the Commerce City Mill, there were uncovered newly discovered environmental conditions that appear to stem from underground storage tank use on the mill site. As a result, the Commerce City Mill notified the Division of Oil and Public Safety of the Colorado Department of Labor and Employment (the Oil Division). The Commerce City Mill and a former owner of the Commerce City Mill have entered into a participation agreement to respond to those conditions that appear to stem from historical underground storage tank use. Under the participation agreement, the Commerce City mill will pay 25% (with the former owner paying 75%) of the costs associated with the investigation and remediation efforts approved by both parties. The Company and the former owner have each approved and submitted to the Oil Division a Corrective Action Plan (the CAP) for the removal of the subsurface petroleum hydrocarbon at the Commerce City Mill. The CAP was approved by the Oil Inspection Section in calendar 2002. It is estimated that this CAP will cost approximately $2,500,000 and take approximately eight years to complete. Under the participation agreement, the Company will pay 25% (or approximately $625,000) of such estimated costs. There can be no assurance however, that the actual costs of remediation will not exceed these estimates.

Capital Expenditures. Capital expenditures during fiscal 2003 for the paperboard operations were $4.7 million and $2.7 million in fiscal 2002. Capital expenditures for fiscal 2004 have been estimated at approximately $4.8 million. All of the fiscal 2004 capital outlays are for the Lawton mill. Approximately 1% of the estimated fiscal 2004 capital outlays is related to compliance with environmental regulations.

Concrete and Aggregates Operations

Company Operations. Readymix concrete, a versatile, low-cost building material used in almost all construction, involves the mixing of cement, sand, gravel, crushed stone and water to form concrete which is then sold and distributed to numerous construction contractors. Concrete is produced in batch plants and transported to the customer s job site in mixer trucks.

The construction aggregates business consists of the mining, extraction, production and sale of crushed stone, sand, gravel and lightweight aggregates such as expanded clays and shales. Construction aggregates of suitable characteristics are employed in virtually all types of construction, including the

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production of portland and asphaltic cement concrete mixes and in highway construction and maintenance.

As in the cement industry, the demand for readymix concrete and aggregates largely depends on regional levels of construction activity. The construction sector is subject to the vagaries of weather conditions, the availability of financing at reasonable rates and overall fluctuations in regional economies, and therefore tends to be cyclical. Both the concrete and aggregates industries are highly fragmented, with numerous participants operating in local areas. Because the cost of transporting concrete and aggregates is very high relative to product values, producers of concrete and aggregates typically can sell their products only in areas within 100 miles of their production facilities. Barriers to entry in each industry are low, except with respect to environmental permitting requirements for new aggregate production facilities and zoning of land to permit mining and extraction of aggregates.

The Company produces and distributes readymix concrete north of Sacramento, California and in Austin, Texas. The following table sets forth certain information regarding these operations:

Location	Number of Plants	Number of Trucks
Northern California	4	44
Austin, Texas	5	78
Total	9	122

The Austin, Texas market, which is the Company s largest concrete market, was negatively impacted in fiscal 2002 and fiscal 2003 by the market conditions affecting technology companies. The Company s net readymix concrete production was 681,000 cubic yards in fiscal 2003 and 673,000 cubic yards in fiscal 2002. The Company believes that it has the capacity to increase its concrete production by adding to its fleet of trucks to meet increases in demand in the Austin, Texas market.

The Company conducts aggregate operations near its concrete facilities in northern California and Austin, Texas. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company and located in close proximity to its plants. The following table sets forth certain information regarding these operations:

Location	Types of Aggregates	Estimated Annual Production Capacity (Thousand tons)[1]	Estimated Minimum Reserves (Years)
Northern California	Sand and Gravel Limestone	2,000	100[2]
Austin, Texas		2,000	15[3]
Total		4,000	

(1) Based on single-shift operation.
(2) Owned reserves.
(3) Leased reserves.

The Company s total net aggregate sales were 4.2 million tons in fiscal 2003 and 4.3 million tons in fiscal 2002. Total aggregates production was 4.5 million tons for fiscal 2003 and 4.6 million for fiscal 2002. A portion of the Company s total aggregates production is used internally by the Company s readymix concrete operations.

In September 2002, the Company closed its Georgetown, Texas quarry and processing plant. The Company initially planned to utilize all or a substantial portion of the assets used in the Georgetown operations at its other facilities, although it was later determined that only a portion of

such assets were

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needed and the remainder should be sold. Assets written-off during the second quarter of fiscal 2003 as part of the closure totaled $2.6 million.

Raw Materials. The Company supplies approximately 100% and 28% of its cement requirements for its Austin and northern California concrete operations, respectively. The Company supplies approximately 47% and 33%, respectively, of its aggregates requirements for its Austin and northern California concrete operations. The Company obtains the balance of its cement and aggregates requirements from multiple sources in each of these areas.

The Company mines and extracts limestone and sand and gravel, the principal raw materials used in the production of aggregates, from quarries owned or leased by the Company and located near its plants. The northern California quarry is estimated to contain approximately one billion tons of sand and gravel reserves. Based on its current production capacity, the Company estimates its Austin, Texas quarry contains approximately 15 years of limestone reserves. Other limestone deposits are located in the immediate area of the Austin, Texas plant and may be obtained at reasonable costs when needed.

Sales and Distribution. The Company sells readymix concrete to numerous contractors and other customers in each plant s selling area. The Company s batch plants in Austin and northern California are strategically located to serve each selling area. Concrete is delivered from the batch plants by trucks owned by the Company.

The Company sells aggregates to building contractors and other customers engaged in a wide variety of construction activities. Aggregates are delivered from the Company s aggregate plants by common carriers, customer pick-up and, to a lesser extent, trucks owned by the Company. No single customer accounted for 10% or more of the Company s concrete or aggregates sales during fiscal 2003. The Company is attempting to secure a rail link from its principal aggregates deposit north of Sacramento, California to extended markets.

Competition. Competition among concrete producers within the Company s northern California and Austin selling areas is strong. The Company s competitors include five small and four large concrete producers in the northern California area and five large and five small concrete producers in the Austin area.

Both concrete and aggregates are commodity products. Each type of aggregate is sold in competition with other types of aggregates and in competition with other producers of the same type of aggregates. Accordingly, competition in both the concrete and aggregates businesses is based principally on price and, to a lesser extent, on product quality and customer service.

Capital Expenditures. Capital expenditures during fiscal 2003 amounted to $1.1 million for the concrete and aggregates segment compared with $10.6 million and $4.9 million in fiscal 2002 and 2001, respectively. The majority of fiscal 2002 capital expenditures are for the completion of the Company s Georgetown washed aggregate plant in the Austin, Texas area. Capital outlays in fiscal 2004 are estimated to be approximately $2.2 million. No portion of the estimated fiscal 2004 capital expenditures are related to compliance with environmental regulations.

Environmental Matters. The concrete and aggregates industry is subject to environmental regulations similar to those governing the Company s cement operations. None of the Company s concrete or aggregates operations are presently the subject of any local, state or federal environmental proceeding or inquiries.

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Employees

The Company and its subsidiaries, including the Joint Ventures, had approximately 1,529 employees at March 31, 2003. Approximately 24% of the employees are represented by collective bargaining units. The number of corporate employees of the Company is 12.

Additional Information

The Company s Internet website address is www.centex-cxp.com. The Company makes available on its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, as soon as reasonably practicable after such material is filed with, or furnished to, the SEC.

ITEM 2. PROPERTIES

The Company operates cement plants, quarries and related facilities at Buda, Texas; LaSalle, Illinois; Fernley, Nevada and Laramie, Wyoming. The Buda and LaSalle plants are each owned by separate partnerships in which CXP has a 50% interest. The Company s principal aggregate plants and quarries are located in the Austin, Texas area and Marysville, California. In addition, the Company operates gypsum wallboard plants in Albuquerque and nearby Bernalillo, New Mexico, Gypsum, Colorado and Duke, Oklahoma. The Company produces recycled paperboard at Lawton, Oklahoma. None of the Company s facilities are pledged as security for any debts.

See Item 1. Business on pages 1-17 of this Report for additional information relating to the Company s properties.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to certain other ordinary legal proceedings incidental to its business. In general, although the outcome of litigation is inherently uncertain, the Company believes that all of the litigation proceedings in which the Company or any subsidiary is involved, will be resolved without having a material adverse effect on the consolidated financial condition or operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF CXP (See Item 10 of Part III)

The following is a listing of the Company s executive officers, as such term is defined under the rules and regulations of the Securities and Exchange Commission. Except for Mr. Hirsch, who has been Chairman since 1994 and became Chief Executive Officer in April 2003, all of these executive officers have been employed by the Company and/or one or more subsidiaries of the Company for at least the past five years. Except for Mr. Hirsch who was appointed as Chief Executive Officer in April 2003 following the resignation of Richard D. Jones, Jr. and Mr. Essl, who was promoted to Executive Vice President in January 2003, all executive officers were elected by the Board of Directors of the Company at its Annual Meeting on July 16, 2002. Mr. Hirsch is not paid any compensation by CXP. All such officers shall serve until the next Annual Meeting of Directors or until their respective successors are duly elected and qualified or appointed as the case may be. There is no family relationship between any of these officers.

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Name	Age	Positions with CXP
Laurence E. Hirsch	57	Chairman and Chief Executive Officer (Chairman since April 1994; Chief Executive Officer since April 2003)
Arthur R. Zunker, Jr.	60	Senior Vice President Finance and Treasurer (Senior Vice President Finance and Treasurer since January 1994; Senior Vice President - Administration from August 1984 to January 1994)
Steven R. Rowley	50	Executive Vice President and Chief Operating Officer (Chief Operating Officer since April 2003; Executive Vice President - Cement/Concrete and Aggregates since January 2001; Executive Vice President Cement from January 1998 through January 2001; Executive V.P. of Illinois Cement Company from June 1995 through December 1997; Plant Manager at Nevada Cement Company from April 1991 through May 1995)
H. David House	61	Executive Vice President Gypsum and Paperboard (Executive Vice President Gypsum and Paperboard since November 2000; Executive Vice President Gypsum from January 1998 through 2000; President of American Gypsum Company since June 1997)
Gerald J. Essl	53	Executive Vice President Cement/Concrete and Aggregates (Executive Vice President - Cement/Concrete and Aggregates since January 2003; President of Texas Lehigh Cement Company from 1985 through December 2002)

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Prices and Dividends

	Fiscal Year Ended March 31, 2003			Fiscal Year Ended March 31, 2002		
Quarter	High	Low	Dividends	High	Low	Dividends
First	$45.25	$35.54	$0.05	$34.25	$25.70	$0.05
Second	$40.35	$32.57	$0.05	$34.80	$27.83	$0.05
Third	$37.70	$31.25	$0.05	$33.32	$28.05	$0.05
Fourth	$37.70	$32.45	$0.05	$39.90	$30.17	$0.05

The common stock of Centex Construction Products, Inc. is traded on the New York Stock Exchange (ticker symbol CXP). The approximate number of record holders of the common stock of CXP as of June 4, 2003 was 327. The closing price of CXP s common stock on the New York Stock Exchange on June 4, 2003 was $38.70

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ITEM 6. SELECTED FINANCIAL DATA

Summary of Selected Financial Data (unaudited)[1]
(amounts in thousands, except per share data)

	(Restated) For the Years Ended March 31,				
	2003	2002	2001	2000	1999
Revenues[2]	$429,178	$395,188	$367,206	$392,471	$310,596
Earnings Before Income Taxes	$ 86,613	$ 59,699	$ 92,263	$170,177	$121,127
Net Earnings	$ 57,606	$ 39,706	$ 59,429	$108,232	$ 77,289
Diluted Earnings Per Share	$ 3.11	$ 2.15	$ 3.22	$ 5.63	$ 3.71
Cash Dividends Per Share	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Total Assets	$706,355	$737,323	$788,885	$432,305	$359,926
Total Debt	$ 80,927	$182,380	$278,828	$ 400	$ 480
Stockholders Equity	$479,611	$427,832	$392,320	$340,472	$279,920
Average Diluted Shares Outstanding	18,524	18,461	18,473	19,211	20,832
Book Value Per Share At Year End	$ 26.09	$ 23.30	$ 21.40	$ 18.33	$ 14.18

[1] The Financial Highlights should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements for matters that affect the comparability of the information presented above.

[2] The Company adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during fiscal year 2001. As a result of this adoption, net revenues have been restated to include freight and delivery costs billed to customers. Previously such billings were offset against corresponding expenses in cost of sales.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fiscal Year 2003 Compared to Fiscal Year 2002

Overview. Unless otherwise noted, all reference to our annual results for the fiscal years ended March 31, 2003 and 2002 in Item 7, Management s Discussion and Analysis of Results of Operations and Financial Condition refer to our restated results for such period.

Information presented for Fiscal 2003 and 2002 reflects the grouping of Centex Construction Products businesses into four segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. Concrete and Aggregates are broken out separately in the segment discussions.

Commercial construction, which is a significant component of the demand for the Company s products, has declined dramatically and is expected to remain at its currently depressed level. A large portion of the decline relates to the completion of pre-9/11 projects and the absence of projects to replace them. Infrastructure activity (road building) is performing short of expectations. With highway construction funding softening, and the downturn in commercial construction activity, U.S. cement consumption for calendar 2002 was below calendar 2001 consumption. Congress recently approved

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Fiscal 2003 TEA-21 funding (highway funding) in excess of $31 billion. Budget constraints at the State level are likely to adversely affect the actual level of public works tendered in calendar 2003.

Although new housing and home repair activity remains strong, the gypsum wallboard industry experienced a softening in wallboard demand in the latter part of calendar 2002. While the industry reported a 1.8% increase in calendar 2002 consumption over calendar 2001 consumption, cumulative production volume at the Company s Gypsum Wallboard plants during Fiscal 2003 was 72% of its total capacity due to an over capacity situation in the gypsum wallboard industry. During September 2002, the Company implemented price increases of up to 15%; however, the price increase completely eroded by the end of calendar 2002 as monthly wallboard consumption from August 2002 to November 2002 was below the same months consumption for the prior year. Pricing continued to soften and then stabilized in January 2003. During March 2003, the Company implemented a price increase that eroded and implemented another price increase in May 2003. Longer term, the level of wallboard demand and prices will be determined by the strength of the housing market and wallboard industry utilization levels.

In Austin, Texas, which is the Company s primary concrete and aggregates market, the economy has been affected by weakened economic conditions which negatively impacted concrete and aggregates demand and pricing in the Austin market. On September 3, 2002, the Company announced the closing of its aggregates facility in Georgetown, Texas (near Austin, Texas).

The Company conducts two of its cement operations through joint ventures, Texas Lehigh Cement Company, which is located in Buda, Texas, and Illinois Cement Company, which is located in LaSalle, Illinois. For segment reporting purposes, the Company proportionately consolidates its 50% share of the cement joint ventures revenues and operating earnings, which, in accordance with FASB Statement 131, is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance. See Note F of this report for additional segment information.

Consolidated Results. Consolidated net revenues for Fiscal 2003 totaled $429.2 million, up 9% from $395.2 million for Fiscal 2002. Higher net sales prices in Gypsum Wallboard and Paperboard accounted for the majority of the revenue gain. Earnings before interest and income taxes of $96.2 million in Fiscal 2003 were up 31% from last fiscal year mainly due to a $22.6 million increase in Gypsum Wallboard operating earnings. Net interest expense of $9.6 million in Fiscal 2003 decreased $4.1 million from Fiscal 2002 due to lower interest rates and reduced debt levels. As a result of the foregoing, pre-tax earnings of $86.6 million were 45% above Fiscal 2002 pre-tax earnings of $59.7 million. The Fiscal 2003 effective tax rate of 33.5%, the same rate as in Fiscal 2002, resulted in Fiscal 2003 net earnings of $57.6 million, a 45% increase from $39.7 million in Fiscal 2002. Diluted earnings per share in Fiscal 2003 of $3.11 were 45% higher than the $2.15 for Fiscal 2002.

The following table compares sales volumes, average unit sales prices and unit operating margins for the Company s segments operations (see Note F):

	Sales Volume (thousands)		Average Net Sales Price (2)		Operating Margin (3)	
	2003	2002	2003	2002	2003	2002
Cement (Ton)	2,361(1)	2,441(1)	$ 66.84	$ 67.69	$ 23.17	$24.85
Gypsum Wallboard (MSF)	1,933	1,930	$ 87.12	$ 72.97	$ 14.07	$ 2.41
Paperboard (Ton)	225	210	$408.44	$398.13	$ 78.28	$47.49
Concrete (Cubic Yard)	681	673	$ 53.68	$ 55.93	$ 2.74	$ 3.71
Aggregates (Ton)	4,159	4,265	$ 4.51	$ 4.33	($0.51)	$ 0.45

(1) Total of wholly owned and proportionately consolidated 50% interest of joint ventures cement sales volume.
(2) As historically reported. Does not include freight and delivery costs billed to customers.
(3) Operating margins represent operating earnings as reported in Note F divided by sales volume.

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Cement. Cement revenues for Fiscal 2003 were $173.2 million, down 5% from $183.2 million for the prior fiscal year due to decreased sales volume and lower sales prices. Operating earnings of $54.7 million decreased 10% from $60.7 million in Fiscal 2002, which had been an all-time high, due to a 3% decrease in sales volume, an $0.85 ton sales price decline and a 2% increase in cost of sales. Cement sales volume of 2.36 million tons was 80,000 tons below Fiscal 2002 sales volume. The Company supplemented its Fiscal 2003 manufactured cement sales volume with 159,000 tons of purchased cement, down 98,000 tons from last fiscal year. All of the net sales volume decline came from purchased cement as all plants operated at their capacity and were sold out. According to the Portland Cement Association, calendar 2002 U.S. total cement consumption of 119.8 million short tons was 3% below calendar 2001 consumption. Cement imports of 26.5 million short tons in calendar 2002 were 6.5% below prior year s cement imports. CXP s Fiscal 2003 average net sales price of $66.84 per ton was 1% below Fiscal 2002 as lower pricing in the northern California and Texas markets was partially offset by higher pricing in the Company s other markets. Cost of sales of $43.67 per ton increased $0.83 per ton over Fiscal 2002 due to higher maintenance and energy costs.

Gypsum Wallboard. Gypsum Wallboard revenues of $212.8 million increased 16% from Fiscal 2002 revenues. Higher average sales prices resulted in the revenue gain. Operating earnings totaled $27.2 million in Fiscal 2003, up 486% from $4.6 million in Fiscal 2002. Increased sales prices, partially offset by a $2.49 per MSF increase in cost of sales, resulted in the earnings gain. Sales volume of 1,933 million square feet (MMSF) in Fiscal 2003 was level with Fiscal 2002 sales volume. The Company s wallboard plants ran at approximately 72% of total annual capacity during Fiscal 2003 and 70% in Fiscal 2002. The Company s plants are currently operating at less than full capacity. Excess production capacity continues to negatively impact industry utilization rates. U.S. wallboard consumption was 30.7 billion square feet in calendar 2002, the second highest level on record, up 1.8% from calendar 2001 consumption. Despite the erosion of the September 2002 price increase, Gypsum Wallboard s Fiscal 2003 average net sales price of $87.12 per thousand square feet (MSF) increased 19% from Fiscal 2002 s net sales price. Fiscal 2003 cost of sales of $73.06 per MSF increased 4% from last fiscal year s cost of sales due mostly to higher energy, paper and labor costs.

Paperboard. For Fiscal 2003, Paperboard reported revenues of $92.9 million and operating earnings of $17.6 million compared to revenues of $84.3 million and operating earnings of $10.0 million for Fiscal 2002. The operating earnings gain resulted from the combination of increased sales volume, higher sales prices and a 6% decrease in cost of sales. Included in Fiscal 2002 s operating earnings is a $2.3 million loss associated with the closing of the Denver mill in last fiscal year s first quarter. Paperboard sales volume of 225,000 tons for this fiscal year was 7% greater than last fiscal year s sales volume due mostly to the sale this year of an additional 10,000 tons of kraft paper. The Company is now supplementing its gypsum wallboard paper sales volume with lower priced non-gypsum paper sales volume. The average net sales price of $408.44 per ton for Fiscal 2003 increased 3% from last year s average sales price of $398.13 per ton due to higher sales prices for all grades of paper. Cost of sales of $330.16 per ton was $20.48 per ton lower than last fiscal year s cost of sales due to decreased maintenance and chemical costs.

Concrete and Aggregates. Revenues from Concrete and Aggregates were $56.6 million in Fiscal 2003, down 2% from $57.6 million in Fiscal 2002. The revenue decline resulted mostly from lower Concrete sales prices. The Austin, Texas market, which is the Company s largest concrete market, continues to be negatively impacted by a depressed local economy. Fiscal 2003 s operating loss of $268,000 declined 106% from operating earnings of $4.4 million in Fiscal 2002 mainly due to costs associated with the closing of the Georgetown quarry and lower Concrete and Aggregates operating margins. Concrete operating earnings of $1.9 million were 25% below Fiscal 2002 operating earnings due to a 4% decrease in sales prices, partially offset by a 3% decline in cost of sales. Concrete sales volume of 681,000 cubic yards in Fiscal 2003 was 8,000 cubic yards above Fiscal 2002 sales volume. Fiscal 2003 s concrete net sales price of $53.68 per cubic yard was 4% lower than $55.93 per cubic yard in Fiscal 2002 due to slow demand in the Austin, Texas market. Cost of sales of $50.94 per cubic yard

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decreased 3% from Fiscal 2002 due to decreased materials costs at the Texas operation. Aggregates reported a Fiscal 2003 operating loss of $2.1 million compared to a $1.9 million operating profit in Fiscal 2002. The earnings decline resulted from increased cost of sales along with costs associated with the closing of the Georgetown quarry. On September 3, 2002, the Company closed its aggregates quarry and processing plant in Georgetown, Texas. The decision to cease operations was due primarily to excessive manufacturing costs as well as to soft local market conditions. A portion of the plant and equipment will be deployed at the Company s other mining operations with the remainder to be sold. The amount written off during the second quarter of Fiscal 2003 from the closing was $2.6 million. Fiscal 2003 Aggregates sales volume of 4,159,000 tons was 3% below Fiscal 2002 due to a partial year of sales volume in Fiscal 2003 from the Georgetown operation. The average net sales price of $4.51 per ton for Fiscal 2003 was 4% higher than Fiscal 2002 due to the combination of less lower-priced Georgetown sales volume and higher sales prices at all other locations. Cost of sales (excluding Georgetown closure costs) increased 7% to $3.88 per ton in Fiscal 2003 due mostly to excessive Georgetown production cost prior to its closing.

Other Income. Fiscal 2003 other income of $2.6 million compares to a $0.8 million loss in Fiscal 2002. Included in the Fiscal 2002 loss is $0.6 million from recycled center losses and $0.6 million of expenses related to the early retirement of subordinated debt. Other income consists of a variety of items that are non-segment operating in nature and includes clinker sales income, non-inventoried aggregates income, gypsum wallboard distribution center income, recycled fiber collection centers losses, trucking income, asset sales and other miscellaneous income and cost items.

Net Interest Expense. Net interest expense of $9.6 million in Fiscal 2003 declined from $13.8 million in Fiscal 2002 due to declining debt balances and lower borrowing costs. Included in last fiscal year s net interest expense is $2.5 million of interest income relating to a note receivable that was collected during Fiscal 2002 s third quarter. Included in Fiscal 2003 s net interest expense is $0.9 million of cost associated with the early termination of one of the Company s interest rate swap agreements and the partial termination of the remaining interest rate swap agreement.

Income Taxes. The effective tax rate for Fiscal 2003 and 2002 was 33.5%.

Fiscal Year 2002 Compared to Fiscal Year 2001

Overview. Unless otherwise noted, all references to our quarterly results for fiscal year ended March 31, 2002 and 2001 in Item 7, Management s Discussion and Analysis of Results of Operations and Financial Condition refer to our restated results for such period.

Fiscal year 2002 marked the first full fiscal year of operating results from the Strategic Assets purchased in November 2000. The acquisition was accounted for under the purchase method of accounting. The principal assets acquired were a gypsum wallboard plant and a lightweight recycled paper mill.

Demand in the Company s two principal business segments, Cement and Gypsum Wallboard, was at and near all-time highs, respectively, in Calendar 2001. Although the Company reported record Gypsum Wallboard shipments, sales volume at each of the Company s three heritage Gypsum Wallboard plants was down from the prior year due to over capacity in the gypsum wallboard industry. This imbalance also negatively impacted gypsum wallboard pricing early in the fiscal year. During the middle of Fiscal 2002, the Company implemented price increases that held for the remainder of the fiscal year, and at fiscal year end, the Company implemented an additional 15% price increase. Longer term, the level of wallboard demand and prices will be determined by the strength of the housing market and wallboard industry utilization levels. The Austin, Texas economy, which is the Company s primary Concrete and Aggregates market, is being affected by weakening economic conditions, and as a result, Concrete demand was negatively impacted. Aggregates and Concrete demand is characterized by a high

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level of dependence on public (infrastructure) spending. Funding for highway construction projects has been and continues at a high level, and as a result, Aggregates and Concrete demand remains strong.

The Company conducts two of its cement operations through joint ventures, Texas Lehigh Cement Company, which is located in Buda, Texas, and Illinois Cement Company, which is located in LaSalle, Illinois. CXP owns a 50% interest in each joint venture and accounts for its interest under the equity method of accounting. See Note (B) to the Consolidated Financial Statements included in Item 8 for a discussion of the change in the method of accounting for the joint ventures. However, the results of operations information continues to be presented using the proportional method of accounting to reflect the Company s 50% share of the joint venture s revenues and operating earnings which is consistent with the method of accounting for the joint ventures historically used by the Company and with the way management organizes the segments within the Company for making operating decisions and assessing performance. See Note (F) of this report for additional segment information.

Consolidated Results. Consolidated net revenues for Fiscal 2002 totaled $395.2 million, up 8% from $367.2 million for Fiscal 2001. Increased sales volume in all segments, except Concrete, and higher net sales prices, except for Gypsum Wallboard, resulted in the revenue gain. Earnings before interest and income taxes of $73.3 million in Fiscal 2002 were down 23% from last fiscal year mainly due to a $22.5 million decline in Gypsum Wallboard operating earnings. Net interest expense of $13.8 million in Fiscal 2002 increased $11.2 million over Fiscal 2001 due to a full year of debt outstanding in Fiscal 2002. As a result of the foregoing, pre-tax earnings of $59.7 million were 35% below Fiscal 2001 pre-tax earnings of $92.3 million. The Fiscal 2002 effective tax rate of 33.5% resulted in Fiscal 2002 net earnings of $39.7 million, a 33% decline from $59.4 million in Fiscal 2001. Diluted earnings per share in Fiscal 2002 of $2.15 were 33% lower than the $3.22 for Fiscal 2001.

The following table compares sales volume, average unit sales prices and unit operating margins for the Company s segments operations (see Note F):

	Sales Volume (thousands)		Average Net Sales Price (2)		Operating Margin (3)	
	2002	2001	2002	2001	2002	2001
Cement (Ton)	2,441(1)	2,387(1)	$ 67.69	$ 67.65	$24.85	$25.21
Gypsum Wallboard (MSF)	1,930	1,584	$ 72.97	$ 91.12	$ 2.41	$17.11
Paperboard (Ton)	210	80	$398.13	$386.32	$47.49	$17.04
Concrete (Cubic Yard)	673	808	$ 55.93	$ 53.70	$ 3.71	$ 7.38
Aggregates (Ton)	4,265	4,009				