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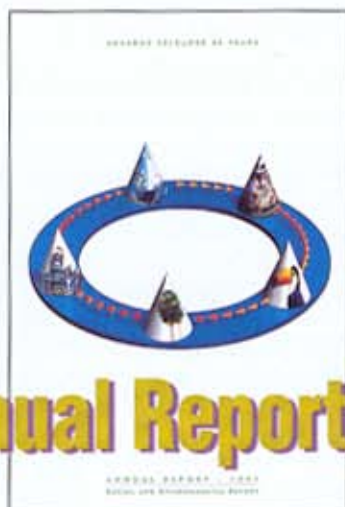
IMF/World Bank Special Edition

AN ARGENTINE ICON: The Lifelong Campaign



Exclusive Interview with Carlos Menem

The 1998 Latin American



ADR Annual Report Contest

In today's globalized economy, corporate Latin America is putting more and more emphasis on investor relations. And for those companies listed on US or international stock exchanges, the annual report has become an increasingly important way to project a decent image to both current shareholders and potential investors. In an effort to recognize companies that have excelled on this front, and to provide an incentive for others to improve, *LatinFinance* presents its second ADR Annual Report Contest.

Beginning in April, faxes and telephone calls went out to CFOs and investor relations professionals at Latin American companies with ADRs and GDRs. To enter, a company had to have an existing ADR/GDR program, pay an administration fee of \$120, and send 12 copies of its annual report by the May 31 deadline. By the time all forms were counted, there were 33 entries from Brazil, Argentina, Mexico, Chile, Peru and Venezuela.

ADR Annual Report Contest Overall Score

Company	Score
1 Cemex	4,221
2 Grupo IMSA	4,220
3 Aracruz Celulose	4,214
4 IRSA	4,173
5 Altos Hornos de Mexico	4,139
6 Industrias Bachoco	4,000
7 Central Costanera	3,984
8 Enersis	3,965
9 Banco de Galicia	3,957
10 Sivensa	3,955

Simultaneously, a panel of distinguished judges was assembled. The panel includes investors, accountants and investor relations professionals (*for more information about the judges, see page 48*).

Each judge received 33 annual reports,

and was asked to evaluate them based on three major categories: Corporate Review, The Financials, and Presentation/Graphics. Within those categories, a series of specific criteria focused on the level of detail in the report, the adequacy of information on the firm's market position and corporate strategy, the level of detail in the financial statements and the completeness of the notes to those statements, as well as the design and use of photographs and other graphics to tell the company's story. Categories were graded on a scale of one to five (one being the poorest rating and five being the highest).

The scores received in each major category were averaged to provide the overall score, which was used to determine the winners of this year's contest. Those reports which placed in the top 10 in the overall section are written up beginning on page 48. The complete list of companies entered in this year's contest follows in the box below. ▶

The Contestants

Altos Hornos de Mexico, Aracruz Celulose, Banco Bradesco, Banco de Credito del Peru (Credicorp), Banco de Galicia, Banco A. Edwards, Bragma, Cemex, Central Costanera, Companhia Brasileira de Distribuicao, Companhia Siderurgica Belgo-Mineira, Companhia Siderurgica Nacional, Companias Cerveceras Unidas, Controladora Comercial Mexicana, Copene, El Puerto de Liverpool, Enersis, Gruma, Grupo Continental, Grupo Gigante, Grupo IMSA, Grupo Industrial Maseca, Grupo Minnsa, Industrias Bachoco, IRSA, Makro Atacadista, Banco Santander Chile, Sivensa, Transportadora de Gas del Sur, Tubos de Aceros, Unibanco, Vitro, YPF.

■ by Heather Shelton

The Judges

Kay S. Breakstone, president and chief executive officer, Ludgate Communications. Breakstone joined Ludgate in 1993. Previous experience includes US investor relations at Burson-Marsteller, and securities analyst with Dean Witter. Breakstone also served as the national president of the National Investor Relations Institute (NIRI).

Norberto (Bert) Ellemberger, former regional executive partner for Latin America, Coopers & Lybrand (now PricewaterhouseCoopers). With the company for 30 years, Ellemberger recently retired and is pursuing other opportunities. He is a certified public accountant in New York and California.

Jorge Estela is investor relations officer for YPF.

Peter Firestein, managing director, Georgeson & Company, Inc. Working with the global investor relations group at Georgeson, Firestein advises Latin American companies active in US equity markets. He is the founder, publisher and editor of Market Bias, a newsletter for investment professionals.

Katherine Maineri, business development and marketing manager, KPMG Peat Marwick LLP. Maineri holds a BA in marketing in Brazil and an MBA from the University of Miami. Concurrent with her responsibilities at KPMG, she has worked as a trade consultant for multinationals and is involved in community organizations.

Graham Makohoniuk, director of research, Globalvest Management Co. LP. With over seven years experience in various capacities in the investment profession, Makohoniuk is based in the US Virgin Islands. Globalvest is an investment manager specializing in emerging markets.

Joseph M. Mileti, vice president and head of the Latin American group at Dewe Rogerson. Since joining Dewe Rogerson in 1992, Mileti has been involved in investor relations and financial communications on behalf of domestic and international clients. He holds a BA in economics from New York University.

Richard Watt, senior vice president and portfolio manager, and **Jane Caron**, assistant vice president and assistant portfolio manager, BEA Associates. Watt and Caron teamed up on the judging effort. Watt joined BEA in 1995, and works on the management and research team for international equities, focusing on Latin America. Joining BEA in 1996, Caron works with the emerging markets equities group, with particular responsibility for The Portugal Fund.

The Top 10 ADR Annual Reports

Cemex

Overall Score: 4.221

Corporate Review: 4.190

The Financials: 4.294

Presentation/Graphics: 4.179



With high marks in all categories, Cemex impressed the panel with the quality and sophistication of its annual report. The Mexican cement company definitely understands what US-based investors are looking for, and uses that to its advantage.

Included in the corporate review was the chairman's letter which most judges praised for its thorough explanation of the cement business, growth strategy and financial targets. One judge said, "The chairman's letter really explains how management views the business and what variables are essential for growth. And it clearly outlines the company's business philosophy and standards for success." The gatefold in this section was viewed as very informative and an excellent means to convey the scope of Cemex's worldwide network.

Investors and accountants alike should find Cemex's financial closet in order. Judges appreciated the consistent attention to the requirements, with notes to back up and clarify the detailed information.

Page after page, the report highlighted positive comments from industry, financial and media professionals. While one re-

viewer especially liked this approach, another felt that, "The quotes ruin the book, taking it from a forthright confident articulation of a successful company to one that is defensive, relying on others—even the paid headhunter—to say nice things about them. Not necessary for any company, much less one with Cemex's history."

Pulling it all together, the presentation received little criticism from judges. Charts and graphs were well used throughout the annual report to illustrate data. Yellow shadings, bold red lettering and colorful and illustrative photographs united the sections and gave faces, locations and images to the Cemex operation.

Grupo IMSA

Overall Score: 4.220

Corporate Review: 3.917

The Financials: 4.344

Presentation/Graphics: 4.400



Used to their fullest advantage, photographs of ladders, culverts and car batteries have rarely provided such an attractive backdrop as in Grupo IMSA's annual report. Grupo IMSA

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does a great job at presentation and financials, but falls shy of excellence in the corporate review. One judge commented that the chairman's letter was hard to read. Overall though, the Mexican conglomerate's annual report exudes quality, innovation and modernity.

Most of the panel agree that Grupo IMSA hit the nail on the head with its annual report. "This is an extremely well done annual report in every sense of the word," one commented. Another expert, who was generally prolific in commentary, was unusually brief, saying only, "It's a good little read." The comment, however, speaks well to the report's success in conveying the company's message to shareholders and potential investors.

Grupo IMSA placed third overall in the financial category. Judges found the detail in this section exemplary, and none were dismayed by the fact that the graphics virtually disappeared. There's definitely nothing to distract your eyes from the numbers.

Grupo IMSA also made successful use of the foldout, which reviewers find attractive and useful. In IMSA's case, it is presented in the front cover and is an excellent introduction to the companies that make up the conglomerate, operation locations, as well as an outline of the company's history. Charts and graphs are placed strategically throughout the report. In the end, it's the photographs that make this report a united front for the conglomerate.

Aracruz Celulose

Overall Score: 4.214

Corporate Review: 4.029

The Financials: 4.447

Presentation/Graphics: 4.167



It is no coincidence that Aracruz Celulose's paper stock is the finest of our entries. The Brazilian paper and pulp manufacturer takes advantage of the annual report to present 25 pages on its social and environmental projects, with 20 pages of financials that score near the top of the rankings.

"It's good to see a pulp company that is socially conscious," said one panelist. The text and photographs introduce shareholders to the natural resources in Aracruz's backyard, and really illustrate the cyclical dependence the company has to the continuity of those resources. Another judge noted that the report has everything, including a section on how CO₂ is absorbed by eucalyptus plants.

Financially, Aracruz Celulose's report seemed to have the right stuff for the judges. "Financial statements in accordance with US GAAP are a full plus," commented one reviewer. "Aracruz's cash flow statement is a full page, in small font. Considering that most companies don't even include one, they are far better off than other ADR issuers," said another.

One of the creative features of this report was the use of half-page inserts illustrating a eucalyptus seedling's development to full-grown height. Majority consensus was that charts and graphs were used efficiently. However, one judge noted, "For a company locked into a global supply/demand curve, there was not a single graph, table or

chart (depicting this)." Overall, it is a fresh and uncluttered annual report useful for investors curious about the company, the industry and how Brazil is putting its natural resources to use.

IRSA

(Inversiones y Representaciones S.A.)

Overall Score: 4.173

Corporate Review: 4.092

The Financials: 4.146

Presentation/Graphics: 4.281



The real estate business is big business in Latin America, and by the thickness of its annual report, Argentina's IRSA is obviously a leading developer: it is elbow high in photographs, property and a lengthy financial statement. The front cover of a skeleton key and a key hole, the shape of South America, is striking and fits well with the real estate theme.

"Definitely a major chef d'oeuvre in concept," commented one expert. The front foldout with a table of contents, corporate profile and maps of company properties was a good use of space to introduce the reader to IRSA's operations. Charts and graphs that emphasized the text were helpful. Some panelists, however, commented that the text was somewhat difficult to read because it appeared to be a translation of a Spanish version. But the grammatical foibles didn't hold the report back from being one of only three companies to score above 4.000 in all categories.

Since the company is involved in real estate projects that range from luxury neighborhood developments to water-front docks and shopping malls, it's no wonder the financial statements take up nearly 70 pages of the annual report. One judge liked the fact that the statement mentioned five-year comparisons, while another felt that IRSA should be using more. With solid content and photos of current and future ventures in Argentina, Brazil and Venezuela, IRSA presents itself as a company with inside access to the South American real estate market. Overall, judges were impressed with the report's intense content and well-prepared material.

Altos Hornos de Mexico

Overall Score: 4.139

Corporate Review: 4.243

The Financials: 4.298

Presentation/Graphics: 3.875



If there were one cover not to judge the book by, it is this one. The steel blue front cover didn't initially attract the discerning eyes of our judges to Mexican steel producer Altos Hornos de Mexico's

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nual report. It's not a question of quality, but rather lack of eye-catching design. Once inside, however, scores made their way up the scale. In fact, the AHMSA report took first place in the corporate review section, and financial scores were respectable as well.

The report pays a fair amount of attention to upgrades in technology, backing up the text with small, easy-to-read graphs and notes, with photos of modern operations and computers. The best photograph in the book has the board of directors (all 24 of them), in full business attire, seated and standing, in the mouth of an enormous piece of earth-moving equipment in the middle of a coal mine.

"The chairman's letter is an excellent discussion of the company's short-term strategy to improve profitability. While we don't see a long-term strategy, this is sufficient to provide (the) reader/investor with a roadmap for the future," said one panelist. The chairman's letter, meanwhile, received the highest scores of the bunch. One expert remarked several times how clearly written, easy to follow, and well organized the report was. That same clear design appears in the financial statements as well. Another noted that this is one of the only reports that used both dollars and pesos, which is an important step forward.

Industrias Bachoco

Overall Score: 4.000

Corporate Review: 3.958

The Financials: 4.011

Presentation/Graphics: 4.031



Capitalizing on creativity and imagination, the Industrias Bachoco annual report is a hands-down top 10 winner. The Mexican poultry producer went public, both locally and internationally, in 1997. Catchy chicken humor is its first attempt at appealing to US investors. For their part, judges felt the concept was a welcome deviation from the norm.

"All that was missing was Gonzo from the Muppet Show," com-

mented one reviewer. While it's difficult to veer from the obvious lightheartedness of the Industrias Bachoco design, there are some serious nitty-gritty financials and a worthy discussion of the Mexican poultry business.

Located throughout virtually the entire country, Bachoco makes good use of a Mexican map to illustrate numbers and types of production facilities. Noticeably missing, however, are charts and graphs, which one judge noted is very important in an annual report to show year-to-year growth. The use of three-year numbers in the financials does give some reference to past performance.

Central Costanera

Overall Score: 3.984

Corporate Review: 3.857

The Financials: 3.846

Presentation/Graphics: 4.250



Central Costanera's front cover looks more like a coffee table book than an annual report. Don't be tricked; behind the Botticelli maidens and mermaids is an Argentine thermoelectric power plant.

The corporate review was well laid-out with detailed text, photos, graphs, and charts on the industry. It seems that whenever possible, a chart or graph was used. Bright colors and glossy paper also enhanced the pages of this section. Industry relevant photos were mixed in with Argentine urban monuments. As one judge put it, "The report is beautiful."

The report has many first-rate qualities. Certainly the discussion of the Argentine energy market gives the investor a sense of the competition in the industry. There is also thorough information on the Argentine economy. One judge commented, "The company offers an excellent explanation of the business and economic environment in which it operates." Unfortunately, the text needs a

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ADR Annual Report Contest Corporate Review Score

Company	Score
1 Altos Hornos de Mexico	4.243
2 Cemex	4.190
3 Santander Chile	4.143
4 IRSA	4.092
5 Enersis	4.089
6 Aracruz Celulose	4.029
7 Banco de Galicia	4.016
8 Transportadora de Gas del Sur	4.000
9 Tubos de Aceros (TAMSA)	3.982
10 Industrias Bachoco	3.958

ADR Annual Report Contest The Financials

Company	Score
1 Banco de Galicia	4.504
2 Aracruz Celulose	4.447
3 Grupo IMSA	4.344
4 Altos Hornos de Mexico	4.298
5 Cemex	4.294
6 Enersis	4.162
7 IRSA	4.146
8 Transportadora de Gas del Sur	4.111
9 Santander Chile	4.012
10 Industrias Bachoco	4.011

ADR Annual Report Contest Presentation/Graphics

Company	Score
1 Grupo IMSA	4.400
2 YPF	4.375
3 IRSA	4.281
4 Brahma	4.250
4 Central Costanera	4.250
6 Cemex	4.179
7 Aracruz Celulose	4.167
8 Industrias Bachoco	4.031
9 Cia. Siderurgica Nacional	4.000
10 Sivena	3.969

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Cemex definitely understands what US investors are looking for, and uses that to its advantage.

good edit. Two panelists also said that after reading the report they were left without a sense of the company's future growth plans. Five- and three-year figures are presented for reference.

Enersis

Overall Score: 3.965

Corporate Review: 4.089

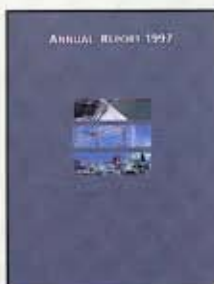
The Financials: 4.162

Presentation/Graphics: 3.643

Short on flash, long on detail, Chile's Enersis entered an annual report that provides an excellent point-by-point view on the Latin American energy business. Few reports included as many charts and graphs as Enersis' did. Indeed, it was so detailed in financial information, that one judge said it was the first that successfully met his standards for US GAAP disclosure.

The Enersis book is thicker than most. A detailed table of contents really helps the reader understand a complex company like Enersis whose subsidiaries are based throughout Latin America. For each subsidiary, there is a background description and 1997 results. There are also typically under-addressed sections such as growth and development outlines, 1998 prospects for each country, and investment and financing policy for this year.

Despite frequent photos and charts, presentation marks were average. The absence of vibrant color, found in other reports, could account for some of the judges' lack of enthusiasm. Enersis should take advantage of photos of its own industry, rather than relying heavily on stock photos of buildings and cities.



Banco de Galicia

Overall Score: 3.957

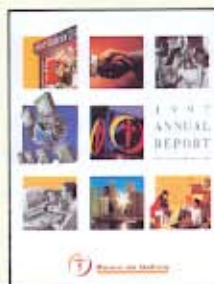
Corporate Review: 4.016

The Financials: 4.604

Presentation/Graphics: 3.250

Argentina's Banco de Galicia blew its competitors out of the water in the financial section, with a blockbuster score of 4.604.

One panelist noted, "(The financials) are consolidated at an impressive level of detail."



Said another: "This report projects an image of a serious bank with a plan." The report doesn't waste space on frivolous sidebars to the banking business. The only diversion is the introduction, which educates the reader on the broader economic scenario in Argentina. This is followed by the corporate review, with details of Banco de Galicia's operations.

The overall score, however, was brought down significantly by the dismal presentation. Graphically, the book looks ordinary. The change in paper for the financial section is notable only because it's one of the few sections that stands out amid the report's simplicity. In addition, the photos have a recycled quality. And the only charts and graphs in the entire report give no information on the bank. Rather they are simply Argentine economic indicators.

As a whole, the report is top 10 material. Banco de Galicia's message was clearly and concisely communicated and well-received. Two judges specifically mentioned how much they appreciated the insight into the local banking industry, while another noted how well-written the report was.

Sivensa

Overall Score: 3.955

The Corporate Review: 3.938

The Financials: 3.958

Presentation/Graphics: 3.969

Sivensa's annual report, the sole contest entry from Venezuela, cannot be overlooked, simply because its red front cover is so striking. "Red—like a cape to a bull," noted one judge. Red is also its corporate color.

Inside, the report is a bit tamer, with a consistent level of quality in all categories. The corporate review section was commended by the experts for its detail, always a plus in an annual report. Full-page photographs—matte and glossy—of steel production really enhance the text. While the text is readable, it seems sparse in some areas, and occasionally the layout seems random.

Judges found the overall disclosure of financial information and accompanying notes quite adequate. One of our experts—who noted how few reports followed US GAAP guidelines—was encouraged that the Venezuelan group followed the rules. In most cases, figures were given only in US dollars.

Another panelist summed his views on the Sivensa report this way: "Conclusion: This is an excellent, thoroughly modern, informative report. One of the best I've reviewed." □

