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SOBOCE: Turnaround and Growth in an Unstable Economy

On 10 August 2001, while being driven by his personal chauffeur to talk about his company to the students of a well-known MBA programme at a Catholic university in La Paz, Samuel Doria Medina, chairman and CEO of Sociedad Boliviana de Cemento (SOBOCE), was recalling his management experience over the past fourteen years as the top man in the firm he had inherited from his father.

He was also reviewing the future strategic challenges he and his company were facing. With a 65% market share in Bolivia's cement market in 2001, growth in the domestic market was becoming more and more difficult for the SOBOCE group. Likewise, Samuel's career as a leading politician was increasingly demanding his time and energy.

History

In 1987, Samuel Jr., then a 27-year-old university graduate with an MSc in Public Finance and a Diploma in Economic Development, both from the London School of Economics (LSE) as well as an undergraduate degree in

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This case was prepared by Professor Kimio Kase, Flavio Escobar, Professor of Universidad Católica Boliviana and Director of IIDEE, and Pedro Parada, Professor of ESADE, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. June 2005.

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economics from a US university, was working for a government think-tank[1]. One morning he received a telephone call from his father, asking him to come to his office in the upper part of La Paz.

On arriving at his father's office, Samuel was requested to work for SOBOCE. The young LSE graduate thought it might be an interesting experience to work for half a day a month for his father (perhaps even as member of the board), but the latter surprised him by telling him that he would be appointed Chairman and CEO of the then struggling cement company. Eventually Samuel Sr. stayed on as a close personal advisor to his son until his death in 2001. Indeed, Samuel Jr. had lunch every day at his father's place, even when he was a cabinet minister. The conversation at lunch included issues related to the company as well as those of general public concern. Samuel Jr. was the youngest child, and the only son.

Samuel Jr.'s work experience before UDAPE, the think tank, consisted of working as Director of Monetary Policy at the Ministry of Finance, and a short entrepreneurial stint launching a consultancy firm called Econométrica with Juan Antonio Morales (who later became Governor of the Central Bank) and Rolando Morales, who continued with the company. Samuel, Jr. also worked as a teaching assistant at the Bolivian Catholic University, and was well known for defending free and open markets when Latin American universities were still incubators of anti-free market movements.

SOBOCE was practically in bankruptcy in 1986, and had a negative market value. The situation was so critical that in Samuel Jr.'s words, "Some of the shareholders were literally trying to give away their shares as a gift to the others in order to avoid the huge potential problems."

SOBOCE in Samuel Sr.'s Time

SOBOCE, founded in 1925, originally belonged to the American WR Grace Group. The American corporation had had several business concerns in Bolivia since the beginning of the 20th century. After taking some courses in accountancy, Samuel Sr. joined the Grace Group as "the assistant to the assistant accountant" at Casa Grace (commercial branch) in Oruro in 1942, and ascended over the years to various major managerial positions[2]. In 1972, Samuel Sr., and other executives took over the Bolivian operations of the Grace Group through a management buyout (MBO), since the latter decided to withdraw from the country due to the severe economic situation and political turmoil. The MBO was instrumented by INBO, whose shareholders were the former executives of Grace & Co (Bolivia) SA, one of whom was Samuel Sr. During the 1970s, Samuel Sr. was INBO's CFO (Chief Financial Officer). INBO consisted of SOBOCE, Cotrans, and Casa Grace for different lines of business.

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[1] Unidad de Análisis de Políticas Económicas (UDAPE).

[2] Samuel, Sr.'s father died shortly after coming back from a war at the beginning of the 20th century. So, when Samuel Sr. was 15 years old, he had to leave school and find a job. His first job was as gatekeeper at a cinema. Years later, according to one of his daughters, his dream was "to leave US$100,000 to each of his seven children".

In 1980 INBO was split, and the ownership of SOBOCE, Cotrans (a shipping and forwarding company), and Casa Grace were concentrated in the hands of the Doria Medina and Villegas families. Samuel Sr. headed up Cotrans and Casa Grace, both of which were very profitable cash cows for the group. SOBOCE was managed by the Villegas family. In 1987, the Doria Medina and Villegas families swapped the management of these companies. As a consequence, as mentioned above, SOBOCE's management came under Samuel Doria Medina Jr. (who became Chairman replacing Hugo Villegas) and Casa Grace's was passed on to Javier Villegas. Samuel Sr. and his partner thought that Samuel Jr.'s intervention was the last ditch hope to rescue the company[3].

Bolivia's Economy

Bolivia is the smallest Spanish-speaking economy in Latin America. It has experienced two periods of economic growth in the recent past: one between 1971 and 1978, and the other between 1987 and 1998. In between, namely in 1979-1986 and 1999-2001, the country has undergone heavy recessions.

In the first period of recession (1979-1986) the country's GDP contracted. During the second period (1999-2001) the growth of the economy stagnated; furthermore, the elimination of smuggling and drug trafficking meant a fall of US$500 million in GDP. The country's GDP in 2001 was US$8,000 million. The population of Bolivia is approximately 8 million people.

40% of Bolivia's 8 million inhabitants are concentrated in its three main cities, La Paz, Santa Cruz and Cochabamba, which produce 80% of its GDP. Tables 1 and 2 show the GDP contribution by region and GDP growth respectively.

Table 1
Regional Contribution to GDP

	1988	1998
La Paz	26%	24%
Santa Cruz	25%	31%
Sucre	7%	5%
Tarija	5%	5%
Cochabamba	18%	17%
Others	19%	18%

Source: Müller & Asociados, *Estadísticas Socio-económicas* (2000)

[3] In 1992, the Villegas family sold all its stakes to the Doria Medina family, converting the latter into the major shareholder of the company. In 2000, the Doria Medina family owned a 53% stake in SOBOCE through CIMSA, the Doria Medina family's holding company, while the Commonwealth Development Corporation (CDC Capital Partners) had a 44.7% stake, and other minor shareholders had 2.3%. The Doria Medina family included Samuel Jr., his six sisters and their twenty children. Susana, Samuel Jr.'s youngest sister, studied economics at the Bolivian Catholic University and later joined Casa Grace as General Manager to then become SOBOCE's Executive Vice President. Six of Samuel Jr.'s nephews went to university to study Business Administration, Economics or Engineering. All of them obtained their degrees in the US or Europe. The eldest of the six, who had a Ph.D. in Economics, was thirty years old in 2001, whilst the youngest, 21 in 2001, had his B.A. in business administration.

Table 2
GDP Growth 1986-2000

1986	-2.49%
1987	2.60%
1988	3.00%
1989	3.80%
1990	4.60%
1991	5.30%
1992	1.70%
1993	4.30%
1994	4.70%
1995	4.70%
1996	4.40%
1997	5.00%
1998	5.20%
1999	0.40%
2000	2.40%

Source: UDAPE, *Dossier de Informaciones Estadísticas (1996)*; Müller & Asociados, Estadísticas Socioeconómicas (2000).

SOBOCE Under Samuel Jr.'s Chairmanship

SOBOCE's history under Samuel Jr.'s leadership can be classified into three different stages:

Stage I (1987–1991) Implicit Strategy

The first stage may be considered to be the accelerated apprenticeship period for Samuel Doria Medina. Upon taking over the chairmanship from Hugo Villegas, Samuel found that SOBOCE was facing multiple problems. Scepticism about Samuel's capability was not the least of them, though. So the newly-appointed chairman decided to set up an agenda to sort them out quickly, and to deal a master stroke in not more than three months in order to legitimise himself in the eyes of the principal stakeholders.

New Management Team

Instead of confronting the situation with the help of the existing management team, Samuel decided to introduce young blood, taking advantage of his years as a lecturer at the Bolivian Catholic University. Accordingly, he invited, among others, Flavio Escóbar, Carlos Nuñez, Jaime Navarro, Armando Gumucio and Geovanni Pacheco, all of whom were his economics students, to join SOBOCE.

This new management team imposed a different managerial style. Before they arrived at the company, it had a general manager who had been in charge of the plant for three years, during which time he had visited the plant only three times, twice during national holidays. Samuel and his new management team decided to visit the plant every Sunday; the decision lasted for seven years. On the other hand, the technical staff of the plant worked in shifts; a complete team of engineers stayed for 24 hours once per working week. Samuel always insisted on "number two" and "number three" being clearly defined for each team, in order for him to identify someone to work with at any time. The team stayed one complete weekend every five weekends. Samuel always worked on Saturdays and Sundays with his staff; he reasoned that “working on weekends means working one additional year every four years”.

Samuel took advantage of every chance to send a message across the board to the effect that management was always in control. For instance, years later, when Samuel became Minister of Planning and Coordination, he had to travel to Paris to attend a meeting with Bolivian creditors. Other ministers stayed for the weekend with their spouses, but he lost no time returning, going back home by Concorde from Paris to New York and then switching flights there to get to Bolivia as quickly as possible. As soon as he arrived at La Paz airport, he phoned his trusted manager, Flavio Escóbar, to drive him out to the plant. Samual slept all the way there, but upon arriving at the plant he woke up and yelled at the engineers who came to receive him and reprimanded them on the grounds that dust was coming out of a chimney. Without giving his engineers time to explain, Samuel asked Flavio to drive him back to La Paz and then to his home.

Neither Samuel nor his newly-recruited staff had any managerial experience. Flavio Escóbar, who was later appointed Finance Director, was a typical example. He had never worked in the finance or accounting fields. In order to cover up his inexperience, one day Flavio visited the then finance director’s office under the guise that he was a system expert and needed to learn the administrative procedure for office automation on how to draw up a letter of exchange, for example. The prior finance director called him the “*chico de computación*” (the computer boy). One week later, he turned up in the office as the new finance director, equipped with the knowledge he had acquired a week before. Exhibits 1 and 2 show the board of directors and executives of the company at different periods.

Arlabank Loan

In the meantime, the company was being suffocated under US$35,000,000 worth of debts. Arlabank (Arab Latin American Bank), one of the main creditors, was desperately pressing the company. The company was operating at 30% of its installed capacity. All these problems coincided with the country’s economic recession, worsened by the general wage increase and the fall in the price of cement.

Therefore, the first thing the new chairman and his staff undertook was a debt negotiation. Due to the Bolivian Government’s ban on the payment of foreign debts, the creditors were in general willing to renegotiate the terms of debts or even to cancel them.

On 18 February 1987, in Lima, Peru, SOBOCE signed an agreement with Arlabank by virtue of which SOBOCE would pay approximately US$800,000 to cancel more than US$8,000,000 worth of debts. This agreement obviously gave SOBOCE breathing space, and may be seen as the start of the plan of dealing master strokes within three months of taking up the chairmanship.

The Market Improvement

The hyperinflation process (20,000% cumulative inflation in a year) Bolivia had been suffering calmed down to 10.6% towards the end of 1987. The increase in the production of clinker from 50,884 MT (metric tonnes) in 1986 to 122,576 MT in 1987, price stability both in the sales price and the purchase price of raw materials, as well as that of spare parts, continued control of fixed costs, increasing demand and decreasing interest rates, among other factors, all helped SOBOCE to chalk up profits of US$1 million in the 1987 fiscal year.

Kiln Breakdown and Arbitration

On 12 July 1987, SOBOCE's main kiln cracked, which required US$500,000 for its repair. Samuel and his team were worried by the downtime (three to five months) that would cost an additional US$1.5 million. Through an arbitration process, the company managed to get the insurers to pay up US$1.6 million on the grounds that the damage which caused the crack in the kiln occurred because of the failure of the refractory bricks in the kiln.

A former executive of the company recalled this incident and commented that one of the reasons why they won the arbitration was that instead of presenting inch-thick documents in Spanish, they only submitted a 13-page allegation, compared to the 400-page document presented by the insurers. SOBOCE's document was written as an executive summary, trying to get to the point directly. It was revised and improved by Humberto Vacaflor, a journalist and the BBC correspondent for Bolivia.

SOBOCE's adversary was a leading insurance company in Bolivia, and its CEO was the "person who knew most about the insurance industry in Bolivia". During the process he called SOBOCE's chairman Samuelito (little Samuel), because he was a friend of one of Samuel's elder sisters, who was 15 years his senior. The insurer hired Bolivia's leading lawyer, who was once a cabinet minister.

SOBOCE hired a young lawyer who, according to Samuel, "was probably the first chap to wear an earring in Bolivia." Samuel guessed that the insurance company underestimated the young new management at SOBOCE. Anecdotal evidence of this general perception is that a leading consultancy firm recommended Samuel around this time to replace his "young and inexperienced staff" with more senior managers.

Workers' Lawsuit

That management was walking a tightrope was obvious, since the labour union advised by Dr. Aníbal Aguilar initiated a lawsuit for the damages allegedly suffered by workers due to management's negligence in attending to the workers' benefits recognised by the law before the issuing of Supreme Decree No. 21060 dated 29 August, 1985. The compensation demanded was a breathtaking US$45 billion. That was nine times Bolivia's external debt. The plaintiff decided not to erase the six zeros that should have been wiped out when Bolivia denominated its currency from pesos bolivianos to bolivianos (at a ratio of $b1,000,000 to 1 boliviano). SOBOCE management's conjecture was that this was "because they wanted to collect the fees for the trial as lawyers, and winning the lawsuit was not their goal."

CAF

One of the main creditors, CAF (Corporación Andina de Fomento), had assets worth US$100 million in 1988. So, its US$24 million credit to SOBOCE was of vital importance. Its president proposed to the Bolivian Government a grant of US$50 million if the Government paid SOBOCE's debt through the Banco del Estado, and that, moreover, CAF would deposit the amount paid in its account at the central bank. The Government accepted the proposal, and it issued a decree forcing SOBOCE to comply with its debt paying obligations.

In view of this situation, the workers thought that the company would go bankrupt, and required that their representatives intervene in the company's management.

Samuel reminisced years later:

"The interventor of the State and the workers' representative had their offices in front of mine. Therefore any issues, for example, the signing of a cheque, had to go through them first prior to reaching my desk."

On 23 September 1988, SOBOCE finally reached an agreement with the Banco del Estado to restructure the debts originally contracted with CAF (Corporación Andina de Fomento) and later taken over by the Banco del Estado to the tune of US$18,500,000 as follows:

- The said amount would be converted into SOBOCE's capital equity, increased by US$6,100,000 in concept of the defaulted interest payments and commissions.
- The principal repayment corresponding to 1987 and 1988 would be recognised at US$6,000,000 and would be paid by SOBOCE.

In the same year the emergence of the secondary market for debts convinced ALBA, SOBOCE's second largest creditor, to offer its cancellation in exchange for the payment of 8 cents for every dollar borrowed. The total debt amount thus cancelled was US$11 million. This successful operation signified the turning point for the company, since it enabled it to overcome its quasi-bankruptcy situation. This was also a turning point in Samuel Jr.'s career, since it impressed both the shareholders and "ancien-regime" managers who were sceptical about the young new management's capability.

Antipollution Measure

Around this time Samuel and his staff learnt that pollution prevention could be economically compatible with the company's P&L accounts. The two kilns (F.L.Smidth and Allis Chalmers) were strong polluting factors, sending tons of dust into the air every year. Installing filters in the chimneys not only avoided the contamination of the air but also allowed a reduction in the use of limestone, thanks to the recuperation of the dust, which is, after all, cement. The total investment was paid back in seven months.

Samuel's Agenda Revisited

Overall, the three months Samuel set for sorting out the problems ultimately took 24 months. Table 3 summarises Samuel Jr.'s agenda and actual achievements.

Table 3

Key Issue	Problems	Tasks
Put the company into order (20 months)	Debts, lawsuits, kiln breakdown	a) Arlabank negotiation b) Insurance arbitration c) Debt renegotiation (CAF, Banco del Estado) d) Workers' Union
Step forward (4 months)	Chalk profits	a) Increasing production b) Increasing sales c) Environmental policy (filter installation)
Consolidate		a) Building and consolidating the team b) Legitimising the team c) Being ready for a new stage

COBOCE vs. SOBOCE

Taking advantage of SOBOCE's financial problems, a competitor (COBOCE), with a 10% stake in SOBOCE, attempted a takeover, and began sending cement to La Paz in order to destabilise SOBOCE's market and eventually to force Samuel into selling the shares. SOBOCE counterattacked by making inroads into Cochabamba, the competitor's home base, by transporting cement there and selling it at a discount price 20% below the competitor's price.

The competitor at first did not take this measure seriously and it developed a publicity campaign to attack the favourable treatment received by SOBOCE from the Banco del Estado; pointing out that the Doria Medina family was the major beneficiary of this treatment, and that the competitor was a great social benefactor, for example, by asphalting the Irpa Irpa high way in Cochabamba. But with time it became clear that SOBOCE was in earnest. In the process, a well known journalist suggested that SOBOCE's cement should be used in public works, because it was cheaper, "even when brought from La Paz". COBOCE finally signalled its surrender and decided to sell its stake in SOBOCE to the Doria Medina family.

Limestone Supply Brought In-house

Another serious problem that the company faced was the negotiation process with the providers of the main raw material: limestone. The providers were hundreds of small peasants. They created five “providers’ unions” that squeezed SOBOCE, setting prices arbitrarily and changing the contracts at will. Furthermore, negotiators and legal representatives of the unions changed constantly, making it almost impossible to follow negotiations through.

The cement company decided to bring at least part of the provision of limestone in-house, in order to reduce dependency on the unions. The company managed to learn, and over the years the new company called Exmical (Explotación de Minerales Calcáreos) consolidated its base and mastered the skills needed for the business, and was finally capable of almost replacing the unions’ supplies. Notwithstanding, SOBOCE kept buying limestone from the unions. The limestone quarry near the La Paz Plant is estimated to have provisions for the plant’s full requirements for cement production for 950-1,000 years.

Stage II (1993 – 1998) Explicit Strategy

After a short spell (1991-1993) as a cabinet member of Jaime Paz Zamora’s government, occupying the position of Minister of Planning and Coordination, followed by Head of the Economic Cabinet, Samuel resumed his executive role at SOBOCE in September 1993, although he continued to be an active member of the MIR (Movimiento de Izquierda Revolucionaria) party, occupying its number two position and therefore being slated as a candidate for Bolivia’s presidency in 2007.

The Supply Side Situation in 1994

In 1994, the cement industry in Bolivia had six players, three of the most important of which were SOBOCE, COBOCE and Fancesa, based in La Paz, Cochabamba and Sucre, respectively, all with similar installed capacities of around 200,000 MT per year. Jointly they represented more than 60% of the supply capacity in Bolivia.

While SOBOCE was a private company, COBOCE was a cooperative, and Fancesa was a public sector owned enterprise, its shareholders being a regional government, a town-hall and a local state university.

The remaining three players were El Puente (100% state-owned), EMISA (acquired later by Fletcher Challenges Limited from New Zealand) and CAMBA (privately owned), with similar capacities at around 60,000 MT per year, and located in Tarija, Oruro and 500 km east of Santa Cruz, respectively.

Despite the existence of these six cement companies, there were also substantial imports from Brazil, Argentina and Peru to Santa Cruz, a city which was growing quickly and demanding more cement than the local producers could provide. The leading provider by far in Santa Cruz was Fancesa. **Exhibit 3** compares the Bolivian industry in 1990 and 2000, while **Exhibit 4** shows the map of regional competitors in 1987 and 2001.

Diversification/Concentration Strategy

Samuel Jr. always set store by the opinion of well-trained economists and consultants. Therefore, in 1993 he set up a consulting firm called CIS (Compañía Integral de

Consignaciones y Servicios) staffed by a team of economists who worked with him while he was in the government. Among these were Flavio Escóbar, Juan Carlos Requena, Mario Requena, José Luis Lupo and Geovanni Pacheco. They were assigned to study: (1) diversifying into other businesses; (2) expanding the cement operations geographically; (3) developing new improvement projects for the existing operations; and (4) conducting a search for strategic alliances.

One of the first initiatives was the creation of the Jisunú Foundation, with the aim of creating modern and progressive primary schools in the cities where SOBOCE operated. The budget was US$100,000 per year. The schools applied the educational reforms under way in the country. It should be noted that the educational reforms had been designed and promoted by Samuel and his team from the Ministry of Planning.

The second initiative was to buy up a newspaper that was in severe financial straits. The newspaper's board and ownership were formed by five important entrepreneurs, all from different economic and industry sectors (except for multimedia or communications). The first executive VP was José Luis Lupo, later appointed a cabinet minister. The newspaper was redesigned and greatly improved with the publication of the *Wall Street Journal Americas* for Bolivia, but it went bust in 1998, despite the intervention of four successive managerial teams considered to be top-class. What Samuel lost in money, however, he gained in the way of social recognition as a media tycoon.

The consulting firm explored a variety of business opportunities, including banking, drugstores, ceramics and hotels, among others. According to the main CIS executive "this team developed SOBOCE's growth strategy under the guidance and trust of Samuel". However, the cement industry was requiring more and more resources for new projects and it was finally decided that SOBOCE's resources would be concentrated in its mainstay activity.

Value-Based Management

A new management tool introduced after the return of Samuel to the presidency of SOBOCE was value-based management (VBM), on the basis of the value of the firm. He estimated that the company was worth US$10,000,000 in 1992. This valuation was based on the market value of the shares estimated in the last transaction. Since then all the company's efforts had been directed to the enhancement of the value of the firm, and the value of the firm was used as the general and basic guideline for its management and decision making. The link of such an indicator with the performance measurement of the managers was rather tenuous, though.

The importance of the company's total market capitalisation idea was brought home when SOBOCE bid for the acquisition of a cement plant (Cemento Yura) under the Peruvian privatisation plan in 1993. The bid was won by the consortium formed by SOBOCE and the Peruvian group Gloria (controlled by the Rodriguez Banda family, and whose main activities were the distribution of dairy products and transport) offering US$67,000,121. The second company in the bidding was Cementos Bío Bío (a Chilean Company, headed by

Hernán Brionez) with a US$62,500,000 million bid. The third offer was by Cementos Lima (controlled by the Rizo Patrón family) offering approximately US$42 million.

The fact that the base price was US$20 million and the final winning bid was US$67 million, namely three times the basic starting figure for the bids, taught SOBOCE the importance of the value of a firm. This was the first time that SOBOCE had used corporate metrics extensively to evaluate the price of a company.

Upon being awarded Cemento Yura, the Peruvian group Gloria broke its word and excluded SOBOCE from the operation. Unfortunately for SOBOCE, no formal agreement had been signed prior to the awarding. Samuel decided not to push too much in the direction of demanding an explanation from Gloria, since the awarded price seemed to him rather high.

Entry into the Santa Cruz Market

After the resumption of his active role as SOBOCE's chairman, Samuel committed himself to giving a continual push to the company's growth. In 1994, the US$7-million Warnes cement mill located in Santa Cruz, Bolivia's commercial capital, was opened. Although the Santa Cruz area lacked limestone, a basic material for the production of cement, SOBOCE found that the transport cost was not too high to move clinker from La Paz, due to the fact that the trucks transporting agricultural exports (especially soya beans), from Santa Cruz to La Paz had to return home without any cargo, and transport agents were happy to offer SOBOCE discounts of up to 50% per ton of clinker.

For the first years of operations Cemento Warnes had to import clinker from Argentina, until the Viacha plant expansion plan was completed in 1999. The clinker provider was a company based in Jujuy, Argentina[4].

The Santa Cruz town hall was reluctant to grant the construction licence to SOBOCE. The company had to move its project to the small city of Warnes, 23 km. north of Santa Cruz where the investment and job opportunities were greatly appreciated. SOBOCE also had to fight powerful cement importers who were trying to prevent the construction of the new plant in Warnes by influencing the environmental authorities. The conflict went on for eight months, and finally, after the direct intervention of Gonzalo Sánchez de Lozada, then President of Bolivia, environmental permission was granted.

In the meantime, Samuel and his staff decided to go ahead with the construction of the plant in the belief that: (1) the plant complied with the environmental standards of the European Union; (2) the country needed new investments; and (3) from the strategic viewpoint, the opening of a plant in Santa Cruz allowed SOBOCE to be the first mover in the most dynamic cement market in the country.

To attend the increasing demand for financial resources, the authorised capital increased from US$8.5 million to almost US$22 million in 1994 through the issue of 600,000 new shares with a US$22 face value. The paid-in capital grew from US$7.2 million to US$13 million in the same year.

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4 Juan Minnetti S.A.

Chilean Bío-Bío Takes a Stake

In 1995, Cementos Bío Bío, a Chilean enterprise controlled by the Brionez family, took a 30% stake in SOBOCE for US$15 million. The Chilean company had a market capitalization valued at US$800 million. Its stocks were floated on the stock market in Santiago de Chile. In the process, the Bolivian company was evaluated at US$50,000,000. Samuel recalls that Hernán Brionez, the former president of the Pinochet Foundation and chairman of Bío Bío Group was a bit worried when he noticed that Samuel was a member of MIR party; Samuel explained that the Bolivian MIR was a Social-Democratic party, unlike the Chilean MIR, which was a terrorist group.

In the same year, partly thanks to the expertise brought in by the Chilean partner, the company entered into the production of puzzolan cement and premixed concrete under the US "Ready Mix" brand name. The former offered significant technical advantages and lower costs, whereas the latter had important distribution channels in the US and Europe. In the case of Ready Mix the received wisdom was that "it is important not to make inroads in your clients' business". But then the cement companies might end up facing a monopsony or oligopsony. SOBOCE did not want to make a profit out of its premixed concrete operations; "the only way of making money in premixed concrete is serving big projects". The competitors were sceptical about the market's acceptance. However, all of them eventually followed suit and nowadays everybody produces and distributes it.

Kidnapping Incident

On November 1, 1995, Samuel Doria Medina was kidnapped by the Peruvian terrorist group MRTA (Movimiento Revolucionario Tupac Amaru). He remained in captivity for 45 days. The terrorists targeted him after he was outbid for the Cemento Sur privatisation process in Juliaca, in which he offered US$27.5 million with the Cementos Bío Bío partnership. The winner, Cemento Yura offered US$33 million[5].

Years later, when he was asked when he last felt really nervous despite his famous sang-froid, he answered in his characteristic blasé manner: "The last time I felt nervous was when the terrorist who kidnapped me pointed his gun at the back of my neck; I felt nervous because he was shaking so much that he was likely to pull the trigger by accident." However, when Samuel was set free, the UK crisis management consultant who advised the family and the company during this incident commented that he had never seen a kidnapping victim who came out of the kidnapping so calm and mentally unharmed. Incidentally, after he was set free he decided not to work on weekends anymore, in order to stay with his family.

The El Puente Acquisition and Other Projects

In 1997 SOBOCE acquired El Puente, its competitor in Tarija. El Puente had been privatised by the Bolivian Government. SOBOCE offered US$15.7 million. The second offer came from

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5 Peruvian government officials sustained that the US$1.4 million ransom paid by SOBOCE for Samuel's rescue might have financed the MRTA's assault on the Japanese Embassy in Lima one year later.

Cemento Yura (US$9.6 million). The plant had an installed production capacity of 60,000 MT of cement per year, and was located near Potosí and Chuquisaca. Its original owner was French. Thanks to this acquisition, SOBOCE was estimated to be worth US$70,000,000.

In order to finance part of its expansion plan, SOBOCE floated bonds in 1996 for US$10 million through the Bolivian stock exchange, in three tranches as shown in Table 4:

Table 4

	Series "A"	Series "B"	Series "C"
Sum	$3 million	$3.5 million	$3.5 million
Maturity	24 months	36 months	48 months
Interest rate	11.00%	11.50%	12.50%
Interest payment	Half-yearly	Half-yearly	Half-yearly
Principal repayment	At maturity	At maturity	At maturity
Underwriting	Yes	Yes	Yes

In 1996 SOBOCE managed to cancel all its remaining debts with the Banco del Estado. This cancellation made it possible for the company to clear the constraints imposed by the bank regarding the company's growth. The amount paid was US$9.8 million and was financed by the bond issue.

In order to improve its systems, the company contracted JD Edwards, which had Cementos Mexicanos (CEMEX) among its clients. This systems improvement plan would take two years and in its first phase would affect the Accounting, Payables, and Fixed Assets modules, while in the second phase it would affect the Receivables, Inventories, Sales, Treasury, HR, Payrolls, Supply, Purchase, Work in progress and Production and Maintenance modules.

After extensive debate on the optimal plant location, 1998 and 1999 saw the amplification and modernisation of the Viacha Plant in La Paz (from 210,000 MT of clinker per year to 510,000 MT) as well as the acquisition of a 33.34% stake at Fancesa for US$26 million. Fancesa had a US$30 million expansion project that SOBOCE wanted to supervise directly.

The Viacha project was initially designed for Cochabamba. It was supposed to produce clinker for Warnes, and later it would also develop a cement mill terminal. The supplier of the new Kiln for Viacha was F.L. Smidth. The new plant was designed for easy and quick expansion in the future. Within less than two months the plant would be expanded from 300,000 MT to 600,000 MT annual production capacity.

The minimum efficient scale at the time was considered to be 1,000 MT per day, and the effective radius of influence of any cement plant was 600 km to 1,000 km, depending on the plant, transportation costs, and relative efficiency (measured against direct competitors).

The financing for both projects (the Viacha expansion and Fancesa's takeover) came from CAF, CDC and other private banks in Bolivia. All of them asked Samuel Doria Medina to sign a commitment to keep control of the company until the debts were fully paid. Furthermore, they managed to find legal mechanisms to make this mandatory. **Exhibit 5** shows SOBOCE's current operations. **Exhibits 6** and **7** show summaries of the balance sheets and profit and loss accounts.

New Organisational Structure

In 1997 and 1998 SOBOCE contracted Arthur Andersen's Chilean office to design a new organisational structure. The former organisational structure was functional; the new organisational chart appears in **Exhibit 8**. Besides designing a new organisational chart, the consulting firm developed specific tasks for key positions, decision matrices that define the scope for decision making, key variables for control and performance measurements to evaluate executives and personnel.

According to the 1999 stockholders' report "the new human resources policy also includes systems for recruiting and/or promotions. These systems evaluate the professional knowledge, the psychological profile, the competence, cultural fit to the company, his/her experience and skills". SOBOCE had 549 employees that year: 27 executives, 97 engineers and technical staff, 231 administrative and commercial personnel, 186 plant-workers and 8 external contractors.

SOBOCE's Valuation in 1999

SOBOCE's value was estimated at US$90,000,000 in 1999 by the French company Lafarge, one of the largest cement companies in the world, which sent a letter to Samuel Doria Medina offering that very sum for a 100% stake in SOBOCE.

In 1999 the Doria Medina family also decided to set up a company to take up some food-chain franchises. The company, Bolivian Foods, quickly reached an agreement with Burger King. Bolivian Foods was appointed as the sole Burger King franchisee in Bolivia. Between 1999 and 2000 the company opened two restaurants in La Paz, one in Santa Cruz and the other one in Cochabamba.

When Samuel was asked in a conference about the rationale for having a cement business and a hamburger business, he answered "fast food is a growing business that does not provide quick paybacks, but grows in the long term; and that is a new business that might be appropriate to leave to my family when I retire from SOBOCE."

Stage III (1999 – and on) Towards Globalisation

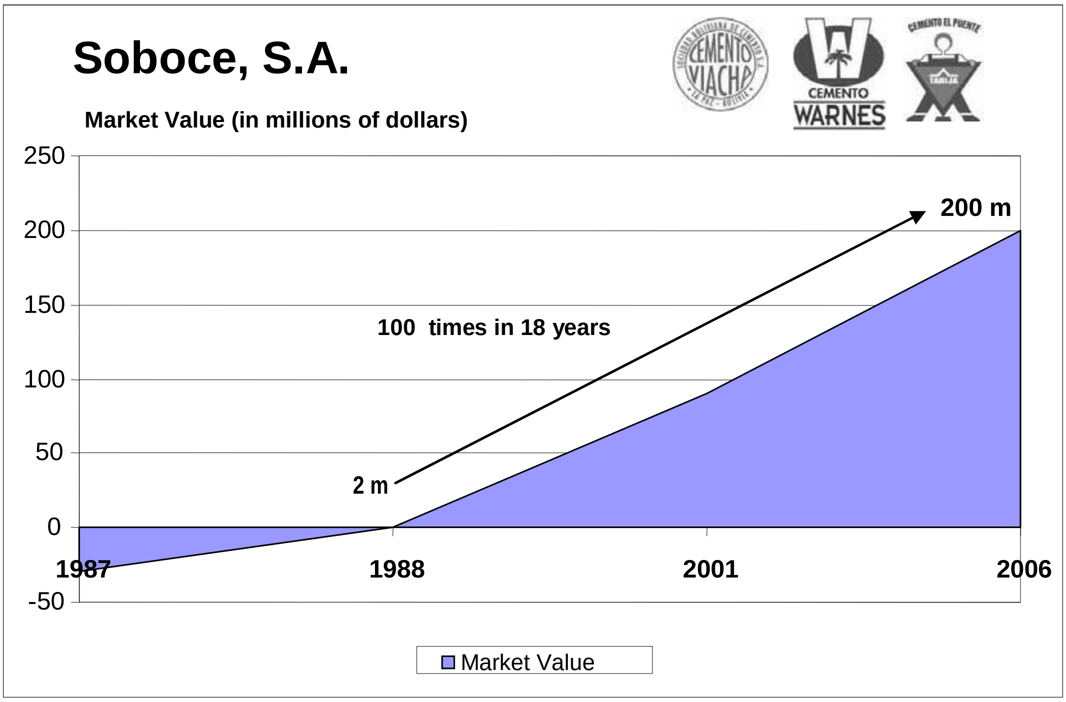
Upon entering the third stage of his chairmanship, Samuel Doria Medina's plan was to increase the value of the firm as shown in Table 5 and Graph 1:

Table 5
Stage III. Towards Globalisation

Market Value	
1997	US$ 70,000.00
1999	US$ 90,000.00
2001	US$ 90,000.00
Forecast	
2002	US$ 100,000.00
2005	US$ 180,000.00
2006	US$ 200,000.00

Source: Presentation, SOBOCE's strategic plan (2001)

Graph 1



Source: Presentation, SOBOCE's strategic plan (2001)

Samuel's idea was to make SOBOCE the most profitable company in Bolivia, as well as to make its market capitalisation the largest in the country through consolidating its presence in both Bolivia's Western and Eastern Territories. This would be followed by its entry into the northern region of Chile and the southern part of Peru. Thus SOBOCE would become one of the major players in the region's cement industry as a regional MNC. In the words of Samuel "...then we might sit at the same table with Fabio de Moraes in Brazil or Fortabat's in Argentina".[6]

In this vein, Samuel Doria Medina dropped a hint to INACESA, a cement company in Antofagasta in the north of Chile and Yura, a cement company based in Arequipa in the south of Peru, that SOBOCE would be willing to buy them, if they ever decided to sell. According to Samuel "La Paz is the main city of the region in terms of economic and demographic influences." Samuel believed that the radius of action for SOBOCE was a "one hour flight". Santa Cruz, Sucre, Tarija, Antofagasta and Arequipa are an hour's flights from La Paz.

The Entry of a New Shareholder

In 1999, Cementos Bío Bío sold its US$30 million stake with a US$15 million capital gain. The new shareholder who took over was Commonwealth Development Corporation (CDC Capital Partners) from the UK. Samuel met executives from CDC at a dinner at the British Embassy which he attended as an LSE alumnus. The investment in SOBOCE was its largest operation in the world, since its bylaws forbade it from disbursing more than US$50 million on any single investment. Lafarge was also interested in buying shares from SOBOCE, and in fact its offer was US$3 million higher. However, Samuel chose CDC because it was a financial partner.

The Viacha Plant and the Fancesa Acquisition

That same year, the amplification of the Viacha Plant was completed with an investment of US$50 million. It became a state-of-the-art factory comparable to any modern plant in any other developed country.

A 33.34% stake in Fábrica Nacional de Cemento (Fancesa) was acquired in 1999 for US$27.14 million, which allowed SOBOCE to take control of the management of the acquired company. The seller of the share package was the Chuquisaca Prefecture regional government (US$26 million). The balance corresponded to the payment of the commissions to Panamerican Securities and Deutsche Bank. The operation was financed by a bank syndicate lead-managed by Banco Mercantil at an 11% annualised interest rate for 180 days. The ultimate source of financing for the operation was the liquidity derived from CDC's subscription of preferential shares as well as the issuance of SOBOCE III bonds. One day before the payment to the government, one of the syndicated banks decided to

[6] These families controlled two of the largest cement companies in South America, Itaú Votorantim (Brazil) and Loma Negra (Argentina).

withdraw. The lead-managing bank decided to provide bridge loans to SOBOCE's executives until another financing entity was found.

In April 2000, SOBOCE floated US$30 million worth of bonds, the largest floatation ever carried out in Bolivia. According to Samuel "it was right on time because one month later the country went into a severe economic recession that did not allow any other company to issue bonds for more than a year". The floatation was made possible thanks to the A1 classification from Peru's Duff & Phelps. **Exhibit 9** shows a summary of milestones.

The Future

Samuel had recently rejected a second offer from Lafarge, one of the largest cement companies in the world, based in France, for 100% of the ownership of SOBOCE. The price they offered was US$90 million. Samuel commented that "in Bolivia SOBOCE is the key player in the cement industry," so, any new entrant would have to form an alliance or buy SOBOCE.

As mentioned above, the creditors made him sign a contract under which he was constrained not to leave the company. Furthermore, the contract contemplated coercive measures that would force him to come back if he ever left the company. Accordingly, Samuel had to stay at the company until 2006, when the loans that the company acquired for the expansion of Viacha and other acquisitions were completely paid.

Samuel was also aware that sooner or later he might become president of the country. He thought that 2006, one year before elections, would be good timing to retire from SOBOCE and devote himself to politics full time. By then he would be 47 years old.

At least three issues concerned him. First, he knew that a 65% market share would not be sustainable in the long term. Antitrust laws would sooner or later be enforced. So, how should the business in Bolivia be divided, among how many players? Should he and his family remain in the business or should they sell the company?

If his family kept the company, how should he choose his successor? He knew that only one out of ten family businesses survived the handover from the second to the third generation.

Finally, in any case, how could he continue creating value at such a fast pace?

Exhibit 1
Board of Directors

1999	Samuel Doria Medina Auza (Chairman) Carlos Calvo Oscar Bonifaz Carlos Woolgar (CDC) Claudio Lapostól (Bío Bío) Carlos Gerke Francisco Muñoz Luis Gutiérrez Armando Gumucio
1998	Samuel Doria Medina Auza (Chairman) Carlos Calvo Oscar Bonifaz Hector Gómez (Bío Bío) Claudio Lapostól (Bío Bío) Carlos Gerke Francisco Muñoz Luis Gutiérrez Armando Gumucio
1996	Samuel Doria Medina Auza (Chairman) Carlos Calvo Oscar Bonifaz Hector Gómez (Bío Bío) Claudio Lapostól (Bío Bío) Eduardo Quintanilla Flavio Escóbar Francisco Muñoz Armando Gumucio
1994	Samuel Doria Medina Auza (Chairman) Carlos Calvo Oscar Bonifaz Federico Ruck Flavio Escóbar Tomás Elío Carlos Téllez
1993	Samuel Doria Medina Auza (Chairman) Carlos Calvo Federico Ruck Humberto Vacaflor Flavio Escóbar Tomás Elío

Exhibit 1 (continued)

1990	Samuel Doria Medina Auza (Chairman) Carlos Calvo Federico Ruck Gustavo Luna Humberto Vacaflor Hugo Villegas Tomás Elío
1989	Samuel Doria Medina Auza (Chairman) Carlos Calvo Javier Villegas Hugo Villegas Tomás Elío Antonio Fernández Francisco Muñoz Carlos Téllez
1986	Samuel Doria Medina Auza (Chairman) Oswaldo Irusta Miguel Fabbri Javier Villegas Jaime Zapata Federico Mercado

Exhibit 2
Executives

1999	Executive VP	Susana Doria Medina
	Administration/Finance	Armando Gumucio
	Commercialization	Carlos Núñez
	Production/Maintenance	Germán Cernadas
	Management Control	Juan Carlos Requena
	Ready Mix	Geovanni Pacheco
	Exmical	
	Fancesa	Jaime Navarro
	El Puente	
	Warnes	
1998	Executive VP	Susana Doria Medina
	Administration/Finance	Armando Gumucio
	Commercialization	Luis Alvéstegui
	Production	Carlos Núñez
	Maintenance	Alvaro Navarro
	Management Control	Juan Carlos Requena
	Special Projects	Flavio Escóbar
	Ready Mix	Geovanni Pacheco
	Exmical	
	El Puente	Jaime Navarro
	Warnes	Ramiro Argandoña
1996	Executive VP	Susana Doria Medina
	General Manager	Carlos Núñez
	Administration/Finance	Armando Gumucio/Carlos Téllez
	Commercialization	Rene Sánchez
	Production	Arsenio Lamas
	Maintenance	Rodolfo Paredes
	Ready Mix	Geovanni Pacheco
1991	Executive VP	Susana Doria Medina
	Operations VP	Flavio Escóbar
	Administration/Finance	GeovanniPacheco/Carlos Núñez/Carlos Téllez
	Commercialization	Jaime Navarro
	Production	Jorge Prudencio
	Maintenance	Rodolfo Paredes
1990	Operations VP	Flavio Escóbar
	Commercial VP	Susana Doria Medina
	Administration/Finance	Geovanni Pacheco/Carlos Núñez/Carlos Téllez
	Commercialization	Jaime Navarro
	Production	Jorge Prudencio
	Maintenance	Rodolfo Paredes
1986	Administration/Finance	Flavio Escóbar/Carlos Téllez
	Production/Maintenance	Miguel Abdo

Exhibit 3

Bolivian Cement Industry

1990 Cement

Company	Capacity		Production		Capacity used	Sales		
						Total		Exports
	MT	%	MT	%	%	MT	%	
SOBOCE - VIACHA	288,000	41%	195,551	35%	68%	187,103	34%	
FANCESA	244,000	35%	209,249	37%	86%	207,553	38%	
COBOCE	105,000	15%	121,914	22%	116%	120,231	22%	
CEPSA	60,000	9%	34,674	6%	58%	34,674	6%	
TOTAL	**697,000**	**100%**	**561,388**	**100%**	**81%**	**549,561**	**100%**	

Clinker

Company	Capacity		Production		Capacity used
	MT	%	MT	%	%
SOBOCE - VIACHA	210,000	35%	187,690	36%	89%
FANCESA	240,000	40%	204,404	39%	85%
COBOCE	100,000	16%	103,081	20%	103%
CEPSA	57,000	9%	33,409	5%	59%
TOTAL	**607,000**	**100%**	**528,584**	**100%**	**87%**

Cement 2000

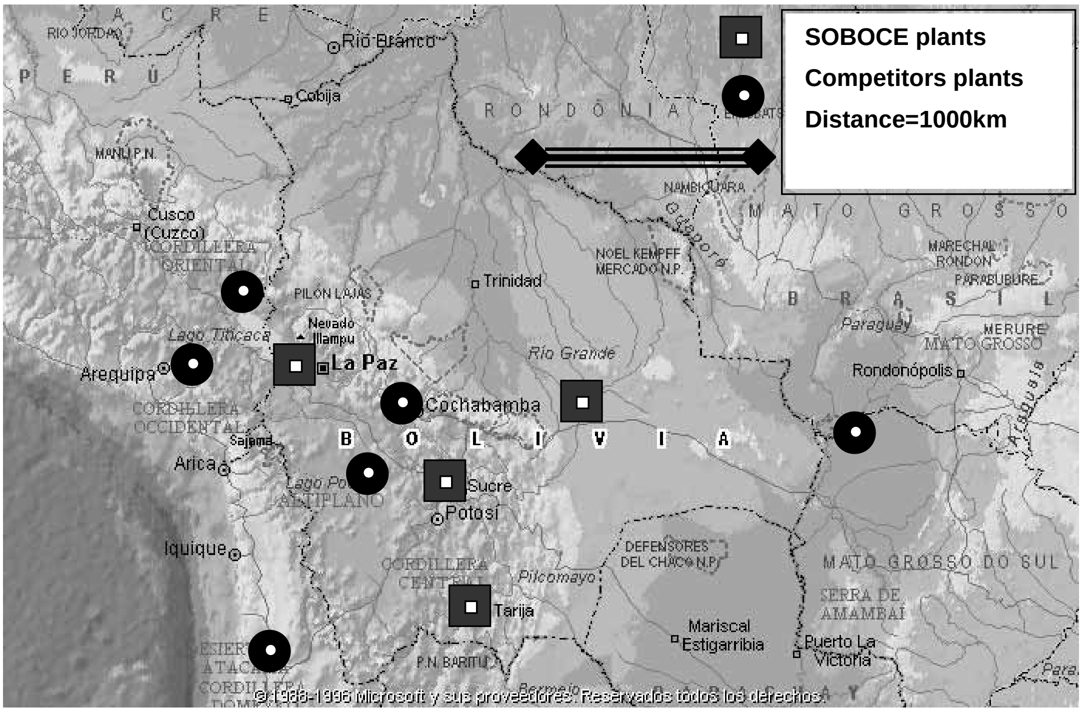
Company		Capacity		Production		Capacity used	Sales		Export	
							Total		Total	
		MT	%	MT	%	%	MT	%	MT	% S/Tot Nac.
SOBOCE	Viacha	302,400	20%	292,529	27%	97%	272,738	26%	21,686	2%
	Warnes	180,000	12%	67,627	6%	38%	67,384	6%		
	CEPSA	60,000	4%	65,471	6%	109%	64,675	6%		
	TOTAL	**482,400**	**32%**	**425,627**	**40%**	**88%**	**404,797**	**39%**	**21,686**	**2%**
FANCESA		334,000	22%	265,390	25%	79%	268,267	26%		
COBOCE		300,000	20%	229,745	21%	77%	221,187	21%		
ITACAMBA		180,000	12%	67,991	6%	38%	71,291	7%		
EMISA		190,000	13%	83,188	8%	44%	80,926	8%		
TOTAL		**1,486,000**	**100%**	**1,071,941**	**100%**	**72%**	**1.046,469**	**100%**	**21,686**	**2%**

Exhibit 3 (continued)

Company		Capacity MT	Capacity %	Production MT	Production %	Capacity used %
SOBOCE	Viacha	505	39%	227,996	27%	45%
	Warnes	0	0%	0	0%	0%
	CEPSA	57	4%	65,471	8%	115%
	TOTAL	**562**	**44%**	**293,467**	**35%**	**52%**
FANCESA		285	22%	274,123	32%	96%
COBOCE		300	23%	219,932	26%	73%
ITACAMBA		0	0%	0	0%	0%
EMISA		133.2	10%	61,513	7%	46%
TOTAL		**1,280,200**	**100%**	**849,035**	**100%**	**66%**

Exhibit 4

Cements Plants in 2001



Cements Plants in 1987

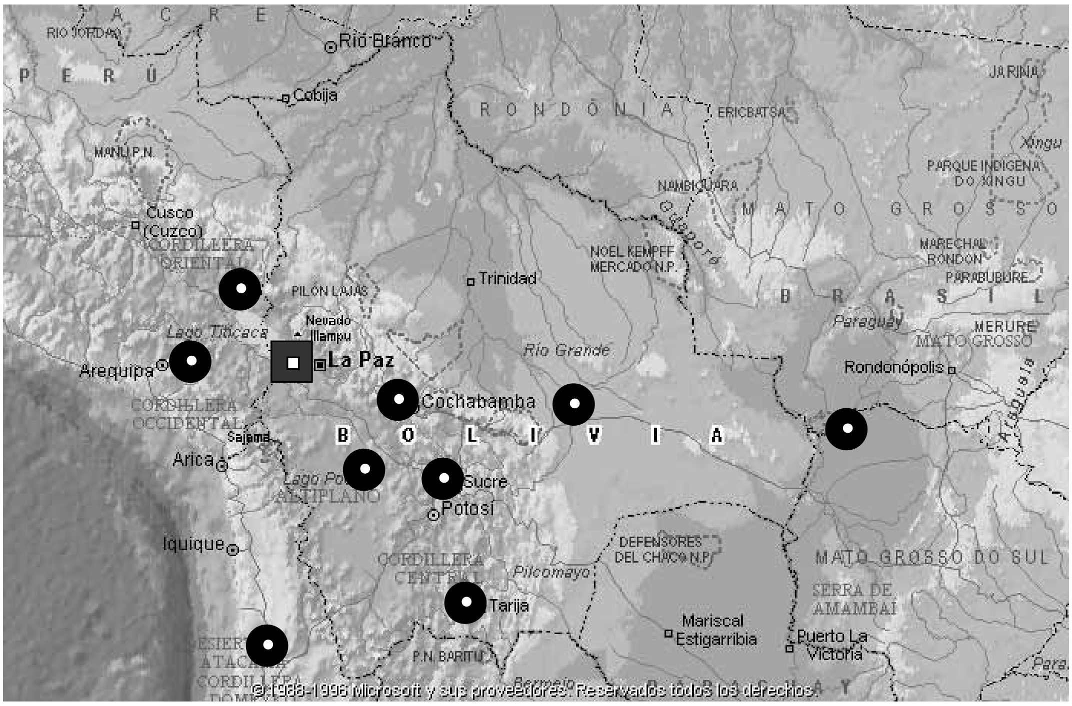


Exhibit 5
Data on SOBOCE

Company activity

The principal activities of SOBOCE SA are the production and sale of cement. Its scope includes: (1) the exploitation of quarries providing limestone, clay, gypsum, iron oxide, puzzolan, among other raw materials (through a company called Exmical); (2) the production of three types of cement; (3) the distribution and sale of cement in bags, in premixed concrete (through a company called Ready Mix) and bulk cement.

Plants

The firm produces cement at four plants: Viacha in La Paz, Warnes at Santa Cruz, El Puente at Tarija, and Fancesa, a subsidiary company.

The Viacha Plant has an installed capacity of 510,000 MT of clinker per year and 500,000 MT of cement per year, and is 35Km from downtown La Paz.

This plant was the first production unit SOBOCE installed in 1928, with a line producing 2,000 MT of clinker per year.

Warnes Plant, 25Km from downtown Santa Cruz, is composed of a grinder terminal capable of producing 180,000 MT of cement per year.

El Puente Plant, located at 100Km from downtown Tarija, is equipped with a production line capable of producing 55,000 MT of clinker per year and 60,000 MT of cement per year.

La Fábrica Nacional de Cemento (Fancesa) was taken over in September, 1999 after a 33.34% stake was acquired by SOBOCE, which started to manage it in October of the same year. 65% of the Bolivian cement market was controlled by the two firms.

Product lines

Normal cement (I-30): high resistance cement for general use, especially recommended for applications requiring initial and final high resistance.

Special cement (IP-40): high resistance cement for general use, especially recommended for applications requiring initial and final high resistance. Unlike I-30 this cement has additional characteristics that enrich its applications.

Standard cement (IP-30): cement for general use and application, of medium resistance, especially recommended for works where the requirement is one of normal resistance.

Exhibit 6
Balance Sheet (in US$ millions)

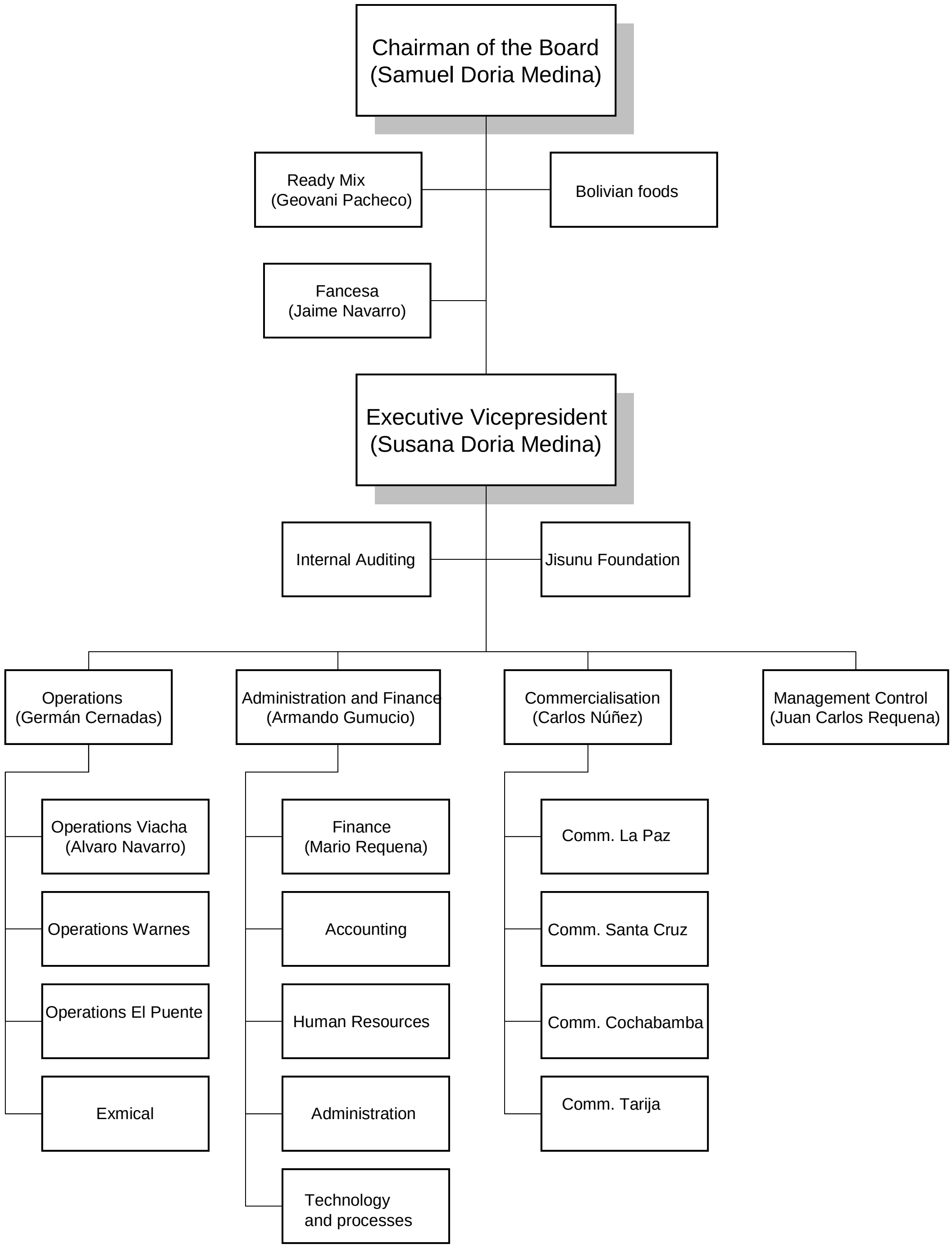
Year	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
TOTAL ASSETS	**1475**	**120.2**	**119.4**	**76.5**	**53.7**	**42.9**	**41.4**	**40.0**	**38.2**	**37.3**	**38.2**	**44.7**	**43.0**	**49.2**	**48.0**
Current assets	**19.2**	**22.1**	**22.0**	**18.4**	**6.6**	**9.9**	**13.1**	**13.3**	**12.5**	**9.0**	**9.0**	**7.6**	**6.0**	**11.1**	**6.0**
Cash and bank	4.6	2.7	2.7	0.0	0.6	1.4	1.4	2.7	1.2	1.6	2.7	1.8	0.0	0.0	0.0
Marketable securities	0.3	6.0	6.0	9.9	0.7	0.0	4.7	3.8	5.3	1.7	0.0	0.0	0.5	2.3	0.0
Receivable accounts	4.9	4.3	4.2	1.3	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Other receivables	2.4	3.4	3.3	1.0	0.8	0.3	0.2	0.2	0.3	0.4	1.1	0.4	0.2	0.2	0.0
Inventories	6.4	4.1	4.1	4.0	3.4	7.2	6.7	6.4	5.5	4.9	5.1	5.2	5.1	8.3	6.0
Prepaid expenses	0.7	1.6	1.6	2.2	0.5	0.8	0.1	0.2	0.2	0.3	0.1	0.1	0.1	0.0	0.0
Non current assets	**128.3**	**98.1**	**97.4**	**58.1**	**47.1**	**33.0**	**28.3**	**26.7**	**25.7**	**28.3**	**29.2**	**37.1**	**37.0**	**38.2**	**41.0**
Other receivable accounts	0.1	2.4	2.4	1.6	5.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed investments	16.8	1.4	1.4	10.1	11.6	2.5	1.1	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0
Fixed assets	95.0	94.0	93.4	46.1	29.8	29.7	27.0	26.6	28.0	28.0	29.1	37.1	37.0	38.1	41.0
Deferred expenses	1.9	0.1	0.2	0.3	0.4	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill - Turnkey Value	14.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIABILITIES AND SHAREHOLDERS EQUITY	**147.5**	**120.2**	**119.4**	**76.6**	**53.7**	**42.9**	**41.4**	**40.0**	**38.3**	**37.2**	**38.2**	**44.7**	**43.0**	**49.3**	**46.0**
Current liabilities	**22.9**	**10.9**	**10.9**	**3.6**	**19.0**	**5.1**	**4.5**	**4.6**	**4.9**	**4.9**	**5.0**	**4.1**	**3.6**	**9.0**	**13.0**
Payable accounts	4.3	2.5	2.5	1.2	2.5	1.5	0.8	1.0	1.7	1.7	2.1	1.6	1.4	1.0	0.0
Bank loans	16.5	6.0	6.0	0.1	15.6	1.9	2.2	2.4	2.1	2.0	2.1	1.7	1.6	7.4	12.0
Payable taxes	0.8	1.1	1.1	1.6	0.3	1.0	0.9	1.0	0.6	0.7	0.4	0.6	0.4	0.4	0.0
Other debts	1.3	1.3	1.3	0.6	0.7	0.7	0.7	0.2	0.4	0.4	0.3	0.3	0.2	0.2	0.0
Non current liabilities	**70.1**	**64.0**	**63.5**	**39.4**	**8.9**	**11.1**	**13.2**	**15.5**	**17.3**	**18.9**	**21.5**	**23.6**	**24.1**	**25.6**	**19.0**
Bank loans	68.3	62.1	61.7	37.9	7.8	10.3	12.5	14.7	16.6	18.3	21.0	23.2	23.7	25.0	19.0
Provisions for indemnities	1.8	1.9	1.8	1.5	1.1	0.8	0.6	0.8	0.7	0.6	0.5	0.4	0.4	0.5	0.0
Shareholders' equity	**54.5**	**45.3**	**45.0**	**33.6**	**25.8**	**26.7**	**23.7**	**19.9**	**16.1**	**13.4**	**11.7**	**17.0**	**15.3**	**14.7**	**14.0**
Paid-in capital	31.3	29.0	30.7	24.6	11.8	12.4	13.0	7.2	7.9	8.6	9.7	11.5	12.6	9.7	11.0
Reserves	17.1	10.3	8.4	5.5	3.6	2.6	1.7	1.8	0.9	0.1	-0.8	4.3	1.8	4.0	0.0
Accumulated profits	6.1	6.0	5.9	3.5	10.4	11.7	8.9	10.9	7.3	4.7	2.7	1.2	0.9	1.0	2.0

Exhibit 7
Profit and Loss Account (in US$ millions)

Year	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Net sales	**35.05**	**41.97**	**41.67**	**33.40**	**31.76**	**29.57**	**26.83**	**24.88**	**22.47**	**21.36**	**17.02**	**14.03**	**11.26**	**9.51**	**8.10**
Cost of goods sold	20.38	26.58	26.39	19.15	23.21	18.88	16.11	14.93	14.54	13.29	9.36	7.92	8.14	5.97	3.90
Gross margin	**14.67**	**15.39**	**15.27**	**14.25**	**8.55**	**10.68**	**10.72**	**9.95**	**7.93**	**8.07**	**7.66**	**6.11**	**3.13**	**3.54**	**4.10**
Expenses:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Administration	5.18	5.32	5.27	5.10	3.15	3.62	3.04	3.65	2.64	2.52	3.45	1.29	1.07	0.63	0.40
Sales	6.82	5.98	5.94	3.25	4.09	4.05	3.48	2.65	2.29	2.69	1.44	0.92	1.03	0.92	1.10
Financial	5.38	1.74	1.74	2.10	0.87	0.70	0.80	0.63	0.71	1.17	1.51	1.84	0.00	1.70	2.40
Operational profit/(loss)	**-2.72**	**2.35**	**2.32**	**3.80**	**0.45**	**2.31**	**3.39**	**3.02**	**2.29**	**1.69**	**1.26**	**2.06**	**1.03**	**0.29**	**0.10**
Other income/(expenses)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest received	0.34	0.96	0.96	0.30	0.18	0.37	0.52	0.65	0.48	0.33	0.28	0.07	0.21	0.00	0.00
Investment returns	0.60	0.39	0.36	0.09	0.02	0.19	0.00	0.00	0.00	0.14	0.00	0.00	0.00	0.00	0.00
Extraordinary income	0.74	0.14	0.14	0.04	-0.90	0.06	0.09	0.09	0.08	0.00	0.00	-0.96	-0.04	0.00	0.00
Inflation adjustment	-0.11	-0.28	-0.25	-0.06	0.00	0.06	0.43	0.53	0.33	0.33	0.41	0.26	-0.09	0.97	0.20
GAAP change	1.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extraordinary results	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.20
EBT	**0.66**	**3.56**	**3.53**	**4.18**	**-0.26**	**3.00**	**4.43**	**4.30**	**3.18**	**2.50**	**1.95**	**1.44**	**1.11**	**1.26**	**0.40**
Corporate tax	0.00	0.00	0.94	1.13	0.18	0.00	0.72	0.60	0.51	0.36	0.35	0.44	0.39	0.29	0.20
Net profit/(loss)	**0.66**	**3.56**	**2.59**	**3.04**	**-0.43**	**3.00**	**3.72**	**3.70**	**2.67**	**2.14**	**1.60**	**0.99**	**0.73**	**0.97**	**8.30**

Exhibit 8

Organisation Chart (1999)



(*) Bolivian Foods is a personal business of the Doria Medina family.

Exhibit 9
Milestones

POLITICS	Year	SOBOCE
	1987	SDM (*) joins SOBOCE
		US$11 million debt/bought
		Arbitration won by SOBOCE (US$3 million)
	1988	Renegotiation of CAF Debt
Jaime Paz Zamora elected President (MIR)	1989	
	1990	
SDM is appointed Minister of Planning	1991	
	1992	Doria Medina Family buys stocks from Villegas Family
Gonzalo Sánchez de Lozada elected President (MNR)	1993	SDM returns to SOBOCE
	1994	Warnes plant is completed
	1995	Cementos Bío Bío buys 30% of SOBOCE
		SDM is kidnapped by MRTA
	1996	New products (types of cement) are launched
		Ready Mix is founded
SDM is candidate for vice-presidency of Bolivia	1997	Viacha Expansion starts
Hugo Banzer Elected President (ADN)		Cemento El Puente
	1998	
	1999	Viacha expansion completed
		Fancesa takeover
		CDC buys a large amount of stocks
		US$30 million bond issue
	2000	
Hugo Banzer resigns as President.	2001	
Jorge Quiroga appointed President (ADN)		
General elections	2002	
	2003	
	2004	
	2005	
	2006	SDM might retire from SOBOCE
General elections	2007	
SDM plans to run for Bolivia's presidency		

(*) Samuel Doria Medina, Jr.