2020

SECOND QUARTER EARNINGS REPORT

GCC

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GCC REPORTS SECOND QUARTER 2020 RESULTS

Chihuahua, Mexico, July 28, 2020 – Grupo Cementos de Chihuahua, S.A.B. de C.V. (BMV: GCC*), a leading supplier and producer of cement and concrete in the United States, Mexico and Canada, today announced its results for the second quarter 2020.

Q2 2020 HIGHLIGHTS

- U.S. cement and ready-mix volumes increased 3.6% and 17.2%, respectively
- Consolidated net sales increased 1%, to US$242.8 million
- EBITDA increased 15.3% to US$81.8 million, with a 33.7% EBITDA margin; a 4.2 percentage points increase
- Free cash flow totaled US$35.1 million, with a 43% conversion rate from EBITDA
- Net leverage (net debt/EBITDA) ratio stood at 0.96x as of June 2020
- Earnings per share increased 32.7% year-on-year, to US$0.1001
- A dividend of Ps. 0.94 per share was declared in the Annual Shareholders' Meeting; 50% of it will be paid on August 7

KEY FIGURES (millions of dollars)

	Q2 20	Q2 19	Q2 20 vs. Q2 19	H1 20	H1 19	H1 20 vs. H1 19
Net sales	242.8	240.5	1.0%	424.2	403.9	5.0%
Operating income before other expenses, net	58.3	42.5	37.3%	78.9	53.5	47.6%
EBITDA*	81.8	70.9	15.3%	127.1	109.2	16.4%
EBITDA margin	33.7%	29.5%		30.0%	27.0%	
Free cash flow**	35.1	(15.2)	n.m.	47.0	(36.4)	n.m.
Net income	33.2	25.1	32.1%	49.6	29.0	71.1%
Earnings per share (US$)***	0.1001	0.0754	32.7%	0.1496	0.0872	71.5%

**EBITDA: operating income before other expenses + depreciation and amortization*
***Free cash flow before growth and strategic CapEx*
****Earnings per share calculated based on average number of outstanding shares during the quarter*

Enrique Escalante, GCC's Chief Executive Officer, commented: *"GCC delivered strong operational and solid bottom-line growth results for the second quarter of 2020 despite the challenges arising from the pandemic. Increased concrete and cement volumes in the U.S; demonstrate the construction industry´s tailwinds and resiliency on the back of improved weather conditions. EBITDA growth, free cash flow generation & margin expansion reflected the successful execution of a comprehensive plan to reduce costs and expenses.*

Looking forward, our backlog remains strong in the U.S; overall macro conditions are starting to deteriorate, and high levels of uncertainty prevail. Therefore, we expect additional challenges in the quarters ahead. We remain cautiously optimistic on further economic stimuli from the governments, including a sizable infrastructure bill."

Mr. Escalante continued, *"We are confident in our financial and operational strengths, as well as in the bold steps taken to navigate today´s challenges. I am convinced that, like in the past downturns, GCC will weather this storm and will emerge from it even stronger."*

OUTLOOK FOR 2020

In light of uncertainty due to the COVID-19 pandemic and related effects, GCC temporarily suspended its guidance for full year 2020. It currently is not possible to quantify the impact of current events nor to estimate results for the full year.

FINANCIAL RESULTS

Consolidated net sales for the second quarter of 2020 increased by 1%, to US$242.8 million, from US$240.5 million in the second quarter 2019. This was primarily due to increased cement and concrete volumes in the U.S. and improved pricing in cement in Mexico and concrete in the U.S. Those were partially offset by lower cement and concrete volumes in Mexico, and the depreciation of the Mexican peso.

For comparative purposes, consolidated net sales excluding the depreciation of the Mexican peso against the U.S. dollar during the quarter would have increased by 5.7%.

Six months: Consolidated net sales increased 5%, to US$424.2 million. The increase was due to higher cement and concrete volumes in the United States, as well as price increases in both markets. Those were partially offset by lower cement and concrete volumes in Mexico, and the depreciation of the Mexican peso.

For comparative purposes, consolidated net sales excluding the depreciation of the Mexican peso against the U.S. dollar during the first half of the year would have increased by 8.6%.

NET SALES (millions of dollars)

	Q2 20	Q2 19	Q2 20 vs. Q2 19	H1 20	H1 19	H1 20 vs. H1 19
Consolidated	**242.8**	**240.5**	**1.0%**	**424.2**	**403.9**	**5.0%**
United States	191.0	175.4	8.9%	310.7	278.8	11.4%
Mexico	51.7	65.0	-20.5%	113.4	125.1	-9.3%

	Q2 20 vs. Q2 19		H1 20 vs. H1 19	
	Volumes	Prices*	Volumes	Prices*
Cement				
United States	3.6%	0.0%	7.0%	0.8%
Mexico	-7.2%	5.6%	-3.9%	5.7%
Concrete				
United States	17.2%	7.1%	18.2%	6.7%
Mexico	-23.7%	0.3%	-11.5%	2.7%

**Prices in local currency*

U.S. sales represented 79% of GCC's second quarter 2020 consolidated net sales and increased by 8.9% to US$191 million. This was due to a 3.6% increase in cement volumes and 17.2% increase in concrete volumes, as well as a 7.1% increase in concrete prices.

Six months: U.S. sales increased 11.4%, to US$310.7 million. This was primarily due to a 7% increase in cement volumes and 18.2% in concrete volumes, as well as a 6.7% increase in concrete prices.

Mexico sales, which represented 21% of GCC's consolidated net sales, decreased 20.5% in the second quarter 2020, to US$51.7 million. This was due to a 7.2% decrease in cement volumes and a 23.7% decrease in concrete volumes, which were partially offset by a 5.6% increase in cement prices, reflecting an increase in bagged cement sales. Mexico sales were heavily impacted by the depreciation of the Mexican peso against the U.S. dollar during the quarter, which reduced sales by US$11.5 million.

Mexico sales were negatively impacted as most of GCC´s main customers remained closed, in compliance with the national lockdown.

Six months: Mexico sales decreased 9.3% to US$113.4 million, due to a 3.9% decrease in cement volumes and 11.5% decrease in concrete volumes, which were partially offset by a 5.7% and 2.7% price increase, respectively.

Sales were also impacted by the depreciation of the Mexican peso against the U.S. dollar, which reduced sales by US$14.5 million.

Cost of sales totaled US$166 million in the second quarter 2020, representing 68.4% of total sales, compared to 73.5% in the second quarter 2019. This decrease was primarily due to:

- Favorable variable cost and production expenses in both divisions
- Favorable selling prices in cement in Mexico and concrete in the U.S.
- Lower freight costs due to lower supplementary oil well cement shipments from Chihuahua to Odessa plant
- Absence of one-time expenses associated with the Rapid City operational ramp-up, purchased cement and coal
- Operating leverage
- Execution of the cost and expense reduction plan

These were partially offset by a change in sales mix due to a lower share of higher margin Mexico sales.

Six months: Cost of sales was 71.9% of revenues; a 4.2 percentage-point decrease from the same period in 2019.

Selling, general and administrative expenses totaled US$18.4 million in the second quarter 2020, equivalent to 7.6% of consolidated net sales; a 125 basis-point decrease, mainly due to the depreciation of the Mexican peso relative to the U.S. dollar and the execution of the cost and expense reduction plan.

Six months: Selling, general and administrative expenses totaled US$40.1 million. These were equivalent to 9.5% of sales; a 115 basis point decrease.

Operating income before other expenses increased 37.3%, to US$58.3 million in the second quarter 2020.

Six months: Operating income before other expenses increased 47.6%, to US$78.9 million.

Other expenses were US$4.8 million, compared to US$0.6 million in the prior year period.

Six months: Other expenses were US$5 million, compared to US$0.5 million in the prior year period.

Operating income increased 28% to US$53.5 million in the second quarter 2020.

Six months: Operating income increased 39.5% to US$73.9 million.

EBITDA increased 15.3% to US$81.8 million, while the EBITDA margin expanded 4.2 percentage points to 33.7%.

In the second quarter of 2020, 81% of EBITDA was generated by the Company's U.S. operations and 19% by its Mexico operations.

Six months: EBITDA increased 16.4% to US$127.1 million, with a 30% margin; 3 percentage points above the prior year period.

GCC's U.S. operations generated 75% of EBITDA and Mexico generated 25% of EBITDA in the semester.

Net financial expenses totaled US$9.5 million in the second quarter 2020, compared to US$12.5 million in the prior year period. This was due to lower interest rates on the variable portion of the Company's financial debt, which were offset by higher debt balance.

Six months: Net financial expenses decreased 56%, to US$9.3 million, as a result of the same reasons as the second quarter.

Income tax totaled US$11.1 million in the second quarter 2020, an increase of 137.4%, mainly due to higher income before taxes, partially offset by a higher share of the U.S. pre-tax income in the consolidated results, which carries a lower income tax rate.

Six months: Income tax totaled US$15.8 million; a 306.9% year-on-year increase, due to the same reasons impacting Q2-20.

Consolidated net income was US$33.2 million for the second quarter 2020, compared to US$25.1 million in Q2-19; representing a 32.1% increase.

Six months: Consolidated net income increased 71.1% and totaled US$49.6 million in the first six months of 2020, compared to US$29 million for the same period of 2019.

Earnings per share was US$0.1001, compared to US$0.0754 in Q2 19, a 32.7% increase.

Six months: Earnings per share reached US$0.1496, as compared to US$0.0872 in the first six months of 2020, a 71.5% increase.

Free cash flow was US$35.1 million in the second quarter 2020, compared to negative US$15.2 million for the same period in 2019. This is a reflection of increased EBITDA generation after operating leases (IFRS-16), lower interest expenses, decreased working capital requirements and maintenance CapEx, and lower cash taxes.

Six months: Free cash flow was US$47 million, compared to negative US$36.4 million in the first six months of 2020. This was primarily due to higher EBITDA generation after operating leases (IFRS-16), lower interest expenses, decreased working capital requirements and maintenance CapEx, and lower cash taxes.

FREE CASH FLOW (millions of dollars)

	Q2-20	Q2-19	Var	H1 20	H1 -19	Var
Operating income before other expenses	**58.3**	**42.5**	**37.3%**	**78.9**	**53.5**	**47.6%**
Depreciation and amortization	23.5	28.5	-17.4%	48.2	55.7	-13.5%
EBITDA	**81.8**	**70.9**	**15.3%**	**127.1**	**109.2**	**16.4%**
Interest (expense)	(8.6)	(10.2)	-15.5%	(11.0)	(13.1)	-16.0%
Decrease (increase) in working capital	(26.3)	(42.3)	-37.8%	(37.3)	(73.7)	-49.4%
Taxes	(9.0)	(18.0)	-49.9%	(12.0)	(18.5)	-34.8%
Prepaid expenses	2.4	1.0	141.4%	3.5	0.6	519.6%
Accruals and other accounts	5.7	(0.1)	n.m.	0.7	(5.3)	n.m.
Operating leases (IFRS 16 effect)	(5.0)	(5.5)	-9.2%	(9.7)	(10.5)	-7.3%
Operating cash flow	**41.0**	**(4.1)**	**n.m.**	**61.4**	**(11.2)**	**n.m.**
Maintenance CapEx*	(5.9)	(11.1)	-46.8%	(14.3)	(25.1)	-43.0%
Free cash flow	**35.1**	**(15.2)**	**n.m.**	**47.0**	**(36.4)**	**n.m.**
Growth & Strategic CapEx	(0.8)	(4.1)	-79.6%	(1.2)	(11.6)	-89.4%
Share repurchase, net	(0.1)	0.0	696.9%	(5.2)	(0.9)	506.5%
Revolving credit line	50.0	0.0	100.0%	50.0	0.0	100.0%
Debt amortization, net	(3.4)	(0.4)	756.3%	(5.4)	(0.4)	n.m.
FX effect	2.9	1.0	173.2%	(13.4)	2.0	-757.2%
Initial cash balance	338.7	223.3	51.7%	350.5	251.8	39.2%
Final cash balance	**422.3**	**204.6**	**106.4%**	**422.3**	**204.6**	**106.4%**
FCF conversion rate**	**42.9%**	**-21.4%**		**37.0%**	**-33.3%**	

**Excludes growth and strategic capital expenditures*
***Free cash flow conversion rate: free cash flow after maintenance CapEx/EBITDA*

Total debt was US$702 million as of June 30, 2020, based on contractual balances; a 6.1% year-on-year decrease.

Short-term debt was US$90 million, representing 12.8% of the total debt.

As of June 30, 2020, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the second quarter 2020 was 0.96 times, compared to 1.12 as of March 31, 2020, appropriately aligned with contractual obligations.

INTEREST- BEARING DEBT* (millions of dollars)

	June 2020	June 2019	2020 vs. 2019
Total	**702.0**	**661.4**	**6.1%**
Short-term	90.0	9.4	854.9%
Long-term	612.0	652.0	-6.1%

**Excludes amortizable commissions and issuance expenses*

BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and use the U.S. dollar as the presentation currency.

Currency translations from pesos into U.S. dollars use the average monthly exchange rates published by Banco de México, as shown below.

EXCHANGE RATES (pesos per U.S. dollar)

	2020	2019
Second quarter average	23.3510	19.1226
As of June 30	22.9715	19.1442
Accumulated average	21.6324	19.1698

Unless otherwise stated, all percentage changes refer to the second quarter (or six months) of 2020 compared to the corresponding periods of 2019.

ANALYST COVERAGE

Analysts at the following brokerages currently cover GCC's shares:

1. Actinver
2. Bank of America Merrill Lynch
3. Data Based Analysis
4. GBM - Grupo Bursátil Mexicano
5. Grupo Financiero Banorte
6. Grupo Financiero Ve por Más
7. HSBC Global Research
8. INVEX, Grupo Financiero
9. Itaú BBA
10. J.P. Morgan
11. Nau Securities Limited
12. Santander
13. Scotiabank

MATERIAL EVENTS

GCC signed a long-term agreement with a renewable energy supplier for its Rapid City, South Dakota, cement plant

GCC announced on May 7, 2020, that the Company signed a long-term agreement with a leading, U.S.-based energy provider to supply wind power to GCC's Rapid City Plant, thereby covering around 50% of the electricity consumed at the plant.

This is expected to result in an approximately 50,000 metric ton reduction in CO2 emissions, annually; equivalent to approximately 11,000 passenger vehicles driven for a year, based on estimates made by the U.S. Environmental Protection Agency (EPA).

The 15-year fixed-price agreement is expected to take effect in the first quarter of 2021.

CONFERENCE CALL

Grupo Cementos de Chihuahua, S.A.B. de C.V. will host its earnings conference call on July 29, 2020.

Time: 11 a.m. (Eastern Time) / 10 a.m. (Central Time) / 09 a.m. (Mountain Time)

Conference ID: **7208719**

Dial in:

U.S.:	1-888-394-8218 Toll Free
International:	1-323-794-2588

Replay (through August 5, 2020, 11:59 p.m.):

U.S.:	1-844-512-2921 Toll Free
International:	1-412-317-6671

Listen-only webcast and replay: click here

Income Statement
(Thousands of dollars)

	2Q 2020	%	2Q 2019	%	Q20 / Q19
Net sales	**242,761**	**100.0%**	**240,468**	**100.0%**	**1.0%**
USA sales	191,043	78.7%	175,442	73.0%	8.9%
Mexico sales	51,718	21.3%	65,026	27.0%	-20.5%
Cost of sales	166,033	68.4%	176,747	73.5%	-6.1%
Gross income	**76,728**	**31.6%**	**63,721**	**26.5%**	**20.4%**
Selling, general and administrative expenses	18,422	7.6%	21,253	8.8%	-13.3%
Operating income before other expenses, net	**58,306**	**24.0%**	**42,468**	**17.7%**	**37.3%**
Other (income) expenses	4,806	2.0%	675	0.3%	612.0%
Operating income	**53,500**	**22.0%**	**41,793**	**17.4%**	**28.0%**
Financial income	1,899	0.8%	2,232	0.9%	-14.9%
Financial expenses	(10,098)	-4.2%	(13,872)	-5.8%	-27.2%
Exchange gain (loss), net	(1,312)	-0.5%	(948)	-0.4%	38.4%
Net financing expenses	**(9,511)**	**-3.9%**	**(12,588)**	**-5.2%**	**-24.4%**
Share of profit of associates and joint venture	294	0.1%	578	0.2%	-49.1%
Income before income taxes	**44,283**	**18.2%**	**29,783**	**12.4%**	**48.7%**
Income taxes (benefit)	11,123	4.6%	4,685	1.9%	137.4%
Consolidated net income	**33,160**	**13.7%**	**25,098**	**10.4%**	**32.1%**
Controlling interest	**33,160**	**13.7%**	**25,094**	**10.4%**	**32.1%**
Non-controlling interest	**-**	**0.0%**	**4**	**0.0%**	**0.0%**
EBITDA	**81,825**	**33.7%**	**70,945**	**29.5%**	**15.3%**
Free cash flow	35,124	14.5%	(15,205)	-6.3%	n.m.

Cumulative Income Statement to June

(Thousands of dollars)

	2020	%	2019	%	2020 / 2019
Net sales	**424,161**	**100.0%**	**403,892**	**100.0%**	**5.0%**
USA sales	310,714	73.3%	278,803	69.0%	11.4%
Mexico sales	113,447	26.7%	125,089	31.0%	-9.3%
Cost of sales	305,076	71.9%	307,534	76.1%	-0.8%
Gross income	**119,085**	**28.1%**	**96,358**	**23.9%**	**23.6%**
Selling, general and administrative expenses	40,147	9.5%	42,872	10.6%	-6.4%
Operating income before other expenses, net	**78,938**	**18.6%**	**53,486**	**13.2%**	**47.6%**
Other (income) expenses	5,014	1.2%	505	0.1%	892.9%
Operating income	**73,924**	**17.4%**	**52,981**	**13.1%**	**39.5%**
Financial income	3,684	0.9%	4,341	1.1%	-15.1%
Financial expenses	(19,918)	-4.7%	(24,400)	-6.0%	-18.4%
Exchange gain (loss), net	6,925	1.6%	(1,096)	-0.3%	-731.8%
Net financing expenses	**(9,309)**	**-2.2%**	**(21,155)**	**-5.2%**	**-56.0%**
Share of profit of associates and joint venture	834	0.2%	1,065	0.3%	-21.7%
Income before income taxes	**65,449**	**15.4%**	**32,891**	**8.1%**	**99.0%**
Income taxes (benefit)	15,824	3.7%	3,889	1.0%	306.9%
Consolidated net income	**49,625**	**11.7%**	**29,002**	**7.2%**	**71.1%**
Controlling interest	**49,624**	**11.7%**	**28,998**	**7.2%**	**71.1%**
Non-controlling interests	**1**	**0.0%**	**4**	**0.0%**	**-75.0%**
EBITDA	**127,129**	**30.0%**	**109,207**	**27.0%**	**16.4%**
Free cash flow	47,037	11.1%	(36,369)	-9.0%	n.m.

Statement of Financial Position

(Thousands of dollars)

	June 2020	June 2019	Variation
Total assets	**2,067,151**	**1,963,751**	**5.3%**
Current Assets	**739,772**	**540,356**	**36.9%**
Cash and cash equivalents	422,291	204,633	106.4%
Accounts receivable, net	125,081	125,416	-0.3%
Other accounts receivable, net	42,199	48,439	-12.9%
Due from related parties	1,609	2,967	-45.8%
Inventories	109,464	114,018	-4.0%
Urban land	30,229	34,906	-13.4%
Prepaid expenses	8,899	9,977	-10.8%
Non-current assets	**1,327,379**	**1,423,395**	**-6.7%**
Investment in associates	15,817	17,053	-7.2%
Property, machinery and equipment, net	949,418	1,022,351	-7.1%
Long term right of use assets	36,117	47,602	-24.1%
Goodwill	235,939	246,885	-4.4%
Intangible assets, net	69,621	70,051	-0.6%
Other non-current assets	20,467	19,453	5.2%
Total liabilities	**1,019,767**	**973,106**	**4.8%**
Current liabilities	**273,335**	**185,109**	**47.7%**
Current portion of long term debt	90,000	9,425	854.9%
Trade accounts payable	87,753	73,327	19.7%
Due to related parties	1,223	1,696	-27.9%
Short term - employee benefits	32,625	27,840	17.2%
Accrued expenses and taxes other than income taxes	40,256	48,373	-16.8%
Provisions	2,719	3,796	-28.4%
Short term right of use liabilities	18,759	20,652	-9.2%
Long-term liabilities	**746,432**	**787,997**	**-5.3%**
Long term debt	606,677	642,493	-5.6%
Long term right of use liabilities	16,277	27,732	-41.3%
Employee benefits	41,709	35,779	16.6%
Provision for environmental restoration	22,837	22,551	1.3%
Other long-term liabilities	-	395	0.0%
Income taxes payable	3,519	12,262	-71.3%
Deferred income taxes	55,413	46,785	18.4%
Total equity	**1,047,384**	**990,645**	**5.7%**
Controlling interest	**1,047,359**	**990,612**	**5.7%**
Capital stock	32,070	32,070	0.0%
Additional paid-in capital	148,365	148,365	0.0%
Reserves	22,659	22,659	0.0%
Retained earnings	1,148,807	1,038,789	10.6%
Consolidated net income	49,624	29,001	71.1%
Other comprehensive income	(354,166)	(280,272)	-26.4%
Non-controlling interest	**25**	**33**	**-24.2%**
Total Liabilities and Equity	**2,067,151**	**1,963,751**	**5.3%**

ABOUT GCC

GCC is a leading supplier and producer of cement, concrete, aggregates and construction-related services in the United States, Mexico and Canada, with an annual cement production capacity of 5.85 million metric tons.

Founded in 1941, the Company's shares are listed on the Mexican Stock Exchange under the ticker symbol GCC*.

This earnings report may contain forward-looking statements. All statements that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "intend," "project" and similar expressions are generally intended to identify forward-looking statements. These statements are subject to risks and uncertainties including, among others, changes in macroeconomic, political, legal, public health crises including COVID-19, governmental or business conditions in the markets where GCC operates; changes in interest rates, inflation rates and currency exchange rates; performance of the construction industry; and pricing, business strategy and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from the beliefs, projections and estimates described herein. GCC assumes no obligation to update the information contained in this press release. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.