GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V.

Avenida Vicente Suarez y Sexta s/n

Zona Industrial Nombre de Dios

C.P. 31105

Chihuahua, Chihuahua, México

Annual Report submitted as per the general provisions applicable to securities issuers and other market participants for the year ended on December 31, 2018.

Outstanding securities as of April 30, 2019:

332,268,443 nominative common shares, Class I, Single Series*

*Subject to certain exceptions, our bylaws state that prior approval of the Board of Directors will be required (i) to carry out any acquisition, directly or indirectly, of blocks of shares, instruments referred to or representative of shares, instruments convertible into or exchangeable for shares or rights with respect to shares, representing a percentage equal to or greater than 3% (three percent) of our outstanding capital stock, (ii) to enter into agreements, oral or written, as a consequence of which mechanisms or association agreements are formed or adopted for voting, or voting in concert or jointly, with respect to shares, instruments convertible into or exchangeable for shares or rights in respect of shares, for a percentage equal to or greater than 3% (three percent), and (iii) for any of our competitors to acquire, directly or indirectly, blocks of shares, instruments referred to or representative of shares, instruments convertible into or exchangeable for shares or rights in respect of shares.

The securities issued by Grupo Cementos de Chihuahua, S.A.B. de C.V., ticker GCC*, are registered in the Securities Section and are traded in the Mexican Stock Exchange, Bolsa Mexicana de Valores, S.A.B. de C.V.

Registration in the National Registry of Securities (Registro Nacional de Valores) does not imply a certification of the attractiveness or value of the securities; solvency or financial standing of the issuer; or the accuracy or truthfulness of the information contained in the Annual Report. Registration does not authenticate acts, if any, that could have been conducted in breach of the Law.

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GCC

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1) Company information

All the information contained in this report and/or any exhibits, including the affidavit on adherence to the Best Corporate Practices Code by GCC, is available to the investors in the Company's website: www.gcc.com or through the Mexican Stock Exchange (BMV) at their offices or on their website: www.bmv.com.mx

Copies of such documents, as well as the quarterly and annual information delivered to the CNBV and the BMV may be obtained upon request by any investor, addressed to GCC´s Finance and Administration Department, at the offices located on Avenida Vicente Suarez y calle Sexta s/n, Colonia Nombre de Dios, C.P. 31105, Chihuahua, Chihuahua, Mexico, or call +52 (614) 442-3217 or +52 (614) 442-3176, attention to Luis Carlos Arias Laso, or at the email investors@gcc.com.

1.a) Glossary of terms and definitions

"2020 Notes"	means the issuance abroad of 5.25% Senior Notes due 2024, denominated in U.S. Dollars, for the amount of US$ 260 million Dollars with a single capital payment on maturity.
"aggregates"	means sand, gravel, ballast, limestone and crushed base.
"alkalis"	means sodium oxides and potassium oxides that may react in cement when the aggregates contain certain mineral constituents.
"BMV"	means the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.)
"Bolivia"	means Plurinational State of Bolivia (previously known as Republic of Bolivia).
"CAMCEM"	means CAMCEM, S.A. de C.V.
"CANACEM"	means National Chamber of Cement.
"CCS"	means Consorcio Cementero del Sur, S.A.
"CDC"	means Cementos de Chihuahua, S.A. de C.V.
"CEMEX"	means Cemex, S.A.B. de C.V.
"CIMSA"	means Compañía de Inversiones Mercantiles, S.A.
"clinker"	means an intermediate product used in cement production obtained from the mixture of limestone and clay with iron oxide.

“CNBV”	means National Banking and Securities Commission, Comisión Nacional Bancaria y de Valores.
“Deloitte”	means Deloitte Touche Tohmatsu Limited and/or Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited.
“US$”, “Dollar” or “Dollars”	means the currency of the United States of America
“Financial Statements”	means the certified consolidated financial statements of the financial condition to December 31, 2018, 2017 and 2016, as well as the income statements, statements of changes in stockholders’ equity and cash flows for the years ended in 2018, 2017 and 2016, in addition to the notes attached to the auditor’s report.
“Fitch Ratings”	means Fitch Ratings, credit rating agency.
“GCC”	means Grupo Cementos de Chihuahua, S.A.B. de C.V. and Subsidiaries.
“GCCA”	means “Global Cement and Concrete Association”
“GCC Alliance”	means GCC Alliance Concrete, Inc.
“GCC Latinoamérica”	means GCC Latinoamérica, S.A. de C.V.
“Holcim”	means Holcim México, S.A. de C.V.
“IACAC”	means Inter-American Commercial Arbitration Commission.
“IASB”	means International Accounting Standards Board.
“IMF”	means International Monetary Fund.
“INEGI”	means the agency dedicated to coordinate the National System of Statistical and Geographical Information in Mexico (Instituto Nacional de Estadística y Geografía).
“INFONAVIT”	means Federal Institute for Workers Housing (Instituto del Fondo Nacional de la Vivienda para los Trabajadores).
“Installed capacity”	means the theoretical annual production capacity of a plant.

"Issuer" or the "Company"	means Grupo Cementos de Chihuahua, S.A.B. de C.V. and its Subsidiaries.
"IT"	means information technologies.
"LafargeHolcim"	means LafargeHolcim, Ltd.
"LFT"	means Federal Labor Law (Ley Federal del Trabajo).
"LGSM"	means General Law of Business Corporations (Ley General de Sociedades Mercantiles).
"LIBOR"	means London Interbank Offered Rate.
"LMV"	means Mexican Securities Market Law (Ley del Mercado de Valores).
"Mexico"	means the United Mexican States.
"MidCo"	means Mid-Continent Concrete Company, Inc.
"mortar"	means a hydraulic cement used in masonry, consisting of a mixture of clinker and plasticization materials such as: limestone or hydrated or hydraulic lime together with other materials to increase one or more properties such as setting, water retention and durability.
"NAFTA"	means North America Free Trade Agreement.
"NIFs"	means Mexican Financial Reporting Standards (Normas de Información Financiera Mexicanas).
"NIIFs" or "IFRS"	means the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
"PCA"	means Portland Cement Association.
"Portland"	means the hydraulic cement produced through clinker pulverization consisting essentially of hydraulic calcium silicate, usually containing one or more forms of calcium sulfates as an addition during grinding.
"Ps", "Peso" "Pesos"	means the currency of Mexico, in the understanding that all the figures in Pesos herein are stated in nominal Pesos.

“ready-mix concrete”	means the mixture of cement, aggregate and water, which is prepared and delivered to the final consumer in mixing trucks.
“Report”	means this annual report presented for the year ended December 31, 2018.
“RNV”	means the National Securities Registry (Registro Nacional de Valores).
“SEMARNAT”	means the Ministry of the Environment and Natural Resources (Secretaria de Medio Ambiente y Recursos Naturales).
“SOBOCE”	means Sociedad Boliviana de Cemento, S.A.
“Standard & Poor’s”	means Standard and Poor’s, credit rating agency.
“Subsidiaries”	means all GCC’s subsidiaries, even those who are not mentioned in this Report.
“TIIE”	means Equilibrium Interbank Interest Rate (Tasa de Interés Interbancaria de Equilibrio).
“U.S. GAAP”	means United States Generally Accepted Accounting Principles.
“USA” or “United States”	means United States of America.
“USGS”	means United States Geological Survey.
“USMCA”	means United States-Mexico-Canada Agreement
“WBCSD”	means World Business Council for Sustainable Development.

All tons referred to herein are metric tons (1 metric ton = 1,000 kilograms), unless stated otherwise.

1.b) Executive summary

This summary highlights information contained in this report.

GCC

Grupo Cementos de Chihuahua, S.A.B. de C.V. ("GCC" or the "Company") is a publicly listed variable stock corporation (*sociedad anónima bursátil de capital variable*), with operations that stretch from northern Mexico, the United States and Canada. Its subsidiaries focus on the production, distribution and sale of gray Portland cement, ready-mix concrete, aggregates and other construction materials.

In the United States, GCC successfully participates in the cement and ready-mix concrete markets. GCC has five cement plants with an annual production capacity of 3.56 million tons in Pueblo, Colorado; Rapid City, South Dakota; Three Forks, Montana; Tijeras, New Mexico and Odessa, Texas. Additionally, GCC has 23 cement distribution terminals and transfer stations in Colorado, North Dakota, South Dakota, Iowa, Minnesota, Montana, Nebraska, New Mexico, Texas, Utah and Wyoming.

GCC is one of the leading ready-mix concrete producers in the United States, supplying regional markets in the states of Arkansas, North Dakota, South Dakota, Iowa, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma and Texas. All together, these operations have 54 concrete production plants and a fleet of 293 ready-mix trucks as well as 167 trucks for the transportation of cement and aggregates. Additionally, GCC has 2 asphalt plants and 3 aggregates plants in New Mexico and Texas.

In Mexico, GCC operates in the state of Chihuahua, where it owns three cement plants with a total annual production capacity of approximately 2.26 million tons in the cities of Chihuahua and Juarez and in the town of Samalayuca. GCC´s operations in Mexico include 46 ready-mix concrete plants, 263 mixer trucks, 6 concrete block plants, 4 aggregates plants, 1 gypsum plant and 2 prefabricated products plants. Additionally, the Company owns a transportation fleet that consists of 164 trucks. In the state of Chihuahua, GCC is the leader in each of the markets in which it participates (cement, mortar, ready-mix concrete, aggregates, concrete blocks, prefabricated products and gypsum) in terms of sales volume. The leading position is a result of offering high quality products, providing service beyond customers' expectations and using state-of-the-art dry process technology for production and distribution.

GCC's has vertically integrated operations in Mexico and in several markets in the United States in which it operates, which helps it manage its costs at each stage of the production, distribution and sale of its products. GCC owns several facilities that supply the raw materials necessary for the production of cement, including most of the limestone quarries needed to supply its operations and all of the clay and gypsum quarries needed to supply its Mexico operations. These materials account for 94% of the raw materials necessary for the production of cement. GCC supplies approximately 66% of the cement required in its ready-mix concrete production from its cement plants through its distribution network. This distribution network also enables the Company to locate cement inventories closer to its customers, which reduces delivery times and allows it to better meet its customers' needs. In addition, GCC has a coal mine, which supplies 5 cement plants.

For the year ended December 31, 2018, GCC had net sales of US$ 883.2 million, of which 73.3% was generated by its U.S. operations and 26.7% by its Mexican operations. The Company had total assets of US$ 1,902.5 million.

As of December 31, 2018, GCC had 2,729 employees, including its executives, sales force, administrative, technical and operations personnel. As of March 31, 2019 the Company had 2,790 employees.

GCC’s Strategic Plan

GCC’s Mission is to be the supplier of choice in cement, concrete and innovative solutions, with a vision focused on being recognized by its customers as a business partner that generates the most value to their construction projects. GCC’s objective is to continue strengthening its leadership in the markets in which it operates by enhancing its value proposition for its customers, growing its business in a sustainable way, investing in its people and ultimately maximizing shareholder value by implementing its business strategy. The main components of GCC´s business strategy include the following:

Continuously increase profitability

GCC maintains and improves its profitability by increasing its cost efficiency and tailoring its pricing strategy to each of the markets in which it operates. Because it is vertically integrated, the Company obtains the materials needed for its operations at competitive costs. In addition, the strategic location of GCC’s operating network provides an efficient distribution of its inventory at lower cost.

To maximize profitability, GCC seeks to optimize pricing, considering the competitive conditions in the markets in which it operates. To do this, the Company offers integrated and innovative solutions, ensures timely product delivery, and builds and maintains strong relationships with its customers.

Offer our customers exceptional technical and logistic services

The Company is set on strengthening the quality of the service offered to its customers by offering integrated and innovative solutions, including a specialized technical support service. In the United States, GCC constantly works on enhancing its extensive network of strategically located plants and distribution terminals, which ensures proximity to its customers and allows it to guarantee the availability of its products. In Mexico, GCC has developed strategic alliances through the “Construred” retailer network that serves customers in the self-construction segment.

Broaden product offerings through innovative solutions

GCC aims to broaden its range of product, services and technologies for our customers and thereby generate better margins, focusing on increasing integrated offerings and solutions, expanding our prefabricated products portfolio and developing specialty cement products with required properties for specific applications, such as quick-setting and high-strength cements.

GCC encourages and manages innovation within the organization through continuous improvement programs, as well as through its Research and Development Department.

Foster sustainable development

GCC is committed to environmental sustainability at all stages of its operations. In light of increasingly strict environmental regulations in the United States and Mexico, GCC continuously invests in keeping state-of-the-art facilities that observe the National Emission Standards for Hazardous Air Pollutants (NESHAP) in force at the United States of America, as well as the Mexican Environmental Standards.

GCC has embraced the principles of the Global Cement and Concrete Association under the requirements of the World Business Council for Sustainable Development´s “Cement Sustainability Initiative”, of which it has been member since February 2012. Pursuant to this initiative, an environmental management system is employed to assess and minimize the environmental impact of operations.

GCC is also focused on experimenting with and developing alternative fuel sources to reduce CO_2 generation and further reduce its fuel expenses, positively impacting the Company's carbon footprint and margins. In 2018, GCC finalized the implementation of an alternative energy plan for its Chihuahua cement plant, which consists on industrial waste co-processing to be used as alternative fuel. In 2018, the substitution of 38% of fossil fuels used by the Juarez Plant, 33% of those used by the Samalayuca Plant and 12% of fossil fuels used by the Chihuahua plant in favor of alternative fuels was achieved. Several options are continuously analyzed to increase the use of alternative fuels in other operations.

GCC also places a high priority on the health and safety of its employees, promoting wellness programs and providing various health benefits to its workers.

Likewise, GCC has launched a Sustainable Construction Initiative, beginning in the state of Chihuahua in Mexico, to combat some of the main challenges connected to sustainable growth, including access to water, urban development, housing, transportation, energy and education. In 2018, supports were granted to eight projects developed under this initiative, totaling more than three million Pesos. In 2019, the joint work with public and private organizations will continue for the development of specific projects aimed to generate economically and environmentally feasible solutions.

<u>Continue expanding operations and the geographic footprint</u>

GCC intends to continue developing and expanding in the markets where it operates through organic growth, acquisition and integration of new businesses, and by increasing the profitability of its operations.

As a result of the difficulty of developing "greenfield" projects, the Company regularly evaluates the possibility of acquiring existing cement plants. GCC also considers other targets, including ready-mix concrete opportunities near its cement operations that it could vertically integrate, aggregate opportunities near its ready-mix concrete plants and standalone aggregates opportunities. With all of its acquisitions, GCC intends to continue to apply its experience in order to successfully integrate acquired businesses and to obtain synergies that increase the Company's profitability.

GCC has taken significant steps upon integrating the purchase of the cement plant in Odessa, Texas and the ready-mix, aggregate operations and construction materials businesses located in El Paso, Texas and Las Cruces, New Mexico, purchased in 2016. Likewise, in 2018, the acquisition of the Trident plant in Montana, as well as the expansion of kiln 6 of Rapid City plant were successfully completed. This successful increases in the Company´s installed capacity are proof of GCC's capacity for sustainable growth and obtaining every potential synergy.

GCC has taken the plant in Odessa, Texas near its maximum capacity and has increased productivity by changing 100% of the plant's production to oil well cement with a high added value to supply the drillers in the Permian Basin.

Using the logistics network, GCC has met the additional cement demand for oil wells drilling and construction activity in the western Texas markets through exports from the Samalayuca plant in Mexico and shipments from the plants in Tijeras and New Mexico. This has resulted in a stronger market position in this new territory, better customer service and higher margins. In addition, kiln 2 and 3 of the Chihuahua plant were upgraded to complement cement shipments to the Odessa region of West Texas and to meet demand in the southern region of Chihuahua, respectively.

The successful integration –not only for production and distribution, but also for human resources and systems–

clearly evidences GCC's execution capabilities and strategic approach. GCC is building a tightly integrated business in contiguous markets from northern Mexico to the United States-Canada border. GCC is leader in its main markets.

Develop human capital and invest in the local community

In order to attract and retain the most qualified human capital available in the market, GCC strives to be recognized as a great place to work. In this aspect, the Company tries to promote talent development through the rotation and mobility of employees across the company.

The GCC People (Gente GCC) model is intended to align and drive the whole organization's efforts to generate a culture focused on people, innovation and accountability. In 2018, the implementation and consolidation of the SAP Successfactors Human Resources System was completed, aiming to standardize processes and transform the area's function throughout the organization.

Employees are given the best tools to deliver better results by offering them formal training through the GCC University online platform.

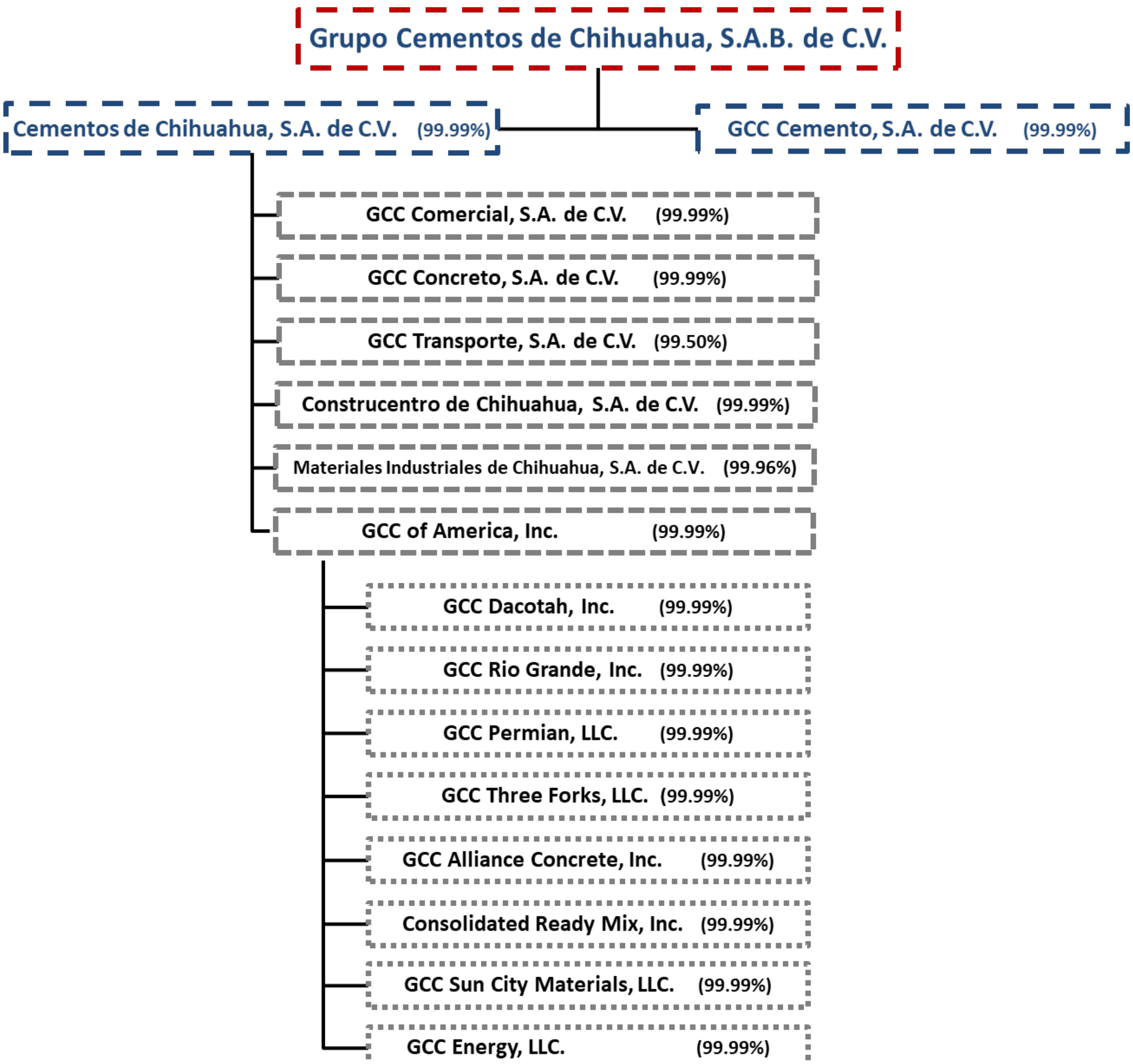
In recognition of our efforts, in 2018 GCC was recognized as one of the 100 best companies to work for in Mexico and was awarded the "Great Place to Work" certification for the third consecutive year.

Likewise, GCC seeks to invest in the local community through the development of specific projects supported by the GCC Foundation and through the joint development of sustainable projects.

Corporate structure

GCC is a holding Company that operates through several subsidiaries, which are organized and managed through a Mexico Division and a U.S. Division. Additionally, a team provides administration, engineering, technology management, planning, human resources, finance and information technologies services to both divisions.

The chart below shows the structure of GCC's main subsidiaries and GCC's shareholding in these subsidiaries, as of the date of this Report. The chart has been simplified to show the most important subsidiaries.



Select Financial Information

The Company's main figures are shown below:

Selected financial information for the years 2018, 2017 and 2016:
(millions of dollars)

Income Statement information	**2018**	**2017**	**2016**
Net Sales	883,230	824,104	644,697
Mexico sales	236,058	221,617	197,303
USA sales	647,172	602,487	447,394
Operating income before other expenses, net	169,836	160,796	117,204
EBITDA (Operating income before Other expenses + Depreciation and Amortization)	256,362	239,940	176,434
Net financing expenses	44,458	55,830	35,671
Income before taxes	121,786	90,818	76,384
Income taxes	16,692	12,072	14,421
Consolidated net income	65,039	83,713	69,133

Information from the Statement of Financial condition	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
Total assets	1,902,532	1,907,890	1,864,412
Cash and cash equivalents	251,818	232,933	163,851
Property, machinery and equipment	1,027,760	936,387	925,016
Total liabilities	930,316	978,927	993,400
Short-term interest bearing liabilities	4,400	17,150	3,850
Long-term interest bearing liabilities	645,936	665,751	685,795
Total equity	972,216	928,963	871,012

Performance of GCC shares listed in the BMV

As of the date of this Report, the total number of shares representing the fixed portion of GCC's capital stock is 337,400,000, of which 5,131,557 shares are in GCC's Treasury, and the number of outstanding shares is 332,268,443. Of the outstanding shares, 160,609,855 are distributed among private investors and the remaining 171,658,588 shares are held by CAMCEM. The stock behavior on the Mexican Stock Exchange is summarized below, in nominal Pesos.

GCC's share price upon closing the last five fiscal years:

Period	Closing price	Trading volume	Maximum price	Minimum price
2014	38.10	18,597,581	41.49	34.00
2015	44.81	5,466,383	47.10	35.00
2016	68.40	16,261,604	68.88	41.50
2017	91.47	61,838,838	97.87	65.25
2018	100.44	113,487,558	134.98	89.46

GCC's share price upon quarterly closure in the last two fiscal years:

Period	Closing price	Trading volume	Maximum price	Minimum price
I – 2017	84.00	28,588,114	96.15	65.25
II – 2017	93.51	16,697,102	95.80	80.80
III – 2017	94.32	8,019,122	97.87	90.01
IV – 2017	91.47	8,534,500	96.57	86.91
I – 2018	97.79	13,546,649	110.30	89.46
II – 2018	128.85	31,605,619	130.00	95.98
III – 2018	122.81	38,659,650	134.98	117.20
IV – 2018	100.44	29,675,640	124.00	96.42

GCC´s share price at the end of each month in the six months prior to this report:

Period	Trading volume	Closing price	Maximum price	Minimum price
October 2018	14,069,836	109.47	124.00	101.52
November 2018	8,924,370	106.20	119.07	102.65
December 2018	6,681,434	100.44	108.49	96.42
January 2019	16,246,490	105.02	108.96	98.90
February 2019	10,581,293	104.99	108.80	95.20
March 2019	17,555,312	107.13	113.65	102.01

1.c) Risk Factors

Private investors should carefully consider the risks and uncertainties described below. The following risks factors are not the only risks faced by the Company, and any of the risk factors described below could materially and adversely affect GCC´s business, results of operations or financial condition. The importance given to the following risk factors may change in the future, and other factors not disclosed below may have an impact on the Company in the future. In such cases, the market price of GCC's shares may be volatile and the investors could lose all or part of their investment.

1.c.i) Risk factors related to the countries in which GCC operates

Global economic conditions and their impact on the United States and Mexican economies may adversely affect GCC´s business, results of operations and financial condition.

Consumption of GCC's main products--cement and ready-mix concrete--as well as other construction materials, is highly dependent on construction expenditures and the construction industry as a whole, which are closely linked to general economic conditions. The Company's business is closely tied to general economic conditions in the United States and Mexico, with 73.3% and 26.7% of its net sales generated in each country, respectively, for the year ended December 31, 2018 and 73.1% and 26.9% of its net sales generated in each country, respectively, for the year ended December 31, 2017. Accordingly, an economic downturn in either country could have a material adverse effect on GCC's business, financial condition and results of operations.

According to the most recently available IMF World Economic Outlook published in October 2018 and uptaded on January 2019 (the "IMF World Economic Outlook"), the real gross domestic product ("GDP") increased 2.9%, 2.2% and 1.6% in the United States and 2.2%, 2.0% and 2.9% in Mexico in 2018, 2017 and 2016, respectively, compared, in each case to the prior year.

During 2018, the United States of America kept a stable economic behavior, achieving the lowest unemployment since 1969. Also, the U.S. Federal Reserve System increased the short-term interest rates in March, June, September and December 2018. An increase in interest rates could further strengthen the U.S. Dollar against other currencies, which could undermine U.S. exports and economic growth. In turn, a slowdown in economic growth could cause construction spending to fall in the public, residential and non-residential sectors, which would adversely impact consumption of GCC's products.

During 2009, in large part due to the global financial crisis, Mexico suffered one of the sharpest declines in GDP since 1932, declining by 4.7%. Mexican exports fell drastically as a result of a sharp decline in foreign consumer demand and inflation reached 3.6%. Although the Mexican economy has gradually recovered in recent years, it still faces a challenging global environment for emerging markets. For example, recent volatility in global markets has exacerbated the depreciation of the Mexican Peso against the U.S. Dollar. During 2018, the Mexican Peso appreciated approximately 0.06%, however, during the year there was a high level of volatility due to the uncertainty regarding the NAFTA renegociations, US-China trade war and Mexico's presidential elections. During 2017 the Mexican Peso appreciated 4.9% and in 2016 depreciated by approximately 20.5%. Exchange rate depreciation and/or volatility in the markets have adversely affected and may continue to affect the Company´s results of operations and financial condition. Furthermore, the Mexican government's fiscal accounts have been negatively affected in recent years due to the sharp decline in crude oil prices. Due to the foregoing, the Mexican government has recently implemented some government spending cuts and may implement further cuts in the future, which may impact economic activity in Mexico. As a result of these factors, a contraction of Mexican economic activity could negatively affect the construction sector and demand for the Company´s products.

Moreover, the Mexican economy is highly correlated to the performance of the U.S. economy. The amount of economic growth in the United States and the participation of Mexico's industrial sector in such growth may negatively affect economic growth in Mexico. Negative economic conditions in the United States have a greater impact on the state of Chihuahua than other Mexican states and regions due to its proximity to the United States. Therefore, any downturn in the economic outlook in the United States may decrease the consumption of the Company´s products in both the United States and Mexico.

More specifically, the correlation between economic conditions in Mexico and the United States has sharpened in recent years because of the North American Free Trade Agreement ("NAFTA") and increased economic activity between the two countries. On September 30, 2018, the United States, Mexico and Canada agreed to the new terms and conditions of the USMCA and on November 30, 2018, the agreement was signed by the presidents of the aforementioned countries. Unlike NAFTA, the proposed new trade agreement includes a sunset clause which requires the agreement to be renewed and renegociated every sixteen years, rules to discourage artificial alterations to exchange rates to obtain commercial advantages and additional protections regarding intellectual property rights, among other provisions. The USMCA ratification can not be guaranteed since it is subject to approval by the congresses of the United States, Mexico and Canada, respectively. Subject to its ratification and implementation, the USMCA will replace the NAFTA. Due to the close trade relations between Mexico and the United States, an economic downturn in the United States, the lack of ratification of the USMCA by the corresponding congresses or other related events, could have a significant adverse effect on the Mexican economy, which, in turn, could affect the Company´s business, results of operations and financial condition. In the past, certain GCC´s exports from Mexico to the United States were subject to an anti-dumping order imposed by the U.S. Department of Commerce.

The Company´s business, results of operations and financial condition can be significantly and adversely affected by the foregoing factors. GCC cannot assure that general economic conditions or conditions in the cement and ready-mix concrete markets in the United States or Mexico will improve or will not deteriorate, nor can they give any assurances regarding the timing of any such changes. A downturn in global economic conditions that results in a decline in construction expenditures could cause demand for cement and ready-mix concrete to decrease in light of decreased consumer demand or the use of lower-cost substitutes by consumers. In addition, a slowdown of U.S. economic growth could adversely affect U.S. demand for products imported from Mexico, in particular the cement that the Company sends from its Mexican operations for its U.S. operations.

Disruptions in the credit markets may materially and negatively impact GCC´s business, results of operations and financial condition, and may affect a portion of its customers.

In the past, constraints in the credit markets have heightened a number of material risks to the Company´s business, results of operations and financial condition. For example, the 2008 global financial crisis adversely affected local credit markets, resulting in an increased cost of capital, which had a negative impact on GCC´s ability to meet its financial needs. Weakness in, and uncertainty about, global economic conditions, in particular economic conditions in the United States, could cause businesses to postpone spending or investing in response to tighter credit, negative financial news or declines in income or asset values, which could have a material adverse effect on the demand for goods and international trade which, in turn, could adversely affect the demand for the Company´s products.

Many of GCC´s customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund a portion of their operations. Delays or cancellations to construction projects could occur if our customers are unable to obtain financing for such projects or if consumer confidence is eroded by economic uncertainty, which could adversely affect the demand for the Company´s products. Limitations on the ability to access credit could also lead to insolvencies of key customers. Finally, if the Company´s customers lack liquidity, they may not be able to pay their obligations, which could negatively impact the business, results of operations and financial condition of the Company.

Economic and political developments in Mexico could affect Mexican economic policy and adversely affect the Company's business, results of operations and financial condition.

GCC is a publicly listed variable capital stock corporation organized under the laws of Mexico and a large portion of its operations and assets are located in Mexico. As a result, the Company´s business, results of operations and financial condition may be affected by the general performance of the Mexican economy, the devaluation or depreciation of the Mexican Peso as compared to the U.S. Dollar, price instability, inflation, interest rates, regulation, taxation, social stability (including matters related to public safety) and other political, social and economic developments in or affecting Mexico over which GCC has no control.

Mexico has, and is expected to continue to have, high real and nominal interest rates. The annualized interest rates on 28-day Treasury Certificates (Certificados de la Tesorería de la Federación, or "CETES"), averaged approximately 7.6%, 6.7% and 4.1% for 2018, 2017 and 2016, respectively. Accordingly, if the Company incurs debt denominated in Mexican Pesos in the future, it could be at high interest rates. Mexico has also experienced periods of very high inflation. Inflation has led to high interest rates and devaluations of the Mexican Peso. High levels of inflation could adversely affect the Company´s business, results of operations and financial condition.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private sector entities in general, and on GCC in particular, as well as on market conditions, prices and returns on Mexican securities, including the Company´s securities. The Mexican government could implement significant changes in laws, policies and regulations, which could affect the economic and political situation in Mexico. On July 1, 2018, federal, state and municipal elections were held in Mexico, in which Andres Manuel Lopez Obrador of the National Regeneration Movement Party was elected and on December 1, 2018 he took protest as the new president of Mexico. Since December 1, 2018, significant changes have been iniciated in public policies, which could affect the political and economic situation in Mexico.

GCC´s performance historically has been tied to Mexican public-sector spending on infrastructure facilities and Mexican public-sector spending is, in turn, generally dependent on the political climate in Mexico. More specifically, the Mexican government has recently faced pressure to decrease spending in light of the decline in oil prices, given its reliance on oil exports for a significant portion of its revenues. The Company cannot assure that changes in Mexican government policies will not adversely affect its business, financial condition and results of operations. In particular, the tax legislation in Mexico is subject to constant change and there can be no assurance as to whether the Mexican government may make changes to taxes or any of its existing political, social, economic or other policies, which changes may have a material adverse effect on the Mexican economy and on the Company´s business, results of operations, financial condition or prospects or adversely affect its stock price. Furthermore, we cannot provide any assurance that future political developments in Mexico, over which the Company has no control, will not have an unfavorable impact on its financial position or results of operations and impair its ability to make distributions to its stockholders. Any of these events, or other unanticipated economic or political developments in Mexico, could have a material adverse effect on the Company´s business, results of operations and financial condition.

Finally, demand for GCC´s cement products in Mexico depends, in large part, on residential construction in the northern region of Mexico. In 2018, residential construction accounted for approximately 31% of GCC´s cement sales, while public infrastructure and residential housing construction accounted for approximately 7% and 8%, respectively, of its cement sales. Residential construction is highly correlated to prevailing economic conditions. In particular, in the city of Juarez, the city with the largest population in the state of Chihuahua, according to the National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or "INEGI"), private construction was largely deferred between 2009 and 2011 as a result of criminal violence, primarily due to the activities of drug cartels, which impacted economic conditions, with public construction partially offsetting these effects.

Before the 2008 global economic recession, the residential segment in the state of Chihuahua had one of the highest growth rates in Mexico. In recent years, the state of Chihuahua has experienced a relative decline in violence, which has resulted in improved economic conditions and increased construction, particularly in the residential segment. However, the Company can provide no assurance that this recovery will be sustained, and a deterioration in economic conditions in the northern region of Mexico could have a material adverse effect on its results of operations and financial condition.

The Company's business, results of operations and financial condition are subject to political and economic risks for conducting business in corrupt environments.

A significant portion of GCC´s business is conducted in Mexico, which has elevated levels of corruption compared to, and may present greater political, economic and operational risks than in the United States. The Company emphasizes compliance with the law and, although it has established policies, procedures and employee training programs to promote compliance with global ethics and legal requirements such as the Mexican Federal Law of Anticorruption in Public Contracting (*Ley Federal Anticorrupción en Contrataciones Públicas*) and the U.S. Foreign Corrupt Practices Act (the "FCPA"), its officers, directors, employees, agents or shareholders acting on its behalf, may not adhere to its code of ethics, other policies or rules and regulations. If the Company fails to enforce its policies and procedures properly or maintain internal accounting practices to accurately record its transactions, it may be subject to criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, barred from government contracts as well as other measures or sanctions. The Company could incur significant costs, including potential harm to its reputation, for investigation, litigation, civil or criminal penalties, fees, settlements or judgments for potential violations of the Federal Law of Anticorruption in Public Contracting, the FCPA or other laws or regulations, which in turn could have a material adverse effect on its business, results of operations and financial condition.

The Company's business, results of operations and financial condition may be adversely affected by government contracting risks.

As a result of GCC´s supply of cement and ready-mix concrete for use in public infrastructure projects, the Company is subject to various laws and regulations applicable to parties doing business with the U.S. or the Mexican governments, including the FCPA in the United States, and other laws and regulations governing performance of U.S. or Mexican government contracts, the use and treatment of U.S. or Mexican government furnished property and the nature of materials used in its products. The company may be unilaterally suspended or barred from conducting business with the U.S. or Mexican government or become subject to fines or other sanctions if it is found to have violated these laws or regulations. As a result of the need to comply with these laws and regulations, GCC is subject to governmental investigations as well as possible civil fraud legal actions and fines, among others.

Violence in Mexico, including violence associated with Mexican drug cartels, has had an adverse effect on the Mexican economy, which could adversely affect the Company's business, results of operations and financial condition.

Over the past several years, Mexico has experienced prolonged periods of criminal violence, primarily due to the activities of drug cartels. Although organized criminal activity and related violent incidents has decreased in recent years, they remain prevalent in the northern states of the country that share a border with the United States, including the state of Chihuahua, where GCC conducts most of its Mexican operations. Despite efforts by the Mexican government to increase security measures by strengthening its military and police forces, drug-related violence and crime continue to pose a significant threat to the Mexican economy and are a source of economic and political instability and uncertainty. Systemic criminal activity and isolated criminal acts may disrupt operations, impact the Company´s ability to generate profits and dramatically add to its cost of operations. Continued violence could result in the Mexican government taking additional measures, which could include restrictions on cross-border transportation and trade. If the levels of violence in Mexico, over which the Company has no control, remain the same or increase they could have an adverse effect on the Mexican economy and GCC´s business, results of operations and financial condition.

Developments in other countries may have an adverse effect on the Mexican economy and on the Company's business, results of operations, financial condition and stock price.

The Mexican economy and the market value of securities of Mexican companies may be, to a certain degree, affected by economic and market conditions in other countries, including the United States, China and other Latin American emerging market countries. Although economic conditions in other emerging market countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers, including those issued by GCC. In the past, prices of both Mexican debt and equity securities dropped substantially as a result of developments in Russia, Brazil, Argentina and several Asian countries. In addition, terrorist acts in the United States and elsewhere could depress economic activity in the United States and globally, including in Mexico. This could have a material adverse effect on the Company´s business, results of operations and financial condition, which could affect the stock price.

Furthermore, Mexico, as an emerging market economy, is more exposed to unfavorable conditions in the international markets that can have a negative impact on the demand for GCC´s products. In the past, the development of adverse economic conditions in other emerging market countries resulted, in general, in capital flight and, as a consequence, in a decrease in the value of foreign investments in Mexico. In addition, the high level of indebtedness in U.S. Dollars by corporates in emerging markets constitutes an additional source of instability. As a result, any combination of lower consumer confidence, disrupted global capital markets and/or reduced international economic conditions could have a negative impact on the Mexican economy and consequently on the Company´s business, results of operations and financial condition.

1.c.ii) Risks related to the Company

The Company's results of operations and financial condition may be materially adversely affected by a devaluation or depreciation in the value of the Mexican Peso.

GCC operates in the United States and Mexico, generating approximately 26.7% and 26.9% of the net sales in Mexico for the years ended on December 31, 2018 and 2017, respectively. The U.S. operations earn revenue and incur expenses primarily in U.S. Dollars, while the Mexican operations earn revenue and incur expenses primarily in Mexican Pesos. EBITDA for the year ended December 31, 2018 was US$ 256.4 million, of which 62% was generated by the U.S. operations and 38% by the Mexican operations. For the year ended December 31, 2017, EBITDA was EUA$ 239.9 million, of which 66% was generated by the U.S. operations and 34% by the Mexican operations.

Changes in the relative value of the Mexican Peso, which fluctuates constantly, to the U.S. Dollar have an effect on the Company's results of operations and financial condition reported in Mexican Pesos. The export sales to the United States and coal from the Colorado coal mine for use in the Mexican plants are denominated in U.S. Dollars. Similarly, a substantial majority of the costs of sales and other selling and administrative expenses are either denominated in or linked to the value of the U.S. Dollar, including the purchases of several raw materials and the costs of the operations in the United States. As a result, when the Mexican Peso depreciates against the U.S. Dollar, the same level of U.S. Dollar net sales or expenses in a prior period will result in higher reported net sales or expenses, in Mexican Peso terms in the most recent period. Conversely, when the Mexican Peso appreciates against the U.S. Dollar, the same level of U.S. Dollar net sales or expenses in a prior period will result in lower reported net sales or expenses in Mexican Peso terms in the most recent period. Any significant devaluation of the Mexican Peso also could make it more expensive to convert Mexican Pesos into U.S. Dollars, which are required to make payments of interest and principal on debt, 100% of which is denominated in U.S. Dollars as of December 31, 2018. In 2018 and 2017, the Mexican Peso appreciated around 0.06% and 4.9% against the US Dollar, respectively, while in 2016 the Mexican Peso depreciated around 20.5%.

The Company prepares annual consolidated financial statements in U.S. Dollars. See note 4(t) to the annual consolidated financial statements for the year ended December 31, 2018 for a description of exchange rates used in preparing the financial statements. In the event of a depreciation of the Mexican Peso, the carrying amount of the U.S. Dollar-denominated debt in the annual consolidated financial statements will increase to reflect the additional Mexican Pesos required to fund the liabilities. As of the date of this report, GCC does not hedge against fluctuations in foreign exchange rates, and the business, results of operations and financial condition could be materially and adversely affected by such fluctuations.

Severe devaluation or depreciation of the Mexican Peso could also result in government intervention or disruption of the international foreign exchange markets (including restrictions on currency conversion). While the Mexican government does not currently restrict the ability by Mexican or foreign persons or entities to convert Mexican Pesos into U.S. Dollars or other specified currencies, or to transfer other currencies outside of Mexico, it has done so in the past. The company cannot assure that the Mexican government will not institute a restrictive currency exchange control policy in the future. Any such restrictive foreign currency exchange control policy could prevent or restrict access to U.S. Dollars or other currencies and may limit GCC's ability to transfer or convert Mexican Pesos into U.S. Dollars to service its U.S. Dollar-denominated debt. Moreover, the Mexican Peso could depreciate against the U.S. Dollar, which would have an adverse effect on the business, results of operations and financial condition of the Company.

The Company has transactions with related parties which may result in conflicts of interest and on terms less favorable for the Company than if it were dealing with an unaffiliated party.

Historically, GCC has entered into and will continue to enter into transactions with related parties. The company engages in substantial repeated transactions with related parties, including with CEMEX, which owns a portion of GCC´s controlling shareholder, as well as Abastecedora de Fierro y Acero, S.A. de C.V. ("Abastecedora de Fierro y Acero"), Inmobiliaria RUBA, S.A. de C.V. ("Inmobiliaria RUBA"), Copachisa, S.A. de C.V. ("Copachisa") and Madata IT, S.A. de C.V., each of which is a GCC affiliate since GCC's significant shareholders also hold significant equity interests in these companies. Although many of these transactions occur in the ordinary course of business and, if significant, must be submitted to GCC's Audit and Corporate Practices Committee and be approved by the Board, since these transactions may create potential conflicts of interest, which even if they can be resolved, could result in terms less favorable to the Company than if it were dealing with an unaffiliated party.

GCC's indebtedness could adversely affect its financial condition and its ability to capitalize on business opportunities.

As of December 31, 2018, GCC has EUA$ 650.3 million of debt outstanding, 100% of which is denominated in U.S. Dollars. The Company's ability to make scheduled payments on or to refinance its debt obligations depends on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. GCC may not be able to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premiums, if any, and interest on its indebtedness. If the Company is not able to generate sufficient cash flow to service its debt obligations, it may need to refinance or restructure its debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. The global equity and credit markets in the last few years have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably.

Disruptions in the financial and credit markets may adversely affect the credit rating and the value of GCC´s common stock. In addition, conditions in the capital markets have been such that traditional sources of capital, including equity capital, have not been available to the Company on reasonable terms or at all. As a result, GCC cannot guarantee that it will be able to obtain additional financing or equity capital at all or on terms that are favorable to the Company.

GCC's ability to service its debt may also be materially and adversely affected by a devaluation or depreciation of the Mexican Peso against the U.S. Dollar. Approximately 73.3% and 73.1% of GCC´s net sales were generated in the United States for the years ending December 31, 2018 and 2017, respectively. To the extent the amount of net sales generated in U.S. Dollars is not sufficient to cover the cost of its indebtedness, GCC must use a portion of the cash derived from its net sales in Mexican Pesos to cover its financing costs. If U.S. Dollar-denominated sales are insufficient to cover any principal amortization and interest payments with respect to its U.S. Dollar-denominated debt, GCC will be adversely affected by any devaluation of the Mexican Peso against the U.S. Dollar, which could have an adverse effect on its ability to make these payments when due. In addition, a depreciation of the Mexican Peso increases the carrying amount of its U.S. Dollar-denominated debt in its financial statements to reflect the additional Mexican Pesos required to cover for such liabilities.

Moreover, the instruments governing GCC's indebtedness contain certain affirmative and negative covenants that impose significant operating and financial restrictions. These restrictions limit GCC's ability, among other things, to:

- redeem stock or pay subordinated debt;
- make investments and capital expenditures;
- sell assets, including capital stock of subsidiaries;
- enter into agreements that restrict dividend payments or other distributions from restricted subsidiaries;
- enter into transactions with affiliates, except for transactions on an arm's length basis;
- create or assume liens;
- engage in mergers or consolidations;
- make prepayments or modifications of indebtedness; and
- enter into a sale of all or substantially all of its assets.

Although the covenants under these instruments are subject to certain limitations and exceptions, these restrictions could limit the Company´s ability to seize attractive growth opportunities for its businesses, particularly if GCC is prohibited from obtaining financing, is limited in the amount it can finance or is prohibited from making investments that are necessary to take advantage of such opportunities. These restrictions may also significantly impede GCC´s ability, and the ability of its subsidiaries, to develop and implement refinancing plans with respect to its debt or the debt of its subsidiaries.

GCC cannot guarantee that it will be capable of complying with all the obligations and limitations under the instruments governing its indebtedness. The failure to fulfill any such obligations and limitations could result in an event of default, which could adversely and materially affect its business, results of operations and financial condition.

GCC's success depends on its ability to retain and attract key executives and technical employees.

GCC's success depends on its ability to retain certain key executives. In particular, its senior executives have extensive experience in the cement industry and the loss of any of these executives could have an adverse effect on its business, results of operations and financial condition. The maintenance and continuity of its operations is also dependent on maintaining key technical and senior management personnel. If GCC loses key personnel, or if it is not able to attract and retain skilled employees as needed, the business, results of operations and financial condition could suffer.

Any unauthorized use of GCC´s brand names, trademarks and other intellectual property rights may materially adversely affect the business, results of operations and financial condition.

The substantial majority of GCC´s net sales are derived from the sales of products that are sold under the various brands it owns, which include “GCC”, “Cemento Chihuahua”, “Dacotah Cement”, “GCC Dacotah”, “GCC Rio Grande”, “Yeso Chuviscar”, “Mortero Chuviscar”, “Megablock” and “Construcentro”. GCC´s brand names, to which many customers are loyal, are therefore a key asset of its business, and its ability to obtain, maintain and protect its intellectual property rights and proprietary technology is an important component of its ability to effectively compete in its industry. GCC holds patents in the United States and Mexico for its process to achieve particular thermal insulation properties and eco-friendly characteristics in certain of its prefabricated products. Any unauthorized use of GCC´s brands, trademarks or other intellectual property rights by third parties could adversely affect the Company´s business, reputation and market share. If a competitor were to infringe on GCC´s trademarks, enforcing its rights would likely be costly and would divert resources that would otherwise be used to operate and develop its business. Although GCC intends to enforce its intellectual property rights against infringement by third parties, its actions may not be adequate or sufficient to protect its brands, trademarks or other intellectual property rights, which may result in a material adverse effect on its business, results of operations and financial condition.

Insurance coverage could be insufficient to cover certain losses, which could have a material adverse effect on GCC´s business, results of operations and financial condition.

GCC´s industry generally is subject to a number of risks and hazards, including industrial accidents, labor disputes and changes in environmental regulations. Furthermore, there are types of losses, generally of a catastrophic nature, such as losses due to wars, earthquakes, floods, fires, hurricanes, pollution or environmental matters that are either uninsurable or not economically insurable, or may be insured subject to limitations, such as caps, large deductibles or co-payments. Insurance risks associated with potential terrorist acts or as a result of violence in Mexico could sharply increase the premiums paid for coverage against property and casualty claims. Although GCC considers its policies adequate and similar to those of its competitors, its insurance only covers part of the losses that it might incur. The occurrence of losses or other liabilities that are not covered by the insurance, that are widespread or that exceed the insurance limits could result in significant unexpected costs that could adversely affect GCC’s business, results of operations and financial condition.

Product liability claims may be brought against GCC and, whether or not successful, could harm the Company’s business, results of operations and financial condition.

GCC is exposed to risks associated with product liability claims arising from property damage or personal injury caused by the use of its products, which are mainly used as construction materials. While the Company seeks to conform its products to meet a variety of contractual specifications and regulatory requirements, it cannot assure that product liability claims against it will not arise, whether due to product malfunctions, defects or other causes. GCC has product liability insurance for all of its subsidiaries. If any such claims against it were ultimately successful, the Company could be required to pay substantial damages, which could materially and adversely affect its business, results of operations and financial condition.

Failures or interruptions in the information systems could have an adverse effect on GCC's business, results of operation and financial condition.

GCC depends on its information technology, or IT, which includes systems to conduct its business activities, such as sales processing, inventory purchasing and management, product distribution and customer service. Although the company has security, built-in redundancies and backups for its IT systems, it may, from time to time, experience failures or delays due to a number of factors beyond its control, such as hacking, computer viruses and other cyber security attacks and electricity outages, as well as outages due to fire, floods, power loss, telecommunications failures and similar events. Any material failure or disruption of the IT systems could result in a disruption of GCC's operations or the loss or damage of important operating information, which could adversely affect the business, results of operations and financial condition.

A significant portion of GCC's total assets are intangible assets, including goodwill. An impairment in the carrying value of goodwill or other intangible assets could negatively affect the business, results of operation and financial condition.

As of December 31, 2018, goodwill constituted approximately 13.0% of GCC's total assets. Goodwill is deemed to have an indefinite life; therefore, it is not amortizable. However, goodwill and other intangible assets with indefinite life are subject to impairment tests on an annual basis or earlier when there are indicators of impairment, pursuant to which the carrying amount thereof, if applicable, would be adjusted for the impairment loss that is determined. To apply impairment tests, goodwill is assigned to cash generating units ("CGU's"), which are defined on the basis of geographic markets, taking into consideration the synergies in business combinations that have been made. If the recoverable amount of the CGU, which is determined based on value in use, is less than the CGU´s carrying amount, the impairment loss is first assigned to reduce the carrying amount of the goodwill assigned to the CGU, and then to the other CGU's assets in a proportional manner, taking into account the carrying amount of each asset. The impairment loss of goodwill is recognized in the statement of comprehensive income and is not reversed in subsequent periods.

Economic and competition trends in the markets where GCC operates have a significant impact on the assessment of goodwill impairment and the determination of recovery values of CGUs. Likewise, the discount rates used have a significant effect on impairment evaluations. In the past, GCC readjusted its goodwill impairment tests, and cannot assure that possible downturns in the economies where they operate will not necessitate downward readjustments of its goodwill for impairment in the future. If the value of GCC's intangible assets, including goodwill, becomes impaired, the business, results of operation and financial condition could be materially adversely affected.

GCC may be required to spend more on capital investments than anticipated, which may have a material adverse effect on the Company's business, results of operations and financial condition.

For the years ended December 31, 2018, 2017 and 2016, GCC recorded US$ 192 million, US$ 77 million and US$ 213 million, respectively, in capital expenditures. The Company´s capital expenditures may increase substantially if it is required to undertake additional or unexpected actions to comply with new regulatory requirements or compete with new technologies. It also may be necessary to expand production capacity at a rate greater than GCC´s estimates if demand for its products exceeds its estimates. The Company may not have the capital to undertake these capital investments.

If GCC is unable to obtain sufficient capital at a reasonable cost or at all, or it is otherwise limited by the capital expenditures cap discussed above, the Company may not be able to expand production sufficiently to take advantage of changes in the marketplace or to make the relevant regulatory or technological changes required, which may have a material adverse effect on its business, results of operations and financial condition.

GCC is subject to different disclosure and accounting standards than companies in other countries.

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be less or different publicly available information about foreign issuers of securities than is regularly published by or about U.S. issuers of listed securities. GCC is subject to reporting obligations in respect of the shares listed on the Mexican Stock Exchange. The disclosure standards imposed by the Mexican Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what non-Mexican investors in stocks are accustomed to.

In addition, accounting standards and disclosure requirements in Mexico differ from those of the United States. In particular, GCC´s financial statements are prepared in accordance with IFRS as issued by the IASB, which differ from U.S. GAAP. Items on the financial statements of a company prepared in accordance with IFRS as issued by the IASB may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. GAAP.

GCC may not be able to realize the expected benefits from acquisitions, some of which may have a material adverse effect on the Company's business, results of operations and financial condition.

GCC´s ability to realize the expected benefits from acquisitions depends, in large part, on its ability to integrate acquired operations with its existing operations in a timely and effective manner. These efforts may not be successful. The Company cannot assure that it will be successful in identifying or acquiring suitable assets in the future. If it fails to achieve the anticipated cost savings or synergies from any acquisitions, its business, results of operations and financial condition would be materially and adversely affected. The Company may also be unable to successfully carry out asset acquisitions for various reasons that may be outside its control. If GCC cannot successfully carry out asset acquisitions, its business plans may be affected.

Higher energy and fuel costs may have a material adverse effect on the Company's business, results of operations and financial condition.

GCC´s operations require significant amounts of energy, particularly in the cement production process and, to a lesser extent, in connection with its distribution operations, which rely on the use of gasoline and diesel fuel to deliver its products. The availability of energy and related inputs from utilities could be volatile and could be affected by political, economic and regulatory conditions that are outside its control. Even though energy and fuel prices have recently decreased, in the event that the prices of natural gas, coal or electricity rise, suddenly, as has occurred in the past, the Company´s profit margins could decrease as it may not be able to pass through energy cost increases to its customers, which could have a material adverse effect on its business and results of operations. To mitigate its exposure to high energy costs and their volatility, GCC has implemented technical improvements in its cement plants that give it the option to use coal or alternative fuels in its installed capacity for cement production. GCC´s cement plants can use natural gas for clinker production if natural gas pricing is more favorable, or if coal supply is interrupted or its quality becomes an issue.

In addition, GCC has been operating its Colorado coal mine since 2005, which supplies coal to its cement plants (except the Rapid City, South Dakota plant, for which it uses a coal supplier in Wyoming, the Three Forks, Montana plant, which uses a coal supplier in Montana, and the Odessa, Texas plant, which operates 100% with natural gas). The Company estimates it has sufficient coal reserves to supply its cement plants and sales to third parties until approximately 2057, based on the existing rate of depletion. However, GCC´s operations at the

Colorado coal mine are subject to a variety of federal, state and local regulations, including those relating to employee health and safety, which may result in the temporary closure of the mine in the event of certain violations. The Company therefore cannot guarantee that the coal reserves from its Colorado coal mine will be available in the future or that GCC will be able to operate the mine in the same manner, which could affect its business, results of operations and financial condition if it cannot obtain alternative energy supply on terms acceptable to the Company.

The Company's business, results of operations and financial condition could be materially adversely affected by an interruption in supply of raw materials.

GCC is dependent on a variety of raw materials that support its manufacturing activities, including limestone, clay, gypsum, silica and iron oxides. The Company´s ability to meet its customers' needs depends heavily on an uninterrupted supply of these materials, which it sources from owned or leased quarries located near its cement plants or which it purchases from suppliers. However, production problems, lack of capacity, high demand periods, changes in the Company´s third-party suppliers' financial or business condition or planned and unplanned shutdowns of their production facilities that affect their ability to supply GCC raw materials that meet its specifications, or at all, could disrupt GCC's ability to supply products to its customers. The Company is also susceptible to the breach or termination of lease agreements for the quarries where it has deposits or the breach or termination of contractual obligations by its third-party suppliers.

For the Rapid City, South Dakota cement plant and for the Three Forks, Montana plant, GCC has short-term supply agreements with coal suppliers. The Company can give no assurance that the suppliers will not breach or terminate the agreement or will renew the agreement upon expiration, although there are a number of suppliers in the region that GCC believes can supply it with coal for this plant. In addition, interruptions in raw material supply caused by events outside GCC's or its suppliers' control, such as mine and quarry accidents, inclement weather, labor disputes or transportation disruptions, also could cause it to miss deliveries and breach its contracts, which could damage the Company´s relationships with its customers and subject it to claims for damages under its contracts. If any of these events were to occur for more than a temporary period, GCC may not be able to make arrangements for changing supply, substitute materials or qualified replacement suppliers on terms acceptable to them or at all, which could have a material adverse effect on its business, results of operations and financial condition.

The increase in the prices of raw materials could materially adversely affect the Company's business, results of operations and financial condition.

If the prices GCC has to pay for raw materials under its existing supply contracts with independent suppliers or under replacement supply contracts increase, it could face significantly higher production costs. Prices of products, such as diesel fuel, tires, steel and explosives, and other raw materials, such as aggregates and sands, have the most significant impact on the prices of the Company´s raw materials. Although GCC believes its independent providers to be a stable, secure and adequate source, increases in raw material prices could adversely affect its ability to renew these contracts on similar terms or at all. Should these suppliers cease operations, eliminate production of these raw materials or substantially increase their prices, the Company´s sourcing costs for these materials may increase significantly or it may be required to find alternatives to these materials. Similarly, increases in raw material prices could adversely affect its ability to enter into shorter-term supply agreements at favorable prices. GCC also may not be able to pass through price increases to its customers, which could have a material adverse effect on its business, results of operations and financial condition.

GCC faces numerous uncertainties in estimating its recoverable coal reserves and reserves for other raw materials, and inaccuracies in the estimates could result in higher than expected fuel and raw material costs, which could have a material adverse effect on the Company's business, results of operations and financial condition.

GCC internally sources a significant portion of its fuel requirements through its coal mine in Colorado for its cement operations in Mexico, Pueblo, Colorado and Tijeras, New Mexico, and it sources a significant portion of its other raw materials mainly used in its cement production from quarries and mines that the Company either owns or leases. GCC´s reserve estimates are prepared by its own engineers and geologists and are subject to annual review by its corporate staff jointly with its regional technical managers. In certain cases, the Company has used the services of third-party geologists and/or engineers to validate its own estimates. There are numerous uncertainties inherent in estimating quantities, quality and costs to mine recoverable reserves, including many factors beyond its control. Estimates of economically recoverable coal reserves and reserves of certain other raw materials depend upon a number of variable factors and assumptions, such as geological and mining conditions, which may not be fully identified by available exploration data or which may differ from experience in current operations, historical production from the area compared with production from other similar producing areas, the assumed effects of regulation and taxes by governmental agencies and assumptions concerning coal prices, operating costs, mining technology improvements, indemnities and special taxes, development costs and remediation costs, all of which may vary considerably from actual results.

Therefore, proven reserve estimates may differ materially from the recoverable quantities of coal and other raw materials. Any inaccuracy in the Company´s estimates related to its reserves could result in higher than expected fuel and raw materials costs, decreased profitability if it must source its energy or raw materials from other suppliers or delays in its production if it cannot obtain alternate sources of fuel or raw materials on acceptable terms, any or all of which could have a material adverse effect on the Company´s business, results of operations and financial condition.

The introduction of cement substitutes into the market and the development of new construction techniques could have a material adverse effect on the Company's business, results of operations and financial condition.

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction as a substitute for cement. In addition, other construction techniques, such as the use of plasterboards, could decrease the demand for cement and concrete. Research aimed at developing new construction techniques and modern materials may result in the introduction of new products in the future, reducing the demand for cement and concrete. The use of substitutes for cement could cause a significant reduction in the demand and prices for GCC´s products and have a material adverse effect on its business, results of operations and financial condition.

A disruption or delay in production at one of the GCC´s production facilities could have a material adverse effect on the Company's business, results of operations and financial condition.

If one of GCC´s production facilities were to cease production unexpectedly, in whole or in part, its sales and financial results could be materially adversely affected. Such a disruption could be caused by a number of different events, including:

- maintenance outages;
- prolonged power failures;
- equipment failures or malfunctions;
- fires, floods, tornadoes, earthquakes or other catastrophes or effects of extreme weather;
- potential unrest or terrorist activity;
- labor difficulties; or

- other construction, design or operational problems, including those related to the granting, or the timetable for granting, of permits.

Based on GCC´s production schedule and cycle times, it determines the amount of inventory needed at each of its locations. If there is an unplanned service interruption at any of its plants, inventory levels may drop to a level where servicing the relevant markets may be compromised. Also, if the Company does not effectively manage its inventory of raw materials to ensure adequate supplies during peak periods and to minimize excessive expenditures during slow periods, its business, results of operations and financial condition could be adversely affected as a result of its inability to meet production orders of cement, ready-mix concrete or other products.

Although GCC attempts to mitigate this risk by keeping inventory at all of its terminals and shipping stations, and in some cases, it can ship products from one plant to another for a short period, the inventory may not be sufficient to cover the increased demand from such market. In addition, this strategy would cause it to incur significant additional transportation costs. For example, in previous years, the Company faced increased freight costs associated with the shipment of cement to its northern markets (North Dakota, Iowa and Minnesota) from its Pueblo, Colorado cement plant to cover sales from its cement plant in Rapid City, South Dakota, which sold cement beyond its capacity. GCC also must effectively manage its inventories of raw materials to ensure adequate supplies during peak periods and to minimize excessive expenditures during slow periods. For example, although GCC´s network of ready-mix concrete plants in certain regions provide back up for any plant that might be affected by a disruption, a prolonged shutdown of any of its production facilities could cause it to miss deliveries and breach its contracts, which could damage its relationships with its customers and subject it to claims for damages under its contracts. Any of these events could have a material adverse effect on the Company´s business, results of operations and financial condition.

The company´s operations could be adversely affected by weather conditions and natural disasters.

Construction activity, and therefore the demand for GCC´s products, significantly decreases during periods of cold weather, snow and prolonged or intense rain. Consequently, demand for its products is significantly lower during winter and rainy seasons. Winter weather significantly reduces the Company's sales of cement and concrete during the first quarter and, to a lesser extent, during the fourth quarter. However, in the event the weather remains mild through late October into November, it is able to supply cement and ready-mix concrete to projects until the first hard freeze or snow. Sales in markets with harsh winter weather conditions generally improve during the second and third quarters due to an improvement in such conditions. However, high rain levels or other adverse weather could negatively affect its operations during these periods.

In addition, flooding, severe weather or natural disasters not only delay and lead to the cancellation of projects, but also disrupt transportation logistics, particularly by rail, and could also delay the Company´s production. For example, production at the Rapid City, South Dakota plant and at the Three Forks, Montana plant are subject to much greater variation in winter conditions than in southern regions. Natural disasters, such as tornadoes, could impede operations, damage GCC´s infrastructure or adversely affect its production facilities. Any such weather condition or natural disaster in the areas in which it operates could adversely affect its business, results of operations and financial condition, especially in the event that they occur with unusual intensity, during abnormal periods, for periods lasting longer than usual or during peak periods of construction activity.

Disruptions to the Company´s distribution network could have a material adverse effect on its business, results of operations and financial condition.

In Mexico, approximately 29% of the volume of cement that GCC sells is sold in bags and distributed principally through independent distributors within the state of Chihuahua and its distribution subsidiary, Construcentro. In the United States, GCC distributes bulk cement by rail on railcars that it has leased to its cement distribution terminals located throughout the states in which it operates. Damage or disruption to its distribution capability or to that of its third-party distributors due to weather, natural disaster, floods, fire, electricity shortages, terrorism, other service interruptions, pandemics, labor strikes, and disputes with, or the financial stability and/or instability of key distributors and warehousing, could impair the Company´s ability to distribute its products. To the extent that it is unable, or it is financially unfeasible, to mitigate disruptions to its distribution chain, there could be adverse effects on GCC´s business, results of operations and financial condition, and substantial additional resources could be required to restore its distribution network. In addition, a shortage of inventory at any of its terminals could cause it to miss deliveries and breach its contracts, thereby damaging the relationships with its customers and exposing it to claims for damages.

In Mexico, and to a lesser extent in the United States, GCC also distributes some of its products by truck, using its own fleet. In addition to all of the risks described above, significant capital outlays may be required to repair or replace aging or damaged vehicles. As its vehicle fleet ages, operation and maintenance costs also increase. For example, insurance rates and the costs of compliance with governmental regulations, safety or other equipment standards increase with time. The Company cannot assure that, as its trucks age, market conditions will justify those expenditures or enable it to operate its trucks profitably during the remainder of their useful lives. A shortage of trucks would require it to outsource its distribution operations, resulting in higher costs, which could adversely affect GCC´s business, results of operations and financial condition.

GCC´s Tijeras, New Mexico plant is not serviced by rail, and all distribution is made by third-party or customer trucks. If any issues, including labor strikes, disputes or truck breakdowns, arise, the Company would be dependent on other third-party trucks for delivery. The Company cannot assure that third-party trucks will be available for product distribution from its Tijeras, New Mexico plant on terms that are acceptable to it, or that higher costs associated with contracting other third-party distributors will not affect its business and results of operations.

Labor unrest, failure to maintain relationships with labor unions and labor-related costs may have adverse effects on the Company´s business, results of operations and financial condition.

As of December 31, 2018, GCC had 2,729 employees. Approximately 34% of its employees are unionized. In its Mexican operations, all of its unionized employees are members of the Confederation of Mexican Workers (Confederación de Trabajadores de México). Each of GCC´s cement plants, ready-mix concrete plants and transportation operations in Mexico has its own collective bargaining agreement in place with its unionized workers. These agreements are reviewed every two years for certain benefits other than wages, and yearly for wages. Some of GCC´s workers in its Rapid City, South Dakota plant are affiliated with the United Steelworkers Union. The labor collective bargaining agreement for this plant includes a no-strike clause. The agreement is renegotiated every five years, and was last renewed in the first half of 2016.

The Company believes it maintains a positive and cooperative relationship with its unions and its other employees, and it works towards developing and improving the quality of life of its personnel. Although GCC believes that its relationship with all the labor organizations that represent its workers is satisfactory, labor-related disputes may arise. Labor-related disputes that result in strikes or other disruptions could cause increases in operating costs, which could damage its relationship with its customers and adversely affect its business, results of operations and financial condition. In addition, GCC´s business, results of operations and financial condition may be materially and adversely impacted as a result of increases in labor costs, including under its pension and benefits plans. Despite measures to mitigate these and other expenses, the Company may be unable to do so successfully, which could have a material adverse effect on its business, results of operations and financial condition.

The loss or consolidation of any one of GCC's top customers or late payments by these or other customers could reduce net sales and have an adverse effect on the Company's business, results of operations and financial condition.

For the years ended December 31, 2018, 2017 and 2016, GCC´s top ten customers accounted for 19.2%, 15.1% and 14.9% of its net sales, respectively. Its top two customers together accounted for approximately 6.2% of its net sales during 2018. The loss or consolidation of one or more of these customers or a significant decrease in business from one or more of these customers could harm the Company´s business, results of operations and financial condition. GCC records an allowance for doubtful accounts receivable where collection risks are anticipated, and it requests, when applicable, guarantees and collateral. The Company cannot assure that it will not experience late payments by these or other customers, and any late payments in the future may be material, which could have an adverse effect on its business, results of operations and financial condition.

GCC´s industry is highly competitive and if the Company is unable to compete effectively with existing competitors or with new entrants, the Company's business, results of operations and financial condition could be significantly affected.

GCC competes on a global basis with producers and importers of cement and with local ready-mix concrete producers. Its business faces significant competition from a number of global industry participants and several regional competitors. In the United States, the Company competes with LafargeHolcim Ltd. ("LafargeHolcim"), CEMEX, Eagle Materials Inc. ("Eagle Materials"), Lehigh Cement Company LLC ("Lehigh Cement Company") and Ash Grove Cement Co. ("Ash Grove Cement") all of which have sales and resources exceeding GCC´s, which they may use to develop market share or leverage their distribution networks. In Mexico, GCC competes with CEMEX, Holcim Mexico, S.A. de C.V. ("Holcim"), Corporación Moctezuma, S.A.B. de C.V. ("Moctezuma"), Cooperativa La Cruz Azul, S.C.L. ("Cooperativa La Cruz Azul") and Cementos Fortaleza, S.A. de C.V. ("Cementos Fortaleza") all of which have sufficient sales and resources to develop market share or leverage their distribution networks.

In addition, new competitors and alliances may and do emerge from time to time and may and do take market share away from GCC, which may adversely affect its profit margins and results of operations in regions in which it has excess capacity. Even where the ready-mix concrete production capacity is in balance, the oversupply of cement creates excessive price pressure on the ready-mix concrete markets and opportunities for new competitors, which in some cases are financed by cement producers. The Company´s competitive position in the markets in which it operates depends upon the relative strength of these competitors in those markets and the resources they devote to competing in those markets, as well as GCC's ability to offer competitive prices, value-added services, specialty products and maintain its relationships with its customers. GCC also faces competition from substitute products, particularly for certain of its prefabricated products. All of these factors could cause the Company to experience sales and loss of market share, which could have a material adverse effect on its business and financial results.

GCC may not be able to keep up with competitive changes affecting its industry, which could have a material adverse effect on the Company´s business, results of operations and financial condition.

The cement market is characterized by evolving industry and end-market standards, changing regulation, frequent enhancements to existing products, services and technologies, introduction of new products and services and changing customer demand, all of which could result in unpredictable product transitions. The success of GCC´s new products and services depends on their initial and continued acceptance by its customers. The Company believes it has a competitive advantage tied to its product innovations. If it is unable to anticipate changes or develop and introduce new and enhanced products, services and innovations that are accepted by its customers on a timely basis, its ability to remain competitive and take advantage of its competitive advantage may be adversely affected. Any of the foregoing could have a material adverse effect on the Company´s business, results of operations and financial condition.

The Company´s business, results of operations and financial condition may be materially adversely affected by an unfavorable resolution on the sale of SOBOCE.

On August 18, 2011, GCC sold its 47.02% interest in the Sociedad Boliviana de Cemento, S.A. ("SOBOCE"), to Consorcio Cementero del Sur ("CCS"), a subsidiary of Grupo Gloria based in Peru. The proceeds from the sale were mainly used to reduce the Company's debt and after the transaction it ceased operations in Bolivia.

Compañía de Inversiones Mercantiles, S.A. ("CIMSA"), SOBOCE's majority shareholder, filed a request for arbitration before the Inter-American Commercial Arbitration Commission ("IACAC"). GCC was notified of this request on November 16, 2011. The request, which it believes to be unfounded, alleges violations of CIMSA's right of first refusal with respect to the purchase of SOBOCE's shares, pursuant to a shareholders' agreement GCC entered into with CIMSA.

In September 2013, an arbitration tribunal issued a liability award against GCC and GCC Latinoamerica, S.A. de C.V. ("GCC Latinoamerica"), finding them both liable for breaching the aforementioned shareholders' agreement.

In December 2014, CIMSA sold its 51.3% interest in SOBOCE to CCS, thereby making CCS the majority and controlling shareholder of SOBOCE with 98.32% of its shares.

On April 15, 2015, as part of the IACAC arbitration initiated by CIMSA against GCC, the final damages award was issued, requiring that GCC and GCC Latinoamerica pay CIMSA U.S.$ 36.1 million for damages and expenses.

The Company believes that this award is contrary to Bolivian and international law, and has sought its annulment, as a result of which this final award is without effect, until its definitive resolution.

On January 11, 2018, Bolivia's Supreme Court of Justice issued a decree confirming the annulment of the Partial Liability Award dated September 2013 that led to the Damages Award; therefore, since the annulment process for the First Award has finished, the file related to such annulment has been forwarded to the former Chairman of the Arbitration Court in Madrid, Spain.

As a consequence of the annulment of the Liability Award, the Damages Award for U.S.$ 36.1 million against GCC and GCC Latinoamerica has been dismissed; therefore, on the date of this Report, the Company is awaiting the confirmation from the corresponding Bolivian authorities on this matter. Additionally, GCC obtained provisional remedies from a Mexican tribunal ordering CIMSA to refrain from enforcing any award issued in the arbitration process until the pending appeals for annulment have been resolved.

On May 31, 2018, CIMSA requested before a judge in Denver, that the continuance of the proceeding initiated in September 2015 with the purpose of enforcing the Damages Award, as well as freezing and seizing Grupo Cementos de Chihuahua and GCC Lationamerica assets in Colorado. This proceeding was originally suspended until the resolution of the annulment proceedings in Bolivia initiated by GCC.

On May 29, 2019, the U.S. District Court of Colorado ruled on the recognition of the Damages Award dated April 15, 2015, which awarded US$36.1 million of damages and expenses plus interests, as a result, the District Judge's ruling considers the Award as a valid resolution in the United States.

GCC disagrees with the aforementioned resolution since it ignores Bolivian court rulings in favor of GCC and ignores the fact that there are proceedings in Bolivia pending resolution that could definitively void the Damages Award. On April 24, GCC appealed the resolution to the U.S. District Court of Colorado. Additionally, GCC continues with the annulment proceedings in Bolivia.

GCC can also exercise its contractual rights to recover, at the time, the damages and expenses that the final judgment of the arbitration process could cause the Company. Pursuant to Bolivian law, enforceability of the final damages award is suspended until pending appeals for annulment are resolved.

While the Company believes that this legal proceeding will be resolved in its favor, it cannot assure that this legal proceeding will not materially and adversely affect its business, results of operations, liquidity and financial condition.

Compliance with environmental, health and safety laws and regulations could result in significant costs and liabilities, which could have a material adverse effect on the Company´s business, results of operations and financial condition.

GCC´s operations are subject to strict laws and regulations governing environmental protection, health and safety in the United States and Mexico. These environmental, health and safety laws and regulations generally require the Company to obtain and comply with various permits, licenses, registrations and other approvals as well as incur capital expenditures in connection with its compliance efforts. Even though GCC continuously strives to comply with environmental, health and safety laws and regulations, and related permit and other requirements, there can be no assurance that its operations will at all times be in compliance with them. The enactment of new environmental, health and safety laws and regulations, the more stringent interpretation or enforcement of existing requirements or the imposition of liabilities under such laws and regulations, could force GCC to incur costs for compliance, capital expenditures or liabilities relating to damage claims or limit its current or planned operations, any of which could have a material adverse effect on its business, results of operations and financial condition.

In recent years, GCC´s industry has become subject to a series of new and more stringent environmental requirements in the United States. In particular, the U.S. Environmental Protection Agency ("EPA") issued the Portland Cement NESHAP in September 2010, the New Source Performance Standard for Portland Cement Plants ("Portland Cement NSPS") in September 2010, the revised final emissions standards for commercial and industrial solid waste incinerators ("CISWI") in February 2013 and the final rule regulating Coal Combustion Residuals ("CCRs") in December 2014. The EPA has also promoted more stringent Clean Air Act permit requirements and efforts to address climate change through federal and state laws and regulations and regional initiatives in the United States, as well as through international agreements and the laws and regulations of other countries, to reduce the emissions of greenhouse gases ("GHGs"). Although all of its facilities are in compliance with the aforementioned environmental regulations as of the date of this report, the Company cannot assure that it will have the capacity or resources necessary to continue to comply with these regulations going forward. GCC also cannot predict whether it will be able to comply with new requirements issued in the future. The environmental requirements of the United States and Mexico described above whether already in effect or upon their implementation, individually or in the aggregate, could negatively affect its operations and have a material adverse effect on the Company´s business, results of operations and financial condition.

Under certain environmental, health and safety laws and regulations, GCC also could be held responsible for liabilities and obligations arising out of past or future releases of hazardous materials, exposure to these hazardous materials and other environmental damage, in some cases, without regard to fault. As of the date of this report, the Company is not subject to any legal or administrative proceeding under environmental, health or safety laws or regulations that could have an adverse material effect on its business or financial results. A number of its facilities, however, have been in industrial use for many years, including prior to GCC ownership. It is possible that some of these facilities may have contamination. As such, obligations to investigate or remediate contamination or related liabilities may be imposed on the Company in the future, such as in the event of the discovery of contamination at any of its current or former sites or in the event of a change at a facility such as its closure or sale or in the event of an investigation by a regulatory authority. In addition, private parties may have the right to pursue legal action to enforce compliance as well as to seek damages for violations of such laws and regulations or for personal injury or property damage. GCC´s insurance may not cover all environmental, health and safety risks and costs or may not provide complete coverage in the event of an environmental, health or safety claim against it. Any such obligations, liabilities or actions could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition to the risks identified above arising from actual or potential statutory and regulatory controls, severe weather, rising seas, higher temperatures and other effects that may be attributable to climate change may impact any manufacturing sector in terms of direct costs (e.g., property damage and disruption to operations) and indirect costs (e.g., disruption to customers and suppliers and higher insurance premiums). To the extent that such conditions negatively affect GCC´s operations, they could have a material adverse effect on its business, results of operations and financial condition.

GCC may be assessed environmental fines or penalties, which, if substantial, could have a material adverse effect on the Company´s business, results of operations and financial condition.

In recent years, by means of a Section 114 information request under the Clean Air Act, the EPA imposed multi-million dollar penalties on several companies operating cement plants in the United States. Most of these penalties were for various violations of Prevention of Significant Deterioration ("PSD") permitting requirements, focused on emissions of sulfur dioxide and nitrogen oxides. In addition, the EPA or other environmental regulatory authorities have assessed approximately 25 penalties against GCC since 2006. These assessed penalties averaged less than US$100,000 each. The Company cannot predict if we will be subject to additional fines and, if so, whether such fines will be material.

1.c.iii) Risks related to GCC´s shares

The market price of GCC's shares may be volatile and the investors could lose all or part of their investment.

The trading price of GCC´s shares may fluctuate substantially, depending on many factors, some of which are beyond its control and may not be related to the Company´s operating performance. These fluctuations could prevent investors from selling their shares at or above the price paid for them, and result in the total or partial loss of the shareholders' investment. The factors that could cause fluctuations include, but are not limited to, the following:

- investors' perceptions of GCC´s prospects and the prospects of the lines of business where it operates;
- differences between the Company´s actual financial and operating results and those expected by investors;
- actions by GCC´s controlling shareholder with respect to the disposition of the shares it beneficially owns or the perception that such actions might occur;
- the decisions made by the Company´s controlling shareholder regarding its activities and operations;
- the operating performance of similar companies in Mexico and abroad;
- an increase in competition;
- the market's perception regarding GCC´s management's performance;
- announcements by GCC or its competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;

- changes to regulations applicable to GCC or new interpretations of current laws and regulations, in particular those applicable to its business or shares;
- general economic conditions in the United States and Mexico;
- political and market conditions in the United States, Mexico and other countries;
- significant volatility in the market price and trading volume of securities of companies in GCC´s sector;
- fluctuations in the exchange rate between the Mexican Peso and the U.S. Dollar;
- additions or departures of key management personnel;
- acquisitions completed by the Company and its ability to absorb them;
- fluctuations in GCC´s earnings, including quarterly operating results; and
- broad capital market fluctuations.

In addition, in the future, GCC may issue equity securities or its controlling shareholder may dispose of its interest in GCC. Any such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholder's economic and voting rights or a negative perception by the market and a potential decrease in the market price of the shares.

The market for GCC´s share may continue to be inactive or illiquid.

Although GCC´s shares are currently listed and traded on the Mexican Stock Exchange, its shares have historically experienced and may continue to experience low trading volumes and limited liquidity. In addition, the Mexican Stock Exchange is the only trading market in Mexico and it is substantially smaller, less liquid, more volatile, has a lower institutional investor base, and is more concentrated than major international securities markets, such as those of the United States. Such market characteristics may substantially limit the capacity of holders of GCC´s shares to sell them, or to sell them at the holders' preferred price and time, and this may negatively affect the market price and liquidity of its shares.

GCC is a holding company and therefore its ability to pay dividends depends on its subsidiaries' ability to transfer income and dividends.

GCC is a holding company with no significant assets other than the stock of its direct and indirect subsidiaries. In general, its ability to pay dividends depends on the continued transfer of dividends and other income from its wholly-owned and non-wholly-owned subsidiaries. The ability of the Company´s operating subsidiaries to pay dividends and make other transfers is limited by various regulatory, contractual and legal constraints. For example, GCC´s operating subsidiaries in Mexico are subject to Mexican legal requirements, which provide that a corporation may declare and pay dividends only out of the profits reflected in the year-end financial statements that are approved by its stockholders. In addition, this payment can be approved by a subsidiary's stockholders only after the creation of a required legal reserve (equal to one-fifth, or 20%, of the relevant company's capital) and absorbed the losses, if any, incurred by the subsidiary in previous fiscal years. The Company cannot assure that its subsidiaries will generate sufficient income to pay out dividends, and without these dividends, GCC, in turn, may be unable to pay dividends.

The payment and amount of dividends are determined by the vote of GCC´s stockholders and are subject to other limitations.

The payment of dividends and the amounts of such dividend payments paid by GCC to its shareholders are subject to the recommendation of its Board and approval by its shareholders. As long as the Company´s controlling shareholder continues to own the majority of its shares, it will have the ability to appoint the majority of the members of its Board and to determine whether dividends are paid and the amount of such dividends. In addition, the payment of dividends is subject to the existence of profits, the absorption or repayment of past losses and the approval of its financial statements for the corresponding period by the shareholders' meeting. Although GCC has paid dividends in the past, there can be no assurance that it will be able to pay or maintain dividends, nor can it assure that its shareholders will approve a dividend policy proposed by its Board or if its Board will propose one, or what the terms of such dividend policy will be.

In accordance with the General Law of Business Corporations (*Ley General de Sociedades Mercantiles*), 5% of the Company´s annual net earnings (if any) must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least one-fifth, or 20%, of its paid-in capital stock. As of the date of this report, GCC´s legal reserve fund is equal to 20% of its paid-in capital stock. The legal reserve fund may be capitalized, but must not be distributed unless the Company is dissolved, and must be reconstituted when the fund decreases for any reason. As of December 31, 2018, this reserve amounted to US$ 22.7 million and is recorded separately from the Company´s retained earnings.

Dividend distributions to holders of GCC´s shares will be made in Mexican Pesos.

GCC will make dividend distributions to holders of its shares in Mexican Pesos. Any significant fluctuations in the exchange rates between Mexican Pesos and U.S. Dollars or other currencies could have an adverse impact on the U.S. Dollar or other currency to the equivalent amounts of such translation received by the shareholders. In addition, the amount paid by the Company in Mexican Pesos may not be readily convertible into U.S. Dollars or other currencies. While the Mexican government does not currently restrict the ability of Mexican, foreign persons or entities to convert Mexican Pesos into U.S. Dollars or other currencies, the Mexican government could institute restrictive exchange control policies in the future. Future fluctuations in exchange rates and the effect of any exchange control measures adopted by the Mexican government on the Mexican economy cannot be predicted.

If securities or industry analysts do not publish research or reports about GCC's business, or publish negative reports about its business, its share price and trading volume could decline.

The trading market for GCC´s shares depends in part on the research and reports that securities or industry analysts publish about GCC or its business. If any analyst who covers the Company makes public negative information or inaccurate or unfavorable research about its business, GCC's stock price could decline. If any analyst ceases coverage of the Company or fails to publish reports on it regularly, demand for GCC shares could decrease, which might cause the price and trading volume of its shares to decline.

If the Company issues additional shares in the future, the investors may suffer dilution and the trading prices for GCC´s securities may decline.

GCC may issue additional shares for financing future acquisitions or new projects or for other general corporate purposes. Any such issuance or sale could result in a dilution of the ownership stake of the current shareholders and/or the perception of any such issuances or sales could have an adverse impact on the market price of its shares.

The ownership and transfer of GCC's shares is subject to certain restrictions under its bylaws.

Any person or group of persons, that (i) acting individually or jointly, intends in one act or a series of acts, either simultaneous or successive, without time limit among such acts, to acquire, directly or indirectly, in any manner, blocks of shares that represent, with respect to each act or acts, 3% or more of the outstanding shares, (ii) competes, directly or indirectly, with GCC, acting individually or jointly, intends in one act or a series of acts, either simultaneous or successive, without time limit among such acts, to acquire, directly or indirectly, any outstanding shares or (iii) intends to enter into agreements, written or verbal, which notwithstanding their duration result in the formation or adoption of mechanisms or voting association agreements, or of voting in concert or in the aggregate, with respect to shares representing 3% or more of GCC ´s outstanding shares, will require the approval of GCC's Board, which must be granted prior to the acquisition or execution of the agreement.

The Board will consider several factors and will approve or deny the transaction within 90 days following receipt of the corresponding request, provided that the Board has received all information required to consider and approve a transaction. If such acquisition or voting agreement is approved by GCC´s Board and results in the beneficial ownership by a shareholder or group of shareholders of 15% or more of its shares or a change of control in the Company, the person acquiring the shares or executing the respective voting agreement is required to make a tender offer for 100% of our aggregate outstanding shares. The restrictions described in the foregoing paragraphs may prevent a third party that intends to acquire control of GCC from carrying out such transaction, affect the price of its shares and prevent its shares from receiving a premium as a consequence of a tender offer, which would imply a higher price than the market value of its shares.

Non-compliance with the requirements applicable to a company listed in the BMV may result in the delisting of GCC´s shares and the cancellation of its registration with the RNV.

As a public company, GCC is subject to various compliance requirements such as providing periodic information and maintaining a minimum number of shares owned by the public to maintain its listing on the BMV. In the event that the Company fails to meet these requirements, it may become subject to the cancellation of its RNV registration and delisting of its shares from the BMV, penalties, sanctions and other administrative or regulatory actions. Delisting of GCC´s shares could have a material adverse effect on the price and liquidity of its shares.

Information other than the historical data included in this report reflects the Company´s opinion on future events, and could include information about the financial position and results of operations, economic conditions, trends and uncertain facts. In some cases, forward-looking statements can be identified by terminology such as "believe", "estimate", "expect", "consider", "forecast", "plan", among others. Upon assessing those forecasts or estimates, potential investors should take into account the factors described in this section and other warnings contained in this report. These risk factors and projections describe circumstances that could cause actual results to differ from those expressed herein.

1.d) Other securities

As of December 31, 2018, all of GCC´s shares are registered in the Mexican National Securities Registry (*Registro Nacional de Valores*, or "RNV"). Of GCC's stock, 160,609,855 shares, sole series, are held by the public. As of the date of this Report, GCC holds 5,131,557 shares in its treasury.

In the last three fiscal years the Company has punctually observed the delivery of legal, economic, accounting and financial information to the BMV and the CNBV, in a complete and timely manner and on the corresponding dates. This information includes the financial information, the CEO's Report, material events, annual report, and the operation of the Company's own stock acquisition fund, among others.

1.e) Significant changes to the rights of the securities registered in the RNV

GCC has not made any amendments regarding the rights granted to the holders of shares representing its capital stock.

1.f) Public documents

All the information contained in this report and/or any exhibits, including the affidavit on adherence to the Best Corporate Practices Code by GCC is available to the investors in the Company's website: www.gcc.com or through the Mexican Stock Exchange (BMV) at their headquarters or on their website: www.bmv.com.mx

Copies of such documents, as well as the quarterly and annual information delivered to the CNBV and the BMV may be obtained upon request by any investor, addressed to GCC´s Finance and Administration Department, at the offices located at Avenida Vicente Suarez y calle Sexta s/n, Colonia Nombre de Dios, C.P. 31105, Chihuahua, Chihuahua, Mexico, or at our telephone number +52 (614) 442-3217 or +52 (614) 442-3176, attention to Luis Carlos Arias Laso, or at the email investors@gcc.com.

2) The Issuer

2.a) History and development of the securities issuer

Company information

Corporate name: Grupo Cementos de Chihuahua, S.A.B. de C.V.

Corporate history: GCC is a publicly listed variable stock corporation incorporated in Chihuahua, Chihuahua, Mexico in 1991 in accordance with the applicable provisions of the General Law of Business Corporations (Ley General de Sociedades Mercantiles, or "LGSM") and the Mexican Securities Market Law (Ley del Mercado de Valores, or "LMV").

The address and telephone numbers of GCC's corporate offices are as follows:

Avenida Vicente Suarez y calle Sexta s/n
Zona Industrial Nombre de Dios
Chihuahua, Chihuahua, Mexico
C.P. 31105

Telephone numbers: +52 (614) 442-3100
+52 (614) 442-3217
+52 (614) 442-3176

Evolution of the Issuer

Grupo Cementos de Chihuahua, S.A.B. de C.V. has its origins in 1941 when Cementos de Chihuahua was incorporated. With its plant in the city of Chihuahua, Cementos de Chihuahua had an annual cement production capacity of 60,000 tons. In 1952 and 1967, Cementos de Chihuahua made two expansions to its production capacity.

In 1972, Cementos de Chihuahua began operating a cement plant in the city of Juarez, Chihuahua, and in 1974 the systems for two-phase preheater and dust collection for kilns 2 and 3 of the Chihuahua cement plant were installed, thus increasing the annual production capacity to 560,000 tons.

In 1982, Cementos de Chihuahua added a new cement production line at the Chihuahua cement plant with the most advanced technology available. As a result, annual production capacity increased to 1.1 million tons.

In 1991, GCC was incorporated as a holding company and in 1992, 25.9% of the equity publicly was sold and listed on the Mexican Stock Exchange to partially finance the construction of a cement plant in the town of Samalayuca, Chihuahua, located 35 kilometers south of the city of Juarez.

In 1994, GCC acquired a cement plant with an annual production capacity of 450,000 tons in Tijeras, New Mexico, located 20 miles east of Albuquerque, New Mexico. Later that year, it acquired two cement distribution terminals, one in Albuquerque, New Mexico and the other in El Paso, Texas.

In 1995, it began operations in the Samalayuca cement plant, which had an annual production capacity of 900,000 tons, placing GCC at the forefront in the use of technology for the production of cement.

On March 16, 2001, GCC acquired the cement assets and working capital of Dacotah Cement. This cement plant is located in Rapid City, South Dakota, and had an annual production capacity of approximately 1 million tons. With this acquisition, total installed capacity of cement production increased, to 3.3 million tons. In 2004, the capacity in the Rapid City, South Dakota cement plant was increased by approximately 10%, increasing annual cement production capacity of 3.4 million tons.

In March 2005, GCC acquired the assets of Gallup Transportation and Transloading Company, LLC and National King Coal, LLC, which included a coal mine located in Durango, Colorado and a loadout facility lease. The coal mine had already been supplying the energy requirements of the cement plants in U.S.A. and in Mexico. National King Coal, LLC changed its name to GCC Energy, LLC ("GCC Energy") , and it is GCC's own source of coal supply which ensures supply and stabilizes the fuel cost for cement production.

In September 2005, GCC acquired a 47.02% stake in SOBOCE, the largest cement company in Bolivia. Through this acquisition, the Company got a diversified source of sales and earnings, along with a platform to expand its presence in South America, as well as establishing itself as the market leader in Bolivia.

In January 2006, GCC acquired four leading ready-mix concrete companies in eastern South Dakota and western Minnesota. The acquired companies are now operating as Consolidated Ready Mix, Inc. (CRM). With these acquisitions, the Company strengthened its leadership position in the ready-mix concrete markets of South Dakota and surrounding regions.

In May 2006, GCC acquired 100% of the stock of The Hardesty Company Inc. and Alliance Transportation Inc. ("Alliance Transportation"), together better known as Mid-Continent Concrete Company ("MidCo"), the largest producer of ready-mix concrete in northeastern Oklahoma and northwestern Arkansas. The MidCo acquisition represented an expansion of our U.S. presence and provided us with a foothold in these markets.

In January 2008, GCC acquired 100% of the assets of Alliance Concrete Inc. ("Alliance Concrete"), based in northwest Iowa, Alliance Concrete was the largest producer of ready-mix concrete in that region and provided access to an established market in a region close to GCC's plants and distribution terminals, thereby furthering its vertical integration. The acquisition of Alliance Concrete represented an important growth platform in the regions of South Dakota, Minnesota, Iowa and Nebraska.

In 2008, GCC acquired four cement distribution terminals in New Mexico, Colorado and North Dakota, and completed the modernization and expansion of the distribution terminals located in Denver, CO and Brookings, SD. These actions brought GCC's products closer to the new regional markets and provided better customer services in the existing markets.

In March 2008, the Company acquired 100% of the assets of The Bosshart Company, Inc, headquartered in Minnesota and one of the leading providers of ready-mix concrete in southwest Minnesota and also participated in northwest Iowa along with Alliance Concrete. The acquisition strengthened GCC's leadership position in these markets, furthered GCC's vertical integration, and improved the efficiency of the operations and customer service while generating shareholder value.

In April 2008, to meet the growing demand for cement in the state of Colorado and the Rocky Mountain region in the United States, GCC completed the construction of a new cement plant in Pueblo, Colorado. This cement plant features state-of-the-art cement production technology and had an annual production capacity of 1.3 million tons, strictly observing the highest quality and environmental protection standards. This plant brought GCC's total annual production capacity to 4.4 million tons

Also during 2008, additional capital was invested in order to develop and exploit a new deposit in the coal mine of Durango, Colorado with the goal to ensure long term supply of coal while reducing costs of energy sources.

In 2009, GCC completed the construction of new plants for limestone aggregates, prefabricated concrete panels and dry blends in Samalayuca, Chihuahua. These plants allow meeting customers' demands for special blends used in several applications. In the same year, it also completed the modernization of Chihuahua's cement plant, strengthening the long-term cement grinding capacity and reducing production costs by increasing operating efficiency.

During 2010 and 2011, the ready-mix concrete production capacity was expanded and GCC opened seven new cement distribution terminals in Hawarden, Iowa; Great Bend, Kansas; Lakeville, Minnesota; Elida, New Mexico; and Woodward, Oklahoma, which, coupled with its mobile ready-mix concrete plants, allows the Company to reach customers in neighboring markets.

In August 2011, GCC sold its 47.02% stake in SOBOCE to CCS, a subsidiary of Grupo Gloria headquartered in Peru. The proceeds from the transaction were mainly used to reduce GCC's outstanding debt, as part of the strategy to improve its financial profile and focus on the core business in Mexico and the United States.

In 2012, two distribution terminals were installed in Amarillo, Texas and Bismarck, North Dakota. These new distribution terminals and the portable ready-mix concrete plants allow the Company to reach a larger range of clients and to increase direct shipments to niche markets, including the oil drilling market in North Dakota. Also in 2012, the production of ready-mix concrete was expanded and GCC received a modification of the Pueblo, Colorado plant permit, increasing its annual cement production capacity in two phases, with an increase of approximately 1.07 million tons during the first phase and up to 1.18 million tons in the second phase. The first phase of this project was completed in 2012, bringing the annual cement production capacity to 4.5 million tons.

In 2013, two new mobile distribution terminals were added in Fruita, Colorado and Glendive, Montana. Also, the renovation of the cement distribution terminal in Minot, North Dakota was completed, increasing its distribution capacity to 109.0 thousand tons per year.

In 2014, GCC opened a new portable distribution terminal in Sidney, Nebraska, and converted the distribution terminal in Lakeville, Minnesota from a temporary to a permanent distribution terminal.

In 2015, GCC began operating a new aggregates plant with an annual production capacity of 1.8 million tons in the city of Chihuahua. Also in 2015, a concrete plant in Wahpeton, North Dakota was acquired, strengthening GCC's presence in the northern central part of the United States.

In 2015, GCC's Board approved the expansion of the Rapid City, South Dakota cement plant to increase its annual cement production capacity by 440.0 thousand tons per year. As of December 31, 2018, this project represented an investment of approximately U.S.$ 100 million and was completed in the winter of 2018.

On August 23, 2016 the Company entered into an agreement to acquire certain assets of Cemex's affiliates in the United States. The consummation of the recent acquisition pursuant to this agreement was subject to certain conditions, including approval by the U.S. Federal Trade Commission and obtaining the required financing. The acquisition included a cement plant in Odessa, Texas with a capacity of 514 thousand tons per year; two cement distribution terminals in Amarillo and El Paso, Texas; the concrete, aggregates and building materials businesses in El Paso, Texas and Las Cruces, New Mexico (which includes ready-mix concrete plants, aggregates quarries, asphalt plants and centers for construction materials); and approximately U.S.$ 11.0 million in inventories.

In September 2016, GCC's stockholders approved the acquisition, and in November 2016, the transaction was closed with a payment of US$ 306.0 million. With this acquisition, GCC strengthens its presence in key regional markets, enhances its ability to serve the industry efficiently, expands its presence in the west Texas markets (including the Permian Basin), helps the Company to become the largest producer in its key markets and supports its long-term growth strategy in the United States. The acquisition was financed with funds from a new U.S.$ 253.5 million unsecured credit facility, which includes affirmative and negative covenants and events of default.

In September 2016, in order to simplify ownership and control of GCC, making it more transparent to investors, the shareholders of the Company also approved the simultaneous merger of GCC, in the role of merger entity and two of the companies that directly and indirectly control GCC, Control Administrativo Mexicano, S.A. de C.V. and Imin de México S.A. de C.V., the latter two in the role of merged companies. This merger came into effect at the end of September 2016. As a result of the merger, CEMEX owns a direct stake in GCC equal to 23.0% of its share capital and a minority stake in CAMCEM, GCC's controlling shareholder.

In February 2017, the price of the secondary offer of 51,750,000 GCC ordinary shares owned by Cemex was set at Ps. 95.00 per share. This included 6,750,000 shares available for a period of 30 days for underwriters of the overallotment offers. In March 2017, it was confirmed that the underwriters did not exercise their overallotment option and as a result Cemex owns a direct stake in GCC equal to 9.47% of its share capital as of the date of this report.

In September 2017, CEMEX sold to two financial institutions the full amount of the remaining direct equity interest in GCC, representing 31,483,332 shares and approximately 9.47% of GCC's stock.

In June 2018, GCC and CRH plc. ("CRH") received regulatory approval by the FTC ("Federal Trade Comission") to conduct purchase-sale transactions for certain U.S. cement and ready-mix operations. By the end of June 2018, the transactions were completed and GCC acquired the Trident cement plant in Three Forks, Montana, with a production capacity of 315,000 metric tons, from CRH for US$ 107.5 million. Meanwhile, CRH acquired the majority of the ready-mix plants and transportation assets owned by GCC in Oklahoma and northwest Arkansas for US$ 118.5 million. GCC still owns and operates four ready-mix plants in the Fort Smith, Arkansas area, a main plant site and an office building in Tulsa, Oklahoma, which is leased to CRH. With this transaction GCC strengthens its presence in existing markets and expands its footprint into contiguous areas, including Canada.

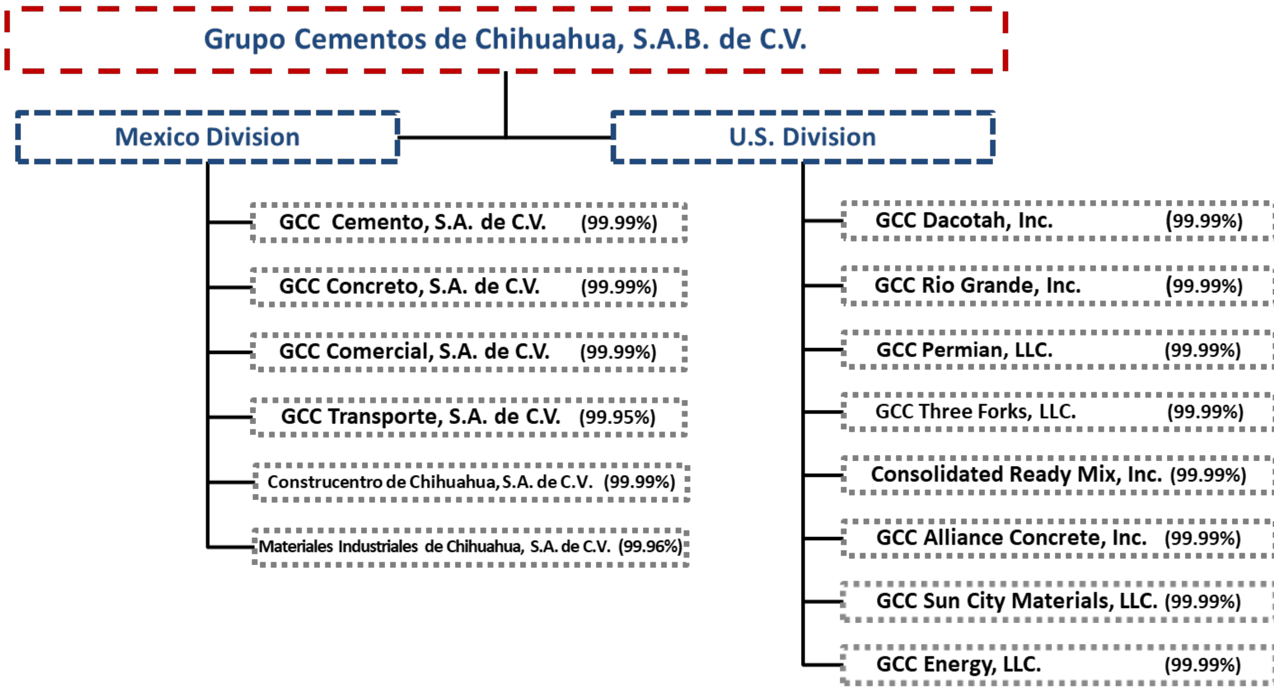
In the third quarter of 2018, GCC reactivated two idled kilns in Chihuahua to increase production of both oil well cement and construction cement. The kiln that produces oil well cement remained in the testing and certification process throughout the year and began exporting in February 2019.

In December 2018, the expansion of the Rapid City, South Dakota cement plant commenced, increasing its annual capacity by 440,000 metric tons. The expansion of the cement plant began in 2016, with an investment of approximately US$ 100 millions. The tie-in of the new facilities was completed in November 2018; During the tie-in process production was suspended and resumed in December, followed by the stabilization process of the new facilities. Production at the Rapid City plant will gradually increase over de 18 to 24 months following the stabilization process.

As of March 31, 2019, GCC owns assets for US$ 1,954.3 million, and provides direct employment to 2,790 people.

Corporate Structure

GCC is managed through two divisions, the Mexico Division and the U.S. Division. Below, the diagram shows the principal GCC subsidiaries that make up the operations of these divisions. Additionally, a team provides administration, engineering, technology management, planning, human resources and finance services to both divisions.



The following table shows the Company’s main investments:
(millions of dollars)

Concept	2018	2017	2016
Coal Mine	6	5	5
Distribution Centers	2	0	2
Modernization and automation of cement plants	112	20	168
Expansion of Rapid City Plant in South Dakota	52	31	14
Aggregates plant	1	2	0
Transportation equipment	14	18	20
Information systems equipment	1	1	3
Land and buildings	4	0	1
Total	**192**	**77**	**213**

2.b) Business description

2.b.i) Main activity

The core business of the Company is the production, distribution and sale of gray Portland cement, ready-mix concrete, aggregates and other construction materials.

Cement is a fine material powder with hydraulic, aesthetic and durability properties that are very useful for the construction industry. In addition, cement acts as a binding agent which when mixed with aggregates and water produces ready-mix concrete. Concrete is one of the most attractive construction materials because of its great compressive strength and its shape-ability. Aggregates are geological materials in the form of stone, sand or gravel which are essential for the manufacturing of concrete, mortar and asphalt.

Description of the cement production process

Cement, commonly known as Portland cement, is produced from clinker, which is created when raw materials such as iron ore, silica, clay and limestone are dried, grounded and mixed into a fine powder. This powder is heated in revolving kilns at a temperature of 1,450°C (2,642°F) in order to trigger the chemical reactions that bind cement. There are two primary processes used to manufacture cement: the "dry process" and the "wet process." These processes differ in the form in which the raw materials are fed into the kiln and the amount of energy consumed. In the dry process, the raw meal is fed into the kiln in the form of a dry powder, whereas in the wet process the raw meal is fed into the kiln in the form of slurry. GCC manufactures cement using the dry process, except in the Trident plant, which is more fuel-efficient than the wet process because it does not require water and consumes less energy per manufactured ton. According to the PCA, the dry process is the most modern and common way to manufacture cement. 95% of GCC's cement production capacity operates with the dry process which consists of five key steps described below:

Extraction and crushing of raw materials

Limestone, clay, gypsum and other raw materials, including silica, magnetite, hematite and ignimbrite, are extracted from natural deposits and crushed to reduce their size. GCC's cement plants are located next to the Company's deposits of these materials and it owns most of the limestone and all of the clay quarries and leases some of the gypsum quarries that supply the Company's operations. GCC purchases other raw materials from independent suppliers considered to be reliable, and with some of which it has long-term agreements or is in the process of negotiating such agreements. Most of the suppliers supply materials exclusively to GCC.

Homogenizing raw materials

The raw materials are fed through a mill, which dries and grinds them to the required degree of fineness. The resulting product, referred to as raw mix, is stored in a homogenizing silo in order to ensure the uniformity of the mix components and is available to continuously feed the plant kiln.

Calcination

In a process referred to as calcination, the raw mix is then heated in revolving kilns at a temperature of around 1,450°C (2,642°F), which leads to the synthesis of a new material with hydraulic properties known as clinker. On leaving the kiln, the clinker is air cooled rapidly down to 150°C (302°F) to stabilize the mineralogical property necessary for transport. In order to take advantage of the heat energy of the gases resulting from the calcination, these gases are conducted to the preheater/kiln system where the raw mix is suspended, carrying out an efficient heat exchange, partially calcinating the material while preparing it for later conversion to clinker in the kiln. Additionally, a part of these gases is used to dry the raw mix in the raw mill.

Coal or natural gas are the main energy sources used in all of GCC's plants. The coal supply source is the mine that GCC bought in 2005 in the state of Colorado in the U.S. (with the exception of the plant located in Rapid

City, South Dakota and Three Forks, Montana, for which there is a coal supplier located in the states of Wyoming and Montana, and the plant in Odessa, Texas, which is fueled 100% by natural gas). GCC's cement plants have the flexibility to use different types of energy, thus reducing exposure to fluctuations in fuel prices and increasing the profitability of cement operations. In addition, the 3 plants in Mexico and the plant in Pueblo, CO use alternative fuels from industrial waste co-processing.

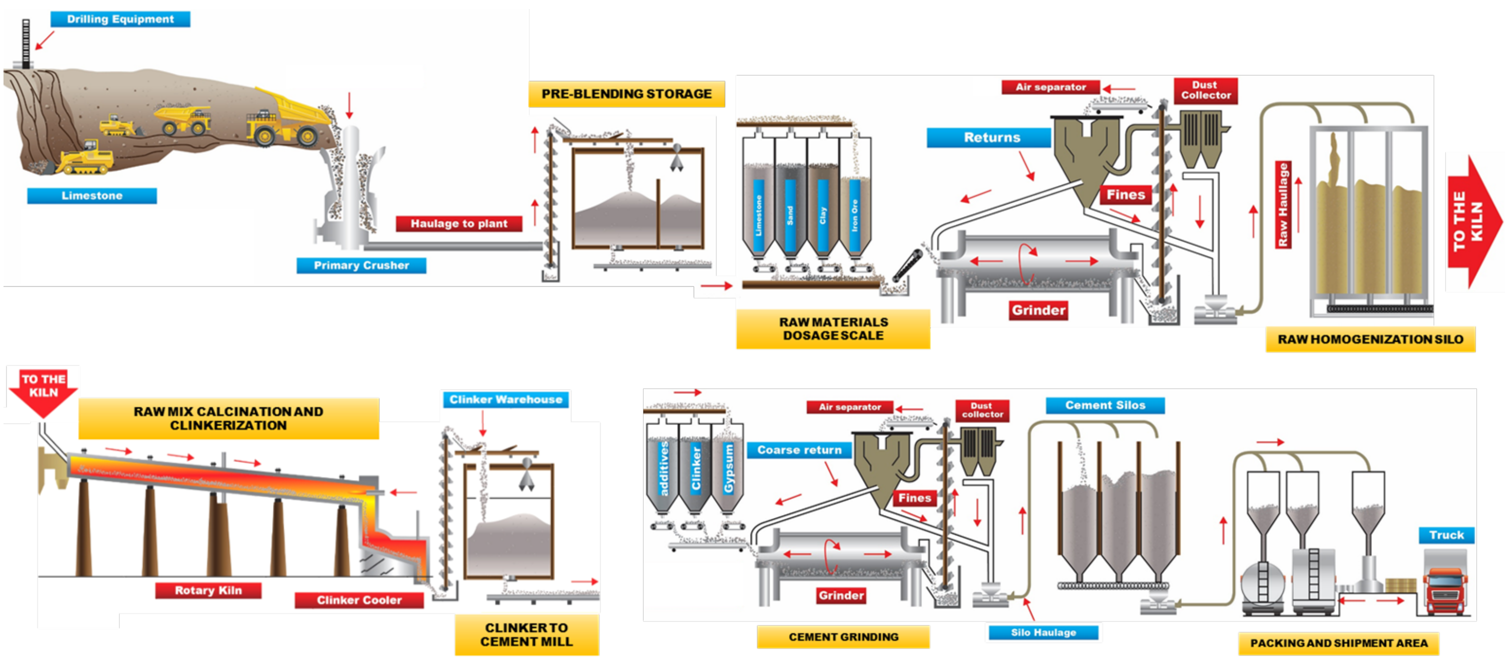
Milling

In the cement mills, automatic scales measure clinker and gypsum, which is added to the clinker in order to regulate the setting time of the cement. First, work is performed by impact, allowing the material to be crushed and subsequently, friction is used to obtain the required fineness.

Packaging and shipping

The different types of cement are then stored in separate silos to prevent mixing. From the silos, the cement is shipped to the client, either in bulk by truck or rail or in bags of different sizes. In the United States, we maintain cement inventories at our plants and distribution terminals and tend to produce cement in GCC's lower selling seasons to build the Company's inventories for sales in peak months.

The process described can be seen in the following diagram:



Sales distribution by business line

GCC's sales by business lines for the years 2018, 2017 and 2016, in thousands of dollars, were as follows:

Business line	2018		2017		2016	
	Sales	%	Sales	%	Sales	%
Cement and mortar	591,067	67%	539,485	66%	410,977	64%
Concrete	174,959	20%	167,506	20%	151,844	23%
Concrete block	11,480	1%	11,636	1%	10,771	2%
Aggregates	21,686	2%	26,603	3%	13,246	2%
Other	84,038	10%	78,874	10%	57,859	9%
Total	883,230	100%	824,104	100%	644,697	100%

2.b.ii) Distribution channels

In Mexico, approximately 29% of the volume of cement is sold in bags and distributed principally through a network of independent distributors in the state of Chihuahua and the Company's own distributor, Construcentro, S.A. de C.V. subsidiary of CDC. Bulk cement is sold through direct distribution to customers, such as producers of ready-mix concrete, block and other products. In this market segment, the mining sector at the State of Chihuahua represents a significant percentage.

In the U.S., bulk cement sold by GCC represents 99% of total cement sold and it is directly delivered to customers through an efficient system of distribution centers located in the states of Colorado, North Dakota, South Dakota, Iowa, Minnesota, Montana, Nebraska, New Mexico, Texas, Utah and Wyoming. Likewise, cement bags are sold mainly through independent wholesale distributors.

2.b.iii) Patents, licenses, trademarks and other agreements

GCC owns the trademark rights in Mexico and the U.S. which give it presence in the markets where it participates:

- GCC (logo)
- Cemento Chihuahua
- Dacotah Cement
- GCC Dacotah
- GCC Rio Grande
- Yeso Chuviscar
- Mortero Chuviscar
- Megablock
- Construcentro

The aforementioned trademarks are the main ones, and these are continuously renewed in order to preserve their status.

GCC has patents in the United States and Mexico which protect the manufacturing process of prefabricated products with certain thermal insulation properties and ecological features.

GCC does not have material agreements other than those related to the normal operation of the business.

2.b.iv) Main customers

The Company has a wide customer base in Mexico and the U.S.A. GCC's sales are not dependent on any single customer nor are they concentrated in a customer group; therefore, no material adverse effect on GCC's results or financial condition is expected in the event of the loss of a commercial relationship.

In the United States, GCC's main customers buy bulk cement; these are mostly concrete producers, manufacturers, concrete block producers and contractor enterprises for the road sector and for oil wells located in the geographic region that GCC serves.

Subsegment	%
Concrete	63%
Mining /oil wells	21%
Prefabricated, prestressed and block	5%
Paving	4%
Distributors / packers	4%
Ground stabilization	1%
Government, contractors and other	2%
Total	100%

In Mexico, GCC has a wide customer base in all of its business lines, and it has a major share of the cement market. The main customers of GCC in Mexico in this segment are distributors, construction companies, concrete block producers, manufacturers, the state government, municipal governments and the mining sector.

The analysis by customer sub-segment of 2018 sales is shown below:

Subsegment	%
Construred / Distributors	31%
Construction companies	20%
Exports	13%
Mining	16%
Housing	8%
Government and infrastructure	7%
Manufacturers	3%
Agriculture	2%
Total	100%

2.b.v) Applicable legislation and tax situation

GCC's operation and business are subject to diverse laws and regulations, as well as authorizations, concessions and governmental permits. More specifically, GCC, its properties and operations are mainly subject to the following laws and regulations in Mexico:

- Political Constitution of the United Mexican States (*Constitución Política de los Estados Unidos Mexicanos*);
- General Law of Business Corporations (*Ley General de Sociedades Mercantiles*, "LGSM");
- Mexican Securities Market Law (*Ley del Mercado de Valores*, "LMV");
- Federal Law on Economic Competition or Mexican Antitrust Law (*Ley Federal de Competencia Económica*)
- Civil Code of the State of Chihuahua
- General Law for Ecological Balance and Environmental Protection, together with its Regulations (*Ley General de Equilibrio Ecológico y Protección del Ambiente y su reglamento*);
- General Law for the Prevention and Integral Management of Wastes (*Ley General para La Prevención y Gestión Integral de Residuos*);
- Local and municipal regulations related to the environment, land usage, zoning and tax legislation and their regulations; and
- Mexican Official Standards ("*Normas Oficiales Mexicanas*", or "NOMs").

Currently, GCC is in compliance in a timely manner with its tax obligations.

2.b.vi) Human resources

As of December 31, 2018, there were 2,729 employees working for GCC, rising to 2,790 as of March 31, 2019.

In the cement, concrete and transportation operations in Mexico there are unions affiliated with the Workers Confederation of Mexico, at both the local and national levels. Each plant has its own collective bargaining agreement, and these are revised every two years in terms of benefits and salaries, there is also an annual salary revision. Some of the workers of the plant located in Rapid City, South Dakota are affiliated with the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy, Allied Industrial & Service Workers International Union. The labor collective bargaining agreement for this plant includes a no-strike clause. The agreement is renegotiated every five years and was last renewed in the first half of 2016.

GCC maintains a positive relationship of collaboration and teamwork with its unions and employees and it works towards developing and improving the quality of life of its personnel through established common objectives aligned with the business vision of the Company.

2.b.vii) Environmental performance

GCC is committed to contribute with the continuous improvement of the environment in the communities where it operates, and in particular to identify, prevent and control the environmental issues in its own processes. This is achieved through a system of environmental stewardship together with strict compliance with the environmental regulations applicable to the Company's processes.

The strategic plan is focused on the following items which will ensure the success of the environmental policy of the Company:

Climate and Energy

- Reduction of greenhouse gas (CO_2) emission.
- Eco-efficiency, reduced thermal power and electricity.
- Increase blended cement products.
- Search for and introduction of alternative energy sources.
- Adoption of carbon capture technology.

Circular Economy

- Increase the use of alternative fuels.
- Increase the use of alternative resources.

Environment and Nature

- Reduce other emissions (dust, NOx, SOx).
- Eco-efficiency, reduced water consumption.
- Quarries remediation (soil and environment restoration).
- Reforestation through nurseries.
- Development of environmentally-friendly products.
- Integrated waste management.
- Excellence in environmental stewardship.

GCC consolidates a sustainable operation throughout the value chain based on prevention, control and improvement as well as the minimization of the environmental impact of its processes. In 2018, GCC joined the Global Cement and Concrete Association (GCCA), under the requirements of the World Business Council for Sustainable Development. GCCA's commitments are centred on five pillars: I. Health and Safety, II. Climate and Energy, III. Social Responsibility, IV. Environment and Nature, V. Circular Economy.

The increase in the use of alternative fuels in its cement plants shows GCC's commitment with the environment. In 2018, the replacement of fuels achieved by plant was: Samalayuca 33%; Juárez 38% and Chihuahua 12%. Additionally, the cement plant in Pueblo, Colorado, reached a replacement rate of 11% during 2018. The replacement rate reached in the Samalayuca plant is the result of the implementation of the project of Organic Fraction of Waste for Energy Efficiency (FROEE, its acronym in Spanish) which deals with the characterization, re-definition and acquisition of industrial, commercial and/or domestic solid wastes, and their preparation and processing in order to be mixed through an appropriate process, with an initial expectation of replacing between 33% and 45% of the conventional fuel used in the kiln process for clinker production. Following the good practices, the FROEE project was launched in Chihuahua Plant in 2017, expecting to reach a 30% substitution by 2019.

As a result of GCC's concern for the environment and its social responsibility and sustainable development initiatives, GCC's main business units have been granted the following recognitions and certifications:

GCC Mexico Division

- Award as a Socially Responsible Company (*Distintivo de Empresa Socialmente Responsable*, "ESR") granted by the Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía*, CEMEFI), for the fourteenth year in a row.
- Environmental Stewardship Award 2017 (*Premio a la Responsabilidad Medioambiental)*.
- National Quality Award 2007 (*Premio Nacional de Calidad)*.
- Certified System for Workplace Safety and Health (*Certificación del Sistema de Seguridad y Salud en el Trabajo*, SASST) in accordance with NMX-SAST-001-IMNC-2008, since 2006.

- National Technology Award 2004 (*Premio Nacional de Tecnología)*.
- Award granted by the Ministry of the Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, SEMARNAT) in recognition for the public inventory of greenhouse gas emissions for our operations since 2004.
- Award granted in 2012 by SEMARNAT for participation in the program for Environmental Leadership for Competitiveness for companies based in Chihuahua.

GCC Cemento - Samalayuca Plant

- Certificate of verification of GHG calculation 2017 by ANCE.
- Environmental Excellence Certification 2005.
- Environmental Excellence Certification 2006.
- ISO 14001 certified since 2001 until 2016.
- National Quality Award 1999.
- National Award for Energy Savings 1996.

GCC Cemento - Chihuahua Plant

- Certificate of verification of GHG calculation 2017 by ANCE.
- Green Company certified by the Government of the State of Chihuahua, since 2009 to date.
- Clean Industry certified from 1999 to 2012, and from 2015 to 2017.
- National Award for Energy Savings 2010.
- ISO 9001 and ISO 14001 certified since 2001.

GCC Concreto

- Clean Industry certified since 2009 in the Homero and Jarudo plants (in force up to 2017 and 2016, respectively).
- Green Company certified by the Government of the State of Chihuahua, from 2007 to date (2011, 9 plants).
- NMX-414-ONNCCE-200 certificates for product quality (concrete, block and brick).
- NMX-CC-9001-IMNC-2008 / ISO 9001:2008 certificate for the Concrete Quality Management System.
- NMX-EC-17025-IMNC-2006 certificates for lab quality granted by the Mexican Accreditation Organization (EMA).
- A family of products including those with thermal and sustainable features and which support the green mortgage program by INFONAVIT (blocks and bricks manufactured with thermal-pumicite concrete) and LEED certification by the USGBC (reflectance index).

GCC Transporte

- Award for Clean Transportation certified by SEMARNAT (2011 Juarez and 2012 Chihuahua).
- Award for Clean Transportation certified by SEMARNAT (2016 Juarez and 2016 Chihuahua).
- Award for Clean Transportation certified by SEMARNAT (2017 Juarez among the top 20 throughout Mexico and 2017 Chihuahua).

GCC Rio Grande - Pueblo Plant

- Award for environmental innovation 2011, second place, awarded by the Portland Cement Association and the Cement Americas magazine.
- 2018 Energy Star award from the Environmental Protection Agency.

GCC Rio Grande - Tijeras Plant

- 2018 Energy Star award from the Environmental Protection Agency.

GCC Dacotah - Rapid City Plant

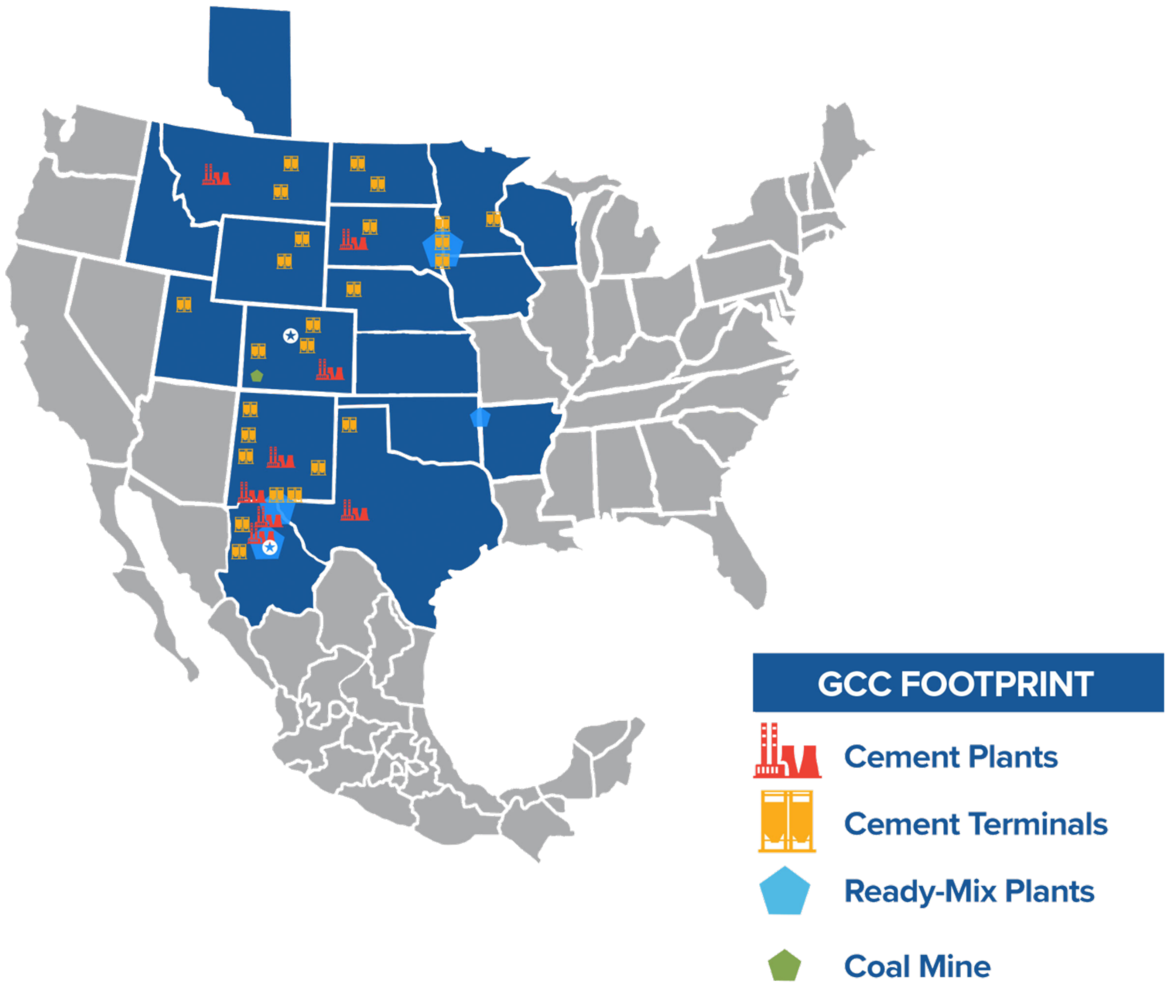
- Ten-year excellence award (2002-2011) for proper water use compliance.
- 2014 Sustainability Award by Rapid City, South Dakota.

Mid Continent Concrete – Tulsa Plant

- Honorable Mention 2015 – Award for environmental excellence by the National Ready Mix Concrete Association (NRMCA).

2.b.viii) Market information

The market where GCC participates in Mexico, the United States and Canada is shown in the figure below:



United States	Mexico
• Cement: 5 plants	• Cement: 3 plants
• Concrete: 54 plants	• Concrete: 46 plants
• Coal mine: 1	• Concrete block: 6 plants
• Cement terminals: 23	• Prefabricated products: 2 plants
• Asphalt: 2 plants	• Aggregates: 4 plants
• Aggregates: 3 plants	• Distribution centers: 2
• Construction materials: 3	

GCC Operations in the United States

In the United States, GCC successfully participates in the cement and ready-mix concrete markets. In 2018, 73.3% of the Company's income was generated by sales in the USA. GCC has five cement plants with an annual production capacity of 3.56 million tons in Pueblo, Colorado; Rapid City, South Dakota; Three Forks, Montana; Tijeras, New Mexico and Odessa, Texas. GCC also has cement distribution centers and transfer stations in the states of Colorado, North Dakota, South Dakota, Iowa, Minnesota, Montana, Nebraska, New Mexico, Texas, Utah and Wyoming.

GCC is one of the leading ready-mix concrete producers in the United States, supplying markets in the states of Arkansas, North Dakota, South Dakota, Iowa, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma and Texas. All together, these operations have 54 concrete production plants and a fleet of 293 ready-mix trucks as well as 167 trucks for the transportation of cement and aggregates.

GCC participates in the asphalt and aggregates markets in Texas and New Mexico. The Company has two asphalt plants installed in El Paso Texas and one in Vado, New Mexico. Additionally, GCC operates three aggregates plants, with an installed capacity of 1,800 tons per hour.

Cement industry in the U.S.

The cement industry in the United States consists of multiple producers, and nine cement groups account for 81% of the installed manufacturing capacity. According to the United States Geological Survey (USGS), in 2018 total cement consumption was 100.2 million tons, with average capacity utilization of 82%. The volume of imports was 14.0 million metric tons, 13.9% higher than the previous year. This is the highest volume of imports since 2009, when imports decreased 40% as a result of the reduction in cement demand in the U.S.

In accordance with data published by the PCA in 2018, 31% of total cement consumption in the United States was made by residential construction, 19% by non-residential construction, and the remaining 50% by the public sector construction. During the same period, in the states where GCC has its principal operations, including Colorado, North Dakota, South Dakota, Iowa, Minnesota, New Mexico and Wyoming, the residential construction, non-residential and public sector construction segments accounted for 29%, 25% and 46% of total cement consumption, respectively. The oil Permian Basin is one of the pillars of the cement industry in Texas. In 2018, 6% of total cement consumption in Texas originated in the oil wells drilling sector, a 25% increase over the previous year.

Prices

In the U.S., cement prices vary within each region due to offer and demand dynamics, as well as distance from the distribution and import ports. Prices are also subject to variations resulting from fluctuations in regional economies as well as the country as a whole.

Market information and competitive advantages

GCC participates in the cement markets in the U.S. mainly in the states of Colorado, North Dakota, South Dakota, Iowa, Kansas, Minnesota, Montana, Nebraska, New Mexico, Texas, Utah, Wisconsin and Wyoming. GCC's market positioning is based on excellent customer service and quality exceeding customers' expectations, distribution centers located near its main customers and technical support centers.

GCC's main competitors in the U.S. are LafargeHolcim, Inc.; Cemex, Inc.; Lehigh Portland Cement; Eagle Materials, Inc.; Ash Grove Cement, Co.; Buzzi Unicem USA, Inc. and Summit Materials, Inc. Potential cement competitors in the U.S. face several market barriers to entry including, among others, land transportation costs, high capital investment required for new plants, difficulties in obtaining construction permits for new plants, stringent environmental regulations and time required to complete plant construction.

Ready-mix industry in the U.S.

Versatility and durability of concrete have made it the most widely used material in the construction industry. In the U.S., the concrete industry is a fragmented industry with a large number of participants. In accordance with figures from the National Ready Mixed Concrete Association, there are approximately 5,500 concrete plants and 55,000 ready-mix trucks in the United States.

The concrete industry consumes around 75% of cement in the U.S., and has approximate annual sales of US$ 35 billion. Currently, GCC participates in the ready-mix market in the states of Arkansas, North Dakota, South Dakota, Iowa, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma and Texas.

Asphalt industry in the U.S.

Asphalt concrete mixtures are used in the construction of roads, avenues, highways, airstrips, parking lots, etc. There are around 3,500 asphalt plants operating throughout the United States, producing 350 million tons of asphalt for paving every year.

According to the Federal Highway Administration (FHWA), there are around 4.1 million miles of public roads in the U.S., of which 1.3 million are unpaved roads. Around 1.8 million miles are roads built and operated by state or municipal agencies, with no follow-up by the Federal Agency. From the remaining 953,000 miles of paved roads, around 796,000 miles are asphalt-paved and 158,000 are concrete-paved. At the airports, between 85% and 90% of runways in the 3,330 airports listed in the National Plan of Integrated Airport Systems (NPIAS) are built with asphalt.

As far as the origin of resources is concerned, 65% of asphalt paving is funded with public or government resources, while the remaining 35% is funded by residential and commercial developments. For each billion dollars invested by the government in infrastructure, these resources translate into approximately 4 to 5 million tons of asphalt for use in paving.

Aggregates industry in the U.S.

Natural aggregates – consisting of crushed materials and construction sand and gravel – are the raw materials most widely used by the construction industry. Despite the low unit value, the aggregates industry is a major contributor to and indicator of the economic wellbeing of the Nation.

According to the U.S. Geological Survey (USGS), natural aggregates (crushed materials and/or product from a screening process) account for 94% of the materials used in the construction of interstate highways, while cement, asphalt and steel contribute with 3%, 2.2% and 0.4%, respectively.

In 2017, approximately 2,250 million metric tons of aggregates were produced in the U.S.; estimates are that 2018 closed with a 5.3% increase. This figure is divided into two categories: 900 million metric tons of construction sand and gravel; and 1,350 million metric tons of crushed materials.

The USGS estimates that around 45% of construction sand and gravel is used to manufacture concrete, 25% for road base and ground stabilization, 13% as asphaltic concrete and other bituminous mixtures and the remaining 12% of sundry uses such as filling material, producing blocks, bricks, pipes, plater, ballast, etc. Regarding crushed materials, 76% is used by the construction industry, mainly for roads construction and maintenance, 11% for cement production, 7% in lime production and the rest is used by other industries, such as chemical and agriculture.

There are around 10,000 aggregates plants operating in the U.S. The states with the largest production are: Texas, California, Minnesota, Pennsylvania, Missouri, Washington, Michigan, Florida, Colorado and Arizona.

GCC's operations in Mexico

During 2018, GCC's sales in Mexico accounted for 26.7% of total sales. In Mexico, GCC participates mainly in the cement, mortar, ready-mix concrete, concrete block and aggregates markets in the state of Chihuahua. GCC has three cement plants in the cities of Chihuahua, Juarez and the town of Samalayuca with an annual production capacity of 2.26 million tons; 46 ready-mix concrete plants, 263 ready-mix trucks, six concrete block plants, four limestone aggregates plants in the cities of Chihuahua, Juarez, Samalayuca and Cuauhtemoc, as well as two pre-fabricated products plants in Samalayuca, Chihuahua.

The modernization of the plant in Chihuahua was completed in 2009 and this ensured a long-term capacity for cement grinding while reducing production costs. During the first half of 2009 the plant for prefabricated panels in Samalayuca, Chihuahua started operations. This plant allows for the successful application of cellular concrete technology. Also, it complements the current capabilities of Preforte which include manufacturing of joists and beams for prefabricated roofs without movable formwork as well as hollow slabs, beams and girders for bridges and buildings. Additionally, during the first half of 2009, the dry mix plant located within the Samalayuca plant started operations. This plant has an annual capacity of 79,000 metric tons, equivalent to more than 9,000 bags per shift; it serves to satisfy the increasing demand of customers interested in sophisticated blends with a variety of uses.

Cement Industry in Mexico

There are six participants in the cement industry in Mexico: Cemex, Holcim, Corporación Moctezuma, Cooperativa La Cruz Azul, Cementos Fortaleza and GCC. According to the latest figures of the Mexican Chamber of Cement (*Camara Nacional del Cemento*, CANACEM), cement production in 2016 was 40.6 million tons. Due to the constant modernization of plants, the Mexican cement industry is one of the most competitive in terms of cost.

In Mexico, a significant percentage of cement sales are made through distributors and hardware stores, which is why it is essential to have an efficient distribution network in order to carry out these sales, destined for the builder and the self-constructing customer.

Cement is sold mainly through distributors while the rest is sold through ready-mix producers, manufacturers of concrete products and construction contractors. Cement sold through distributors is mixed on-site with aggregates and water by the final consumer to make concrete. Ready-mix concrete producers pre-mix concrete ingredients at their ready-mix concrete plants and deliver it to local construction sites through mixer trucks, which transport and pour the concrete directly at the job site. Unlike more developed economies, where cement sales are concentrated in bulk commercial and industrial orders, bagged sales in Mexico represent a large percentage of demand in the private sector. Retail consumers purchasing bags of cement for their homes and other basic construction jobs represent an important component of the Mexican retail sector.

Ready-mix concrete industry in Mexico

The ready-mix concrete industry in Mexico is in development. In the state of Chihuahua, approximately 29% of the volume of cement is sold as ready-mix concrete. During 2018, the ready-mix concrete market in the state of Chihuahua consumed approximately 1.15 million cubic meters of concrete, with the largest concentrations in the cities of Chihuahua and Juarez. Contrary to what happens in the cement industry, there are no market entry barriers in the ready-mix concrete industry since it is possible to install mobile plants with a relatively low investment.

Aggregates industry in Mexico

Aggregates are granular materials such as sand, gravel or crushed stone used as a binding agent and composite material to produce concrete, mortar or asphalt. These materials are of great importance both for public and private construction. They have a variety of uses and possess different characteristics, such as chemical composition, calcium carbonate content, grading, gradation by particle size, and color. The latter is a very important element in the processing area for product finishing. The main customers for aggregates are builders, developers, concrete and asphalt producers, and processors.

Prices

Industry prices vary from one region to another. The factors influencing prices include supply and demand, economic activity, plant location, accessibility to raw materials, and the flexibility of the plants in terms of fuel consumption.

Market information and competitive advantages

In Mexico, GCC participates in the markets for cement, concrete and other construction materials mainly in the State of Chihuahua.

In Chihuahua, GCC is leader in the businesses where it participates (cement, mortar, ready-mix concrete, aggregates, concrete block and plaster). This leadership position has been achieved by offering quality products and providing customer service which exceeds customer's expectations, as well as by offering the highest technology in the production and distribution processes of the products if offers.

In the State of Chihuahua, GCC's main competitor in the cement and concrete markets is Holcim Apasco. GCC's potential competitors in the domestic cement market face several entry barriers, which include the need for large capital investments, the time required to build new plants, which is approximately two years, the high costs of ground transportation and the slow and costly process associated with establishing a distribution network.

Since approximately 29% of cement is sold in bags in the state of Chihuahua, one of GCC's main competitive advantages is consumer loyalty to the "Cemento Chihuahua" brand, which has strong roots in the community. In addition, the quality of GCC's raw materials allows it to offer a low-alkali cement that avoids alkali reaction to exposure to changes in climate and humidity, and consequently prevents the long-term formation of cracks in concrete.

Unlike cement, there is greater competition in the ready-mix market, and GCC's success factors in market penetration are based on the high quality of its products, the specialized services provided and the reliability of timely delivery to consumers.

GCC has been successful in the manufacture and sale of concrete block, whose plants have high technology that has allowed the introduction of new presentations.

2.b.ix) Corporate structure

Refer to "General Information - Executive Summary" in section 1.b. for a full description of the corporate structure of the Company.

As of December 31, 2018, the total number of shares representing GCC's capital stock is 337,400,000 of which 5,130,992 shares are in the treasury of GCC, thus the total number of shares outstanding is 332,269,008. CAMCEM owns 171,658,588, representing 51.62% of the outstanding shares representing GCC's capital stock. The remaining 160,610,420 shares, equivalent to 48.34% of GCC's outstanding capital stock, are distributed among the investing public.

As of April 15, 2019, GCC had 39 subsidiaries. The most significant subsidiaries of GCC, for both the Mexico Division and the U.S. Division, are shown in the diagram included in Section 1.b of this Report.

2.b.x) Main assets

GCC's most important assets are the cement, concrete, concrete block and aggregates manufacturing plants, as well as buildings.

Cement manufacturing plants

Plant	Location	Annual cement production capacity (tons)	Capacity utilization in 2018
U.S.A.			
Tijeras Plant	New Mexico	436,000	92%
Rapid City Plant	South Dakota	1,167,000	61%
Pueblo Plant	Colorado	1,127,000	77%
Odessa Plant	Texas	514,000	93%
Three Forks Plant	Montana	315,000	90%
	Total U.S.A.	**3,559,000**	
MEXICO			
Chihuahua Plant	Chihuahua	1,071,000	69%
Samalayuca Plant	Chihuahua	1,063,000	96%
Juarez Plant	Chihuahua	123,000	87%
	Total Mexico	**2,257,000**	
	Total cement production capacity	**5,816,000**	

Concrete manufacturing plants

Country	Number of plants
Mexico	46
U.S.A.	54

Concrete block manufacturing plants

Cities	Number of plants
Mexico	
Chihuahua	2
Juarez	4

Pre-fabricated products manufacturing plants

Cities	Number of plants
Mexico	
Juarez	2

Additionally, GCC has more than 550 ready-mix trucks and more than 510 trucks in Mexico and the U.S.

Insurance

GCC has insurance policies with a variety of insurance companies for its production plants, including machinery and transport equipment. GCC's insurance policies are in force and GCC considers that the terms and conditions are appropriate and similar to those contracted by other companies in the same or similar industry.

Assets pledged as guarantees

GCC has no fixed assets pledged as guarantees.

Asset investments

GCC made capital investments for US$ 192 million in 2018 and US$ 77 million in 2017, mainly in the preservation, maintenance and modernization of its cement plants, including the expansion of the South Dakota plant and investments in alternative fuels systems (FROEE I and FROEE II) at the Chihuahua Plant and in primary crushing systems in Cerro Mexico, Juarez, as well as the acquisition of transportation equipment and trucks for freight and concrete manufacturing and distribution. Additionally, a data storage software was implemented, as well as an update in the Company's ERP.

2.b.xi) Judicial, administrative or arbitration proceedings

Currently there is no, and GCC is not aware of, any material judicial, administrative or arbitration proceedings, other than those in the ordinary course of business, which are not expected to have a material adverse effect on the Company's operations, results of operations and/or financial condition, or those disclosed in section 1.c) related to risk factors.

As of the date of this report, GCC has not met any of the criteria set forth in Articles 9 or 10 of the Commercial Bankruptcy Law (Ley de Concursos Mercantiles), for the declarartion of bankruptcy.

2.b.xii) Shares representing the capital stock

GCC's capital stock is variable. As of the date of this report, the minimum fixed capital without right of withdrawal amounts Ps. 134,960,000, which is fully subscribed and paid, represented by 332,269,008 ordinary, common, nominative shares without par value, Class I, single series; plus 5,130,992 repurchased shares of the same class and series held in the Company's treasury. The variable part of the capital is unlimited and is represented by ordinary, nominative shares with no par value, Class II, single series. Each share has the right to one vote at Shareholders' Meetings and grants equal rights and obligations to its holders. There are no mechanisms by virtue of which corporate rights conferred by the shares representing GCC's capital stock are limited.

As of the date of this report, the capital stock is fully subscribed and paid. The shares representing the capital stock have the following features:

Series	Par value	Current coupon*	Fixed portion	Variable portion	Mexicans	Free subscription	Fixed Capital	Variable Capital
Sole	No par value	15	337,400,000	0	171,658,588	165,741,412	134,960,000	0

* as of the date of this report

As of December 31, 2018, the total number of shares representing GCC's capital stock is 337,400,000 of which 5,130,992 shares are in GCC's treasury, thus the total number of shares outstanding is 332,269,008. CAMCEM owns 171,658,588 shares, representing 51.62% of the outstanding shares representing GCC's capital stock. The remaining 160,876,920 shares, equivalent to 48.34% of GCC's outstanding capital stock, are distributed among the investing public.

As of December 31, 2018, the number of repurchased shares through the buyback fund program, increased by 266,500 shares. The Company uses this program with the intention of promoting the liquidity of GCC's shares and reducing its price volatility.

In the Annual Shareholder's Meeting held on April 27, 2011, it was agreed the authorization to increase the variable portion of the capital stock by up to 14,000,000 (fourteen million) ordinary, nominative shares without par value, Class II, single series. To date, these shares have not been issued.

2.b.xiii) Dividends

The payment of dividends, their amount and the date of payment are determined by a majority vote of the shareholders at the Ordinary General Shareholder’s Meeting, with the recommendation of the Board of Directors. Dividend payments will depend on the results, financial condition, projected investments, restrictions on loan agreements and other factors affecting GCC. Due to the aforementioned variables, it is not possible to guarantee the payment of dividends in all years.

Since 1992, GCC has paid dividends every year except in 2009, 2010, 2011 and 2012. At the Ordinary General Shareholder’s Meeting held on April 26, 2018, dividends were declared at the rate of Ps. 0.7121 per share, and payment was made on August 13, 2018.

In recent years dividends have been declared as follows:

Year	Year paid	Pesos per share*
2017	2018	0.7121
2016	2017	0.6192
2015	2016	0.5160
2014	2015	0.4300
2013	2014	0.3800
2012	2013	0.3400
2007	2008	0.5300
2006	2007	0.4600

*Figures in nominal Pesos at the end of the corresponding period

3) Financial Information

3.a) Select financial information

GCC´s selected consolidated financial information set forth below for the years ended December 31, 2018, 2017 and 2016 derives from, and should be read in conjunction with, the Company´s audited and unaudited consolidated financial statements and notes thereto.

The figures included in this report for the years ended December 31, 2018, 2017 and 2016, are presented in U.S. Dollars, except for those related to financial ratios and operating data. All values have been rounded to thousands, except where noted.

Selected financial information for the years 2018, 2017 and 2016:
(Thousand dollars)

Income Statement information	2018	2017	2016
Net Sales	883,230	824,104	644,697
Mexico sales	236,058	221,617	197,303
U.S.A. sales	647,172	602,487	447,394
Operating income before other expenses, net	169,836	160,796	117,204
EBITDA (Operating income before Other expenses + Depreciation and Amortization)	256,362	239,940	176,434
Operating income	161,495	144,558	110,970
Net financing expenses	44,458	55,830	35,671
Income before taxes	121,786	90,818	76,384
Income taxes	16,692	12,072	14,421
Consolidated net income	65,039	83,713	69,133

Information from the Statement of Financial condition	December 31, 2018	December 31, 2017	December 31, 2016
Total assets	1,902,532	1,907,890	1,864,412
Cash and cash equivalents	251,818	232,933	163,851
Property, plant and equipment	1,027,760	936,387	925,016
Total liabilities	930,316	978,927	993,400
Short-term interest-bearing liabilities	4,400	17,150	3,850
Long-term interest-bearing liabilities	645,936	665,751	685,795
Total stockholders' equity	972,216	928,963	871,012

GCC´s main financing activities are set forth in section 3.c. "Main financing activities". Refer to Note 19 of the Financial Statements.

3.b) Financial information classified by business line, geographic region and exports.

The main business lines of GCC are cement, concrete, concrete block and aggregates. GCC's net sales by business line and geographic zone are presented below. Figures are expressed in thousands of dollars.

By business line

Business line	2018		2017		2016	
	Sales	%	Sales	%	Sales	%
Cement and mortar	591,067	67%	539,485	66%	410,977	64%
Concrete	174,959	20%	167,506	20%	151,844	23%
Concrete block	11,480	1%	11,636	1%	10,771	2%
Aggregates	21,686	2%	26,603	3%	13,246	2%
Other	84,038	10%	78,874	10%	57,859	9%
Total	883,230	100%	824,104	100%	644,697	100%

By geographic region

Geographic region	2018	2017	2016
Mexico	236,058	221,617	197,303
United States of America	647,172	602,487	447,394

Exports from Mexico to the U.S.A.

Exports	2018	2017	2016
Cement	21,490	43,289	22,480
% of total sales	2.4%	5.3%	3.5%

3.c) Main financing activities

In November 2016, the Company prepaid the syndicated loan obtained in 2015, with the proceeds of a new secured loan for $184.9 million, comprising a tranche of US$ 127.1 million maturing in seven years and a tranche of US$ 57.7 million with five-year maturity, at interest rates of LIBOR plus a margin of 4.75% for the seven-year tranche, and LIBOR plus a margin of 4.50% for the five-year tranche. The Company also obtained an unsecured loan for US$ 253.5 million to finance part of the assets acquired in the United States in November 2016. This loan consists of a tranche of US$ 171.8 million maturing in seven years and a tranche for US$ 81.8 million maturing in five years, at the interest rates of LIBOR plus a margin of 4.75% for the seven-year tranche, and LIBOR plus a margin of 4.50% for the five-year tranche. Both loans were granted by Banco Inbursa, S.A.

In February 2017, Banco Inbursa transferred its lender's rights and obligations with respect to the 5-year tranches for US$ 57.7 million of the secured loan and for US$ 81.4 million of the unsecured loan, amounts corresponding to the balance of each credit on the day of the transfer. This assignment was allocated among five financial institutions: BBVA Bancomer, S.A.; Banco Nacional de México, S.A.; Banco Monex, S.A.; Sabcapital, S.A. de C.V. SOFOM E.R. (Sabadell) and Scotiabank Inverlat, S.A. With this assignment, the Company reduced the applicable interest rate, since the additional margin over the LIBOR interest rate for both tranches changed from a fixed margin of 4.50% per annum to a margin ranging from 3.75% to 2.00% per annum, which is reduced or increased as the net leverage ratio decreases or increases. The balance as of April 15, 2018 is US$432.8 million.

The loan agreements establish specific clauses that refer to the sale of assets, investments, additional financing and debt payments, as well as the obligation to maintain certain specific financial covenants (net leverage ratio and net interest coverage), which in the case of default, the Company may be required to make an early repayment if it fails to comply with the financial covenants and operating restrictions set forth in the loan agreements, including payment default on principal or interest.

In June 2017, the company concluded the issuance of Senior Unsecured Notes for a total amount of US$ 260 million, at an interest rate of 5.250% per annum and has a single principal payment at maturity, due on June 23, 2024. The proceeds from this issue of Senior Unsecured Notes were used to settle GCC's outstanding 8.125% notes due on February 8, 2020.

In June 13, 2018, the Company prepaid the secured loan obtained in November 2016, which amounted to US$ 433 million at the date of the prepayment. The payment was made mainly with the proceeds of a new unsecured syndicated loan of $400 million with a five-year maturity, at an interest rate of LIBOR plus a margin ranging from 1.25% to 2.00% which is decreased or increased as the gross leverage ratio decreases or increases. The credit syndication was led by BBVA Bancomer, S.A.; Banco Nacional de México, S.A.; J.P. Morgan Chase Bank, N.A. and Bank of Nova Scotia.

On May 21st , 2018, Standard & Poor's upgraded GCC's credit and corporate debt rating from 'BB' to 'BB+', reflecting a consistent track record of solid operating performance and an ongoing trend of deleveraging, as well as GCC's clear focus on cash generation and gradual debt reduction through the repayment of its syndicated debt.

On February 11, 2019, Fitch Ratings upgraded GCC's credit and corporate debt rating from 'BB' to 'BB+'. The rating upgrade was the result of an increase in oil well cement demand, the expected trend to decrease GCC's future leverage, solid operating performance with projected increased demand, the Company's ability to generate solid free cash flow with relatively high profitability, and its market share leadership in the state of Chihuahua and a large market share in Colorado, North Dakota, South Dakota, New Mexico and West Texas.

The Company is in compliance with principal and interest payments on all loans and with all operating and financial covenants arising therefrom.

3.d) Management's comments and analysis on the results of operations and financial position of the issuer

General

The following commentary should be reviewed in conjunction with the Company's consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), for the years ended December 31, 2018, 2017 and 2016.

Effective January 1, 2011, the Company adopted the IFRS in force as of December 31, 2012, as the regulatory basis for the preparation and presentation of consolidated Financial Statements.

The Company's Financial Statements included herein comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016, as well as the income statements, statements of changes in stockholders' equity and cash flows for the years then ended.

Consolidation of results of operations

GCC operates in the United States and Mexico, and is subject to fluctuations in the exchange rate, inflation and interest rates, which historically have had greater volatility in Mexico.

All figures included in this report were prepared in accordance with IFRS and are expressed in U.S. Dollars, except for the amounts related to financial ratios and operating data. All values have been rounded to thousands, except where noted.

The Financial Statements include the financial statements of the Company and those of the subsidiaries over which it exercises control over management, financial and operating policies. Balances, investments and transactions between GCC and its subsidiaries have been eliminated in the Financial Statements.

3.d.i) Operating results

Operating results for the year ended December 31, 2018 as compared to the year ended December 31, 2017

Net sales as of December 31, 2018 increased 7.2% compared to the previous year and reached US$ 883.2 million. In the United States, sales increased 7.4% to US$ 647.2 million in 2018 and represented 73.3% of GCC´s net sales. Contributing factors were: a 4.7% increase in cement volumes, a 2.2% increase in cement prices and a 3.6% increase in ready-mix prices. In Mexico, sales increased 6.5%, US$ 236.1 million and represented 26.7% of GCC´s consolidated net sales. The increase was the result of a better cement and ready-mix price scenario, increasing 9.7% and 6.2% respectively, in addition to a 2.5% increase in cement volumes. This partially offset the peso depreciation that reduced Mexico's reported sales by 1.6% or US$ 3.8 million.

Cost of sales in 2018 represented 72.2% of sales, 1.2 percentage points above 2017, mainly due to the one-time increase in logistics and supply costs, as a result of the delay in the interconnection process of the Rapid City plant expansion, to additional expenses related to the incorporation of a new kiln to produce and export oil well cement, and to the increase in freight costs due to volume growth in exports to the West Texas markets as compared to the previous year.

In 2018, **operating expenses** decreased 3.0% as a result of lower administrative and sales expenses related to the integration of acquisitions in 2017. Operating expenses represented 8.6% of net sales, 0.8 percentage points lower compared to 2017.

Operating income before other expenses in 2018 increased 5.6% over the previous ear and totaled US$ 169.8 million.

In 2018, **EBITDA** increased 6.8% to US$ 256.4 million, with a 29.0% margin, 0.1 percentage points below 2017. The EBITDA generated by operations in the United States represented 62% of the total and 38% was generated by operations in Mexico.

Other expenses totaled US$ 8.3 million, compared to US$ 16.2 million in the prior year.

Net financial expenses totaled US$ 44.5 million in 2018, decreasing 20.4% compared to 2017, as a result of lower interest and fees payments due to the refinancing of the secured notes and the bank debt in June 2017 and June 2018, respectively.

Income Taxes in 2018 were US$ 16.7 million, compared to US$ 12.1 million in 2017, generated mainly by the effect of the U.S. tax reform in 2017 and a higher pre-tax income. The effective tax rate remained at 13.7% in 2018, compared to 13.3% in 2017.

Discountinued operations generated a loss of US$ 40.1 million, compared to an income of US$ 5.0 million recorded in the same period of the previous year, mainly derived from the difference between the book value and the selling price of the Arkansas and Oklahoma assets sold in the second quarter of 2018.

Consolidated net income in 2018 totaled US$ 65.1 million, compared to US$83.7 million generated in 2017. This decrease is the result of the loss from discontinued operations.

Free cash flow generated in 2018 was US$ 107.6 million, a 3.5% lower than the US$ 111.6 million generated in 2017, mainly as a result of the increase in working capital requirements due to a higher level of inventories, an increase in taxes paid and an increase in maintenance CapEx, which were partially offset by an increase in the generation of EBITDA and lower financial expenses.

Interest bearing debt as of December 31, 2018 totaled US$ 661.8 million, 5.0% less than the outstanding amount recorded at year-end 2017. During the year, GCC made capital amortizations of US$ 34.8 million because of the bank refinancing, which allowed to reduce the net leverage at the end of 2018 (measured as Net Debt/EBITDA) from 1.86 times to 1.59 times.

GCC's **total assets** as of December 31, 2018 amounted to US$ 1,902.5 million, decreasing 0.3% when compared to the amount recorded at year-end 2016, mainly due to the increase in inventories and accounts receivable, offset by the decrease in goodwill as a result of the sale of the Arkansas and Oklahoma assets in the second quarter of 2018.

Operating results for the year ended December 31, 2017 as compared to the year ended December 31, 2016

Net sales as of December 31, 2017 increased 27.8% to US$ 824.1 million from 2016. In the United States, sales increased 34.7% to US$ 602.5 million in 2017 and represented 73.1% of GCC´s net sales. The factors that led to this increase were: 28.6% increase in cement volume and 8.5% increase in concrete volume, as well as 6.1% increase in cement prices. In Mexico, sales increased 12.3%, US$ 221.6 million and represented 26.9% of GCC´s consolidated net sales. The increase was a result of a better pricing scenario in cement and concrete, which increased 15.6% and 14.7% respectively, compensating the slight 1.7% decrease in cement volumes and 0.5% decrease in concrete volumes, mainly due to reduced activity by the public sector and fewer projects by the industrial and commercial sector.

Cost of sales in 2017 represented 71.0% of sales, 0.5 percentage points below 2016, mainly reflecting a better pricing scenario in both countries and a decrease in distribution costs.

Operating expenses increased 17.1% in 2017, due to the increase in depreciation expenses. They represented 9.4% of net sales, 0.9 percentage points lower compared to 2016.

Operating income before other expenses in 2017 grew 37.2% when compared to the previous year, totaling US$ 160.8 million.

EBITDA was 36.0% higher at US$ 239.9 million in 2017, with a margin of 29.1% over sales, 1.7 percentage points greater than in 2016. EBITDA generated by the United States operations represented 66% and 34% was produced by the operations in Mexico.

Other expenses reached US$16.2 million in 2017, compared to US$ 6.2 million in the previous year.

Net financial expenses in 2017 totaled US$ 55.8 million, an increase of 56.5% as compared to 2016, as a result of higher fees resulting from the refinancing and a higher debt balance, both due to the acquisition of assets in the United States, partially offset by higher financial income.

Income Taxes were US$ 12.1 million in 2017, compared to US$ 14.4 million in 2016, mainly generated by the increase in pre-tax income and the effect of the tax reform in the U.S., which only had an impact on profits repatriation.

Consolidated net income in 2017 reached US$ 83.7 million, 21.1% higher than the 2016 net income of US$ 69.1 million.

Free cash flow generated in 2017 was US$ 111.6 million, an increase of 6.6% over the 2016 cash flow of US$ 104.7 million. This increase was mainly due to the 36.0% increase in EBITDA, partially offset by higher financial expenses, working capital, taxes and capital investments.

Interest bearing debt as of December 31, 2017 totaled US$ 696.7 million, 0.5% lower than at end 2016. During the year, GCC made capital amortizations for US$ 263.8 million (including the payment for US$ 260 million for the 2013 bond), which allowed reducing the net leverage at the end of 2017 (measured as Net Debt/EBITDA) from 2.57 times to 1.86 times.

GCC's **total assets** as of December 31, 2017 amount to US$ 1,907.9 million, an increase of 2.3% from the amount of total assets recorded at year-end 2016, mainly due to the effect of the appreciation of the Peso against the Dollar on the assets of the U.S. division, offset by the 42.2% increase in available cash.

3.d.ii) Financial condition, liquidity and capital resources

During the years 2018, 2017 and 2016, GCC's Subsidiaries generated operating flows for US$ 256.4, US$ 239.9 and US$ 176.4 million, respectively. GCC finances its working capital requirements and investment projects of normal operations with internally generated cash flows. GCC also uses external sources to finance medium and long-term investment projects

GCC's net debt at year end December 31, 2018, 2017 and 2016 was US$ 410.0, US$ 463.8 and US$ 536.7 million, respectively.

In November 2016, the Company prepaid the syndicated loan obtained in 2015, with the proceeds of a new secured loan for $184.9 million, comprising a tranche of US$ 127.1 million maturing in seven years and a tranche of US$ 57.7 million with five-year maturity, at interest rates of LIBOR plus a margin of 4.75% for the seven-year tranche, and LIBOR plus a margin of 4.50% for the five-year tranche. The Company also obtained an unsecured loan for US$ 253.5 million to finance part of the assets acquired in the United States in November 2016. This loan consists of a tranche of US$ 171.8 million maturing in seven years and a tranche for US$ 81.8 million maturing in five years, at the interest rates of LIBOR plus a margin of 4.75% for the seven-year tranche, and LIBOR plus a margin of 4.50% for the five-year tranche. Both loans were granted by Banco Inbursa, S.A.

In February 2017, Banco Inbursa transferred its lender's rights and obligations with respect to the 5-year tranches for US$ 57.7 million of the secured loan and for US$ 81.4 million of the unsecured loan, amounts corresponding to the balance of each credit on the day of the transfer. This assignment was allocated among five financial institutions: BBVA Bancomer, S.A.; Banco Nacional de México, S.A.; Banco Monex, S.A.; Sabcapital, S.A. de C.V. SOFOM E.R. (Sabadell) and Scotiabank Inverlat, S.A. With this assignment, the Company reduced the applicable interest rate, since the additional margin over the LIBOR interest rate for both tranches changed from a fixed margin of 4.50% per annum to a margin ranging from 3.75% to 2.00% per annum, which is reduced or increased as the net leverage ratio decreases or increases. The balance as of April 15, 2018 is US$432.8 million.

The loan agreements establish specific clauses that refer to the sale of assets, investments, additional financing and debt payments, as well as the obligation to maintain certain specific financial covenants (net leverage ratio and net interest coverage), which in the case of default, the Company may be required to make an early repayment if it fails to comply with the financial covenants and operating restrictions set forth in the loan agreements, including payment default on principal or interest.

In June 2017, the company concluded the issuance of Senior Unsecured Notes for a total amount of US$ 260 million, at an interest rate of 5.250% per annum and has a single principal payment at maturity, due on June 23,

2024. The proceeds from this issue of Senior Unsecured Notes were used to settle GCC's outstanding 8.125% notes due on February 8, 2020.

On May 18, 2018, Standard & Poor's upgraded GCC's credit and corporate debt rating from 'BB' to 'BB+' with a stable outlook. The upgrade reflects GCC's solid operating performance, a continuous deleveraging process, the product of a disciplined investment strategy, focused in operating efficiencies, cash generation, debt reduction and a balanced financial policy. On June 1st, 2018, GCC shares were included for the first time in the MSCI family of indices, being part of the widely referenced indices: MSCI Mexico Small Cap, Emerging Markets (EM) Small Cap, EM Latin America IMI Value Weighted, EM Latin America ex Brazil Small and Mid Cap Growth, among others. On September 24, 2018, GCC shares were included in the Mexican Stock Exchange's S&P/BMV IPC index, which seeks to measure the performance of the largest and most liquid shares listed on the BMV.

On February 19, 2019, Fitch Ratings upgraded GCC's global credit and corporate debt rating from 'BB' to 'BB+', reflecting the expected trend to decrease the Company's future leverage, increased demand for oil well cement, solid operating performance with projected increased demand, the Company's ability to generate solid free cash flow with relatively high profitability, and its market share leadership in the state of Chihuahua and a large market share in Colorado, North Dakota, South Dakota, New Mexico and West Texas.

The subsidiaries GCC Cemento, S.A. de C.V., Cementos de Chihuahua, S.A. de C.V. and GCC of America, Inc., are guarantors of the secured loan and the shares of these companies were pledged.

As of the date of this report, the Company is in compliance with principal and interest payments on all loans and with all operating and financial covenants arising therefrom.

Short-term interest-bearing debt as of March 31, 2019 is US$ 6.4 million. Long-term debt is US$ 655.4 million. The average cost of debt as of March 31, 2019 is 4.77%.

Below is a summary of the principal payment schedule for GCC's debt.

Amortizations per year (million dollars)	
2019*	4.4
2020	25.4
2021	92.0
2022	176.0
2023	104.0
2024	260.0
Total	**661.8**

*As of the date of this report, principal payments for the amount of US$ 0.4 million have been made.

GCC's treasury surplus investment policy is conservative. Investments are made in government instruments, certificates of deposit of financial institutions and commercial paper of corporations with high credit ratings. As of March 31, 2019, 24% of treasury investments were denominated in Pesos and 76% in Dollars.

Internal capital sources consist of the operating flows from subsidiaries which are used to finance working capital requirements and investment projects, while external sources of capital are short, medium and long-term financing with which investment projects and, eventually, seasonal working capital requirements are financed

3.d.iii) Internal control

In order to ensure the efficiency and effectiveness of operations, the reliability of financial information, as well as compliance with general guidelines, criteria and applicable accounting standards, GCC has established an internal control system that contemplates, among other aspects, business policies, risk management practices, internal controls, reviews of controls effectiveness, internal audits o business processes and implementation of corrective and preventive actions.

GCC has implemented an integrated information system (ERP SAP), which allows it to ensure customer satisfaction and optimize its resources. This integrated information system facilitates the generation of reports that provide timely feedback to business processes about their performance and achievement of objectives, as well as timely decision-making.

3.e) Critical accounting estimations, provisions or reserves

The accounting estimations, provisions or reserves of the Company are disclosed in notes 5 and 20 of the Financial Statements attached to this report. The Company does not believe that there are any critical accounting estimates that could result in significant changes in the Financial Statements.

4) Management

4.a) External auditors

GCC's external auditors are appointed by the Chairman of the Board of Directors after consulting the Audit and Corporate Practices Committee, and approved by the Board of Directors.

Currently, the firm of auditors Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte, Touche, Tohmatsu, Limited, is in charge of providing external audit services. Its offices are located at Av. Valle Escondido 5500, floor 1, Fraccionamiento Desarrollo El Saucito, Chihuahua, Chihuahua. The firm has been working with GCC since 2013.

From 1994 to 2012, the Company's consolidated financial statements were audited by the firm Mancera, S.C., member of Ernst & Young Global International, independent auditors.

Until 2004, the subsidiaries in the U.S.A. were audited by Grant Thornton LLP. For the years 2005 through 2012, Mancera, S.C., a member of Ernst & Young Global International, audited all of GCC's subsidiaries in the United States and Mexico.

Since 2013, Deloitte provides external auditing services for GCC's subsidiaries in both Mexico and the United States.

For the years ended December 31, 2018, 2017 and 2016, the external auditors have not issued any qualifications to their opinion, negative opinions, nor have they refrained from issuing opinions on GCC's Annual Consolidated Financial Statements accompanying this report.

4.b) Operations with related parties and conflicts of interest

GCC has historically entered into and will continue to enter into a number of transactions with related parties. The Company engages in substantial repeated transactions with related parties, including CEMEX, which owns a portion of GCC's controlling shareholder, as well as Abastecedora de Fierro y Acero, S.A. de C.V. and Inmobiliaria Ruba, S.A. de C.V., each of which is an affiliate of the Company due to its significant shareholders also holding significant equity interests in them. In 2015, a strategic contract was signed with Madata IT, S.A. de C.V., in which there is an investment in shares in a joint venture for the provision of information technology services.

Although many of these transactions occur in the ordinary course of business and, if significant, must be submitted to GCC´s Audit and Corporate Practices Committee and approved by the Board, these transactions may create the potential for conflicts of interest. GCC considers these to be mitigated by having carried out a transfer pricing study to determine the value of the consideration.

All transactions with related parties have been carried out on terms no less favorable to GCC than would have been obtained in an arm's length transaction and comply with applicable Mexican law.

The following table sets forth the transactions carried out with related parties during the periods specified below:

Related Party	Year Ended December 31			Nature of Operations
	2018	2017 (Thousand dollars)	2016	
Sales				
Cemex, S.A.B. de C.V.	-	347	2,889	Sales of cement and construction materials
Abastecedora de Fierro y Acero, S.A. de C.V.	2,202	2,171	1,531	Sales of cement and construction materials
Inmobiliaria Ruba, S.A. de C.V.	4,446	4,819	4,805	Sales of cement and construction materials
Copachisa, S.A. de C.V.	2,732	5,902	2,961	Sales of cement and construction materials
Total Sales	**9,380**	**13,239**	**11,466**	
Purchases				
CEMEX, S.A.B. de C.V.	6,623	6,072	3,745	Purchase of inventories and other services
Abastecedora de Fierro y Acero, S.A. de C.V.	577	348	267	Purchase of inventories and other services
Madata IT, S.A. de C.V.	3,627	3,530	2,926	IT services
Total Purchases	**10,827**	**9,950**	**6,938**	

See note 8 to the audited financial statements for more detail on transactions carried out by GCC and its subsidiaries.

In accordance with the Mexican Securities Market Law and in terms of article 156 of the LGSM, any director or officer of GCC who has a conflict of interest in any operation or decision making must disclose it to the Board of Directors through its Chairman or Secretary and abstain from any deliberation and resolution.

4.c) Management and shareholders

Directors

The management of GCC is entrusted to a Chief Executive Officer and a Board of Directors. The Board of Directors establishes the guidelines and overall strategy for directing the business and oversees its implementation.

Pursuant to the Mexican Securities Market Law, the Board must approve, among other things:

- the Company's main business strategies;
- guidelines for the use of the Company's assets and those of the companies under the control of GCC;
- any transaction with related parties, except under certain limited circumstances;
- unusual or non-recurring transactions, or any transactions involving the acquisition or sale of assets with a value equal to or greater than 5% of the Company's assets, or the provision of collaterals or guarantees, or the assumption of liabilities with a value equal to or greater than 5% of GCC's assets;
- the appointment, removal and compensation of the Company's Chief Executive Officer;
- GCC's financial statements;
- policies and guidelines for internal control, accounting and audit systems and auditing;
- the opinion to be presented at the General Shareholders' Meeting regarding the report prepared by GCC's Chief Executive Officer (which includes the Company's consolidated financial statements) and the report regarding the accounting policies and criteria used for the preparation of the Company's financial statements;
- the opinion regarding the tender price of public offers to purchase GCC's stock;
- policies on disclosure of information; and
- determinatios concerning actions to be taken in response to irregularities.

The Board's meetings shall be considered validly installed and held if, at least, the majority of its members attend. Resolutions passed at these meetings shall be valid if approved by the majority of the members of the Board of Directors at the meeting.

The meetings of GCC's Board of Directors may be summoned by (i) 25.0% of the members of the Board of Directors, (ii) the Chairman of the Board of Directors, and (iii) the Chairman of the Audit Committee or the Corporate Practices Committee.

The Mexican Securities Market Law also imposes duties of diligence and loyalty on directors.

The duty of dilligence generally requires that directors obtain sufficient information and are properly prepared to act in the best interests of GCC. The duty of dilligence is primarily fulfilled when a director requests and obtains from GCC all information necessary to make a decision, requiring the presence and information of GCC's officers, as needed, attending board meetings and disclosing relevant information they possess. The failure of a director to act in compliance with the duty of diligence causes the director to be jointly and severally liable, along with other responsible directors, for damages and losses caused to GCC and its subsidiaries.

The duty of loyalty consists mainly of the obligation to maintain the confidentiality of information received in connection with the performance of the director's duties, to abstain from discussing or voting on matters where the director has a conflict of interest, and to abstain from taking advantage of corporate opportunities resulting from his actions as a director. In addition, the duty of loyalty is breached if a shareholder or group of shareholders is deliberately favoured. The duty of loyalty is also violated if the director uses company assets or approves the use of company assets in contravention of GCC's policies, discloses false or misleading information, orders, or causes any transaction not to be recorded that could affect the financial statements, or prevents relevant information from being disclosed or modified. Violation of the duty of loyalty makes the director to be jointly and severally liable, together with all directos who fail to do so, for damages caused to GCC and its subsidiaries. Liability may also arise if damages and losses are sustained as a result of benefits wrongfully obtained by the directors or third parties as a result of activities carried out by such directors.

Liability for breach of the duty of loyalty may not be limited by the Company's bylaws, by resolution of a Shareholders' Meeting or otherwise. The duty of loyalty is also breached if the director uses corporate assets or approves the use of corporate assets, in violation of an issuer's policies, discloses false or misleading information, orders or causes an incorrect entry of any transaction in an issuer's records that could affect its financial statements, or causes material information not to be disclosed or to be modified.

Claims for breach of the duty of dilligence or the duty of loyalty may be pursued solely for the benefit of GCC, and not for the benefit of the claimant, and may only be pursued by GCC or by shareholders or group of shareholders representing at least 5% of the outstanding shares.

As a safe-harbor for directors, the liability discussed above does not arise if the director acted in good faith and (i) complied with applicable law and by-laws, (ii) the decision was made based on information provided by officers, external auditors or third-party experts, whose capacity and credibility are not subject to reasonable doubt, (iii) selected the most appropriate alternative in good faith and any negative effect of such decision was not reasonably foreseeable, based on the information available. These provisions have not been construed by Mexican courts, and therefore the determination that the competent court may make is uncertain.

Pursuant to article twenty-four of GCC's by-laws, the Board of Directors will consist of an odd number of members, with a maximum of 21 directors appointed by the Ordinary General Shareholder's Meeting, of whom at least 25% must be independent.

As of the date of this report, GCC's Board of Directors consists of 11% women and 89% men. The Company does not have any specific policy or program, in addition to that established in the Code of Ethics, that promotes labor inclusion regardless of gender in the composition of its governing bodies and among its employees. The directors mentioned are listed below:

Chairman of the Board: Federico Terrazas Becerra

Proprietary Directors		**Alternate Directors**	
Federico Terrazas Becerra	P	Alberto Terrazas Seyffert	P
*	P	Manuel Antonio Milán Reyes	P
Miguel Márquez Prieto	P	Silvia Márquez Villalobos	P
Enrique G. Terrazas Torres	P	Luis Enrique Terrazas Seyffert	P
Martha Márquez de Corral	P	Ana Cecilia Márquez Villalobos	P
Luis Márquez Villalobos	P	Héctor Enrique Escalante Ochoa	P
Fernando Ángel González Olivieri	P	Sergio Mauricio Menéndez Medina	P
José Antonio González Flores	P	Luis Guillermo Franco Carrillo	P
Ramiro Gerardo Villarreal Morales	P	Antonio Díaz García	P
Juan Romero Torres	P	Rafael Garza Lozano	P
Héctor Medina Aguiar	I	Armando J. García Segovia	I
Fernando Ruiz Sahagún	I	José Alberto Araujo Saavedra	I
Rómulo Jaurrieta Caballero	I	Manuel Esparza Zuberza	I
Pedro Miguel Escobedo Cónover	I	Gilles Alain Boud'hors Leautaud	I

** Propietary director, Federico Terrazas Torres died on September 4, 2018, assuming his duties his alternate director, Manuel Milán Reyes, until the appointment of a new director at the General Shareholder's Meeting to* *be held in April 2019.*

The following sets forth biographical information for each of the members of GCC´s Board:

FEDERICO TERRAZAS BECERRA was appointed Chairman of the Board in the General Ordinary Stockholders' Meeting of April 24, 2013. He has served as a member of the Board since 1991. He is also chairman of the board of directors of CAMCEM, S.A. de C.V., IMIN de Mexico S.A de C.V., Control Administrativo Mexicano, S.A. de C.V. He is a member of the Board of Directors of Grupo Ruba, S.A. de C.V., Comercial de Fierro y Acero, S.A. de C.V., COPARMEX and Banco BBVA Bancomer, S.A. He has been a partner in Previsión Integral de México, S.A. de C.V. since 1995. Mr. Terrazas holds a Bachelor's degree in Business Administration and an M.B.A. from the Chihuahua campus of the Instituto Tecnológico de Estudios Superiores de Monterrey ("ITESM"). He has also completed a Harvard Business School Leadership program for executive officers. Mr. Terrazas is nephew of Enrique G. Terrazas Torres, first cousin once removed of Miguel Márquez Prieto and second cousin of Luis Márquez Villalobos, Martha Márquez de Corral, Ana Cecilia Márquez Villalobos, Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all of whom are members of the Board.

MIGUEL MÁRQUEZ PRIETO has served as a member of the Board since 1991. He is also a member of the board of directors of the following companies: CAMCEM, IMIN, Control Administrativo Mexicano, Inmobiliaria Ruba, Acciones y Valores del Norte, Promotora de Infraestructura de México, Grupo Cofiasa and Promotora de Hospitales Mexicanos. Mr. Márquez has a Bachelor's degree in Administration and holds an M.B.A. from the Babson College of Business. Mr. Márquez is first cousin once removed of Federico Terrazas Becerra, Chairman of the Board of GCC. He is the father of Luis Márquez Villalobos, Ana Cecilia Márquez Villalobos and Martha Márquez de Corral, cousin of Mr. Enrique Terrazas Torres, and first cousin once removed of Alberto Terrazas Seyffert and Luis Enrique Terrazas Seyffert, all of whom are members of the Board.

ENRIQUE G. TERRAZAS TORRES has served as a member of the Board since 1991. He is also a member of the board of directors of the following companies of the PUNTO ALTO Group: Grupo Punto Alto, S.A.P.I. de C.V., Copachisa, S.A. de C.V., DEMEK, S.A. de C.V., EMYCSA, S.A. de C.V., ESJ, S.A. de C.V., Inmobiliaria Punto Alto, S.A. de C.V., PREMET, S.A. de C.V., Aciarium Estructuras, S.A. de C.V., Abadan, S.A. de C.V., Control Administrativo Mexicano, S.A. de C.V., CAMCEM, S.A. de C.V., IMIN, S.A. de C.V., and Banamex Consejo Regional. He is chairman of the board of: Promotora de Hospitales Mexicanos, S.A. de C.V., Sociedad Hospitalaria de México, S.A. de C.V. Mr. Terrazas is also a member of the board of Educacion Superior del Norte, A.C., and a member of the state board of Partido Acción Nacional, Colegio de Ingenieros Civiles de Chihuahua, A.C., Centro de Liderazgo y Desarrollo Humano, A.C., Instituto José David, A.C., Vida y Familia, A.C., and Asilo de Niños y Casa Hogar I. de B.P.

Mr. Terrazas holds a Bachelor's degree in Civil Engineering from Cornell University and graduated from the Executive Officers Management Program at IPADE. Mr. Terrazas is the uncle of Mr. Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is cousin of Miguel Márquez Prieto, father of Alberto Terrazas Seyffert and Luis Enrique Terrazas Seyffert, and first cousin once removed of Luis Márquez Villalobos, Carolina Terrazas Becerra, Ana Cecilia Márquez Villalobos and Martha Márquez de Corral, all of whom are members of the Board.

MARTHA MARQUEZ DE CORRAL is a graduate from ITESM Campus Chihuahua, with a degree in Financial Management. She is a volunteer in several civil associations, such as: Asociación Nacional Pro-Superación Personal, A.C. (ANSPAC), Casas de Cuidado Diario, A.C. and Fundación Cima, A.C. She has also collaborated in Comercial de Fierro y Acero, S.A. in the accounting department and in Agropecuaria La Norteñita in the production and HR departments. She is Member of the Board of Directors of Inmobiliaria Ruba, S.A. de C. V., Promotora de Hospitales Mexicanos, S.A. de C.V., Grupo Cofiasa S.A. de C. V., as well as of some of GCC's subsidiaries. She attended the IPADE D-1 Management Program. She is cousin of Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. She is the niece of Mr. Enrique Terrazas Torres, daughter of Mr. Miguel Márquez Prieto, sister of Mr. Luis Márquez Villalobos and Ana Cecilia Márquez Villalobos, and cousin of

Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all of whom are members of GCC's Board of Directors.

LUIS MÁRQUEZ VILLALOBOS is a member of the Board and currently serves as a staff consultant for the chief executive officer of Grupo Cofiasa, S.A. de C.V. He is second cousin of Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is also first cousin once removed of Enrique G. Terrazas Torres and son of Miguel Márquez Prieto. Mr. Márquez is the brother of Ana Cecilia Márquez Villalobos and Martha Márquez de Corral, and second cousin of Alberto Terrazas Seyffert and Luis Enrique Terrazas Seyffert, all of whom are members of the Board.

FERNANDO ÁNGEL GONZÁLEZ OLIVIERI has been a member of the Board since 2010. Since 1989, he has held various positions at CEMEX, including Vice President of Strategic Planning and Development, President of CEMEX Venezuela, President of CEMEX Asia, President of CEMEX South America and the Caribbean, President of CEMEX Europe, Middle East, Africa, Asia and Australia; Executive Vice President of Planning and Development, Finance and Management. He currently serves as Chief Executive Officer of CEMEX. Mr. González holds professional and postgraduate degrees in Business Administration from ITESM. Additionally, he is a member of the board of Axtel and of ITESM's Business School.

JOSÉ ANTONIO GONZÁLEZ FLORES joined CEMEX, S.A. de C.V. in 1998 and has been Chief Financial Officer since 2014. Currently, he is responsible for the areas of Finance, Legal, Controllership, Taxes and Process Assessment. Additionally, Mr. González has been Corporate Vice President of Finance, Vice President of Communication and Corporate Affairs for CEMEX, Vice President of Finance and Strategic Planning for CEMEX Australia Pty Limited. Previously, he held positions in the company's Finance and Strategic Planning areas. Mr. González holds a bachelor's degree in Industrial and Systems Engineering from ITESM since 1991, and an M.B.A. from Stanford University in California since 1998.

RAMIRO GERARDO VILLARREAL MORALES has served as a member of the Board since 1991. He joined CEMEX S.A.B. de C.V. in 1987 and served as Senior Vice President of Legal until 2014, then as Executive Vice President of Legal until 2017. Prior to joining CEMEX, Mr. Villarreal served as Deputy General Director of Grupo Financiero Banpaís, having worked in various institutions that were part of that group from 1985 to 1987. Mr. Villarreal is a graduate of the Universidad Autónoma de Nuevo León and holds a Bachelor's degree in Legal Sciences with honors. He also completed postgraduate studies at the University of Wisconsin, obtaining a a Master's degree in Administration.

JUAN ROMERO TORRES has been a member of the Board from 2002 to 2004 and since 2011. He joined CEMEX in 1989. He has held several senior management positions at CEMEX, including President of CEMEX Colombia, President of operations in Mexico, President of the South America, Caribbean, Europe, Middle East, Africa and Asia regions. In the countries he has served, he has been a member of industry associations and chambers. He has participated in the Board of Directors of Cemento Diamante and Samper (Colombia); in the Cámara Nacional de Cemento (México)l and in the Instituto Mexicano del Cemento y el Concreto (México). He is currently Vice President of Global Business Development at CEMEX. Mr. Romero graduated from Universidad de Comillas in Spain, where he studied law and economics.

HECTOR MEDINA AGUIAR was a member of the Board from 1995 to 2009, and has been since 2011. He served as a member of the board of directors of Axtel from October 2003 until January 2016. He was Executive Vice President of Finance and Legal at CEMEX until February 2010, when he retired. He previously worked for Grupo ALFA. He served as the chairman of the board of directors of Regiomontana University until April 2012 and served as a member of the Supervisory Board of ITESM until 2011. He has been a member of the boards of directors of various public and private companies. Mr. Medina Aguiar holds a degree in Chemical Administration from ITESM, a master's degree in Management Studies from The Management Centre at the University of Bradford, and a Diploma in Quantitative Management Methods from the Escuela de Organización Industrial in

Spain.

FERNANDO RUIZ SAHAGÚN, C.P.A. has been a director of GCC since 2006. He was a Founding Partner of the firm CHEVEZ, RUIZ, ZAMARRIPA and CIA., S.C., Advisors and Tax Consultants, of which he was the Managing Partner since its foundation. He is currently an advisor to the firm. He is a member of the Association of Public Accountants of Mexico, AC; he held the position of Owner Auditor during the years 1981 and 1982. He has also been a member of the Board of Honor of said Association for the two-year periods of 1989-1990 and 1992-1993 and of its Governing Board (1993-1996). He has been a professor in tax topics at the Universidad Anáhuac, he has delivered postgraduate courses in Administration at the Instituto Panamericano de Alta Dirección de Empresas (IPADE) and at the Universidad Panamericana (UP). C.P.A. Mr. Ruiz participates in the Boards of Directors of Kimberly Clark de México, S.A.B. de C.V., Mexichem, S.A.B. de C.V., Rassini, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B., Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Financiero Santander, S.A.B. de C.V., Grupo Pochteca, S.A.B. de C.V., Fresnillo PLC, of the Mexican Stock Exchange, S.A.B. de C.V., Grupo Creativa, S.A. de C.V., and S.D. Indeval, S.A. de C.V. He has represented business and professional bodies in the committees for analysis of tax reforms proposals since 1974, as a member of the Fiscal Advisory Council of the Mexican Ministry of the Treasury (Secretaria de Hacienda y Crédito Público) throughout the life of this Council. He was Chairman of the Fiscal Commission of the Business Coordinating Council for the period from 1997 to 2009. Mr. Ruiz is a graduate from the Universidad Nacional Autónoma de Mexico (UNAM).

RÓMULO JAURRIETA CABALLERO has been an independent director of the Board since 2006. He is a partner of the firm Gossler, S.C. He has been Professor of the Faculty of Accounting and Administration of the Universidad Autónoma de Chihuahua and of the Instituto Tecnológico y de Estudios Superiores de Monterrey, (Campus Chihuahua). Mr. Jaurrieta is a member of the Mexican Institute of Public Accountants from which he obtained his certification under number 1498. He is a partner of the Public Accountants' of Chihuahua Institute and Association of which he has been Vice-President, Chairman of the Fiscal Commission and Chairman of the Board of Honor and Justice. Member of the Academia Chihuahuense de Estudios Fiscales, A.C., where he has held the position of Chairman and other positions of the Board of Directors. In these organizations he has participated as a lecturer of technical topics and as a collaborator of publications, as well as in the role of Trustee for the Taxpayer. He has been an external auditor, financial consultant, counselor and director to various companies and organizations dedicated to industrial, commercial, financial, agricultural, educational and charitable activities, among which are Inmobiliaria Ruba, S.A. de C.V., Grupo Copachisa, Grupo Citlali and Grupo Punto Alto. Mr. Jaurrieta Caballero graduated from the Faculty of Accounting and Administration at the Universidad Autónoma de Chihuahua (“UACH”), from which he also holds various postgraduate degrees.

PEDRO MIGUEL ESCOBEDO CÓNOVER has been an independent director of the Board since 2009. From 2003 until 2009 he was a manager of a sports club. Since 2005 he has been a real estate agent for office rentals. In 2006 he was an analyst of purchasing, billing and collections at Proseguir México Compañía Privada de Seguridad, S.A. de C.V. In 2007 he participated as sales engineer in Energía Control y Optimización de Sistemas, S.A. de C.V. From 2008 until now, he has served as General Manager of Axacell, S. de R.L. de C.V., and since 2009 as the Managing Director of Comercializadora de Origen Natural, S. de R.L. de C.V. Since 2011 he has been member of the board of General de Salud, S.A. de C.V., General de Seguros, S.A.B. y Peña Verde, S.A.B. Mr. Escobedo holds a degree in Industrial Engineering from the Instituto Tecnológico Autónomo de México (“ITAM”).

GCC’s current alternate members of the Board curricula are as follows:

ALBERTO TERRAZAS SEYFFERT has served as a member of the Board since 1991. He is currently Chairman and CEO of Grupo Punto Alto. He is the Chairman of the Board of the following variable capital corporations: Copachisa, Demek EMYCSA, ESJ, Premet, Spec Ingeniería, Inmobiliaria Abadan, Dalta, Altaser, KAT, ECHIDNA and Hidroponia El Silencio. He is director of Grupo Ruba and Grupo Cofiasa. Additionally, he is a member of the following organizations: Former President of Desarrollo Económico, A.C., Former Coordinator of CODECH Chihuahua, Former President of Canacintra Chihuahua, Coordinator of Consejo Compromiso Social por la Calidad en la Educación Chihuahua. He is Chairman of the Board of: ITESM Chihuahua, Pro Empleo Chihuahua, and Casino de Chihuahua AC, and member of Grupo Avance Empresarial A.C. Mr. Terrazas graduated from ITESM, Monterrey campus with the degree of Industrial and Systems Engineer, and holds the Diploma of Owners Management Program from Harvard Business School. Mr. Terrazas is a cousin of Mr. Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is the nephew of Miguel Márquez Prieto, son of Enrique Terrazas Torres, brother of Luis Enrique Terrazas Seyffert and cousin of Luis Márquez Villalobos, Martha Márquez de Corral and Ana Cecilia Márquez Villalobos, all members of GCC's Board of Directors.

MANUEL A. MILÁN REYES joined Cementos de Chihuahua in 1984 as Chief Commercial Officer, and held that position until 1987, when he was appointed Chief Executive Officer of Cementos de Chihuahua, S.A. de C.V. In 1996 he was appointed GCC's Chief Executive Officer, a position he held until December 2014. He is member of the board of directors of several companies and institutions and Chairman in some of them. He is currently the chairman of Centro de Competitividad de Chihuahua. Mr. Milan worked for Grupo ICA as Area Manager from 1973 to 1978 at ICATEC, S.A., in 1978 he started working as Planning Director for the industrial sector of Grupo Chihuahua and up to 1984 he was the Chief Executive Officer of some companies from that group. Manuel Milan Reyes has a degree in Civil Engineering from ITESM, Monterrey Campus, where he also specialized in Operations Research. Mr. Milán holds a Master in Science from Stanford University, and graduated from the Executive Officers Management Program AD-2 at the Institute of Executive Business Management ("IPADE").

SILVIA MARÍA MÁRQUEZ VILLALOBOS is member of the Board of Directors of Inmobiliaria Ruba, S.A. de C. V., Grupo Cofiasa, S. A. de C.V. and some GCC subsidiaries. She graduated from Instituto Tecnologico y de Estudios Superiores de Monterrey with a Bachelor's Degree in Business Administration and has a Master's degree in Financial Law by Universidad Autonoma de Chihuahua. She is niece of Mr. Enrique Terrazas Torres, daughter of Mr. Miguel Márquez Prieto, sister of Mrs. Martha Márquez Villalobos, Mr. Luis Márquez Villalobos and Mrs. Ana Cecilia Márquez Villalobos, and cousin of the Messrs. Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all members of the Board of Directors of GCC.

LUIS ENRIQUE TERRAZAS SEYFFERT has been a director of GCC and some subsidiaries since 1991. Additionally, he is has been director of Grupo Punto Alto since 2018; Chairman of: Grupo Ruba S.A. de C.V. and Cubiertas Industriales de México, S.A. de C.V. He is manager of the cattle ranch "San Luis" and is member of the board of the Instituto Tecnológico de Monterrey (ITESM); and former president of the Center for Leadership and Human Development, A.C. (CELIDERH) and COPARMEX. Mr. Terrazas graduated from ITESM, Monterrey campus as Industrial and Systems Engineer. He attended the Senior Business Management Program AD-2 at the Instituto Panamericano de Alta Administración de Empresas (IPADE) and the OPM program at Harvard Business School. Mr. Terrazas is cousin of Mr. Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is nephew of Mr. Miguel Márquez Prieto, son of Mr. Enrique Terrazas Torres, brother of Mr. Alberto Terrazas Seyffert and cousin of Mr. Luis Marquez Villalobos, Mrs. Martha Márquez de Corral and Mrs. Ana Cecilia Márquez Villalobos, all members of GCC's Board of Directors.

ANA CECILIA MÁRQUEZ VILLALOBOS is a director at GCC and some of its subsidiaries. She is cousin of Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. She is niece of Mr. Enrique Terrazas Torres, daughter of Mr. Miguel Márquez Prieto, sister of Mr. Luis Márquez Villalobos and Mrs. Martha Márquez de Corral, and cousin of engineers Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all members of GCC's Board of Directors.

HÉCTOR ENRIQUE ESCALANTE OCHOA joined the Company in 1999 as President of GCC's Mexico Division. He served as President of U.S. Division from 2000 through the end of 2014, and on January 1, 2015, he was appointed Chief Executive Officer by the Board. Prior to joining GCC, he spent 15 years in the Mexican lumber industry. Mr. Escalante started as an Finance and Planning Analyst, moved to the Sales and Marketing department, and later was appointed President of the President of the Ponderosa Division at Grupo Industrial Durango. Mr. Escalante Ochoa holds a degree in Industrial and Systems Engineering from ITESM and an M.B.A. from Cornell University. He has also participated in many executive education programs, including the D-1 Management Program at IPADE and the Seminar for Presidents at Harvard University. He has held various positions in multiple trade organizations in Mexico and has served as president of the Portland Cement Association in the United States. Currently, he is a member of the YPO/WPO Council of the Rocky Mountain Chapter in Denver, Colorado.

SERGIO MAURICIO MENÉNDEZ MEDINA. Industrial and Systems Engineer from Tecnológico de Monterrey, he holds a Master's degree in Business Administration from Stanford University. Mr. Menéndez joined CEMEX in 1993, performing various functions, including President of CEMEX in the Philippines and in Egypt, currently he is Vice President of Sales to Cemex Dealers in Mexico. He has served in GCC's Board of Directors since 2015.

LUIS GUILLERMO FRANCO CARRILLO joined CEMEX in January 1999. He was CEMEX President in Hungary, and currently, Mr. Franco is Vice President of CEMEX Construction Segment in Mexico. Mr. Franco holds a Bachelor's degree in Chemical Engineering from ITESM and an M.B.A. from Stanford University in California. He has served in GCC's Board of Directors since 2017.

ANTONIO DÍAZ GARCÍA is currently Vice-President of Strategic Planning at Cemex, S.A.B. de C.V., which he joined in 2002. He has been a member of the board of GCC since 2017. He has held several positions as Manager of the Concrete Division, Business Development and Planning Director, Executive Assistant to the CEO and Corporate Strategic Planning Director for Cemex Global. Mr. Díaz received a Bachelor's degree in Chemical Engineering from ITESM in 2001 and an M.B.A. from Stanford University in 2008.

RAFAEL GARZA LOZANO has been a director for GCC since 2010. Since 1999 he has held the position of Senior Vice-President and Comptroller of the CEMEX Group, he joined the Company in 1985. He obtained his degree as Public Accountant, as well as his Master's in Business Administration by ITESM. He has attended several executive programs at ITAM, IPADE and Harvard Business School.

ARMANDO J. GARCÍA SEGOVIA has been a director of GCC since 1991. He was an officer at CEMEX, S.A.B. de C.V. in the period between 1985 and 2010. He has been Chairman of the following Boards: Commission of Studies of the Private Sector for the Sustainable Development (CESPEDES); Gas Industrial de Monterrey, S.A. de C.V.; Coparmex N.L., Aeropuerto Internacional del Norte, S.C. and Casino de Monterrey, A.C. As a member of the Board of Universidad Regiomontana; Executive Committee of Coparmex; The World Environmental Center (WEC); Grupo Aeroportuario Centro Norte, S.A.B. de C.V.; Parks and Wildlife of N.L. and Compañía Industrial de Parras, S.A. de C.V. He is currently a member of the Board of Directors of CEMEX, S.A.B. de C.V.; Hoteles City Express, S.A.P.I. de C.V. and Innovación y Conveniencia, S.A. de C.V. He chaired the Council of ITESM School of Engineering and Information Technologies. He is also a member of the Board of the University of Monterrey; United for Conservation; Pronatura Noreste, A.C.; Advisory Council of Flora y Fauna del Estado de N.L. and of Museo de la Fauna. He is currently Honorary Consul of the Kingdom of Denmark in Monterrey. Along with his wife, he is founder and Chairman of Comenzar de Nuevo, A.C., a non-profit foundation dedicated to the prevention, education and healing of eating disorders. Mr. García graduated from ITESM, as Mechanical Engineer and holds an MBA from the University of Texas.

JOSÉ ALBERTO ARAUJO SAAVEDRA has been an alternate director since 2009. He graduated from Instituto Tecnológico de Monterrey as an Industrial and Systems Engineer with a Master's degree in Administration with a specialty in finance and a Master's degree in Sciences with a specialty in industrial engineering. He holds a PhD in Economics from the University of Havana. He has been an advisor to more than 60 companies in the areas of: strategy, planning, innovation, quality and productivity. He has taught a great number of seminars and courses at Tecnológico de Monterrey and other prestigious organizations. He has carried out a large number of missions for innovation and entrepreneurship in different cities such as Tallinn, Bangalore, Beijing, Hong Kong, Toulouse, Montreal, Tel Aviv, Haifa, New Delhi, Silicon Valley, Boston, Santiago, San Jose Costa Rica and Tokyo. Mr. Araujo has held positions as Director of Tecnológico de Monterrey, Northern Zone, Director of master's programs, Director of the Center for International Competitiveness, General Director of Tecnológico de Monterrey Campus Juarez and Chihuahua, has participated in various civil associations such as Fundación del Empresariado Chihuahuense , Coparmex Juarez, Alsuper, ABADAN, among others, he is member of the Public Security Council of the Government of the State of Chihuahua; President of Ciudadanos por la Educación de Chihuahua A.C. and advisor of Observatorio Ciudadano de Seguridad del Estado de Chihuahua, NAFIN Chihuahua, and strategic advisor of Soisa, Mausoleos Luz Eterna and Copachisa. Currently Mr. Araujo is the CEO of Innovakglobal a biotechnology company dedicated to the development, production and commercialization biotechnology products focused on the agricultural sector.

MANUEL ESPARZA ZUBERZA is audit partner of GOSSLER , S.C., and Coordinator of the Chihuahua, Juárez and Delicias offices. Manuel Esparza started in 1982 as auditor of GOSSLER, S.C. and held several positions in this organization until he was appointed partner of this accounting firm in 2000, a position he has held to date. Within the firm, he has held several positions of responsibility at national level, among them being appointed Chairman of the Audit Commission (Commission responsible for regulating the practice of auditing and issuance of technical bulletins), also appointed as member of the Surveillance Board of the Firm. He is an active member of the Public Accountants of Chihuahua Institute and Association (ICCPCH) and has held various positions within the Board of Directors, including Treasurer and Chairman. He was a member at national level of the Audit Standards and Procedures Commission (Now CONAA); he is member of the Financial Information Standards Commission of the ICCPCH; member of the Government Sector Audit Committee and Chairman of the Quality Control Commission of Accounting Firms of the ICCPCH. He is a member of the ICCPCH Honor Board and speaker in various forums on topics such as International Financial Reporting Standards, International Standards on Auditing, Quality Control of Accounting Firms, Government Accounting and Auditing, and courses to obtain certification as public accountants, etc. He is also the Trustee for Taxpayers through CANACINTRA and professor of Financial Statements Auditing and Government Accounting. He graduated from the Universidad Autónoma de Chihuahua (UACH) as a Public Accountant and has certificates of diplomas in Audit, Government Accounting, Taxes, Finance and Social Security.

GILLES ALAIN BOUD'HORS LEAUTAUD graduated with honors from Universidad Anahuac, obtaining his degree in Computer Science. His professional career started in Casa de Bolsa Inverlat, S.A. de C.V. where from 1984 to 1987, he was Financial Advisor and Adviser to Institutional Clients. From 1987 to 1990 he was Manager of Investment Companies and Deputy Director of Capital Markets at Casa de Bolsa Invermćxico, S.A. de C.V. In 1991 he joined Invex Grupo Financiero, S.A. de C.V. as Project Leader for the start-up of the brokerage house. From 1992 to 2001 he was Managing Director of Investment Funds and Capital Markets, since 2001 he holds the position of CEO of Invex Operadora, S.A. de C.V. He was a member of the board of Afore ING from 2003 to 2005. Since 1991 he participates in the Boards of Directors of Invex Grupo Financiero, Accel since 2005, the French Alliance of Mexico since 2008 and GCC since 2015. Invex Grupo Financiero and Accel have no relationship with GCC.

Principal shareholders

The following table sets forth information concerning beneficial ownership of GCC's capital stock estimated as of the date of this report:

Name of shareholder	Shares owned	%
CAMCEM	171,658,588	50.877
Treasury shares	5,131,557[(1)]	1.521
Free float	160,609,55	47.602
Total	**337,400,000**	**100.0%**

[(1)]As a result of the share repurchase program.

Certain members of the Terrazas and Márquez families, which indirectly control CAMCEM, serve as directors or alternate directors of GCC. Specifically, Federico Terrazas Becerra, who is Chairman of the Board, Miguel Márquez Prieto, Enrique G. Terrazas Torres and Luis Márquez Villalobos, who are proprietary members of the Board, and Alberto Terrazas Seyffert, Martha Márquez de Corral, Luis Enrique Terrazas Seyffert and Ana Cecilia Márquez Villalobos, who are alternate directors, are all related to the Terrazas and Márquez families. Accordingly, CAMCEM, and consequently the Terrazas and Márquez families, through their voting right at Shareholders' Meetings, can appoint a majority of the members of the Board, hence maintaining significant influence over the Company. Additionally, five of the current members of the Board and their respective alternates have been appointed by CEMEX.

In addition to the persons mentioned above, no other individual or entity beneficially owns more than 10.0% of GCC´s outstanding capital stock, has significant influence, or exercises control over the Company. GCC is not controlled, directly or indirectly, by any other entity, foreign government or any other person, and has no knowledge of any agreement that could result in a change of control.

At the General Shaeholders' Meeting held on April 26, 2018, the shareholders authorized the repurchase of shares for up to a total amount of Ps. 700 million. As of December 31, 2018, the number of shares repurchased through a repurchase fund program increased by 266,500 shares. The Company uses this program with the intention of promoting the liquidity of GCC shares and reducing their price volatility.

Senior Management

Pursuant to the Mexican Securities Market Law and GCC's corporate bylaws, the Chief Executive Officer and Chief Executives must act for the benefit of GCC and not for the benefit of any shareholder or group of shareholders. In addition, GCC's officers must: submit the main business strategies of the Company and those of the companies under the control of GCC to the Board of Directors for approval, propose to the Board of Directors the annual budget of GCC, submit proposals for internal control to the Audit Committee, prepare all relevant information related to the activities of GCC and to the activities carried out by companies under the control of GCC, disclose all relevant information to the public and maintain adequate accounting, recording systems and internal control mechanisms, prepare and present to the board annual financial statements and implement internal control mechanisms, among other actions.

The following persons are the main officers of the Issuer, all of them are men:

Name	Position	Years of service
Héctor Enrique Escalante Ochoa	Chief Executive Officer	19
Jesus Rogelio González Lechuga	Corporate Technical and Operations Officer	45
Marcos Ramírez Rivera	Mexico Division President	28
Ronald S. Henley	U.S. Division President	6
Luis Carlos Arias Laso	Chief Financial Officer	22
Daniel Eduardo Helguera Moreno	Chief Human Resources Officer	3
Luis Jorge Amaya González	Chief Planning Officer	15

HÉCTOR ENRIQUE ESCALANTE OCHOA – Chief Executive Officer Mr. Escalante joined the Company in 1999 as President of Mexico Division. He served as President of the U.S. Division from 2000 through the end of 2014, and on January 1, 2015, he was appointed Chief Executive Officer by the Board. Prior to joining GCC, he worked 15 years in the Mexican lumber industry with the largest Mexican producer of plywood and particleboard. Enrique began as finance and planning analyst, moved to the sales and marketing department and was later appointed CEO of Plywood Ponderosa de Mexico at Ponderosa Industrial. Later he was President of the Ponderosa Division at Grupo Industrial Durango. Mr. Escalante Ochoa holds a degree in Industrial and Systems Engineering from ITESM and he completed an M.B.A. at Cornell University in 1983. He has also participated in several executive education programs, including the Management Program at IPADE and the Presidents Seminar at Harvard University. He has held various positions in multiple trade organizations in Mexico and has served as president of the Portland Cement Association in the United States. Currently he is a member of the YPO/WPO Council of the Rocky Mountain Chapter in Denver, Colorado.

JESUS ROGELIO GONZÁLEZ LECHUGA – Corporate Technical and Operations Officer. Rogelio González joined the Company in 1973 as head of the Physical-Chemistry Lab in the Chihuahua plant. Prior to being named President of the Mexico Division in 2001, he served as the Chief of Calcination from 1978 to 1981, as Superintendent of Production from 1981 to 1984, as Manager of Production in the Juarez plant from 1984 to 1992, and as Director of Processes in the Samalayuca plant from 1992 to 1995. In 1995 he was appointed Director of GCC's Samalayuca and Juarez plants. In September, 2001, he was appointed president of Mexico Division, and since January 1, 2019, he holds the position of Corporate Technical and Operations Officer. Mr. González Lechuga holds a degree in Chemical Engineering and a postgraduate degree in Business Administration from the Universidad Autónoma de Chihuahua (UACH), and an M.B.A. from ITESM, Monterrey campus.

RONALD S. HENLEY - United States Division President. Ron Henley joined the Company in 2012 and was appointed President of the U.S. Division in 2014. With 31 years of experience in the industry, prior to joining the Company, Mr. Henley worked for 15 years at Boral Industries, where he served as President of Boral Construction Materials, Vice President of Growth and Development at Boral Industries, Vice President of Operations and Vice President of Finance at Boral Bricks. His experience extends to several fields of business, including operations and project management, acquisitions and divestitures, business integration and expansion, process optimization, financial management, technology transfer and strategic planning. Mr. Henley holds a Bachelor's degree in Finance and Accounting from the University of Missouri and became a Certified Public Accountant in 1983.

LUIS CARLOS ARIAS LASO – Chief Financial Officer Luis Carlos Arias joined GCC in 1996 in the Planning and New Projects Area. From 2001 until mid-2017, he was in charge of Corporate Treasury and Investor Relations. In May 2017, he was appointed Chief Financial Officer. He graduated from ITESM with a Bachelor's Degree in Financial Management and has a Master's Degree in Business Administration by the Midwestern State University through the exchange program with ITESM, Chihuahua Campus. He completed the Senior Management Program of Business D-1 of the Instituto Panamericano de Alta Dirección de Empresas (IPADE).

DANIEL E. HELGUERA MORENO – Chief Human Resources Officer Daniel Helguera joined the Company in 2015. He has 20 years of experience in human resources area, holding key positions in management, strategy and human capital transformation. Daniel has led the human resources function for business leaders in the construction, cement, steel, food and technology industries, facing the challenges of organizations in different work environments in various countries, states and stages of business development, as well as in multicultural work environments and transformation of organizations. Under his administration, the companies where he has worked had received the Top Companies Award by Grupo Expansión and Certifications of a great place to work granted by The Great Place to Work Institute. Currently, he holds the position of Chief Human Resources Officer at GCC. Mr. Helguera holds a degree in Public Accounting from ITESM, an M.B.A. from ITESM/EGADE Business School and a Master's degree in Human Resources from IE Business School in Madrid. Also, he has different specializations in Human Resources.

LUIS JORGE AMAYA GONZÁLEZ – Chief Planning Officer. Luis Amaya joined the Company in 2003 in the area of Planning and New Businesses. From 2003 to 2017 he was in charge of New Businesses Management. In 2017 he was appointed head of Planning. He holds a degree of Industrial and Systems Engineer from ITESM and an M.B.A. from the University of Texas at Austin.

The main officers have a total of 157,224 shares representing GCC's capital stock.

There is a compensation program for officers, subject to individual and Company results.

4.d) Bylaws and other agreements

General

Amendments to GCC's bylaws to comply with the requirements of the LMV were approved in an Extraordinary General Shareholders' Meeting held on December 4, 2006. The bylaws were subsequently amended at the Extraordinary Shareholders' Meeting held on September 12, 2016. A copy of GCC's bylaws, as amended, has been submitted to the CNBV and the BMV and is available for review in the BMV, as well as on its website: www.bmv.com.mx. GCC's registered office is located in the city of Chihuahua, Chihuahua and its main offices are located at Av. Vicente Suárez and 6a. s/n, Col. Nombre de Dios, Chihuahua, Chihuahua.

Outstanding Capital Stock

GCC's capital stock is variable. As of the date of this report, the minimum fixed capital stock without right of withdrawal totals Ps. 134,960,000, which is fully subscribed and paid, and is represented by 337,400,000 ordinary, common, nominative shares, with no par value, Class I, sole series. The variable portion of the capital stock is unlimited and is represented by ordinary, nominative shares with no par value, Class II, single series. Each share is entitled to one vote at Shareholders' Meetings, and all shares confer equal rights and obligations to their holders.

Changes to capital stock

The fixed portion of the capital stock may be increased or decreased by means of a resolution adopted at an Extraordinary Shareholders' Meeting and upon amendment of GCC's bylaws. The variable portion of the capital stock may be increased or decreased by a resolution adopted at an Ordinary Shareholders' Meeting, without making any amendment to GCC's bylaws. Increases or decreases in the fixed or variable portion of the capital stock must be recorded in the Company's registry of capital variations. New shares cannot be issued unless the previously issued and outstanding shares have been fully paid.

During the last three years and through 2017, there have been no capital increases or share issues.

Registration and Transfer

The shares are represented by nominative share certificates. GCC's shareholders may hold their shares in the form of physical securities or in electronic records in the books of a financial institution authorized to maintain accounts with Indeval. Indeval will be the registered holder of shares held through electronic records in S.D. Indeval's accounts. Accounts may be maintained at Indeval by brokers, banks and other Mexican and non-Mexican financial institutions and entities authorized to be participants at Indeval. GCC maintains a stock registry and will only recognize the persons registered on such registry as shareholders as long as those persons have nominative share certificates. The Company will also recognize the persons who maintain shares through Indeval accounts as shareholders (presenting Indeval certificates as proof of ownership in addition to certificates issued by depository institutions).

Pursuant to the Securities Market Law, transfers of shares must be recorded in the stock registry so that such registry may be correlated with Indeval's records. Physical share certificates may only be transferred by endorsement and delivery, coupled with a notation on the stock registry.

Stockholders Meetings and Voting Rights

General shareholders' meetings may be ordinary or extraordinary. Shareholders may also hold special meetings, if different series of shares exist.

Extraordinary general shareholders' meetings will be those called to resolve matters set forth in Article 182 of the General Law on Corporate Entities and, additionally, to approve the cancellation of the registration of the Company's shares on the Mexican National Securities Registry, as well as the amortization of shares representing GCC's capital stock with distributable profits and the issuance of limited vote shares, preferential shares or any other class of shares other than the common shares, capital stock increases in accordance with Article 53 of the Mexican Securities Market Law, as well as any other matter for which the applicable law or corporate bylaws expressly require a special quorum.

Ordinary general shareholders' meetings are those called to resolve any of the following matters:

- discuss, approve or modify the Chief Executive Officer's report referred to in Article 44, section XI and Article 172 of the Mexican Securities Market Law, except for paragraph b), the Board's opinion related to the Chief Executive Officer's report, the Board's report as set forth in Article 28, section IV, paragraph d) of the Mexican Securities Market Law and Article 172, paragraph b) of the General Law on Corporate Entities, the annual report of the Audit and Corporate Practices Committee referred to in Article 43 of the Mexican Securities Market Law and the report related to the operations and activities of the Board;
- decide the application of the income account;
- appoint the members of the Board, either principal or alternates, and qualify the independence of each member and determine their compensation;
- appoint and/or remove the chairman of the Audit and Corporate Practices Committee;
- increase or reduce the variable portion of the capital stock, except when applicable legal provisions do not require a resolution from a Shareholders' Meeting for purposes of such increase or decrease;
- approve, without exceeding any legal limit, for each fiscal year, the maximum amount of resources to be allocated to share repurchases in terms of Article 6, section VI, paragraph d) of its bylaws;
- approve any transaction that GCC or any other company controlled by it may carry out during one fiscal year, when such transaction represents 20% or more of its consolidated assets, based on the financial information corresponding to the immediately preceding quarter, regardless of the form of their execution, whether simultaneous or successive, but which, due to their characteristics, may be deemed as a single transaction; and
- resolve any other matter under its consideration that is not expressly reserved by any legal provision or its bylaws to an extraordinary general shareholders' meeting.

A special Shareholders' Meeting may be called to resolve any matter set forth in Articles 112 and 195 of the General Law on Corporate Entities.

The attendance quorum for general ordinary shareholders' meetings upon first call will be 51% of the outstanding capital stock, and resolutions may be taken by a majority of the capital stock represented therein. The quorum for extraordinary general shareholders' meetings will be at least 75% of the outstanding capital stock, and resolutions may be taken by the majority of the voting shares of the capital stock, except for resolutions related to any amendment to the provisions of its bylaws related to the cancellation of the registration of the shares at the RNV, which shall require the affirmative vote of at least 95% of the outstanding capital stock. If the aforementioned attendance quorum is not met upon first call, the meeting will be repeated and the shareholders will take the decisions corresponding to the matters contained on the agenda, regardless of the number of shares represented, as long as it is an ordinary meeting. In case of a general extraordinary meeting, the affirmative vote of the majority of the shares representing the capital stock will be required in all cases.

In accordance with Mexican law and GCC's bylaws, shareholders' meetings may be called by (i) GCC Board of Directors, (ii) the Chairman of the Board and (iii) the Audit and Corporate Practices Committee. Shareholders representing at least 10% of the outstanding capital stock may request the Chairman of the Board or the Chairman of the Audit and Corporate Practices Committee to call for a meeting. Except as set forth in its bylaws, any shareholder who owns one share shall have equal rights in any of the events referred to in Article 185 of the General Law on Corporate Entities. If the Board or the chairman of the Audit and Corporate Practices Committee fail to call for the meeting within 15 days or 3 days, respectively, following the date of the request, a civil judge or a district judge located at the corporate domicile may call for the meeting if requested by any shareholder, evidencing for such purposes its corresponding participation in the capital stock.

Calls for shareholders' meetings must be published in the official newspaper of GCC's corporate domicile or in a newspaper of general circulation in its corporate domicile and in the electronic system of the Secretaría de Economía (Ministry of Economy), at least 15 days before the scheduled date of the shareholders' meeting, in the case of first and any subsequent calls. Calls shall contain the matters to be discussed at the meeting. From the date on which a call is published until the date of the corresponding meeting, all relevant information must be made available to the shareholders at the Company's corporate offices.

Preemptive Subscription Right

Under Mexican law and the Company's bylaws, shareholders have preemptive subscription right in respect of all share issuances or capital stock increases, subject to certain exceptions set forth below. If GCC issues additional shares of capital stock, the shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within 15 days following the date of publication of the shareholders' resolution approving the increase of the capital stock on the relevant newspaper of GCC's corporate domicile and in any newspaper of general circulation in its corporate domicile. Under Mexican law, shareholders cannot waive their preemptive rights in advance.

Preemptive rights will not apply to (i) shares issued by GCC in connection with mergers, (ii) the resale of shares held in its treasury or in its balance sheet, as applicable, as a result of repurchases of shares conducted by the Company on the BMV, (iii) in the event that holders of its shares entitled to vote at a general shareholders' meeting, approve the issuance of unsubscribed shares, to be placed in a public offering pursuant to Article 53 of the Mexican Securities Market Law, which allows the preemptive subscription right not to apply to public offers carried out by a public traded stock corporation, and (iv) in relation to shares issued in connection with the conversion of convertible securities.

Restrictions on Ownership and Shares Transfers

Subject to certain exceptions, bylaws require the approval of the Board (i) prior to any acquisition, directly or indirectly, of a block of shares, instruments with reference to or representative of shares, instruments convertible into or exchangeable for shares or rights with respect to shares resulting directly or indirectly in beneficial ownership of shares representing 3% or more of the outstanding shares, (ii) prior to entering into agreements resulting in the formation or adoption of mechanisms or voting association agreements, or of voting in concert or in the aggregate with respect to instruments convertible into or exchangeable for shares or rights with respect to shares representing 3% or more of the outstanding shares (the "Voting Agreement"), and (iii) if any competitor intends to directly or indirectly acquire blocks of shares, instruments with reference to or representative of shares, instruments convertible into or exchangeable for shares or rights with respect to shares. In any case, the approval of the Board must be granted or denied within 90 days following receipt of the corresponding notice, provided that the Board has received all of the information required to consider and approve the transaction, taking into account that, should the Board not come to a resolution in the time period provided for here, the request shall be considered denied.

If such acquisition or Voting Agreement is approved by the Board and results in the beneficial ownership by a shareholder or group of shareholders of 15% or more of GCC's shares or a change of control in the Company, the person acquiring the shares or executing the respective Voting Agreement is required to make a tender offer for 100% minus one of the aggregate outstanding shares at a price equal to the highest of (i) the book value per share of the shares pursuant to the last quarterly financial statements approved by the Board or reported to the CNBV or to the BMV, (ii) the highest closing trading price of the shares on the BMV published within the 365 days prior to the date of request or of the date of the relevant transaction approval by the Board, or (iii) the highest price per any share paid at any time by the person who, individually or in the aggregate, directly or indirectly, has the intention of acquiring the shares or entering into a Voting Agreement that is required to be authorized by the Board, plus, in each case, a 20% premium with respect to the price per share payable; provided, however, that the Board may modify the amount of such premium (upward or downward) considering the opinion of a prestigious investment bank.

In evaluating the authorization requests, the Board shall take into account the factors that it deems relevant, considering the interests of the Company and those of its shareholders, including financial, market and business factors as well as the solvency of the potential acquirers, the origin of the funds to be used by the potential purchaser for the acquisition, potential conflict of interests, protection of GCC's minority shareholders, the expected benefits for its future development, the impact on plans and budgets, the quality, accuracy and veracity of the information submitted by the potential purchaser, the viability of the offer, the price offered, the conditions of the offer, the identity and credibility of the offerors (to the extent it is possible to determine and without any liability whatsoever for the Board members or the shareholders), the reasons for the execution and timing of the Voting Agreement, the sources of financing for the offer and the term for its conclusion, and any other factors that the Board may deem necessary or convenient.

Notwithstanding the foregoing, regardless of the percentage held by the shareholder or holder of the corresponding securities, such authorization will not be required whenever the transfer is made by inheritance. If shares, or rights with respect to such shares, are acquired or Voting Agreements are executed without the required prior written consent of the Board, the alleged shareholder or shareholders, will not be allowed to exercise the rights corresponding to such shares or instruments (including economic rights) and such shares or instruments will not be counted for purposes of determining quorum or required majorities for approving any resolution at shareholders' meetings, and the Company will abstain from registering the aforementioned presumed shareholder or shareholders in the shares registry, and the registration carried out by the applicable institution for depositing securities pursuant to the applicable legislation shall be without effects, and the evidence or listings referred to by Article 290 of the Mexican Securities Market Law will not be acknowledged or given any value, thus they will not show ownership of the shares or evidence the right to attend the shareholders meetings, nor will legitimate the exercise of any actions, including procedural actions. The person, persons or group of persons who acquire shares or other instruments in violation of these provisions shall transfer the shares or instruments to the interested third party that is approved and appointed by the Board of Directors pursuant to article 130 of the LGSM.

Change of Control

Under the Mexican Securities Market Law, any person or group of persons that, directly or indirectly, in a single transaction or in a series of transactions, intends to acquire control of GCC's outstanding shares, should, besides obtaining the approval of the Board, as explained in the paragraph above, undertake a tender offer for 100% of the shares minus one, at a price equal to the greater of (i) the average trading price for the shares during the 30 trading days prior to the offer, or (ii) the last reported book value per share. The Mexican Securities Market Law defines control, for these purposes, as (i) the power to impose decisions, directly or indirectly, at a shareholders' meeting, (ii) the right to vote 50% or more of GCC's shares, or (iii) the ability to cause, directly or indirectly, the management, strategy or policies to be followed in a certain way. This obligation derives from the provisions of the Mexican Securities Market Law and should be read in conjunction with the provisions of the preceding paragraph.

Dividends

The Board of Directors and the Chief Executive Officer must submit for approval of the annual ordinary general Shareholders' Meeting the financial statements of the previous fiscal year. Upon approval of such financial statements by the shareholders' meeting, the shareholders will determine the distribution of the net income of the previous fiscal year. Under Mexican law and GCC's bylaws, prior to any payment of dividends, at least 5% of the net earnings must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least 20% of the capital stock. Additional amounts may be allocated to other reserve funds at the discretion of the shareholders, including the amount allocated to a fund for the repurchase of shares. The remaining balance, if any, may be distributed as dividends. Dividends will not be distributed if losses from previous fiscal years have not been absorbed or paid in full.

Repurchase of Shares

In accordance with GCC's bylaws and the Mexican Securities Market Law, the Company may repurchase its own shares, without being applicable the first paragraph of Article 134 of the General Law on Corporate Entities, through the BMV, on the prevailing market price, except for public bids or auctions authorized by CNBV, and as long as such purchase is made against the stockholders' equity, to the extent such shares are owned by the Company, or to the capital stock in the event that those shares are converted into unsubscribed treasury shares, in which case the resolution of the Shareholders' Meeting will not be needed.

Dissolution or Liquidation

Upon the Company's dissolution or liquidation, GCC's shareholders will appoint one or more liquidators at an Extraordinary Shareholders' Meeting. All fully paid and outstanding shares of the capital stock will be entitled to participate equally in any liquidation proceeds.

Rights of Minority Stockholders

Pursuant to the Mexican Securities Market Law, GCC's bylaws include a number of minority shareholder protections. These minority protections include, among others, the following:

- Holders of at least 10% of the Company's outstanding voting shares may:
  - request a call for a Shareholders' Meeting;
  - request that resolutions with regarding any matter of which they were not sufficiently informed be postponed; and
  - appoint one member of the Board and one alternate member of the Board.
- Holders of 20% of the outstanding shares with voting rights may oppose judicially to the resolutions of the Shareholders' Meetings, in which they are entitled to vote, without the percentage referred to in article 201 of the LGSM being applicable; and
- Shareholders representing at least 5% of the capital stock may exercise a remedy for civil liability (for the Company's benefit and not for the benefit of the plaintiff), against all or any of the directors for

breach of their duty of care or duty of loyalty in an amount equal to the damages caused to GCC. Actions seeking such remedies will prescribe five years after the event.

Other Provisions

Duration

GCC's corporate existence under its bylaws is indefinite.

Purchases of Shares by GCC's Subsidiaries

GCC's subsidiaries or other entities controlled by the Company may not purchase, directly or indirectly, shares representing its capital stock.

Conflicts of Interest

Any member of the Board who, in a given transaction, has an interest opposed to that of the Company must disclose it and abstain from all deliberation and resolution in this respect. Any director who contravenes this provision shall be liable for any damages caused to the Company, as well as any breach of his duty of care.

In accordance with the Mexican General Law on Corporate Entities, shareholders with a conflict of interest must abstain from any deliberation in connection in the matter. Shareholders violating such provision shall be liable for damages caused to the Company if the transaction has not been approved without such shareholder's vote.

Jurisdiction

GCC's bylaws provide that any controversy between the shareholders and the Company, or between its shareholders, shall be submitted to the jurisdiction of the courts of the city of Chihuahua, Chihuahua.

Right to Separation

In the event that a change in the corporate purpose, nationality or transformation from one corporate form to another is approved by GCC's shareholders, any voting shareholder who has voted against the approval of these matters at the Shareholders' Meeting shall have the right to separate from the company and receive the book value of its shares in accordance with the latest financial statements approved by the shareholders, provided that the shareholder exercises this right within 15 days after the meeting at which the change was approved.

Cancellation of the Registration in the RNV

Pursuant to GCC's bylaws and the Mexican Securities Market Law, the Company will be required to make a public tender offer to purchase the shares of the minority shareholders in the event that the listing of GCC's shares on the BMV is cancelled, either by the Company's resolution or by order of the CNBV. The controlling shareholders will be secondarily liable for the fultillment of these obligations.

Board of Directors Committees

Like any other public company, GCC has an Audit and Corporate Practices Committee. The members of the Audit and Corporate Practices Committee must be independent and appointed by the Board of Directors, except for the chairman who is elected by GCC's shareholders. The operation of Board committees is subject to the following rules: (i) the annual report on the activities of each committee shall be prepared by the chairman of the committee for submission to the Board of Directors, (ii) the committees shall meet as often as necessary and may be called by the chairman of the board, 25% of the board members, the chief executive officer, or by the chairman of said committee, (iii) decisions shall be made by unanimous vote of those attending the committee meetings, (iv) the alternates for the board members serving on the committee shall also have that character in relation to the integration of the committee, (v) each committee at its first session will appoint the persons who will serve as secretary and alternate secretary, neither of whom will be member of the committee, and (vi) the committees shall keep a book of minutes for their sessions, in which the minutes of each session shall be recorded, and which will be signed by the persons who acted as chairman and secretary in the Committee session.

As of the date of this report, the Audit and Corporate Practices Committee consists of the following persons:

Proprietaries	**Deputies**
Fernando Ruiz Sahagún - Chairman	José Alberto Araujo Saavedra
Rómulo Jaurrieta Caballero	Manuel Esparza Zuberza
Héctor Medina Aguiar	Armando J. García Segovia

Pursuant to the bylaws of the issuer and the LMV, the activities of the aforementioned Committee are as follows:

In matters of corporate practices:
- Give an opinion to the Board of Directors on relevant matters under the LMV.
- Request the opinion of independent experts when deemed appropriate, for the proper performance of its functions or when required by the LMV or general provisions.
- Summon Shareholders' Meetings and include in the agenda the items they deem pertinent.
- Support the Board of Directors in preparing the reports referred to in article 28, section IV, paragraphs d) and e) of the LMV.
- Any other established by Law or envisaged in the Company's bylaws, in accordance with the functions assigned to it by the legal system.

In matters of auditing:
- Provide an opinion to the Board of Directors on matters that fall within its competence under the applicable legislation.
- Evaluate the performance of the entity providing independent audit services, as well as analyze the opinion, opinions, reports or reports prepared and subscribed by the external auditor; for such purpose, the Committee may require the presence of said auditor whenever it deems it convenient, without prejudice ot the fact that it must meet at least once a year.
- Discuss the Company's financial statements with the persons responsible for their preparation and review, and based on this, recommend or not their approval to the Board of Directors.
- Inform the Board of Directors of the situation of the internal control and internal audit system of the Company or of the legal entities it controls, including any irregularities that may be detected.
- Prepare the opinion referred to in article 28, section IV, paragraph c) of the Mexican Stock Exchange Law and submit it to the Board of Directors for its subsequent presentation at a Shareholders' Meeting, relying, among other elements, on the opinion of the independent auditor; said opinion shall indicate at least: 1. If the accounting and information policies and criteria followed by the Company are adequate and sufficient taking into account its particular circumstances. 2. If such policies and criteria have been applied consistently in the information presented by the CEO. 3. If, as a consequence of paragraphs 1 and 2 above, the information presented by the CEO reasonably reflects the financial situation and results of the Company.
- Support the Board of Directors in preparing the reports referred to in article 28, section IV, paragraphs d) and e) of the LMV.
- Ensure that the transactions referred to in articles 28, section III and 47 of the Mexican Stock Exchange Law are carried out in accordance with the provisions of those precepts, as well as the policies derived therefrom.
- Request the opinion of independent experts in cases in which it deems it appropriate, for the proper performance of their duties or when applicable legislation or general provisions require it.
- Require the relevant executives and other employees of the Company or of the legal entities controlled by

it, to submit reports on the preparation of financial information and any other type of information it deems necessary for the exercise of its functions.

- Investigate possible breaches of which it is aware, of the operations, operating guidelines and policies, internal control system and internal audit and accounting records, whether of the Company or of the legal entities it controls, for which it must examine the documentation, records and other supporting evidence, to the extent necessary to carry out such monitoring.
- Receive comments and remarks made from shareholders, members of the board, relevant executives, employees and, in general, of any third party regarding the matters referred to in the preceding paragraph, as well as carry out the actions, that in its opinion, are appropriate in relation such remarks.
- Request periodic meetings with the relevant executives, as well as the delivery of any type of information related to the internal control and internal audit of the Company or the legal entities it controls.
- Inform the Board of Directors of any significant irregularities detected as a result of the exercise of its functions and, where appropriate, of any corrective actions taken or to propose those that should be applied.
- Call Shareholders' Meetings and request that the items deemed relevant are included in the agenda.
- Ensure that the CEO complies with the resolutions of the Shareholders' Meetings and the Board of Directors of the Company, in accordance with the instructions, if any, issued by the Shareholders' Meeting or the Board of Directors.
- Oversee the establishment of internal mechanisms and controls to verify that the acts and operations of the Company and of the legal entities controlled by it comply with the applicable regulations, as well as to implement methodologies that make it possible to review compliance with the foregoing.
- Other established by law or envisaged in these articles of incorporation, in accordance with the legally assigned functions.

5) Equity Market

5.a) Shareholding structure

See section 2.b.xii

5.b) Share performance in the stock exchange

As of the date of this report, 332,268,443 shares representing GCC's capital stock are listed in the Mexican Stock Exchange, BMV, of which 160,609,855 are outstanding. Their behavior on the Mexican Stock Exchange is summarized below, on the understanding that share prices are expressed in nominal Mexican Pesos.

GCC share price at the close of the last five fiscal years:

Period	Closing price	Volume traded	Maximum price	Minimum price
2014	38.10	18,597,581	41.49	34.00
2015	44.81	5,466,383	47.10	35.00
2016	68.40	16,261,604	68.88	41.50
2017	91.47	61,838,838	97.87	65.25
2018	100.44	113,487,558	134.98	89.46

GCC Share Price at the quarterly close of the last two fiscal years:

Period	Closing price	Volume traded	Maximum price	Minimum price
I – 2017	84.00	28,588,114	96.15	65.25
II – 2017	93.51	16,697,102	95.80	80.80
III – 2017	94.32	8,019,122	97.87	90.01
IV – 2017	91.47	8,534,500	96.57	86.91
I – 2018	97.79	13,546,649	110.30	89.46
II – 2018	128.85	31,605,619	130.00	95.98
III – 2018	122.81	38,659,650	134.98	117.20
IV – 2018	100.44	29,675,640	124.00	96.42

GCC Share Price at the monthly close of the last six months prior to presenting this Report:

Period	Volume traded	Closing price	Maximum price	Minimum price
October 2018	14,069,836	109.47	124.00	101.52
November 2018	8,924,370	106.20	119.07	102.65
December 2018	6,681,434	100.44	108.49	96.42
January 2019	16,246,490	105.02	108.96	98.90
February 2019	10,581,293	104.99	108.80	95.20
March 2019	17,555,312	107.13	113.65	102.01

GCC was included for the first time in the MSCI family of stock indices on June 1, 2018, forming part of indices referenced as MSCI Mexico Small Cap, Emerging Markets (EM) Small Cap, EM Latin America IMI Value Weighted, EM Latin America ex Brazil Small and Mid Cap Growth, among others. In addition, GCC was included in the S&P/BMV IPC Index of the Mexican Stock Exchange, as of September 24, 2018.

5.c) Market maker

On March 12, 2018, the Company entered into a Market Maker Services Agreement with UBS Casa de Bolsa, S.A. de C.V, UBS Grupo Financiero. On that date, UBS Grupo Financiero started trading GCC shares listed in the Mexican Stock Exchange, with an effective date of twelve months, with the option to be cancelled 6 months after the beginning of the contract or to be renewed at the end of the term. The market maker contract was terminated on September 25, 2018.

The average daily volume of GCC shares between March 12 and September 24, 2018 was 406,536 shares, while the average daily volume of the market maker was 44,800 shares, representing 11.0% of the Company's average daily share operations.

During that period, the Company’s shares closing price had a slight increase of 23,8%, going from Ps. $99.93 to Ps. $123.73.

The Market Maker promotes GCC shares liquidity, sets reference prices and contributes to the stability and continuity of such prices. These tasks are achieved by quoting a minimum amount of $200,000.00 and bidding with a maximum differential of up to 3%.

During the life of the contract, the market maker promoted the liquidity of GCC's securities, established reference prices and contributed to their stability and continuity. These functions were performed by operating a minimum bid amount of Ps. $400,000 and establishing buy and sell bids with a maximum spread of up to 3%. In addition, during the same period GCC was included in the MSCI index family and in the S&P/BMV IPC index of the Mexican Stock Exchange, so the increases in the price and volume of the Company's shares are also attributed to this, as well as to the Company's performance and strong financial results and its corporate strategy.

As of the date of this report, GCC does not have a market maker.

6) Legal representatives

Grupo Cementos de Chihuahua, S.A.B. de C.V.

Chihuahua, Chihuahua, México a 26 de abril de 2019

Los suscritos manifestamos bajo protesta de decir verdad que, en el ámbito de nuestras respectivas funciones, preparamos la información relativa a la emisora contenida en el presente reporte anual, la cual, a nuestro leal saber y entender, refleja razonablemente su situación. Asimismo, manifestamos que no tenemos conocimiento de información relevante que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

Atentamente,

Héctor Enrique Escalante Ochoa

Director General

Luis Carlos Arias Laso

Director de Administración y Finanzas

Sergio Sáenz Gutiérrez

Director Jurídico

El suscrito manifiesta, bajo protesta de decir verdad, que los estados financieros consolidados de Grupo Cementos de Chihuahua, S.A.B. de C.V. y Subsidiarias (la "Emisora") al 31 de diciembre de 2018, 2017 y 2016, y por los años que terminaron en esas fechas, contenidos en el Anexo A del presente reporte anual, fueron dictaminados con fecha 12 de abril de 2019, 19 de marzo de 2018 y 9 de marzo de 2017, de acuerdo con las Normas Internacionales de Auditoría.

Asimismo, manifiesto que he leído el presente reporte anual y, basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tengo conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros dictaminados, señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual, o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, el suscrito no fue contratado para realizar, y no realicé, procedimientos adicionales con el objeto de expresar una opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros dictaminados.

Atentamente,

C.P.C. Pedro Rodríguez Estrada
Apoderado de la persona moral y auditor externo independiente
Socio de Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro de Deloitte Touche Tohmatsu Limited

7) Appendix

7.a) Audited financial statements 2018, 2017 and 2016

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2018, 2017 and 2016, and Independent Auditors' Report Dated April 12, 2019

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Independent Auditors' Report and Consolidated Financial Statements for 2018, 2017 and 2016

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Cementos de Chihuahua, S. A. B. de C. V.

(In thousands of U.S. dollars)

Opinion

We have audited the consolidated financial statements of Grupo Cementos de Chihuahua, S. A. B. de C. V. and subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016, and the consolidated statements of profit, consolidated statements of other comprehensive income, consolidated statements of cash flows and consolidated statements of changes in stockholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS and or IAS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' Code of ethics for Professional Accountants" (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

We draw attention to the following:

1. Change of currency report from Mexican pesos to US dollars

As mentioned in Note 3, considering the dispositions of IAS 21, "Effects of Changes in Foreign Exchange Rates", beginning in 2018, the Company changed its reporting currency from Mexican pesos to US dollars (dollars); consequently, going forward, as well as the previous periods presented for comparative purposes will be presented in US dollars. The aforementioned is due to the fact that the environment in which the Company operates is mostly in US dollars; therefore, the consolidated financial statements expressed in US dollars reflect the results and the financial situation of the Company more adequately.

2. Business combination

As mentioned in Note 13, during 2018, a cement plant was acquired in the state of Montana, USA. For this purpose, on June 22, 2018, GCC Three Forks, LLC. was established to operate all of the assets acquired. The main activity of the acquired business is the sale of cement and the consideration transferred was $ 107,516.

3. Discontinued operations

As mentioned in Note 14, on June 23, 2018, certain assets were sold which constituted a significant portion of the concrete segment in Oklahoma and Arkansas region in the USA. The income from the sale price was lower than the book value of the related net assets and consequently a loss from discontinued operations was recognized for $ 40,055.

Our opinion is not modified in respect of this matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

1. Evaluation of goodwill impairment

Due to the importance of the goodwill balance and the economic changes to certain markets in which the Company operates, goodwill must be adequately reviewed to identify potential impairment. The conclusion as to whether the book value of goodwill is recoverable requires that the Company's management prepare significant estimates regarding key assumptions to determine future cash flows. The goodwill balance was generated by business acquisitions in the United States of America. In order to evaluate the impairment, the Company has assigned two cash generating units involving the Cement and Concrete Divisions.

The IAS 36 "Impairment of assets" requires the performance of an impairment evaluation each year, which calculates future discounted cash flows to ascertain the potential impairment of the book values of the acquired assets. We identified the risk whereby the assumptions utilized by management to calculate the discount rate might not be fair based on current market conditions and those prevailing in the foreseeable future.

As auditors, we have analyzed the key assumptions utilized in the impairment model, specifically including cash flow projections, discount rates, the long-term growth rate and operating margin. Our valuation specialists assisted us to independently evaluate the utilized discount rates and methodology used to prepare the impairment test model. We have also tested the completeness and accuracy of the impairment model.

As discussed in Note 24 to the consolidated financial statements, as of December 31, 2018 and 2017, the Company recognized an impairment loss on goodwill assigned to the segment of the concrete cash generating unit in the United States of America division in the income for the year for $ 4,151 and $ 15,400, respectively. As of December 31, 2016, the Company has not presented impairment effects that required adjustments to the book values of its long-lived assets.

2. Deferred income taxes

Certain entities in Mexico and the United States of America generated tax losses in prior years which have not yet been applied. Accordingly, deferred tax assets have been recognized in the consolidated statements of financial position ended as of December, 31, 2018, for $ 104,552 from the Mexican entities and $ 37,081 from the United States of America entities.

According to the IAS 12 "Income taxes", when determining deferred income taxes, the Company estimates the probability of generating a tax basis in future periods so as to apply the deferred assets generated by tax losses. However, there is a risk that *i*) the assumptions utilized by management to calculate future cash flows might not be fair based on current conditions and those prevailing in the foreseeable future; *ii*) assumptions regarding transactions performed outside the normal course of business might be considered; iii) a fair recovery period might not be considered, or iv) there are incorrect calculations.

The audit procedures we applied to cover the risk related to the determination of deferred taxes included verifying the fairness of the assumptions used by management to determine the recoverability of tax losses and tax specialist assisted us in the application of our audit procedures. The result of our audit procedures was satisfactory.

The accounting policy utilized by the Company to recognize deferred taxes, together with details of their disclosure, are included in Notes 4.w and 21, respectively, to the accompanying consolidated financial statements.

3. Contingencies

As a result of its operations, the Company is involved in a series of legal proceedings. Given the incipient nature of most of these proceedings or the inability to determine a provision, reserves have not been created. Furthermore, the specialists contracted by the Company's management consider that the verdicts issued for these proceedings will not significantly affect the Company's consolidated financial position or their consolidated result of operations. A commercial lawsuit has been filed against the Company following the sale of its 47.02% equity in Sociedad Boliviana de Cemento, S.A. (SOBOCE); the cancellation of this sale has been requested.

The lawsuit has evolved through different stages in which both favorable and unfavorable verdicts have been issued to the Company. However, in the opinion of the specialists contracted by Management, the Company has a good chance of obtaining a favorable verdict that will not imply any cost.

Our audit procedures consisted of the following:

i) Perform inquiries with Company's management regarding the status of this lawsuit.
ii) Verify the available information published by the media with regard to the lawsuit status.
iii) Obtain the purchase-sale contract executed to sell the Company's shares in SOBOCE.
iv) Obtain confirmation from the specialists contracted by the Company regarding the status of the lawsuit and their evaluation of confirmed facts.

Based on the application of our audit procedures, we did not identify any facts leading us to believe that the Company should recognize a provision for the commercial lawsuit filed based on the sale of its equity in SOBOCE.

The accounting policy utilized by the Company for contingencies and details of its disclosure are included in Notes 4.x and 27, respectively, to the accompanying consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information that will be included in the Annual Report that the Company will prepare according to Article 33, Section I, paragraph b) Fourth Title, First Chapter of the "General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico", together with the Instructions Guide accompanying these provisions (the Provisions). The Annual Report is expected to be made available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Annual Report when it becomes available and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or from our knowledge obtained during the audit, or otherwise appears to be materially misstated. When we read the Annual Report, we will issue a statement in this regard over our reading of the Annual Report, as required by Article 33, Section I, paragraph b), number 1.2 of the Provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the "going concern" basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Group are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Companyregarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We will also provide those charged with governance of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Pedro Rodríguez Estrada
April 12, 2019

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated statements of financial position

(In thousands of U.S. dollars ($))

		As of December 31,		
	Note	**2018**	**2017**	**2016**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	$ 251,818	$ 232,933	$ 163,851
Accounts receivable:				
Trade accounts receivable, net	7	78,881	91,338	73,260
Other accounts receivable	7	59,311	42,945	39,351
Due from related parties	8	1,417	2,726	2,564
		139,609	**137,009**	**115,175**
Inventories	9	132,178	113,212	106,470
Prepaid expenses	10	10,547	12,532	11,142
Total current assets		**534,152**	**495,686**	**396,638**
NON-CURRENT ASSETS				
Investments in associates, joint venture and other investments	11	15,548	9,955	7,756
Property, plant and equipment, net	12	1,027,760	936,387	925,016
Goodwill	15	246,884	387,461	402,861
Intangible assets, net	16	73,251	60,790	68,359
Other assets	17	4,937	5,430	4,069
Deferred income tax	21	-	12,181	59,713
Total non-current assets		**1,368,380**	**1,412,204**	**1,467,774**
TOTAL ASSETS		**$ 1,902,532**	**$ 1,907,890**	**$ 1,864,412**

See accompanying notes to consolidated financial statements

	Note	As of December 31, 2018	2017	2016
LIABILITIES AND EQUITY				
SHORT-TERM LIABILITIES				
Debt and current portion of long-term financial debt	19	$ 4,400	$ 17,150	$ 3,850
Trade accounts payable		83,223	89,232	70,763
Due to related parties	8	1,204	1,435	820
Short-term employee benefits	18	27,952	25,427	23,745
Accrued expenses and taxes other than income taxes	20	42,267	43,972	49,431
Provisions	20	3,177	5,007	5,151
Total current liabilities		**162,223**	**182,223**	**153,760**
LONG-TERM LIABILITIES				
Long-term financial debt	19	645,936	665,751	685,795
Employee benefits	18	35,536	40,072	37,190
Provision for environmental restoration	20	21,969	10,208	9,509
Other long-term liabilities		1,408	734	745
Income taxes payable	21	19,458	29,308	39,054
Deferred income tax	21	43,786	50,631	67,347
Total non-current liabilities		**768,093**	**796,704**	**839,640**
Total liabilities		**930,316**	**978,927**	**993,400**
STOCKHOLDERS' EQUITY	22			
Capital stock		32,068	32,070	32,070
Additional paid-in capital		148,365	148,365	148,365
Legal reserve		22,659	22,659	22,659
Retained earnings		1,051,833	1,000,666	927,871
Other items of comprehensive income		(282,741)	(274,827)	(260,260)
Equity attributable to owners of the Company		**972,184**	**928,933**	**870,705**
Non-controlling interest		32	30	307
Total stockholders' equity		**972,216**	**928,963**	**871,012**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 1,902,532**	**$ 1,907,890**	**$ 1,864,412**

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated statements of profit

(In thousands of U.S. dollars ($), except earnings per share)

		For the years ended December 31,		
	Note	2018	2017	2016
Net sales	26	$ 883,230	$ 824,104	$ 644,697
Cost of sales	23	637,864	585,479	461,025
Gross profit		245,366	238,625	183,672
General, administrative and selling expenses	23	75,530	77,829	66,468
Operating income before other expenses		**169,836**	**160,796**	**117,204**
Other expenses	24	8,341	16,238	6,234
Operating income		**161,495**	**144,558**	**110,970**
Financial expenses	25	50,577	57,341	38,849
Financial income – interest income		6,461	3,530	1,822
Exchange (loss) gain, net		(342)	(2,019)	1,356
Share of profit of associates and joint venture		4,749	2,090	1,085
Income before income taxes		121,786	90,818	76,384
Income taxes	21	(16,692)	(12,072)	(14,421)
Income before discontinued operations		105,094	78,746	61,963
(Loss) income from discontinued operations	14	(40,055)	4,967	7,170
Consolidated net income for the year		**$ 65,039**	**$ 83,713**	**$ 69,133**
Consolidated net income for the year attributable to:				
Owners of the Company		65,037	83,569	68,948
Non-controlling interests		2	144	185
Consolidated net income for the year		**$ 65,039**	**$ 83,713**	**$ 69,133**

Basic and diluted earnings per share:

Weighted average outstanding shares (thousands)	332,269	332,536	332,536
Basic and diluted earnings per share of controlling interest (in dollars)	$ 0.20	$ 0.25	$ 0.21

See accompanying notes to consolidated financial statements.

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated statements of other comprehensive income

(In thousands of U.S. dollars ($))

	For the years ended December 31,		
	2018	**2017**	**2016**
Consolidated net income for the year	**$ 65,039**	**$ 83,713**	**$ 69,133**
Other comprehensive income:			
Items that may be reclassified to net income in the future:			
Cumulative translation adjustments - net	(1,305)	(19,111)	(45,928)
Items that will not be reclassified to net income in the future:			
Remeasurements of employee benefits	(9,442)	6,492	1,877
Income taxes effect	2,833	(1,948)	(563)
Total other items of comprehensive income	(7,914)	(14,567)	(44,614)
Consolidated comprehensive income for the year	**$ 57,125**	**$ 69,146**	**$ 24,519**
Consolidated comprehensive income for the year attributable to:			
Owners of the Company	$ 57,123	$ 69,002	$ 24,334
Non-controlling interests	2	144	185
	$ 57,125	**$ 69,146**	**$ 24,519**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

(In thousands of U.S. dollars ($))

	Note	2018	2017	2016
		For the years ended December 31,		
Cash Flows from operating activities				
Consolidated net income for the year		$ 65,039	$ 83,713	$ 69,133
Adjustments for:				
Increase in pensions and seniority premium	18	5,609	3,913	4,447
Share of profit of associates and joint venture		(4,749)	(2,090)	(1,085)
Discontinued operations	14	40,055	(4,967)	(7,170)
Flow of discontinuous ordinary operations	14	1,694	9,684	12,534
Depreciation	12	79,314	72,086	57,142
Amortization	16	7,212	7,058	2,088
Impairment of non–current assets	24	4,151	15,400	-
(Gain) loss on sale of property, plant and equipment		(68)	164	1,223
Income tax	21	16,692	12,072	14,421
Financial expenses	25	50,577	57,341	38,849
Financial income		(6,461)	(3,530)	(1,822)
Movements in working capital:				
Trade accounts receivable		12,457	(14,637)	(7,232)
Due to related parties		1,078	560	(1,399)
Other accounts receivable		(16,366)	(1,597)	(7,222)
Inventories		(18,966)	(1,767)	(1,048)
Prepaid expenses		1,985	(849)	183
Trade accounts payable		(6,009)	15,174	22,690
Direct benefits paid to employees	18	(2,587)	(3,247)	(2,839)
Accrued provisions and liabilities		1,766	21,091	(17,877)
Cancellation of asset retirement obligation	24	-	-	(3,023)
Cash generated from operations		232,423	265,572	171,993
Interest received		6,461	3,530	1,822
Income tax paid		(24,533)	(12,220)	(7,636)
Net cash flows generated by operating activities		214,351	256,882	166,179
Cash flows from investing activities				
Additions of property, plant and equipment and other assets		(109,236)	(75,530)	(45,468)
Proceeds from disposal of property, plant and equipment		1,031	894	2,956
Discontinued operation	14	118,470	-	-
Merger effect	22	-	-	449
Business combination	13	(107,516)	-	(306,157)
Net cash flows used in investing activities		(97,251)	(74,636)	(348,220)

Cash Flows from financing activities			
Payments of short-term and long-term financing	(434,863)	(263,850)	(202,116)
Proceeds from short and long-term financing	400,000	260,000	477,191
Commission for prepayment of debt	(6,934)	(12,842)	-
Interest paid	(40,136)	(51,986)	(32,880)
Dividends paid	(12,553)	(10,774)	(9,862)
Net cash flows used in financing activities	(94,486)	(79,452)	232,333
Net increase in cash and cash equivalents	22,614	102,794	50,292
Adjustment to cash flows for variations in exchange rates	(3,729)	(33,712)	(33,062)
Cash and cash equivalents at the beginning of the year	232,933	163,851	146,621
Cash and cash equivalents at the end of the year	**$ 251,818**	**$ 232,933**	**$ 163,851**

See accompanying notes to consolidated financial statements.

GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated statements of changes in stockholders' equity

(In thousands of U.S. dollars ($))

	Capital stock	Additional paid-in capital	Legal reserve	Retained earnings	Other comprehensive income	Equity Attributable to owner	Non-controlling' interest	Total stockholders' equity
Balances at the beginning of 2016	**$ 32,070**	**$ 148,365**	**$ 22,659**	**$ 868,336**	**$ (215,646)**	**$ 855,784**	**$ 378**	**$ 856,162**
Consolidated net income for the year	-	-	-	68,948	-	68,948	185	69,133
Dividends paid	-	-	-	(9,862)	-	(9,862)	(256)	(10,118)
Merger effect (Note 22)	-	-	-	449	-	449	-	449
Other comprehensive income	-	-	-	-	(44,614)	(44,614)	-	(44,614)
Balances as of December 31, 2016	**$ 32,070**	**$ 148,365**	**$ 22,659**	**$ 927,871**	**$ (260,260)**	**$ 870,705**	**$ 307**	**$ 871,012**
Consolidated net income for the year	-	-	-	83,569	-	83,569	144	83,713
Dividends paid	-	-	-	(10,774)	-	(10,774)	(421)	(11,195)
Other items of comprehensive income	-	-	-	-	(14,567)	(14,567)	-	(14,567)
Balances as of December 31, 2017	**$ 32,070**	**$ 148,365**	**$ 22,659**	**$ 1,000,666**	**$ (274,827)**	**$ 928,933**	**$ 30**	**$ 928,963**
Consolidated net income for the year	-	-	-	65,037	-	65,037	2	65,039
Dividends paid	-	-	-	(12,553)	-	(12,553)	-	(12,553)
Repurchase of own shares	(2)	-	-	(1,317)	-	(1,319)	-	(1,319)
Other items of comprehensive income	-	-	-	-	(7,914)	(7,914)	-	(7,914)
Balances as of December 31, 2018	**$ 32,068**	**$ 148,365**	**$ 22,659**	**$ 1,051,833**	**$ (282,741)**	**$ 972,184**	**$ 32**	**$ 972,216**

See accompanying notes to consolidated financial statements.

1. Description of activities and relevant events

Description of activities

Grupo Cementos de Chihuahua, S.A.B. de C.V. is a holding company that is organized under the laws of Mexico whose subsidiaries are principally engaged in the production and sale of hydraulic cement, concrete and aggregates in the markets of Mexico (state of Chihuahua) and the United States of America (in the central corridor from the state of Texas and New Mexico to Montana and North Dakota). Grupo Cementos de Chihuahua, S.A.B. de C.V. is listed on the Mexican Stock Exchange (BMV) and is a subsidiary of CAMCEM, S.A. de C.V. (direct holding), an entity that owns 51.621% of its shares and 48.379% is traded on the BMV with the symbol GCC *.

Hereinafter the terms "GCC" or the "Company" are used to refer to Grupo Cementos de Chihuahua, S.A.B. de C.V. and Subsidiaries.

The corporate offices are located at Avenida Vicente Suarez and calle Sexta s/n, Colonia Nombre de Dios, C.P. 31110, Chihuahua, Chihuahua, Mexico.

Relevant events

a) On June 25, 2018, Grupo Cementos de Chihuahua, S.A.B. of C.V. together with the companies Oldcastle Materials Cement Holdings, Inc. and CRH Americas Materials, Inc. (CRH) completed the acquisition and sale transactions for the cement and ready-mix concrete assets, where Grupo Cementos de Chihuahua, S.A.B. of C.V. acquired the Trident cement plant in Three Forks, Montana, with a capacity of 315,000 metric tons for an amount of $ 107,516.

b) CRH acquired, in turn, the majority of ready-mix concrete plants and transport assets belonging to Grupo Cementos de Chihuahua, S.A.B. of C.V. in Oklahoma and northwest Arkansas for $ 118,470.

   Grupo Cementos de Chihuahua, S.A.B. of C.V. will continue to own and operate four ready-mix concrete plants in the Fort Smith, Arkansas area, and will own an office building in Tulsa, Oklahoma, which will lease to CRH.

c) On June 15, 2018, Grupo Cementos de Chihuahua, S.A.B. of C.V. successfully concluded the refinancing of its bank debt. The new unsecured credit will replace the existing bank debt, it is estimated a reduction in interest expenses and an improvement in the general terms and conditions of the loan.

   The new $ 400,000 loan has a term of five years, with a margin of 1.25% to 2.00% over Libor, based on the debt/EBITDA ratio. The initial margin will be 1.75%. In addition, it includes an unsecured revolving credit line of US $ 50 million.

2. Application of new and revised International Financial Reporting Standards

a. Application of new and revised International Financing Reporting Standards ("IFRS" or "IAS") and interpretations that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9, "Financial Instruments"

In the current year, the Company has applied IFRS 9, "Financial Instruments" (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow to the company not to restate comparatives.

Additionally, the Company adopted consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that were applied to the disclosures about 2018 and to the comparative period.
IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Company's consolidated financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognized as at January 1, 2018 have been restated where appropriate.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and

- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at FVTOCI are subject to impairment. See (b) below.

Reviewed and assessed the Company’s existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company’s financial assets as regards their classification and measurement:

- The Company’s investments in redeemable notes were classified as available-for-sale financial assets under IAS 39 “Financial Instruments: Recognition and Measurement”. The notes have been reclassified as financial assets at amortized cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding;

- The Company's investments in equity instruments (that are not held for trading or for a contingent consideration arising from a business combination) that were previously classified as financial assets available for sale and that were measured at fair value on each date of reporting in accordance with IAS 39 have been designated as fair value through other comprehensive income. The change in fair value continues to accumulate in the revaluation reserve of the investment;

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Subsequent note (e) mentions (if applicable) changes in the classification of financial assets based on the application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Company’s financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at FVTOCI,
(2) Lease receivables,
(3) Trade receivables and contract assets, and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The new impairment model for expected credit loss under IFRS 9, impairment losses for the entire duration of financial assets, including accounts receivable from customers, are recognized when the asset originates, and on each subsequent date of report, even without a credit event occurring or if a loss has not yet been incurred, considering for its quantification, the history of current losses and conditions, as well as reasonable and justifiable projections that affect the collectability. GCC developed a model for estimating expected losses applicable to its accounts receivable, which takes into account the historical behavior and economic environment, as well as the credit risk and estimated events for each group of customers and applied the simplified approach in the adoption of the IFRS 9. The effects of the adoption of IFRS 9 on January 1, 2018 related to the estimation of expected losses model were not significant.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

See the following sections for more details on the change in the classification after the application of IFRS 9.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on January 1, 2018. The Company's qualifying hedging relationships in place as at January 1, 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on January 1, 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9 effectiveness assessment requirements. The Company has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 "Presentation of Financial Statements" and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Company's practice prior to the adoption of IFRS 9.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Company has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

The application of the hedge accounting requirements of IFRS 9 has not had any impact on the results and the financial position of the Company for the current and / or previous years. See note 19 for detailed information on GCC's risk management activities.

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Company.

Impact of application of IFRS 15, "Revenue from Contracts with Customers"

In the current year, the Company has applied IFRS 15, "Revenue from Contracts with Customers", (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's consolidated financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5 (a), and (b), or for modified contracts in IFRS 15:C5 (c) but using the expedient in IFRS 15:C5 (d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e., January 1, 2018.

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", however the Standard does not prohibit an company from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant balances that and are not within the scope of IFRS 15.

The Company's accounting policies for its revenue streams are disclosed in detail in note 3 below.

Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

Impact of application of Other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(In thousands of U.S. dollars ($))

IFRIC 22, "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

- **New and revised IFRS Standards in issue but not yet effective**

On the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet in force:

IFRS 16	"Leases"
Amendments to IFRS 9	"Amendments to IFRS 9"
Amendments to IAS 28	"Amendments to IAS 28"
Annual Improvements to IFRS Standards 2015–2017 Cycle	"Annual Improvements to IFRS Standards 2015–2017 Cycle"
Amendments to IAS 19, "Employee Benefits"	"Amendments to IAS 19 Employee Benefits"
IFRS 10, "Consolidated Financial Statements" and IAS 28 (amendments)	"Uncertainty about the treatment of income taxes"
IFRIC 23	"Uncertainty over Income Tax Treatments"

The directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Company in future periods, except as noted below:

IFRS 16, "Leases"

General impact of application of IFRS 16, "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17, "Leases", and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Company will be January 1, 2019.

The Company has chosen the retroactive application with the cumulative effect of the initial application of the Standard recognized on the date of initial application, in accordance with paragraphs C7 to C13 of IFRS 16.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for GCC.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), GCC will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 "Impairment of Assets". This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As of 31 December 2018, the Company has non-cancellable operating lease commitments of $ 59,296, see Note 27.b.

A preliminary assessment indicates that 70 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Company will recognize a right-of-use asset of $ 57,315 and a corresponding lease liability of $ 57,657 in respect of all these leases. The impact on profit or loss is to decrease costs and operation expenses by $ 20,840, to increase depreciation by $ 18,040 and to increase interest expense by $ 2,800. The provision for onerous lease contracts which was required under IAS 17 of $ 342 will be derecognized.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by $ 20,840 and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at December 31 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognized in the Company's consolidated financial statements.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Changes in the lessor's accounting have not had a significant impact on the financial position and / or financial performance of the Company.

Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee) or assessment of impairment in accordance with IAS 28.

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Company's management do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3, "Business Combinations", IFRS 11, "Joint Arrangements", IAS 12, "Income Taxes", and IAS 23 "Borrowing costs"

The Annual Improvements include amendments to four Standards.

IAS 12, "Income Taxes"

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23, "Borrowing Costs"

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 3, "Business Combinations"

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11, "Joint Arrangements"

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after January 1, 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

Amendments to IAS 19, "Employee Benefits Plan Amendment, Curtailment or Settlement"

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after January 1, 2019, but they can be applied earlier if an entity elects to do so.

The Company's management do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

IFRS 10, "Consolidated Financial Statements", and IAS 28 (amendments)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a "joint venture" that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or "joint venture".

The Company's management do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as an entity; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. The entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

GCC Management considers that the application of this interpretation will not have a significant impact on its financial statements, since when determining the recording of the effects of income taxes in its consolidated financial statements, it makes considerations similar to those contained by the interpretation.

3. Change of currency report from Mexican pesos to US dollars

Considering the dispositions of IAS 21, "Effects of changes in foreign currency exchange rates", beginning in 2018, the Company changed its reporting currency (presentation of financial statements) from Mexican pesos to US dollars (dollars), consequently, in the future, as well as the previous periods and dates and their corresponding comparatives will be presented in US dollars. The aforementioned is due to the fact that the environment in which the Company operates is mostly in US dollars, so that the consolidated financial statements expressed in US dollars reflect the results and the financial situation of the Company more adequately.

The consolidated financial statements are presented in US dollars ($), all values have been rounded up to thousands (000), except when another situation is mentioned.

4. Significant accounting polices

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by the IASB.

b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, property, plant and equipment, investment properties that are valued at revalued amounts or at their reasonable values at the end of each period, as explains in the accounting policies included below.

<u>Historical cost</u>

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

<u>Fair value</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

Reclassifications

Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2017 and 2016 have been reclassified to conform to the presentation of the 2018 consolidated financial statements.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Grupo Cementos de Chihuahua, S.A.B. de C.V. and the subsidiaries controlled by it. Control is achieved when the GCC:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its return

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(In thousands of U.S. dollars ($))

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The subsidiaries included in the consolidated financial statements are presented as follows:

Subsidiaries	**% Ownership Interest as of December 31,**		
	2018	**2017**	**2016**
Direct equity interest in Mexican subsidiaries:			
Cementos de Chihuahua, S.A. de C.V.	99.999	99.999	99.999
GCC Ingeniería y Proyectos, S.A. de C.V.	99.999	99.999	99.999
GCC Cemento, S.A. de C.V.	99.999	99.999	99.999
GCC Corporativo, S.A. de C.V.	99.990	99.990	99.990

(In thousands of U.S. dollars ($))

Indirect equity interest in Mexican subsidiaries:			
Materiales Industriales de Chihuahua, S.A. de C.V.	99.964	99.964	99.964
GCC Concreto, S.A. de C.V.	99.998	99.998	99.998
Minera Rarámuri, S.A.	99.990	99.990	99.990
Construcentro de Chihuahua, S.A. de C.V.	99.990	99.990	99.990
GCC Edificaciones y Servicios, S.A. de C.V.	99.990	99.990	99.990
GCC Inversiones y Comercialización, S.A. de C.V.	99.319	99.319	99.319
GCC Transporte, S.A. de C.V.	99.950	99.950	99.950
GCC Comercial, S.A. de C.V.	99.990	99.990	99.990
Urbanizaciones Contemporáneas, S.A. de C.V.	99.990	99.990	99.990
GCC Latinoamérica, S.A. de C.V.	99.990	99.990	99.990
Indirect equity interest in foreign subsidiaries (located mainly in the United States of America):			
GCC of America, Inc.	99.999	99.999	99.999
GCC Rio Grande, Inc. (GCCRG)	99.999	99.999	99.999
GCC Dacotah, Inc. (Dacotah)	99.999	99.999	99.999
GCC Ready Mix, LLC. (GCCRM)	99.999	99.999	99.999
Mid Continent Concrete Company, Inc. (Midco)	99.999	99.999	99.999
Alliance Transportation, Inc. (Alliance)	99.999	99.999	99.999
GCC Holding Company, LLC.	99.999	99.999	99.999
American Investments Company, LLC.	99.999	99.999	99.999
GCC Energy, LLC. (GCCE)	99.999	99.999	99.999
Consolidated Ready Mix, Inc. (CRM)	99.999	99.999	99.999
Materiales (Hungary) Investment Group Financing, Ltd.	99.999	99.999	99.999
GCC Alliance Concrete, Inc. (GCCAC)	99.999	99.999	99.999
Colorado Energy Recyclers, LLC.	99.999	99.999	99.999
GCC Technology and Processes, S.A.	99.999	99.999	99.999
GCC Investment, Ltd.	99.999	99.999	99.999
GCC Premium Transloaders, LLC.	99.999	99.999	99.999
Cross Border Logistics, LLC.	49.999	49.999	49.999
Sunset Properties, LLC.	99.999	99.999	99.999
NM Energy, LLC.	99.999	99.999	99.999
GCC Permian, LLC.	99.999	99.999	99.999
GCC Sun City Materials, LLC.	99.999	99.999	99.999
New Materiales Investment, LLC.	99.999	99.999	-
GCC Three Forks, LLC.	99.999	-	-

The financial statements of the subsidiaries and associates are prepared using the same reporting period as the Company, using consistent accounting policies. Intercompany balances, investments and transactions were eliminated in the consolidation.

d) Cash and cash equivalents

Cash and cash equivalents are financial assets. Cash and cash equivalents are readily convertible into a known amount of cash with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and in banks, deposits held on call with banks and other short-term, highly liquid investments, net of outstanding bank overdrafts.

e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

(ii) Debt instruments classified as at FVTOCI

The International bonds held by the Company are classified as at fair value through other comprehensive income. Fair value is determined in the manner described in note 19.a. This are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "finance income" line item in profit or loss.

The Company has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income on initial application of IFRS 9.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "other gains and losses";

- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the "other gains and losses". Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "other gains and losses" ; and

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

As of January 1, 2018, the Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, GCC measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, GCC considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Regardless of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.
Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligation.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them accordingly to ensure that the criteria are able to identify a significant increase in credit risk before the amount has been defeated.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, GCC considers that default has occurred when a financial asset is more than 90 days past due unless GCC has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17, "Leases".

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Upon derecognition of a financial asset measured at amortized cost, the difference between the book value of the asset and the sum of the consideration received and receivable is recognized in profit or loss. In addition, upon derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in the decrease of an investment in a capital instrument that the Company chose in the initial recognition to measure fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve was not reclassifies to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

g) Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities. Equity instruments issued by a group company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Finacial liabilities

The financial liabilities are classified as financial liabilities to fair value through change in profit or as other financial liabilities

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if (i) there is currently a legally enforceable right to offset the recognized amounts, and (ii) the intention is to settle on a net basis or to realize the assets and settle the liabilities in a simultaneously amount.

Borrowings and interest-bearing loans

After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest rate. Gains and losses are recognized in the consolidated statements of profit and other comprehensive income when the liabilities are derecognized as well as through the amortization process of the effective interest rate.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included under the caption financial expenses in the consolidated statements of profit and other comprehensive income.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

h) Hedge accounting

Hedges of net investments in foreign operations

The Company designates the net investment of its foreign operations as a cash flow hedge related to the debt denominated in US dollars, so the exchange rate fluctuations arising from such debt are recognized in the effect of translation of foreign operations in other comprehensive income.

Profit and losses on the hedging instrument accumulated in the foreign currency conversion reserve are reclassified to profit or loss in the disposition or partial disposition of the foreign operation.

i) Inventories and cost of sales

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes all the purchase and production costs incurred to provide them with their current location and condition, and is valued as follows:

- Raw material: at acquisition cost according to the average cost formula.
- Finished goods and work in process: at cost of materials, direct labor, and indirect production expenses, excluding financial costs.
- Spare parts and supplies: at cost based on the average cost.

Net realizable value is the sale price estimated in the ordinary course of operations, less applicable sale expenses. The inventories line item includes developed lands that are traded as part of the normal operating activities, which are recorded at their acquisition cost, which does not exceed net realizable value.

j) Prepaid expenses

Prepayments are recognized for the amount paid, less any subsequent amortization during the period that services or related goods are provided. The Company recognizes advance payments as an asset when it has the right to receive goods or services in the future.

k) Property, plant and equipment

Property, plant and equipment and their significant components with useful lives different from the other assets that compose a group of fixed assets, are initially recognized at acquisition value and are presented net of the accumulated depreciation and accumulated losses for impairment.

The acquisition value of the property, plant and equipment components include costs initially incurred to be acquired or constructed, and those incurred subsequently to replace them or increase their potential service.

Property, plant and equipment are presented using the cost model as required by IAS 16, "Property, Plant and Equipment". Depreciation is recognized for expensing the cost or valuation of assets (other than land and properties under construction) less their residual value and is calculated using the straight-line method based on the estimated useful life of the assets, which is estimated according to the period in which the benefits derived from their use will be received. The useful life, residual value and depreciation method are reviewed periodically by management of the Company and the effect of any changes in the registered estimate is recognized on a prospective basis.

Depreciation begins when the asset is available for use and is calculated based on the following annual rates, which are allocated according to their estimated useful life:

	Percentage
Buildings	2.00% - 4.00 %
Machinery and equipment	3.33 % - 10.00 %
Vehicles	10.00 % - 25.00 %
Furniture and equipment	10.00 % - 33.33 %

Construction in progress

Construction in progress includes the costs associated with the construction of property, plant and equipment. Once construction is complete, these assets are classified as property, plant and equipment and depreciation begins as of the date they are capitalized, which is when their period of use begins.

Maintenance and repairs

Major repair and maintenance costs are capitalized, and a useful life and depreciation rate are estimated similarly as the other components of the same Company or class, with similar lives, and, lastly, the part of the replaced component is written off.

Property, plant and equipment sales and write offs

Property, plant and equipment are written off upon their sale or when future economic benefits are not expected from their use or sale. Any profit of loss upon write off of the asset (calculated as the difference between the net income arising from the sale of the asset and its carrying amount), is included in the consolidated statement of comprehensive income in the period in which it occurs.

Restoration provisions

The present value of the initial estimate of the place decommissioning and remediation obligation of the assets subject to this type of legal obligation is included in the Company's property cost. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflows, or a change in the discount rate, are added to, or deducted from, the cost of the related fixed asset.

l) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The amounts for the mining rights for the extraction of coal used as fuel for cement plants and for sale to third parties are depreciated according to depletion of estimated reserves.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an intangible asset that is generated internally is recognized at cost less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

m) Non-current assets classified as held for sale

Non- current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of the subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate of joint venture in accordance with the IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

n) Goodwil

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company’s cash-generating units (or Companies of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified. The company performs the impairment test considering assets groups that constitute cash generating units (UGE).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q) Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in deciding the financial and operating policies of the company in which it invests, but does not imply a control or joint control over those policies.

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control in a business, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated into the financial statements using the equity method, unless the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, "Assets non-current held for sale and discontinued operations". Under the equity method, investments in associates or joint ventures are initially recognized in the consolidated statement of financial position at cost and adjusted for subsequent changes to the acquisition by the Company's participation in the profit or loss and the associate or joint venture. When the participation of the Company in the losses of an associated entity or joint venture exceeds the participation of the Company in the associate or joint venture, the Company ceases to recognize its share of losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

When the Company carries out transactions with its associate or joint venture, the profit or loss resulting from such transactions with the associate or joint venture are recognized in the consolidated financial statements of the Company only to the extent of participation in the associate or set that is not related to the Company.

r) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, "Income Taxes", and IAS 19, "Employee Benefits", respectively;

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The accounting treatment for changes in the fair value of the contingent consideration that do not qualify as adjustments to the measurement period depends on how the contingent consideration is classified. The contingent consideration that is classified as capital is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within the capital. Other contingent consideration that is classified as an asset or liability is remeasured at fair value on subsequent reporting dates with changes in the fair value recognized in the income statement.

When a business combination is achieved in stages, the Company’s previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

s) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

t) Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the Company’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

(In thousands of U.S. dollars ($))

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into U.S. dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset; all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

The exchange rates between the Mexican peso and U.S. dollar used in the preparation of the consolidated financial statements are presented below:

MXN	December 31, 2018	December 31, 2017	December 31, 2016
Closing exchange rate	19.6829	19.7867	20.7314
Average exchange rate	19.2368	18.9326	18.6673

The exchange rate at the date of issuance of the consolidated financial statements is $ 18.8360 pesos per U.S. dollar.

v) Short-term and other long-term employee benefits and statutary employee profit sharing "PTU"

i) Short-term employee benefits

Employee remuneration liabilities are recognized in the consolidated statements of profit on services rendered according to the salaries and wages that the Company expects to pay at the date of the consolidated statements of financial position, including related contributions payable by the Company.

ii) Defined benefit plans

Contributions to retirement benefit plans for defined contributions are recognized as expenses at the time employees have rendered the services that entitle them to these contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other comprehensive income and is not subsequently reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Company presents the first two components of defined benefit cost as an expense or income according to the item. Gains and losses on service reduction are recognized as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined benefits plan and seniority premiums granted to employees of subsidiaries in Mexico

The Company has a defined benefit pension covering all employees in the Mexican subsidiaries. Pensions are determined based on the compensation of employees in their final year of service, years of service in the Company and the age at retirement. Additionally, it is required to cover the employees with seniority premiums in Mexico, which are determined based on the provisions of the Federal Labor Law. Under Mexican law, the payment is a premium equivalent to twelve days' salary for each year of service, where an employee becomes entitled to benefits after fifteen years of service. The cost of pension and seniority premiums are recognized based on calculations by independent actuaries using the projected unit credit method.

Defined benefit plans and seniority premiums granted to employees of subsidiaries in the United States

The subsidiaries of the Company GCC Rio Grande, Inc. (GCCRG) and GCC Dacotah (Dacotah), Inc. have established the following pension plans and benefits:

GCCRG and Dacotah, have both established defined benefit plans and supplemental executive retirement plans, determined based on actuarial calculations using the projected unit credit method and nominal financial assumptions.

The employees of GCCRG and Dacotah are not beneficiaries of this plan until they have a seniority of five and three years, respectively. When they fulfill such terms, they are 100% beneficiaries of the plan. Additionally, GCCRG, Dacotah, CRM, GCCE, Midco, GCCAC, GCC Three Forks, GCC Permian, GCC Sun City and Alliance have a defined contribution plan which qualifies as a 401(k) plan and covers substantially all of their employees. The Company matches contributions up to 4.0% of their salary paid. Dacotah also has a sick leave plan as described in Note 17. All gains and losses from remeasurements associated with changes in actuarial assumptions and losses are recognized in other comprehensive income for all defined benefit plans and are not reclassified to earnings in future periods. The financial cost component part of the net periodic cost is presented in financial expenses in the consolidated statements of profit.

iii) Compensated absences

Costs derived from compensated absences such as vacations and vacation premiums are recognized in a cumulative manner, for which the respective provision is created.

iv) Termination benefits

Severance payments are recognized when the Company decides to dismiss an employee or when such employee accepts an offer of termination benefits. In Mexico, these benefits include a lump sum equivalent to three months' salary plus 20 days per year of service in case of unfair dismissal.

v) Statutory employee profit sharing (PTU)

PTU is recorded in income (loss) for the year in which it is incurred and presented under operating expenses in the consolidated statements of profit. As a result of the 2014 Income Tax Law, as of December 31, 2018, 2017 and 2016 employee profit sharing is based on the taxable income under Section I of Article 9 of the Law on Income Tax.

w) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax (ISR) is recognized in the results of the year in which is incurred.

Deferred income tax

Deferred income taxes are recognized on temporary differences between the book value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine the fiscal result, to which the corresponding tax rate is applied. Differences and, if applicable, include the benefits of the tax losses to be amortized and of some tax credits. The deferred income tax asset or liability is generally recognized for all temporary tax differences. A deferred tax asset will be recognized for all deductible temporary differences, to the extent that it is probable that the Company will have future taxable profits against which these deductible temporary differences may apply. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (different from the business combination) of other assets and liabilities in an operation that does not affect the fiscal result or the accounting result.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

x) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2. Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

3. Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the Company's management best estimate of the expenditure required to settle the Company's obligation.

4. Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS IFRS 15, "Revenues".

y) Revenue recognition

Under IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time (typically for the sale of goods) or over time (typically for the sale of services and construction contracts). IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on January 1, 2018 and supersedes all existing guidance on revenue recognition.

After an extensive analysis of its contracts with customers, business practices and operating systems for all the reported periods in the countries in which the Company operates in order to review the different performance obligations and other promises (discounts, loyalty programs, rebates, etc.) included in such contracts, aimed to determine the differences in the accounting recognition of revenue with respect to prior IFRS, GCC adopted IFRS 15 on January 1, 2018 using the retrospective approach, without any significant effects on its operating results, financial situation and changes in equity.

On January 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. The Company's policies under IFRS 15 are the following:

Revenue is recognized at a point in time or over time in the amount of the price, before tax on sales, expected to be received by the Company's subsidiaries for goods and services supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods and services passes to the customer. Revenues are decreased by any trade discounts or volume rebates granted to customers. Transactions between related parties are eliminated in consolidation.

Variable consideration is recognized when it is highly probable that a significant reversal in the amount of cumulative revenue recognized for the contract will not occur and is measured using the expected value or the most likely amount method, whichever is expected to better predict the amount based on the terms and conditions of the contract.

Revenue and costs from trading activities, in which the Company acquires finished goods from a third party and subsequently sells the goods to another third-party, are recognized on a gross basis, considering that the Company assumes ownership risks on the goods purchased, not acting as agent or broker.

When revenue is earned over time as contractual performance obligations are satisfied, which is the case of construction contracts, the Company applies the stage of completion method to measure revenue, which represents: a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs; b) the surveys of work performed; or c) the physical proportion of the contract work completed, whichever better reflects the percentage of completion under the specific circumstances. Revenue and costs related to such construction contracts are recognized in the period in which the work is performed by reference to the contract's stage of completion at the end of the period, considering that the following have been defined: a) each party's enforceable rights regarding the asset under construction; b) the consideration to be exchanged; c) the manner and terms of settlement; d) actual costs incurred and contract costs required to complete the asset are effectively controlled; and e) it is probable that the economic benefits associated with the contract will flow to the entity.

Progress payments and advances received from customers do not reflect the work performed and are recognized as a short-term or longterm advanced payments, as appropriate.

z) Earnings per share

Net earnings per share result from dividing the consolidated net income attributable to controlling interest for the year by the weighted average of outstanding shares during the year. To determine the weighted average of the outstanding shares, the shares repurchased by the Company are excluded. The Company does not have any instruments with dilutive effects.

aa) Treasury shares

The Company recognizes a reserve for repurchase of its own shares and it is shown under the retained earnings in the consolidated financial statements. In the event that the sale price is greater than the cost, the difference is recorded as contributed capital under the additional-paid-in capital caption.

ab) Presentation of the consolidated statements of profit

The costs and expenses reflected in the consolidated statements of profit of the Company were classified according to their function, in Note 23, costs and expenses by nature are disclosed. The caption Gross profit is presented because it shows an objective assessment of operating margin, considering the industry in which the Company operates.

ac) Segment information

Operating segments are defined as components of a Company that develop activities and which economic benefits and results obtained are reviewed by management on a regular basis for decision making.

The Company's management analyzes geographical segment information by country and by product. Consequently, management evaluates the performance of its operating results for Mexico and the United States of America for the following products: cement, ready mix concrete and the rest of the segments are grouped in "Other" (see Note 26).

Under the concept "Other" are included products with similar characteristics related to the core business as sale of aggregates, concrete blocks and other building materials.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4, the management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management of the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation

The Company´s defined benefit obligation of the Company is discounted at a rate set at market rates of high quality corporate bonds in the absence of a deep market for high quality corporate bonds, is discounted using government bonds. It is required to use professional judgment to establish the criteria for the existence of a deep market for high quality corporate bonds, therefore, the Company performed its assessment considering different markets to Mexico and the United States of America division.

Lease classification

The Company´s management determines the classification of the leases using their judgment and considering the requirements of IAS 17, "Leases". At the date of each reporting period, the Company only has operating leases.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Useful lives of property, plant and equipment. - The Company reviews the estimated useful life of property, plant and equipment at the end of each annual period. The degree of uncertainty related to the estimated useful lives is related to the changes in the market and the use of assets for production volumes as well as technological developments.

b) Impairment of non-financial assets. - When testing assets for impairment, the Company requires estimating the value in use assigned to property, plant and equipment, and cash generating units. The calculations of value in use require the Company to determine future cash flows generated by cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses cash inflow projections using estimated market conditions, determination of future prices of products and volumes of production and sale. Similarly, for discount rate and perpetuity growth purposes, the Company uses market risk premium indicators and long-term growth expectations of markets where the Company operates.

c) Contingencies. - The Company is subject to contingent transactions or events on which it uses professional judgment in the development of estimates of occurrence probability. The factors considered in these estimates are the current legal situation as of the date of the estimate, and the legal advisors' opinion.

d) Deferred income tax. - Deferred tax assets are recognized for all tax loss carry forwards to the extent that management believes that recovery is probable through the generation of future taxable income.

6. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks and investment instruments in the money market as of December 31, 2018, 2017 and 2016 are as follows:

(In thousands of U.S. dollars ($))

	2018	2017	2016
Cash and Banks balances	$ 199,950	$ 82,239	$ 102,519
Short term deposits	51,868	150,694	61,332
	$ 251,818	**$ 232,933**	**$ 163,851**

7. Trade accounts receivable and other accounts receivable

Balances receivable from customers and allowance for doubtful accounts as of December 31, 2018, 2017 and 2016, are as follows:

	2018	2017	2016
Trade accounts receivable	$ 90,427	$ 104,990	$ 85,429
Allowance for doubtful accounts	(11,546)	(13,652)	(12,169)
	$ 78,881	**$ 91,338**	**$ 73,260**

Movements in the allowance for doubtful accounts are as follows:

	2018	2017	2016
Beginning balance	$ (13,652)	$ (12,169)	$ (11,814)
Increases during the year	(1,930)	(2,171)	(1,707)
Applications	4,065	922	388
Translation effect	(29)	(234)	964
	$ (11,546)	**$ (13,652)**	**$ (12,169)**

The average credit term on the sale of goods is 60 days. No interest charges are made on accounts receivable from customers for the first 60 days after billing. After that date, interest of 18% per annum is charged on the outstanding balance. The Company has recognized an allowance for doubtful accounts for 95% of all accounts receivable with an aging of 120 days or more, due to the fact that, due to experience, accounts receivable due more than 120 days are not recovered. For accounts receivable that are between 60 and 120 days old, an allowance is recognized for doubtful accounts based on irrecoverable amounts determined by experiences of default of the counterparty and an analysis of its current financial position.

There has been no change in the estimation of the techniques or assumptions made during the period.

Before accepting any new client, the Company uses an internal credit rating system to assess the credit quality of the potential client and defines the credit limits per client. The limits and ratings attributed to clients are reviewed once a year or at the end of each project, when this is the case. The 55% of the accounts receivable from customers that are not due or impaired have the best attributable credit rating according to the internal credit rating system used by the Company.

From the balance of accounts receivable from customers at the end of 2018, the most important customer of the Company owes $ 2,172 (December 31, 2017 $ 2,296). No other client accounts for more than 2.4% of the total balance of accounts receivable from customers.

(In thousands of U.S. dollars ($))

The balance of other accounts receivable as of December 31, 2018, 2017 and 2016, are as follows:

		2018		2017		2016
Recoverable taxes	$	44,674	$	32,195	$	30,130
Other		14,637		10,750		9,221
	$	**59,311**	**$**	**42,945**	**$**	**39,351**

8. Balance and transactions with related parties

a) As of December 31, 2018, 2017 and 2016, the accounts receivable from related parties are as follows:

Accounts receivable		**2018**		**2017**		**2016**
Copachisa, S.A. de C.V.	$	502	$	1,448	$	1,045
Inmobiliaria Ruba, S.A. de C.V.		407		726		232
Abastecedora de Fierro y Acero, S.A. de C.V.		425		400		219
Cemex, S.A.B. de C.V.		83		152		1,068
	$	**1,417**	**$**	**2,726**	**$**	**2,564**

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2018, 2017 and 2016, there was no expense resulting from the uncollectibility of balances due from related parties.

b) As of December 31, 2018, 2017 and 2016, the accounts payable to related parties are as follows:

Accounts payable		**2018**		**2017**		**2016**
Abastecedora de Fierro y Acero, S.A. de C.V.	$	54	$	152	$	49
Cemex, S.A.B. de C.V.		656		913		522
Madata IT, S.A. de C.V.		494		370		249
	$	**1,204**	**$**	**1,435**	**$**	**820**

c) During the years ended December 31, 2018, 2017 and 2016, the Company had transactions with related parties, as follows:

Sales of cement and construction materials		**2018**		**2017**		**2016**
Copachisa, S.A. de C.V.	$	2,732	$	5,902	$	2,961
Abastecedora de Fierro y Acero, S.A. de C.V.		2,202		2,171		1,531
Cemex, S.A.B. de C.V.		-		347		2,889
Inmobiliaria Ruba, S.A. de C.V.		4,446		4,819		4,085
	$	**9,380**	**$**	**13,239**	**$**	**11,466**

(In thousands of U.S. dollars ($))

Purchases of inventories and other services		2018		2017		2016
Cemex, S.A.B. de C.V.	$	6,623	$	6,072	$	3,745
Abastecedora de Fierro y Acero, S.A. de C.V.		577		348		267
Madata IT, S.A. de C.V.		3,627		3,530		2,926
	$	**10,827**	**$**	**9,950**	**$**	**6,938**

d) An analysis of employee benefits granted to the Company's directors and senior management for the years ended December 31, 2018, 2017 and 2016, is as follows:

		2018		2017		2016
Short term benefits	$	4,144	$	4,292	$	4,677

9. Inventories

An analysis of this line item as of December 31, 2018, 2017 and 2016, is as follows:

		2018		2017		2016
Finished godos	$	31,580	$	28,746	$	32,272
Work in process		20,307		12,005		12,242
Raw materials and spare parts		46,328		38,282		32,132
Developed land for sale		33,963		34,179		29,824
	$	**132,178**	**$**	**113,212**	**$**	**106,470**

The amount of inventories that was recognized in cost of sales in 2018, 2017 and 2016 amounted to $ 637,864, $ 585,479 and $ 461,025, respectively.

10. Prepaid expenses

An analysis of this line item as of December 31, 2018, 2017 and 2016, is as follows:

		2018		2017		2016
Advances to service suppliers	$	6,959	$	8,303	$	8,129
Prepaid insurance expenses		3,588		4,229		3,013
	$	**10,547**	**$**	**12,532**	**$**	**11,142**

(In thousands of U.S. dollars ($))

11. Investments in associates, joint venture and other investments

An analysis of this line item as of December 31, 2018, 2017 and 2016, is as follows:

	% Equity Interest	2018	2017	2016
Associates companies:				
Inmobiliaria Médica de México, S.A. de C.V.	17.5	$ 8,530	$ 7,663	$ 6,912
Servicios de Previsión Integral, S.A. de C.V.	33.3	3,789	699	-
Total associates		$ 12,319	$ 8,362	$ 6,912
Joint venture:				
Madata IT, S.A. de C.V.	58.0	1,532	1,390	727
Desarrolladora de Infraestructura Productiva, S.A. de C.V.	50.0	889	100	18
Total joint ventures		$ 2,421	$ 1,490	$ 745
Investment under cost method:				
Other		808	103	99
		$ 15,548	**$ 9,955**	**$ 7,756**

12. Property, plant and equipment

An analysis of this line item as of December 31, 2018, is as follows:

	December 31, 2017	Additions and depreciation	Disposals	Transfers	Business combination	Disposals of assets	Translation effect	December 31,2018
Property	$ 322,957	$ 369	$ (6,533)	$ 615	$ 3,582	$ (2,514)	$ 2,806	$ 321,282
Machinery and Equipment	854,177	16,219	(34,905)	12,334	32,356	(19,144)	8,651	869,688
Vehicles	120,417	11,096	(3,193)	3,313	-	(35,236)	1,530	97,927
Furniture and equipment	22,048	771	(397)	880	-	(2,344)	326	21,284
Accumulated Depreciation	(610,922)	(79,314)	32,890	-	-	46,474	(4,698)	(615,570)
Net carrying amount	708,677	(50,859)	(12,138)	17,142	35,938	(12,764)	8,615	694,611
Lands	138,092	13,871	-	401	38,040	(3,565)	1,001	187,840
Investments projects in process	89,618	75,251	-	(17,543)		(2,357)	340	145,309
	$ 936,387	**$ 38,263**	**$ (12,138)**	**$ -**	**$ 73,978**	**$ (18,686)**	**$ 9,956**	**$ 1,027,760**

(In thousands of U.S. dollars ($))

An analysis of this line item as of December 31, 2017, is as follows:

	December 31, 2016	Additions	Disposals	Transfers	Depreciation	Translation effect	December 31, 2017
Property	$ 334,212	$ 199	$ (20)	$ 1,032	$ -	$ (12,466)	$ 322,957
Machinery and equipment	819,481	8,616	(505)	3,578	-	23,007	854,177
Vehicles	120,605	9,435	(5,327)	(235)	-	(4,061)	120,417
Furniture and equipment	22,476	287	(969)	-	-	254	22,048
Accumulated Depreciation	(537,969)	-	5,818	-	(72,086)	(6,685)	(610,922)
Net carrying amount	758,805	18,537	(1,003)	4,375	(72,086)	49	708,677
Lands	130,859	56	-	-	-	7,177	138,092
Investments projects in process	35,352	58,509	-	(4,375)	-	132	89,618
	$ 925,016	**$ 77,102**	**$ (1,003)**	**$ -**	**$ (72,086)**	**$ 7,358**	**$ 936,387**

An analysis of this line item as of December 31, 2016, is as follows:

	December 31, 2015	Additions and depreciation	Disposals	Transfers	Business combination	Translation effect	December 31, 2016
Property	$ 303,674	$ 1,563	$ (2)	$ 1,081	$ 43,070	$ (15,174)	$ 334,212
Machinery and equipment	716,601	15,913	(1,541)	30,000	73,417	(14,909)	819,481
Vehicles	93,526	14,764	(8,700)	284	17,906	2,825	120,605
Furniture and equipment	22,715	863	(400)	240	127	(1,069)	22,476
Accumulated Depreciation	(495,169)	(57,142)	9,326	-	-	5,016	(537,969)
Net carrying amount	641,347	(24,039)	(1,317)	31,605	134,520	(23,311)	758,805
Lands	121,813	874	(17)	-	19,134	(10,945)	130,859
Investments projects in process	44,728	23,913	-	(31,605)	1,855	(3,539)	35,352
	$ 807,888	**$ 748**	**$ (1,334)**	**$ -**	**$ 155,509**	**$ (37,795)**	**$ 925,016**

As of December 31, 2018, construction in progress is mainly due to the modification of the "klin 6" in the cement plant of Rapid City, South Dakota for $ 97,432, to the installation of the system for alternative fuels of the plant in Chihuahua, Chih., and to the crushing system in Cd. Juárez, Chih, for $ 8,070.

(In thousands of U.S. dollars ($))

In Mexico, the Company has capitalized $ 3,129, corresponding to borrowing costs in the construction of the cement plant in Samalayuca, Chihuahua. At December 31, 2018, 2017 and 2016, the net book value is $ 440, $ 702 and $ 841, respectively.

The capitalized borrowing costs are included in the category of property, plant and equipment and depreciated over the useful life of such assets.

The balances of construction in progress and capitalized financing costs for the years ended December 31, 2018, 2017 and 2016 is as follows:

Cumulative amount of						
		Investment for the adquisition of qualifying assets		**Financing cost capitalized**	**Percentage depreciation**	**Annualized capitalizaiton rates**
Construction in progress 2018	$	91,248	$	3,502	3% - 5%	5.05%
Construction in progress 2017	$	44,936	$	1,558	3% - 5%	5.51%
Construction in progress 2016	$	21,531	$	-	3% - 5%	2.66%

The depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $ 79,314, $ 72,086 and $ 57,142, respectively.

Machinery and equipment includes strategic spare parts of $ 17,787, $ 15,795 and $ 14,600 as of December 31, 2018, 2017 and 2016, respectively.

13. Business combinations

I. Acquisition of business 2018

a) During 2018, a cement plant was acquired in the state of Montana, USA. For this purpose, on June 22, 2018, GCC Three Forks, LLC, was established to operate all of the assets acquired. The main activity of the acquired business is the sale of cement and the consideration transferred was $ 107,516 US dollars. This subsidiary was established in the United States of America with the purpose of continuing with the activities of expansion and strengthening of the operation in said country. The costs related to the acquisition for $ 3,276 were excluded from the consideration transferred and were recognized as an expense in the period, under "other expenses" in the consolidated statement of profit.

(In thousands of U.S. dollars ($))

b) Assets acquired and liabilities recognized at the date of acquisition:

		Amount
Current assets		
Inventories	$	6,565
Non- current assets		
Property, plant and equipment		73,978
Assets for environmental restoration		296
Intangible assets		17,300
Deferred effect of the provision for environmental restoration		62
		91,636
Total assets		**98,201**
Current liabilities		
Accrued expenses		765
Non- current liabilities		
Asset retirement obligation		296
Total liabilities		**1,061**
Net asset by business combination	**$**	**97,140**

c) Goodwill arising on acquisition:

		Total
Consideration transferred	$	107,516
Less: fair value of identifiable net assets acquired		97,140
Goodwill arising on acquisition	**$**	**10,376**

Goodwill arose in the adquisition of GCC Three Forks, LLC, because the cost of the combination included mainly customer relations and supply agreements.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d) Measurement period

The initial acquisition accounting is incomplete at the end of this accounting period, so the amounts shown are provisional. During the subsequent periods, these recognized amounts may be retroactively adjusted at the date of acquisition to reflect the new information obtained on facts and circumstances that exist at the date of acquisition and that, if they were known, would have affected the measurement of the amounts recognized on that date.

(In thousands of U.S. dollars ($))

During the measurement period, the Company will also recognize additional assets or liabilities if it obtains new information about facts and circumstances that existed at the date of acquisition and that, if they were known, would have resulted in the recognition of those assets and liabilities at that date. The measurement period will end as soon as the acquirer receives the information it is looking for about facts and circumstances that existed on the date of acquisition or concludes that no more information can be obtained, not to exceed one year from the date of acquisition.

e) Effect of the acquisitions on the results of the Company

Included in the net income of 2018 is $ 2,090 attributable to the additional business generated by GCC Three Forks, LLC. Revenue for the year 2018 includes $ 26,129 of GCC Three Forks, LLC.

II. Acquisition of business 2016

a) On November 18, 2016, the following Subsidiaries established to operate all the acquired assets:

Entity name	**Principal activity**	**Date of acquisition**	**Consideration transferred (usd)**
GCC Sun City Materials, LLC.	Sale of ready-mix concrete, aggregates and construction material	November 18, 2016	$ 63,331
GCC Permian, LLC.	Cement sale	November 18, 2016	242,826
			$ 306,157

These subsidiaries were established in the United States of America with the purpose of continuing the activities of expansion and strengthening of the operation in that country. Costs related to the acquisition of $ 7,226 were excluded from the consideration transferred and were recognized as an expense in the period, under "other expenses" in the consolidated statement of profit.

(In thousands of U.S. dollars ($))

b) Assets acquired and liabilities recognized at the date of acquisition:

	GCC Sun City Materials, LLC.	GCC Permian, LLC.	Total
Current assets			
Inventories	$ 8,703	$ 4,562	$ 13,265
Non-current assets			
Property, plant and equipment	57,681	97,828	155,509
Non-compete agreement	-	18,845	18,845
Customer relations	-	41,613	41,613
Operation permits	428	581	1,009
	58,109	158,867	216,976
Total assets	**66,812**	**163,429**	**230,241**
Non-current liabilities			
Asset retirement obligation	7,462	-	7,462
Total liabilities	**7,462**	**-**	**7,462**
Net asset by business combination	**$ 59,350**	**$ 163,429**	**$ 222,779**

c) Goodwill arising on acquisition:

	GCC Sun City Materials, LLC.	GCC Permian, LLC.	Total
Consideration transferred	$ 63,331	$ 242,826	$ 306,157
Less: fair value of identifiable net assets acquired	59,350	163,429	222,779
Goodwill arising on acquisition	**$ 3,981**	**$ 79,397**	**$ 83,378**

Goodwill arose for the acquired assets of GCC Sun City Materials, LLC. and GCC Permian, LLC relates to the cost of the combination included, principally for a non-compete agreement and customer relations.

In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the workforce that has gathered. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d) Impact of acquisitions on the results of the Company

The consolidated net income for 2018, 2017 and 2016 includes $ 127,745, $ 108,326 and $ 7,712, respectively, related to GCC Permian, LLC $ 59,904, $ 58,720 and $ 5,822, respectively, related to GCC Sun City Materials, LLC.

(In thousands of U.S. dollars ($))

If business combinations had been made as of January 1, 2016, the Company's revenue from continuing operations would have been $ 871, while the result of the year of continuing operations would have been $ 75.

The amount of net assets acquired at the acquisition date provisionally determined were modified as a result of the revision of the acquisition values, as a consequence of the recognition of the deferred tax asset corresponding to the provision for environmental restoration for an amount of $ 2,715 which were recorded in 2017, decreasing the goodwill determined in the acquisition, so that the figures previously reported in 2016 were modified in the aforementioned items, as mentioned below:

Previously reported goodwill	$	83,378
Deferred effect of the provision for environmental restoration	(	2,715)
Adjusted goodwill	**$**	**80,663**

14. Discontinued operations

a) Disposal of operations related whit the sale of concrete

On June 23, 2018, the they were sold property, plant and equipment and the inventories which constituted an important part of the concrete segment in Oklahoma and Arkansas region. The income from the sale price was lower than the book value of the related net assets and consequently a loss on business disposal was recognized. The sale of these operations is consistent with the Company's long-term strategies to focus its activities on the manufacture of cement that can be connected to our logistics network and ready-mix concrete in markets where they can be integrated with the cement network of GCC.

The detail of the assets sold and the disposal, is as follows:

		2018
Cost of long-term assets sold	$	165,488
Cost of short-term assets sold		4,809
Sale Price		118,470
Income before tax income benefit		51,827
Income tax benefit		11,875
Loss on business disposal		39,952
Loss of discontinued ordinary operations		103
Loss from discontinued operations	**$**	**40,055**

b) Analysis of the results of the year of discontinued operations

The results of the discontinued operations included in the consolidated statement of income are detailed below. Profits and comparative cash flows from discontinued operations have been restated to include operations classified as discontinued in the current period.

(In thousands of U.S. dollars ($))

Result of the period of discontinued operations	2018	2017	2016
Concrete income	$ 48,617	$ 101,193	$ 103,789
Cost of sales	44,119	85,724	85,539
Gross profit	4,498	15,469	18,250
Operating expenses	4,634	8,934	8,816
(Loss) income before income tax	(136)	6,535	9,434
Benefit (income tax)	33	(1,568)	(2,264)
(Loss) income from discontinued ordinary operations	**$ (103)**	**$ 4,967**	**$ 7,170**

Cash flows from discontinued ordinary operations for the period	2018	2017	2016
Net cash flows	$ 1,694	$ 9,684	$ 12,534

15. Goodwill

As of December 31, 2018, 2017 and 2016, this line item is as follows:

	2018	2017	2016
Beginning balance	$ 387,461	$ 402,861	$ 322,198
Disposals of assets	(146,802)	-	-
Business acquisition	10,376	-	80,663
Impairment loss	(4,151)	(15,400)	-
Ending balance	**$ 246,884**	**$ 387,461**	**$ 402,861**

The main Cash Generating Units (CGU) that generate goodwill and their book values as of December 31, 2018, 2017 and 2016, are described as follows:

	2018	2017	2016
Concrete division (EUA)	$ 109,971	$ 260,924	$ 276,324
Cement and energy division (EUA)	136,913	126,537	126,537
	$ 246,884	**$ 387,461**	**$ 402,861**

Assessment of goodwill impairment

The behavior of the economic and competition trends in the markets where the Company operates have a significant impact in the assessment of goodwill impairment and the determination of recovery values of its cash generating units. The total goodwill balance arose from business combinations performed in the United States of America.

The following factors are considered to assess the recovery value:

(In thousands of U.S. dollars ($))

- Market share and expected price levels
- Size of the market where the Company operates for purposes of estimating the recoverable values
- Behavior of main costs of raw materials and inputs, and the expenses necessary to maintain fixed assets in operational conditions
- The specific discount rate of the country where the Company operates, based on the weighted capital cost and variables of market conditions as of the measurement date
- Estimated perpetuity growth rate

Below are the parameters used to measure the recoverable value of the cash generating units to which goodwill is assigned:

- Cash flow projections of the next five years based on the estimates performed during the last quarter of the fiscal year of the assessment date, considering the budget approved by Management as a base, which includes the last trends known
- A discount rate of the country where the Company operates, which considers specific market risks
- Perpetuity growth rate for the business segment and the market where the Company operates

As of December 31, 2018 and 2017, the Company recognized an impairment loss on goodwill assigned to the Cash Generating Unit of concrete in the United States of America division for an amount recognized in other expenses of $ 4,151 and $ 15,400, respectively, (see Note 24.)

Below are the discount and perpetuity growth rates corresponding to the United States of America market used for the periods ended December 31, 2018, 2017 and 2016:

	2018	**2017**	**2016**
Discount rate	8.9%	8.7%	8.7%
Perpetuity growth rate	2.3%	2.2%	2.4%

At December 31, 2018, the Company performed a sensitivity analysis on the impact of a possible increase or decrease of one percentage point in the discount rate and the perpetuity growth rate for the Cash Generating Units and is as follows:

Cash generating unit	**Excess recoverable value over carrying amount**	**Impact on decrease or increase**			
		Discount rate		**Perpetuity growth rate**	
		+ 1%	**- 1%**	**+ 1%**	**- 1%**
Concrete division (USA)	$ 125,359	$ 45,227	$ 106,647	$ 105,877	$ 47,382
Cement and energy division	1,194,886	952,332	1,518,250	1,195,128	1,194,678

(In thousands of U.S. dollars ($))

16. Intangible assets

At December 31, 2018, this item is as follows:

	Useful life	December 31, 2017	Investments and amortization	Business acquisition	Translation effect	December 31, 2018
Customer relations	20 y 15	$ 41,630	$ -	$ 15,700	$ -	$ 57,330
Non-compete agreements	5	24,670	-	-	3	24,673
Software licenses	5	20,572	3	-	47	20,622
Leasehold improvements		4,052	1,769	-	-	5,821
Mining rights		2,590	315	-	4	2,909
Supply agreement		-	-	1,600	-	1,600
Installation expenses		1,629	-	-	-	1,629
Accumulated amortization		(34,353)	(7,212)	-	232	(41,333)
		$ 60,790	**$ (5,125)**	**$ 17,300**	**$ 286**	**$ 73,251**

At December 31, 2017, this item is as follows:

	Useful life	December 31, 2016	Investments	Amortization	Translation effect	December 31, 2017
Customer relations	20	$ 41,630	$ -	$ -	$ -	$ 41,630
Nom-compete agreements	5	24,845	(175)	-	-	24,670
Software licenses	5	20,081	62	-	429	20,572
Leasehold improvements		4,052	-	-	-	4,052
Installation expenses		1,620	9	-	-	1,629
Mining rights		2,420	82	-	88	2,590
Accumulated amortization		(26,289)	-	(7,058)	(1,006)	(34,353)
		$ 68,359	**$ (22)**	**$ (7,058)**	**$ (489)**	**$ 60,790**

(In thousands of U.S. dollars ($))

At December 31, 2016, this item is as follows:

	Useful life	December 31 2015	Investments and amortization	Business acquisition	Translation effect	December 31, 2016
Customer relations	20	$ 17	$ -	$ 41,613	$ -	$ 41,630
Non-compete agreements	5	6,000	-	18,845	-	24,845
Software licenses	5	21,890	(17)	-	(1,792)	20,081
Leasehold improvements		2,348	1,875	-	(171)	4,052
Mining rights		1,443	1,164	-	(187)	2,420
Installation expenses		945	743	-	(68)	1,620
Accumulated amortization		(24,708)	(2,088)	-	507	(26,289)
		$ 7,935	**$ 1,677**	**$ 60,458**	**$ (1,711)**	**$ 68,359**

17. Other assets

As of December 31, 2018, 2017 and 2016, this item consists of the following:

	2018	2017	2016
Long-term accounts and notes receivable	$ 3,236	$ 3,344	$ 2,257
Guarantee deposits	1,112	1,496	1,256
Operation permits and others	559	560	526
Restricted cash	30	30	30
	$ 4,937	**$ 5,430**	**$ 4,069**

Restricted cash consists of cash deposited in an escrow account required by the State of Colorado's Mined Land Reclamation Board, in the United States of America.

18. Employee benefits

Short-term benefits

Short-term employee benefits as of December 31, 2018, 2017 and 2016, are as follows:

	2018	2017	2016
Salaries and wages payable	$ 18,791	$ 17,946	$ 17,250
Vacations and variation Premium	6,022	5,172	4,358
Social security contributions and other taxes	1,722	1,556	1,414
Other benefits	1,417	753	723
	$ 27,952	**$ 25,427**	**$ 23,745**

(In thousands of U.S. dollars ($))

Post retirement benefit obligation

a) Retirement benefits are granted through defined pension plans that cover all workers of the Mexican subsidiaries. Pensions are determined based on employees' salaries in their last year of work, seniority in the Company, and their age upon retirement. Seniority premiums are paid to personnel based on the provisions of the Mexican Labor Law.

b) The components of the net cost of the period charged to results and the employee benefit obligations as of December 31, 2018, 2017 and 2016 are as follows:

Net cost of the year	**2018**	**2017**	**2016**
Mexico	$ 1,798	$ 1,173	$ 1,733
United States of America	3,811	2,740	2,714
	$ 5,609	**$ 3,913**	**$ 4,447**

The employee benefit obligation as of December 31, 2018, 2017 and 2016, is as follows:

Defined benefit obligation	**2018**	**2017**	**2016**
Mexico	$ 12,016	$ 13,104	$ 12,466
United States of America	23,520	26,968	24,724
	$ 35,536	**$ 40,072**	**$ 37,190**

Balances as of December 31, 2018, are as follows:

Defined benefit obligation (DBO)	**Seniority premium**	**Pension plan**	**Total Mexico**	**Pension plan USA**
DBO present value as of January 1, 2018	$ 937	$ 12,223	$ 13,160	$ 57,574
Service cost	94	704	798	1,866
Interest cost	71	929	1,000	1,945
Net cost of the period	$ 165	$ 1,633	$ 1,798	$ 3,811
Actuarial remeasurement	(165)	(1,584)	(1,749)	(7,693)
Benefits paid	(63)	(1,165)	(1,228)	(1,359)
Translation effect	6	89	95	-
	$ (222)	$ (2,660)	$ (2,882)	$ (9,052)
DBO present value as of December 31, 2018	$ 880	$ 11,196	$ 12,076	$ 52,333
Fair value of plan assets	(60)	-	(60)	(28,813)
Net liability in balance	**$ 820**	**$ 11,196**	**$ 12,016**	**$ 23,520**

(In thousands of U.S. dollars ($))

Plan assets (PA) are recognized at fair value; as of December 31, 2018, the changes to these assets are as follows:

2018	México	USA
PA fair value as of January 1, 2018	$ (56)	$ (30,606)
Contributions	-	(1,733)
Benefits paid	-	1,359
Expected return on assets	(4)	2,167
PA fair value as of December 31, 2018	**$ (60)**	**$ (28,813)**

Balances as of December 31, 2017, are as follows:

Defined benefit obligation (DBO)	Seniority premium	Pension plan	Total Mexico	Pension plan USA
DBO present value as of January 1, 2017	$ 909	$ 11,607	$ 12,516	$ 50,467
Service cost	93	71	164	1,791
Interest cost	73	936	1,009	949
Net cost of the period	$ 166	$ 1,007	$ 1,173	$ 2,740
Actuarial remeasurement	(36)	645	609	5,883
Benefits paid	(144)	(1,587)	(1,731)	(1,516)
Translation effect	42	551	593	-
	$ (138)	$ (391)	$ (529)	$ 4,367
DBO present value as of December 31, 2017	$ 937	$ 12,223	$ 13,160	$ 57,574
Fair value of plan assets	(56)	-	(56)	(30,606)
Net liability in balance	**$ 881**	**$ 12,223**	**$ 13,104**	**$ 26,968**

Plan assets (PA) are recognized at fair value; as of December 31, 2017, the changes to these assets are as follows:

2017	México	USA
PA fair value as of January 1, 2017	$ (50)	$ (25,743)
Contributions	-	(2,819)
Benefits paid	-	1,516
Expected return on assets	(4)	(3,560)
Translation effect	(2)	-
PA fair value as of December 31, 2017	**$ (56)**	**$ (30,606)**

(In thousands of U.S. dollars ($))

Balances as of December 31, 2016, are as follows:

Defined benefit obligation (DBO)	Seniority premium	Pension plan	Total Mexico	Pension Plan USA
DBO present value as of January 1, 2016	$ 1,098	$ 14,469	$ 15,567	$ 46,534
Service cost	76	701	777	1,801
Interest cost	67	889	956	913
Net cost of the period	$ 143	$ 1,590	$ 1,733	$ 2,714
Actuarial remeasurement	14	(448)	(434)	2,311
Benefits paid	(159)	(1,588)	(1,747)	(1,092)
Translation effect	(187)	(2,416)	(2,603)	-
	$ (332)	$ (4,452)	$ (4,784)	$ 1,219
DBO present value as of December 31, 2016	$ 909	$ 11,607	$ 12,516	$ 50,467
Fair value of plan assets	(50)	-	(50)	(25,743)
Net liability in balance	**$ 859**	**$ 11,607**	**$ 12,466**	**$ 24,724**

Plan assets (PA) are recognized at fair value; as of December 31, 2016, the changes to these assets are as follows:

2016	México	USA
PA fair value as of January 1, 2016	$ (55)	$ (24,279)
Contributions	-	(1,526)
Benefits paid	-	1,092
Expected return on assets	(4)	(1,030)
Translation effect	9	-
PA fair value as of December 31, 2016	**$ (50)**	**$ (25,743)**

(In thousands of U.S. dollars ($))

The fair value of pension plan assets of the Company's USA subsidiaries as of December 31, 2018, 2017 and 2016, is as follows:

	2018	2017	2016
Cash equivalents	$ 1,468	$ 3,414	$ 1,022
Equity Exchange traded funds:			
USA companies	13,055	11,199	-
International companies	6,235	5,912	-
Fixed income Exchange traded funds:			
Corporate bonds	5,251	8,532	-
USA government bonds	332	880	-
Other Exchange traded funds	2,472	669	-
Common shares:			
USA companies	-	-	13,310
International companies	-	-	3,017
Level 1	**$ 28,813**	**$ 30,606**	**$ 17,349**
Debt securities:			
Common funds	$ -	$ -	$ 3,475
USA government bonds	-	-	2,892
Corporate bonds	-	-	1,824
Foreing obligations	-	-	203
Level 2	**$ -**	**$ -**	**$ 8,394**
Total	**$ 28,813**	**$ 30,606**	**$ 25,743**

Level 1.- Quoted prices in active markets for identical assets

Level 2.- Significant other observable inputs

Fixed income consists of corporate bonds, government securities, and fixed income share funds. Government securities are measured by third party pricing sources. Corporate bonds are measured using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such credit and liquidity risks. Fixed income share funds are measured at the net asset value per share multiplied by the number of shares held as of the measurement date. Hedge funds are investments structures that pursue a diverse array of investments strategies with a wide range of different securities and derivatives instruments.

The most significant assumptions selected in the determination of net cost of the period are as follows:

(In thousands of U.S. dollars ($))

Actual rates	2018	2017	2016
Mexico			
Discount rates	9.25%	7.50%	7.50%
Salary increase rate	4.50%	4.25%	4.50%
United States of America			
Discount rates	4.14%	3.90%	4.24%
Salary increase rate	4.74%	5.63%	4.00%

The liability for employee benefits is sensitive to the movement of interest rates used to discount the obligations, then a sensitivity analysis is presented in scenarios of increase and decrease of 1% in the discount rate and salary increase, assuming that all other actuarial assumptions are unchanged:

Sensitivity Analysis	Mexico	USA
DBO present value	$ 12,016	$ 23,520
+ 1 % Discount rate	(269)	(4,015)
- 1 % Discount rate	273	3,580

The expected payments related to the corresponding obligations for subsequent years are as follows:

	Mexico	USA
2019	$ 528	$ 1,675
2020	1,810	1,798
2021	294	2,433
2022	760	2,136
2023	660	2,293
2024 – 2028	7,964	13,185
	$ 12,016	**$ 23,520**

Plan assets in the United States of America:

The Company's investment policy for its pension plan is to balance risk and return using a diversified portfolio consisting primarily of high-quality equity and fixed-income securities. Plan assets are managed by outside investment managers. Dacotah's Employee Pension Plan Committee provides oversight of the plan investments and the performance of the investments managers.

Equity securities consist of publicly traded U.S. companies and international companies. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded.

These investments are made through funds-of-funds (commingled, multi manager fund structures) and through direct investments in individual hedge funds. Hedge funds are primarily valued by each fund's third party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a market or income valuation methodology as appropriate depending on the specific type of security or instrument held. "Funds-of-funds" are valued based upon the net asset values of the underlying investments in hedge funds.

The Company's funding policy in the United States of America:

The Company funds its pension plan and no contributions are made by employees. The Company funds the plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the Company's actuary. However, the Company also may fund the plan in excess of the minimum required amount. Cash contributions in subsequent years will depend on a number of factors including performance of plan assets.

401 (K) Plans

GCCRG, GCC Dacotah, CRM, GCCE, Midco, GCCAC and Alliance have defined contribution benefit plans (the Plans), which qualify as 401 (K) plans. The Plans are available to substantially all employees. The Company matches contributions up to 4.0% of their salary paid. The Company's contributions to the plans recorded in the consolidated statements of profit for the years ended of December 31, 2018, 2017 and 2016 amounted to $ 2,456, $ 2,256 and $ 1,883, respectively.

Incentive Bonus Plan

The Company has an incentive bonus plan. At December 31, 2018, 2017 and 2016, the Company has accrued $ 5,348, $ 4,616 and $ 4,945, to this effect, respectively.

Sick Leave Plan

GCC Dacotah has a sick leave plan, which pays employees 25% of their unused sick leave at their current pay rate, not to exceed 550 hours in total, per employee.

19. Financial instruments

Capital management

The objectives of the Company's capital management is primarily focused on ensuring that the financial requirements are met to continue as a going concern and to meet its growth objectives in order to maximize profits for shareholders and provide the benefits for other stakeholders and to maintain an optimal capital structure. The Company manages the capital structure and makes adjustments considering the changes in economic conditions, its business, investment and growth plans and risk characteristics of the underlying assets.

The Company's management reviews monthly the ratios of financial debt and interest expense to the operation flow (EBITDA, equals to operating income before other expenses plus depreciation and amortization) for the purposes of complying with contract requirements and to maintain net debt and interest rate hedging ratios. The Company's overall strategy remains unchanged from 2017 and 2016.

(In thousands of U.S. dollars ($))

Gearing ratio

The gearing ratio for the reporting period is as follows:

	2018	2017	2016
Financial debt (i)	$ 650,336	$ 682,901	$ 689,645
Cash and Banks	251,818	232,933	163,851
Net debt	$ 398,518	$ 449,968	$ 525,794
Stockholders' equity (ii)	$ 972,216	$ 928,963	$ 871,012
Net debt to equity ratio	**41%**	**48%**	**60%**

(i) Debt is defined as long and short term loans, as describe in Notes 4.g and 19.b.
(ii) Stockholders' equity includes all reserves and capital stock of the Company that are managed as capital.

The company's management considers that the debt ratio will not have an impact in its operation, due to it came from the Business Acquisition in 2018 and 2016 (See Note 13) also it will generate increases in its net operations and cash flows.

Financial instruments category

	2018	2017	2016
Financial assets:			
Cash and held to maturity investments	$ 251,818	$ 232,933	$ 163,851
Loans and accounts receivable	78,881	91,338	73,260
Financial liabilities at amortized cost:			
Payables and financial debt	$ 650,336	$ 682,901	$ 689,645

Financial risk management objectives

The Company Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and risk of interest rate of the cash flow.

The Corporate Treasury function applies the policies authorized by the Board of Directors to mitigate risk exposures.

The main risks associated with the financial instruments of the Company are:

- Market risks
- Credit Risk
- Liquidity Risk

(In thousands of U.S. dollars ($))

The Board of Directors, upon recommendation from the Audit and Corporate Practices Committee, reviews and approves the risk management policies of the Company. For the years ended December 31, 2018, 2017 and 2016, the Company has not retained any derivative financial instrument.

i) Market Risk: interest rate

GCC is exposed to market risk primarily related to fluctuations in the exchange rate and interest rates. Considering that the Company's total financial debt is denominated in US dollars and 60% is subject to variable interest rates, the volatility of interest rates in the markets of the United States of America and Mexico may adversely affect the results of the Company, increasing its financial expenses, and impacting the liquidity and capacity of the Company to meet its principal and interest payment obligations.

Exposure to interest rate risk lies mainly in variations that may arise in the interest rates of reference, LIBOR (London Interbank Offered Rate).

Sensitivity analysis of the risk of increases on interest rates

GCC analyzes the sensitivity to the exposure of volatility of interest rates in relation to financial liabilities contracted at variable interest rates at end of period. The Company considers that a change of one percentage point is a reasonable assumption to measure the possible effect in its results. As of December 31, 2018, a change of ± 1 percentage point in interest rates, assuming that the other assumptions remain constant, would annually increase or decrease financial expenses before taxes by approximately US$ 4.21 million.

ii) Market Risk: Foreign currency

The Company's exposure to the volatility of the Mexican peso exchange rate against the U.S. dollar is shown as follows as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Financial assets	$ 19,081	$ 17,053	$ 13,562
Financial liabilities	(683,910)	(720,361)	(733,443)
Liability, net position	**$ (664,829)**	**$ (703,308)**	**$ (719,881)**

As mentioned in Note 4.h, the Company designates net investment in a foreign operation as cash flow hedge, whereby the exchange fluctuations arising from financial debt denominated in U.S. dollars, associated to acquisition of subsidiaries in the United States of America, is recognized in other comprehensive income.

The following table shows an analysis of sensitivity of the financial assets and liabilities at a possible fluctuation of the Mexican peso compared to the U.S. dollar, showing the effects in the consolidated statements of profit and stockholders´ equity as of December 31, 2018, 2017 and 2016:

Sensitivity analysis:	Results	Equity (1)
2018		
Mexican peso appreciation 10%	$ 19,968	$ 65,033
Mexican peso depreciation 10%	(19,968)	(65,033)

(In thousands of U.S. dollars ($))

2017				
Mexican peso appreciation 10%	$	28,265	$	65,178
Mexican peso depreciation 10%	(	28,265)	(	65,178)

2016				
Mexican peso appreciation 10%	$	43,878	$	83,092
Mexican peso depreciation 10%	(	43,878)	(	83,092)

(1) The effect of the resulting devaluation of financial long-term debt will be offset by the effect of the revaluation or appreciation or depreciation of foreign investment since the investment is considered as a hedge of cash flows.

The Company assumes that a 10% change in the exchange rate is reasonably possible for purposes of performing the sensitivity analysis.

iii) Credit risk

Credit risk represents the potential loss due to the failure of the counterparty to meet all its payment obligations.

Financial instruments which could potentially bind the Company to significant credit risk are cash and cash equivalents and accounts receivable. Cash and cash equivalents of the Company are held in various financial institutions with high credit quality. The Company's policy is designed to limit its exposure to any single financial institution or counterparty.

The credit risk on accounts receivable is diversified because the Company has a broad customer base that is geographically dispersed in both Mexico and the United States. At December 31, 2018, 2017 and 2016, no individual customer represents a significant amount of reported net sales or accounts receivable balance.

The Company periodically evaluates the creditworthiness of its customers and, if necessary, guarantees are required from them to ensure the recovery of receivables.

The carrying amount of financial assets represents the maximum credit exposure, at December 31, 2018, 2017 and 2016, is as follows:

		2018		2017		2016
Cash and cash equivalents	$	251,818	$	232,933	$	163,851
Accounts receivable		78,881		91,338		73,260
Other receivables		59,311		42,945		39,351

(In thousands of U.S. dollars ($))

Cash and cash equivalents

An analysis of the credit ratings of financial institutions where the Company maintains cash and cash equivalents at the close of each period is as follows:

	As of December 31,		
	2018	2017	2016
AA rating institutions	$ 147,316	$ -	$ 2,101
A rating institutions	42,679	60,375	89,334
MXBBB rating institutions	25,906	5,061	-
MXAA rating institutions	18,383	29,152	-
MXA rating institutions	5,312	-	-
MXAA+ rating institutions	4,347	3,553	3,048
MXAAA rating institutions	3,448	12,764	1,947
MXA+ rating institutions	1,223	1,331	1,102
AA- rating institutions	1,136	2,670	15,143
A+ rating institutions	-	1,744	557
A- rating institutions	-	115,347	-
MXAA- rating institutions	-	-	45,289
Not applicable	2,068	936	5,330
	$ 251,818	**$ 232,933**	**$ 163,851**

Trade accounts receivable

Below is an analysis of the aging of trade accounts receivable as of December 31, 2018, 2017 and 2016:

		Maturities:					
Year	Unmatured	1–30 days	31– 60 days	61- 90 days	91- 120 days	Over 121 days	Total
2018	$ 50,115	$ 13,082	$ 9,831	$ 3,208	$ 2,096	$ 12,095	$ 90,427
2017	$ 60,158	$ 20,824	$ 10,836	$ 3,761	$ 2,365	$ 7,046	$ 104,990
2016	$ 44,470	$ 18,117	$ 7,773	$ 3,195	$ 1,795	$ 10,079	$ 85,429

i) Liquidity risk

Cash generated from operations is used to make debt payments and capital expenditures. The management of the Company administers liquidity and establishes adequate working capital policies to manage the short, medium and long-term financing. The Company handles liquidity risk by maintaining adequate reserves, banking facilities and authorized credit lines to obtain credits through continuous monitoring of actual and projected cash flows, and reconciling the maturity profiles of financial assets and liabilities. The contractual maturities of financial debt instruments as of December 31, 2018, are shown in the following table:

(In thousands of U.S. dollars ($))

Line item	Contractual maturities: 1-3 months		3 months to 1 year		1-5 years		Over 5 years		Total	
Financial debt	$	-	$	4,400	$	397,425	$	260,000	$	661,825
Interest	$	4,461	$	28,213	$	103,611	$	6,825	$	143,110

As of December 31, 2018, 2017 and 2016, the Company had access to financing facilities for $ 80,242 in process of formalization, $ 15,000 and $ 15,000, respectively, which were undrawn at the end of these years. Additionally, at December 31, 2018, 2017 and 2016, the Company had letters of credit in the United States Division for $ 11,016 $ 9,310 and $ 10,400, respectively, which are primarily used to ensure payment of deductibles in connection to insurance programs of the Company in the United States and as collateral for bonds issued in the United States and Natural gas supply as well.

a) Fair value of financial instruments

Except as for the detail in the following table, management believes that the carrying amounts of assets and liabilities recognized at amortized cost in the financial statements, approximates their fair value given their short-term maturities.

The fair value of financial instruments presented below has been determined by the Company using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values, and also uses assumptions based on market conditions existing at each of the dates in the consolidated statements of financial position.

The fair value of the Company's international bonds included in this disclosure in the following table is determined considering the market price of the instrument prevailing at the date of the consolidated statements of financial position, while borrowings with banks was estimated using the present value of cash flows discounted at market rates as of December 31 of each year which is located in level 2 of the fair value hierarchy.

Their book values and their fair values as of December 31, 2018, 2017 and 2016, are as follows:

Financial liabilities recognized at amortized cost:

	Carrying amount		Fair value	
December 31, 2018	$	661,825	$	657,628
December 31, 2017	$	696,688	$	710,748
December 31, 2016	$	700,538	$	721,192

(In thousands of U.S. dollars ($))

b) Debt and long term financial debt

(i) As of December 31, 2018, 2017 and 2016, the financial debt is as follows:

As of December 31, 2018				**Maturities**	
Loans	**Currencies**	**Interest rates**	**Amounts**	**Current portion of the long term debt**	**Long-term debt**
International bond					
7 years	U.S. Dollars	5.250%	$ 260,000	$ -	$ 260,000
Unsecured Credit					
5 years	U.S. Dollars	LIBOR + 1.75% (margin range: 2.00% - 1.25%)	400,000	4,000	396,000
Others					
Others	U.S. Dollars	5.00%	1,825	400	1,425
Issuance costs			(11,489)	-	(11,489)
			$ 650,336	**$ 4,400**	**$ 645,936**

As of December 31, 2017				**Maturities**	
Loans	**Currencies**	**Interest rates**	**Amounts**	**Current portion of the long-term debt**	**Long term debt**
International bond					
7 years	U.S. Dollar	5.250%	$ 260,000	$ -	$ 260,000
Unsecured Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	171,750	-	171,750
Tranche "B" 5 years	U.S. Dollar	LIBOR + 2.50% (margin rate: 3.75% - 2.00%)	77,900	16,800	61,100
Guaranteed Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	127,124	-	127,124
Tranche "B" 5 years	U.S. Dollar	LIBOR + 2.50% (margin rate: 3.75% - 2.00%)	57,739	-	57,739
Other					
Other	U.S. Dollar	5.00%	2,175	350	1,825
Issuance costs			(13,787)	-	(13,787)
			$ 682,901	**$ 17,150**	**$ 665,751**

(In thousands of U.S. dollars ($))

As of December 31, 2016				**Maturities**	
Loans	**Currencies**	**Interest rates**	**Amounts**	**Current portion of long-term debt**	**Long-term debt**
International bond					
7 years	U.S. Dollar	8.125%	$ 260,000	$ -	$ 260,000
Unsecured Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	171,750	-	171,750
Tranche "B" 5 years	U.S. Dollar	LIBOR + 4.50%	81,400	3,500	77,900
Guaranteed Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	127,124	-	127,124
Tranche "B" 5 years	U.S. Dollar	LIBOR + 4.50%	57,739	-	57,739
Others					
Others	U.S. Dollar	5.00%	2,525	350	2,175
Issuance costs			(10,893)	-	(10,893)
			$ 689,645	**$ 3,850**	**$ 685,795**

(ii) On June 13, 2018, the Company prepaid $ 249,650 and $ 184,863 of the unsecured and guaranteed loan's, respectively, contracted's in November 2016. The prepayment was made mainly with the proceeds from a new syndicated loan not Guaranteed for $ 400,000 with maturity of five years, at an interest rate of LIBOR plus a margin with a range of 1.25% to 2.00% that is reduced or increased according to the decrease or increase of the gross leverage ratio. Credit syndication was led by BBVA Bancomer, S.A., National Bank of Mexico, S.A., J.P. Morgan Chase Bank, N.A. and The Bank of Nova Scotia.

(iii) In June 2017, the Company concluded the issue of Senior Unsecured Notes for a total amount of US$ 260,000, at an interest rate of 5.250% per annum and with an expiration date on June 23, 2024. The resources obtained from the issuance of the unsecured preferential notes were used to settle the notes that the Company had in effect with a coupon of 8.125% and a maturity on February 8, 2020.

(iv) In November 2016, the Company prepaid the syndicated loan contracted in 2015, with the proceeds from a new loan guaranteed by US$ 184,863 integrated with a tranche by US$ 127,124 with a maturity of seven years and a tranche for US$ 57,739 with a five-year maturity, at LIBOR interest rates plus a margin of 4.75% for the seven-year tranche and LIBOR plus a margin of 4.50% for the five-year tranche. The Company also contracted a loan not guaranteed by US$ 253,500, to finance the assets acquired (see Note 13), integrated with a tranche per US$ 171,750 with a maturity of seven years and a tranche for US$ 81,750 with a five-year maturity, at LIBOR interest rates plus a margin of 4.75% for the seven-year tranche and LIBOR plus a margin of 4.50% for the five-year tranche. Both credits were contracted with a national credit institution.

In February 2017, the holder of the unsecured and guaranteed credits ceded the rights and obligations of the creditor in respect of the tranche "B" by US$ 57,739 of the guaranteed credit and the tranche "B" by US$ 81,400 of the unsecured credit. This assignment was distributed among five financial institutions. With this assignment, the Company reduced the applicable interest rate, as the additional margin on the benchmark interest rate for both tranches changed from a fixed margin of 4.50% per annum, to a margin ranging from 3.75% to 2.00% per annum and which is reduced or increased according to the decrease or increase of the Net Leverage Ratio, respectively.

(In thousands of U.S. dollars ($))

(v) Loan agreements establish specific clauses relating to the sale of assets, investments, additional financing and debt payments, as well as the obligation to maintain certain specific financial ratios (net financial leverage ratio and net interest), which in case of non-compliance, would lead to a breach of contract allowing the creditor to require the advance payment of the corresponding loan. As of December 31, 2018, the Company has complied with these conditions. The financial reasons required and / or permitted by the contracts for the period ended December 31, 2018 are as follows:

	2018	Required / Permitted
Net leverage (1)	1.55	3.50
Interest coverage (2)	9.00	3.50

(1) Net leverage - means the number of times net debt (debt with cost) less cash on EBITDA.
(2) Interest coverage - means the number of times EBITDA on financial expenses.

For the year ended December 31, 2018, the weighted average interest rate of the international bonds was 5.25% and the weighted average interest rate of bank loans outstanding as of December 31, 2018 was 4.94%.

For the year ended December 31, 2017, the weighted average interest rate of the international bonds was 6.64% and the weighted average interest rate of bank loans outstanding as of December 31, 2017 was 5.39%.

The Company's subsidiaries, GCC Cemento, S.A. de C.V., Cementos de Chihuahua, S.A. de C.V. and GCC of America, Inc., are guarantors for the syndicated credit.

(In thousands of U.S. dollars ($))

C) Reconciliation of obligations derived from financing activities:

	January 1,2018	Disposals	Accrued interest	Payments made	December 31, 2018
International bond 2017	$ 260,000	$ -	$ 287	$ -	$ 260,287
Unsecured Credit					
Tranche "A" 7 years	171,750	-	-	(171,750)	-
Tranche "B" 5 years	77,900	-	-	(77,900)	-
Guaranteed Credit					
Tranche "A" 7 years	127,124	-	-	(127,124)	-
Tranche "B" 5 years	57,739	-	-	(57,739)	-
Syndicated loan	-	400,000	767	-	400,767
Others					
Others	2,175	-	61	(350)	1,886
	$ 696,688	**$ 400,000**	**$ 1,115**	**$ (434,863)**	**$ 662,940**

	January 1, 2017	Disposals	Accrued Interest	Payments made	December 31, 2017
International bond 2013	$ 260,000	$ -	$	$ (260,000)	$ -
International bond 2017		260,000	395	-	260,395
Unsecured Credit					
Tranche "A" 7 years	171,750		501		172,251
Tranche "B" 5 years	81,400	-	154	(3,500)	78,054
Guaranteed Credit					
Tranche "A" 7 years	127,124	-	-	368	127,492
Tranche "B" 5 years	57,739	-	-	189	57,928
Others					
Others	2,525	-	72	(350)	2,247
	$ 700,538	**$ 260,000**	**$ 1,679**	**$ (263,850)**	**$ 698,367**

(In thousands of U.S. dollars ($))

Accrued interest payable derived from the financial debt is presented in taxes and accumulated expenses in the statement of financial position for 2018, 2017 and 2016, amounting to $ 1,115, $ 1,679 and $ 12,239, respectively.

20. Accrued expenses and taxes other than income taxes and provisions

a) Accrued expenses and taxes other than income taxes

Accrued expenses and taxes other than income taxes as of December 31, 2018, 2017 and 2016, are as follows:

	2018	2017	2016
Taxes payable	$ 33,463	$ 35,699	$ 31,424
Other accounts payable	7,689	6,594	6,974
Interest payable	1,115	1,679	11,033
	$ 42,267	**$ 43,972**	**$ 49,431**

b) Provisions

	2018	2017	2016
Beginning balance	$ 5,007	$ 5,151	$ 5,769
Increase during the year	10,108	7,518	7,292
Payments made	(12,003)	(7,877)	(7,055)
Translation effect	65	215	(855)
Ending balance	**$ 3,177**	**$ 5,007**	**$ 5,151**

c) Restoration provision

The Mining Law of the State of New Mexico in the USA requires the Company to incur costs to restore operations affected by raw material extraction where the plant is located at the end of operations in the same area. Measures are planned for the incremental implementation of the plan and simultaneously over a period of forty years, with more than half of it being disturbed recovered during the operational life of the plan area. The Company has recognized a long-term provision for the estimated costs to incur for site restoration at present value, using appropriate discount rates.

Additionally, for Mexico division there is an obligation under the General Law of Ecological Equilibrium and Environmental Protection which states that whoever carries out activities that affect the environment is required to prevent, minimize or repair damage involved. The Act establishes the obligation to perform environmental impact assessments. At December 31, 2018, 2017 and 2016, Mexico division has recognized a provision of $ 1,171, $ 991 and $ 752, respectively, for such restoration activities.

Movements in the provision for restoration are as follows:

(In thousands of U.S. dollars ($))

	Balances as of January 1 2018	Arising (decrease) during the period	Interest cost	Business acquisition	Balances as of December 31, 2018
Restoration provision	$ 10,208	$ 10,022	$ 1,443	$ 296	$ 21,969

	Balances as of January 1, 2017	Arising (decrease) during the period	Interest cost	Balances as of December 31, 2017
Restoration provision	$ 9,509	$ 661	$ 38	$ 10,208

	Balances as of January 1, 2016	Arising (decrease) during the period	Interest cost	Business acquisition	Balances as of December 31, 2016
Restoration provision	$ 5,274	$ (3,548)	$ 321	$ 7,462	$ 9,509

21. Income taxes

The Company in Mexico is subject to ISR whose rate for 2018, 2017 and 2016 was 30% and will continue at 30% for subsequent years. The Company caused ISR on a consolidated basis until 2013 with its Mexican subsidiaries. Due to the fact that the ISR Law in force until December 31, 2013 was repealed, the tax consolidation regime was eliminated, therefore, the Company and its subsidiaries have the obligation to pay the deferred tax determined at that date during the following ten exercises from 2014, as shown below. Income taxes of the subsidiaries in the United States of America are determined on the basis of consolidation with its direct holding company GCC of America, Inc.

While the 2014 Tax Law repealed the tax consolidation regime, an option was established to calculate the ISR together in groups of companies (under the tax integration regimen). The new system allows for the case of consolidated companies owned directly or indirectly more than 80% for an inclusive society, have certain benefits in the tax payment (when within the group of companies there are companies with profits or losses in the same year), which may differ for three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Company and its Mexican subsidiaries opted to join the new scheme, so income tax for the year 2018, 2017 and 2016 was determined together.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax Law, and given that as of December 31, 2013, the Company was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it was deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded. The following are the tax rates on taxable income in countries where the Company mainly operates:

Country	2018	2017	2016
México	30%	30%	30%
United States of America	24%	38%	38%

(In thousands of U.S. dollars ($))

On December 22, 2017, the government of the United States of America enacted substantial changes to its existing tax law ("H.R. 1", originally known as the "Tax and Employment Reduction Act," or the "Act"). Although most of the provisions of the Law, including the reduction of the corporate tax rate to 21% take effect as of January 1, 2018, IFRS require entities to recognize the effect of changes in tax legislation in the promulgation period.

a) For the years ended December 31, 2018, 2017 and 2016, income tax charged to results is as follows:

	2018	2017	2016
Current ISR	$ (13,387)	$ (9,462)	$ (7,507)
Deferred tax adjustments attributable to changes in tax rates and laws in the USA	-	12,066	-
Deferred ISR	(3,305)	(14,676)	(6,914)
Total income taxes	**$ (16,692)**	**$ (12,072)**	**$ (14,421)**

b) Deffered taxes in the consolidated statements of financial position

The main items composing the deferred income taxes are:

Mexico	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
Deferred tax assets:			
Provisions and allowances	$ 9,514	$ 10,139	$ 8,576
Customer advances and other	2,485	269	1,849
Tax loss carry forwards	104,552	99,564	118,924
	116,551	109,972	129,349
Deferred tax liabilities:			
Property, plant and equipment	(110,650)	(88,413)	(64,731)
Inventories	(1,057)	(1,153)	(763)
Prepaid expenses and other	(6,992)	(8,225)	(4,142)
	(118,699)	(97,791)	(69,636)
Deferred income tax (liability) asset	**$ (2,148)**	**$ 12,181**	**$ 59,713**

(In thousands of U.S. dollars ($))

USA	December 31, 2018	December 31, 2017	December 31, 2016
Deferred tax asset:			
Provisions and allowances	$ 28,881	$ 23,224	$ 30,738
Tax loss carry forwards	37,081	42,983	75,584
	65,962	66,207	106,322
Deferred tax liability:			
Property plant and equipment	(100,811)	(111,841)	(161,385)
Prepaid expenses	(3,881)	(2,306)	(2,174)
	(104,692)	(114,147)	(163,559)
Deferred income tax liability	**$ (38,730)**	**$ (47,940)**	**$ (57,237)**

Switzerland	December 31, 2018	December 31, 2017	December 31, 2016
Deferred tax liability:			
Accounts receivable	(2,908)	(2,691)	(10,110)
Deferred income tax liability	**(2,908)**	**(2,691)**	**(10,110)**
Total deferred income tax liability	**$ (43,786)**	**$ (50,631)**	**$ (67,347)**

(In thousands of U.S. dollars ($))

c) The main items for which the sum of the current income tax and deferred income tax for the period differs from the statutory rate are as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Income before income tax	$ 121,786	$ 90,818	$ 76,384
Statutory rate	30%	30%	30%
Statutory income taxes	(36,536)	(27,245)	(22,915)
Other items:			
Non-deductible expenses	(1,437)	(1,172)	(701)
Adjustment for inflation	(2,439)	(4,260)	(2,481)
Reduction of deferred tax assets	9,786	(18,705)	(5,158)
Effect of deferred tax balance due to change in the income tax rate from 35% to 21% (effective as of January 1, 2018) in the U.S.A	-	21,827	-
Effects of inflation and other items	3,829	9,698	8,113
Effect of different tax rates in effect in foreign entities	10,105	7,785	8,723
Tax benefit	19,844	15,173	8,496
Income taxes	**$ (16,692)**	**$ (12,072)**	**$ (14,421)**

(In thousands of U.S. dollars ($))

d) As of December 31, 2018, the Company's tax loss carryforwards, are as follows:

	Mexico		United States of America	
Year of loss	**Amounts restated as of December 31,2018**	**Effect on deferred income tax**	**Amounts as of December 31, 2018**	**Effect on deferred income tax**
2019	$ 13,926	$ 4,178	$ -	$ -
2020	50,684	15,205	28,420	5,968
2021	46,597	13,979	51,746	10,867
2022	1,098	329	64,192	13,480
2023	29,805	8,942	44,885	9,426
2024	96,296	28,889	1,970	414
2025	181,003	54,300	4,752	998
2026	18,586	5,576	-	-
2027	13,141	3,942	-	-
2028	18,792	5,638	-	-
	$ 469,928	$ 140,978	$ 195,965	$ 41,153
USA state tax loss	-	-	-	3,121
Unrecognized deferred taxes	(121,419)	(36,426)	(34,250)	(7,193)
Recognized deferred tax asset	$ 348,509	$ 104,552	$ 161,715	$ 37,081

e) Tax consolidation

The income tax liability as of December 31, 2018, related to the effects of benefits and tax deconsolidation will be paid in the following years:

Year	**Amount**
2019	$ 10,035
2020	19,458
	$ 29,493

The balance of accrued expenses and taxes other than income taxes as of December 31, 2018, as shown in the consolidated statements of financial position include $ 10,035 corresponding to the liability of income tax to be paid during 2019. The remaining amount of $ 19,458 is presented in long-term liabilities.

22. Stockholders' equity

a) As December 31, 2018, 2017 and 2016, common stock is variable and its fixed minimum capital with no right to withdrawal is $ 10,921, represented by 337,400,000 common registered shares with no par value and is summarized as follows:

(In thousands of U.S. dollars ($))

	Shares	Amount
Authorized and issued capital	337,400,000	10,921
Shares repurchased	(5,130,992)	(39)
	332,269,008	**10,892**

b) According to the General Law of Commercial Companies, the net income for the year must be separated by at least 5% to increase the legal reserve until it reaches 20% of share capital.

c) If the Company pays dividends that come from the Net Tax Profit Account (CUFIN by its acronym in Spanish), the Company shall not be liable to pay income tax. However, this balance can be applied only once the balance of the Net Reinvested Tax Profit Account (CUFINRE by its acronym in Spanish).

Of dividends arising from CUFINRE, 5% will be paid for those for years 2001 and 2000, and 3% for 1999. The distributed of dividends in excess of CUFIN will be subject to ISR by the Company at the current tax rate at that time.

d) In an ordinary general meeting of the shareholders held on April 26, 2018, a payment of dividends was declared for $ 12,553 ($0.038 dollars per share).

e) In an ordinary general meeting of the shareholders held on April 28, 2017, a payment of dividends was declared for $ 10,774 ($0.032 dollars per share).

f) In an ordinary general meeting of the shareholders held on April 29, 2016, a payment of dividends was declared for $ 9,862 ($0.030 dollars per share).

g) The balance of the cumulative translation adjustment of foreign subsidiaries as of December 31, 2018, 2017 and 2016, is as follows:

	2018	2017	2016
Initial balance	$ (280,455)	$ (261,344)	$ (215,416)
Conversion effect of the year	(4,709)	(4,542)	(41,540)
Net investment coverage in foreign operations	4,863	(20,813)	(6,268)
Income taxes	(1,459)	6,244	1,880
Final balance of effect for conversion of foreign	$ (281,760)	$ (280,455)	$ (261,344)

(In thousands of U.S. dollars ($))

h) The balance of remeasurements of actuarial liabilities associated with the Company's defined benefit plans and the related deferred income tax effect as of December 31, 2018, 2017 and 2016, is as follows:

		2018		2017		2016
Beginning balance of remeasurement gains and losses	$	5,628	$	1,084	$	(230)
Remeasurement gains and losses of the period		(9,442)		6,492		1,877
Deferred income tax		2,833		(1,948)		(563)
Ending balance	$	(981)	$	5,628	$	1,084
Cumulative amount (g) + (h)	**$**	**(282,741)**	**$**	**(274,827)**	**$**	**(260,260)**

(i) On August 27, 2016, GCC issued an "Information Supplement regarding a corporate restructuring" in which it informs the investing public of the simultaneous merger by GCC as the surviving company, with two of its holding companies, Control Administrativo Mexicano, S.A. de C.V. and Imin de Mexico, S.A. de C.V., the latter two companies merged in order to simplify GCC's control structure and make it more transparent to investors. Such corporate restructuring proposal has already been approved by the Federal Competition Commission in Mexico and requires the approval of the shareholders of GCC to be consummated.

On September 12, 2016, at Extraordinary General Meeting of Shareholders the simultaneous merging was approved, the main areas affected were:

		Merging effect as of September 12, 2016
Cash and cash equivalents	$	261
Other accounts receivables		188
TOTAL ASSETS	**$**	**449**
Retained Earnings		449
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**449**

23. Cost of sales and operating expenses by nature

a) <u>Cost of sales</u>

An analysis of cost of sales as of December 31, 2018, 2017 and 2016, is as follows:

(In thousands of U.S. dollars ($))

		2018		2017		2016
Employee benefits	$	124,959	$	112,164	$	91,538
Raw materials cost		109,761		113,246		88,619
Energy cost		111,147		108,727		94,173
Depreciation and amortization		71,662		61,440		45,218
Maintenance expenses		52,424		49,470		40,579
Distribution expenses		92,211		73,832		55,125
Overhead expenses		75,700		66,600		45,773
	$	**637,864**	**$**	**585,479**	**$**	**461,025**

b) General, administrative and selling expenses

An analysis of operating expenses as of December 31, 2018, 2017 and 2016 is as follows:

		2018		2017		2016
Employee benefits	$	29,706	$	27,595	$	25,202
Depreciation and amortization		14,864		17,704		14,012
Professional services		9,674		6,323		8,397
Other expenses		21,286		26,207		18,857
	$	**75,530**	**$**	**77,829**	**$**	**66,468**

c) Employee benefit expenses

Employee benefit expenses as of December 31, 2018, 2017 and 2016, are as follows:

		2018		2017		2016
Salaries and wages	$	112,237	$	91,533	$	67,614
Employee benefits from retirement		6,070		6,260		6,167
Social security contributions		13,164		13,740		10,502
Social welfare		11,817		15,605		17,299
Social prevision and other benefits		11,377		12,621		15,158
	$	**154,665**	**$**	**139,759**	**$**	**116,740**

(In thousands of U.S. dollars ($))

24. Other expenses

Other operating expenses as of December 31, 2018, 2017 and 2016, are as follows:

	2018		2017		2016	
Business acquisitions	$	3,276	$	100	$	7,226
Charitable contributions		914		738		808
Loss on sale of fixed assets		-		-		1,223
Impairment loss on goodwill (Note 15)		4,151		15,400		-
Remeasurement of quarries useful life		-		-		(3,023)
	$	**8,341**	**$**	**16,238**	**$**	**6,234**

On June 23, 2018, the Company acquired certain assets located in the United States of America and disposed of certain assets also in the United States of America for which the Company incurred in various expenses in order to realize the mentioned transactions, which amounted to $ 3,276.

As of December 31, 2018 and 2017, the Company recognized an impairment loss on goodwill assigned to the group of the concrete cash generating unit in the United States of America division in the income for the year for $ 4,151 and $ 15,400, respectively.

On November 18, 2016, the Company acquired certain net assets of Cemex, S.A.B. of C.V. ("Cemex") located in the United States of America, for which it incurred various expenses in order to realize such acquisition, which amounted to $ 7,226.

During 2016, the Company requested a modification of the State's permit for its Tijeras, New Mexico plant, which had as its purpose to increase the mining area and the territorial reserves. In addition, a new closure plan was presented to the State, which considered an increase in the life of the quarry and the plant in approximately 40 years, and updated the costs and concepts of restoration, as well as the time in which they will be incurred. As a result of these modifications to the permit, the restoration provision was canceled generating a favorable adjustment of $ 3,023.

25. Financial expenses

Financial expenses as of December 31, 2018, 2017 and 2016, are as follows:

	2018		2017		2016	
Debt interest expenses	$	37,145	$	44,187	$	31,428
Cancellation and amortization of debt issuance costs		6,070		11,613		5,972
Other financial expenses		7,362		1,541		1,449
	$	**50,577**	**$**	**57,341**	**$**	**38,849**

26. Segment information

The Company is a Mexican company that manufactures and sells hydraulic cement, ready-mix concrete and aggregates. The Company's operations in the United States of America are mainly performed by three subsidiaries with an ownership interest of 99.99%.

(In thousands of U.S. dollars ($))

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations and other adjustments" column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

In the following information, the column representing Mexico includes all domestic transactions. Information for the years ended December 31, 2018, 2017 and 2016, is as follows:

	2018			
	Mexico	**United States of America**	**Eliminations and other adjustments**	**Consolidated**
Net sales:				
External customers	$ 236,058	$ 647,172	$ -	$ 883,230
Intercompany sales	59,071	14,777	(73,848)	-
	295,129	661,949	(73,848)	883,230
Operating income before other expenses	80,352	89,484	-	169,836
Income before income taxes	94,713	27,073	-	121,786
Depreciation and amortization	20,484	66,042	-	86,526
Financial income	3,338	3,123	-	6,461
Financial expenses	50,497	80	-	50,577
Exchange income, net	(283)	(59)	-	(342)
Goodwill	-	246,884	-	246,884
Property, plant and equipment, net	226,617	801,143	-	1,027,760
Total assets	**$ 1,054,171**	**$ 848,361**	**$ -**	**$ 1,902,532**
Total liabilities	**$ 117,779**	**$ 812,537**	**$ -**	**$ 930,316**
Non cash expenditures	**$ 2,724**	**$ 15,899**	**$ -**	**$ 18,623**

(In thousands of U.S. dollars ($))

2017	México	United States of America	Eliminations and other adjustments	Consolidated
Net sales:				
External customers	$ 221,617	$ 602,487	$ -	$ 824,104
Intercompany sales	43,301	14,568	(57,869)	-
	264,918	617,055	(57,869)	824,104
Operating income before other expenses	64,199	96,597	-	160,796
Income before income taxes	34,607	56,211	-	90,818
Depreciation and amortization	18,442	60,702	-	79,144
Financial income	2,394	1,136	-	3,530
Financial expenses	58,540	(1,199)	-	57,341
Exchange income, net	(1,654)	(365)	-	(2,019)
Goodwill	-	387,461	-	387,461
Property, plant and equipment, net	224,636	711,751	-	936,387
Total assets	**$ 937,888**	**$ 970,002**	**$ -**	**$ 1,907,890**
Total liabilities	**$ 137,374**	**$ 841,553**	**$ -**	**$ 978,927**
Non cash expenditures	**$ 2,464**	**$ 9,003**	**$ -**	**$ 11,467**

2016	México	United States of America	Eliminations and other adjustments	Consolidated
Net sales:				
External customers	$ 197,303	$ 447,394	$ -	$ 644,697
Intercompany sales	22,412	8,841	(31,253)	-
	219,715	456,235	(31,253)	644,697
Operating income before other expenses	43,281	73,923	-	117,204
Income before income taxes	34,684	41,700	-	76,384
Depreciation and amortization	18,511	40,719	-	59,230
Financial income	1,256	566	-	1,822
Financial expenses	38,771	78	-	38,849
Exchange income, net	106	1,250	-	1,356
Goodwill	-	402,861	-	402,861
Property, plant and equipment, net	217,513	707,503	-	925,016
Total assets	**$ 456,216**	**$ 1,408,196**	**$ -**	**$ 1,864,412**
Total liabilities	**$ 129,281**	**$ 864,119**	**$ -**	**$ 993,400**
Non cash expenditures	**$ 5,059**	**$ 14,069**	**$ -**	**$ 19,128**

Net sales information by country and by product for the years ended as of December 31, 2018, 2017 and 2016, is presented in the following table:

(In thousands of U.S. dollars ($))

2018					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 171,524	$ 71,226	$ 4,892	$ (11,584)	$ 236,058
United States of America	581,869	113,329	81,126	(129,152)	647,172
	$ 753,393	**$ 184,555**	**$ 86,018**	**$ (140,736)**	**$ 883,230**

2017					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 158,153	$ 71,912	$ 14,038	$ (22,486)	$ 221,617
United States of America	503,591	104,231	86,889	(92,224)	602,487
	$ 661,744	**$ 176,143**	**$ 100,927**	**$ (114,710)**	**$ 824,104**

2016					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 138,157	$ 63,123	$ 31,387	$ (35,364)	$ 197,303
United States of America	371,014	95,139	54,093	(72,852)	447,394
	$ 509,171	**$ 158,262**	**$ 85,480**	**$ (108,216)**	**$ 644,697**

The column "Other" includes mainly aggregates, concrete blocks, prefabricated products, developed land, coal and other materials for construction.

27. Commitments and contingencies

a) In order to guarantee the ecological restoration of the zone in case of closing the GCCRG Tijeras plant and GCC Three, LLC Forks (GCCTF), pursuant to the requirements of the State of New Mexico, the Company has bonds for $ 70 for the office of the United States Forest Service and a Certificate of deposit $ 1,833 with the New Mexico Bank and Trust as financial guarantee on behalf of the Department of Mines of the State of New Mexico. In addition, GCC has ensured ecological restoration in the amount of $ 2,813 in the event of failure to conduct GCCRG fulfilling their obligations. GCCTF has a four bonds totaling $ 4,742 in favor of the State of Montana for the same purpose.

b) Operating leases - The following are the amounts of minimum payment under operating leases for the rental of rail cars, light vehicles and office spaces:

Years ending December 31:	Amounts of minimum payments
2019	$ 20,029
2020	16,578
2021	12,297
2022	7,697
Subsequent years	2,695
	$ 59,296

The rental expense as of December 31, 2018, 2017 and 2016 amounted to $ 21,634, $ 21,651 and $ 18,720, respectively.

c) On August 18, 2011, GCC sold its 47.02% share of the stock of the company Sociedad Boliviana de Cemento, S.A. (SOBOCE) in favor of Consorcio Cementero del Sur, S.A. (CCS), a subsidiary of Grupo Gloria, based in Peru. The resources obtained from the transaction were mainly aimed to reduce the Company's debt. After selling the stock, the Company did not participate in Bolivia's cement industry anymore.

SOBOCE's majority stockholder, Compañia de Inversiones Mercantiles, S.A. (CIMSA), filed an international arbitration request with the Inter-American Commercial Arbitration Commission, which was notified to GCC on November 16, 2011. The request claims, with no grounds, breach to the right of first refusal to purchase the stock subject of the above-mentioned sale, based on the Stockholders Agreement entered by and between GCC and CIMSA.

In September 2013, the Arbitration Court issued the Liability Award declaring GCC and GCC Latinoamérica liable for the breach of the stockholders' agreement, which GCC and GCC Latinoamérica have challenged by filing an annulment resource, said resource consequently annulled the Award.

In December 2014, CIMSA sold its 51.3% share of SOBOCE stock to CCS for an approximate price of US$300 million, turning CCS into SOBOCE'S major stockholder and controlling parent company, holding 98.32% of the stock

On April 15, 2015, within the international arbitration filed by CIMSA against GCC before the IACAC, the Damages Final Award was issued stating a payment by GCC and its subsidiary GCC Latinoamérica in the amount of US$36.1 million as damages and expenses in favor of CIMSA.

GCC considers that the award is contrary to the Bolivian Law and the International Law, and has therefore filed an annulment resource against the Award, procedure under which the Damages Final Award has been left without any effects.

On January 11, 2018, the Supreme Court of Justice of Bolivia issued a decree ratifying the annulment of the Responsibility Award dated September 2013; therefore, once the cancellation procedure of the first award has been completed, the annulment file has been sent to the former president of the Arbitral Tribunal in Madrid, Spain.

In accordance with Bolivian law, as a result of the cancellation of the liability award, the $ 36.1 million award of damages against GCC and GCC Latinoamérica has ceased to have effect and is not enforceable, we are currently waiting for the confirmation of the corresponding authorities in Bolivia in this regard. Additionally, GCC obtained a resolution of precautionary measures before the Mexican courts for the purpose of CIMSA refraining from executing any award issued in the arbitration until the pending annulment remedies are resolved.

On May 31, 2018, CIMSA requested before a Judge in Denver the continuation of the proceeding initiated in September 2015 with the purpose of executing the Damages Award, as well as freezing and seizing assets of Grupo Cementos de Chihuahua and GCC Latin America in Colorado, Together, this procedure was originally suspended pending the resolution of the annulment proceedings in Bolivia promoted by GCC. As of the date of this report the procedure is underway and there are no set dates for new written hearings or a resolution.

GCC will exercise the contractual rights it has to recover at the time the damages and expenses that the final resolution of the arbitration could cause. Pursuant to Bolivian law, the execution of the final award is suspended until the pending annulment remedies are resolved.

GCC is confident on a favorable resolution; however, we cannot assure that this legal procedure will not have a negative effect on the Company's interests.

(In thousands of U.S. dollars ($))

d) On October 8, 2015, the Company, signed a strategic agreement for three years with Madata It, S.A. de C.V. ("MADATA") (related party), whereby MADATA provides business process and information technology services ("IT"). The contract life is for three years and forced renewed every year until the Company decides not to renew and is expected to generate savings to GCC, during this period. The contract includes data processing services and infrastructure services, support and maintenance of IT applications in different localities of the Company. The amount of the services paid recognized in the consolidated statement of income as of December 31, 2018, 2017 and 2016, are presented in Note 8.

28. Operations that do no generate cash flow

During the years ended December 31, 2018, 2017 and 2016, the Company conducted operations that did not generate cash flows from investing activities and therefore are not reflected in the consolidated statements of cash flows:

	2018	2017	2016
Acquisition of property, plant and equipment	$ 18,623	$ 11,467	$ 19,128

29. Events after the reporting period

On March 25, 2019, the United States District Court of Colorado issued a decision regarding the recognition of the Award of damages dated April 15, 2015, in which $ 36.1 million dollars were awarded for damages and expenses, plus interests, as a consequence, the resolution of the District Judge considers the award as a valid resolution in the United States.

GCC is in complete disagreement with the aforementioned resolution since it does not know the resolutions of the Bolivian courts dictated in favor of GCC and ignores the fact that there are procedures in Bolivia pending resolution that could definitively annul the damages award. GCC has the right to appeal the decision of the Colorado District Court within 30 days. Additionally, GCC will continue with the annulment proceedings in Bolivia, the result of which could imply a reconsideration of the decision of the Colorado District Court.

30. Authorization to issue the consolidated financial statements

On April 12, 2019, the accompanying consolidated financial statements were authorized for their issuance by Luis Carlos Arias Laso, Chief Financial Officer; consequently, they do not reflect events occurred after that date and are subject to the approval of the Company's ordinary shareholders' meeting where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

7.b) Audit committee reports 2018, 2017 and 2016

FERNANDO RUIZ SAHAGÚN

Contador Público

CIUDAD DE MÉXICO
Corporativo Pirámide
Vasco de Quiroga 2121
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INFORME DEL COMITÉ DE AUDITORIA Y PRÁCTICAS SOCIETARIAS

**H. CONSEJO DE ADMINISTRACIÓN
Y ASAMBLEA GENERAL ORDINARIA DE ACCIONISTAS
DE GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V.**

Estimados Consejeros y Accionistas:

En cumplimiento a lo dispuesto por los Artículos 42 y 43 de la Ley del Mercado de Valores, sometemos a la consideración del Consejo de Administración y Asamblea de Accionistas, el siguiente informe de actividades correspondiente al ejercicio terminado el 31 de diciembre de 2018.

A partir de la Asamblea de Accionistas celebrada el día 26 de abril de 2018 en la que fui designado; los miembros del Comité celebramos 6 reuniones.

En dichas reuniones se trataron los temas siguientes:

I. **Con respecto a lo establecido en el Art. 42 de la Ley del Mercado de Valores, lo siguiente:**

En materia de prácticas societarias:

a) La presentación de los integrantes del Comité de Auditoría y Prácticas Societarias para el ejercicio 2018 - 2019.

b) La presentación para su aprobación del plan anual de auditoria interna para el ejercicio de 2018.

c) Se presentaron para su revisión y opinión favorable y recomendación al Consejo, la aprobación de los estados financieros internos de la Sociedad de cada trimestre de 2018 y el primero de 2019 para su posterior envío a la Bolsa Mexicana de Valores.

d) Se presentó al Consejo de Administración para su opinión favorable y recomendación, los estados financieros anuales no auditados de la sociedad por el ejercicio de 2018 para su posterior envío a la Bolsa Mexicana de Valores.

Los aspectos más relevantes fueron:

- Presentación por parte del Director de Recursos Humanos de la sociedad de la actuación del Comité de Ética y su competencia.

- Presentación de la terminación del refinanciamiento de la sociedad respecto al crédito actual.

- Se llevó a cabo la presentación sobre la conclusión de los proyectos Ozark y Trout.

- Se presentó la Actualización del presupuesto de la sociedad del ejercicio incluyendo el refinanciamiento y los proyectos Ozark y Trout.

- Presentación del estatus de las auditorias en los procesos de mantenimiento y sus riesgos.

- Se aprobó la actualización del Reglamento del Comité de Auditoria y Prácticas Societarias.

- Se aprobó la implementación del control interno en la nueva adquisición de la Planta Trident en el Estado de Montana.

- Se aprobó la propuesta de remuneración a largo plazo a ciertos ejecutivos de la Sociedad a partir del ejercicio de 2018.

- Se aprobaron los avances del plan de trabajo para el ejercicio de 2019 y la remediación de las observaciones sobre el ejercicio de 2018.

En materia de auditoría:

a) Presentación del plan de soporte y control de cumplimiento a la Nueva Circular de Auditores Externos para la evaluación el Comité de Auditoria y Prácticas Societarias.

b) Se apoyó al Consejo de Administración en la elaboración de los informes a que se refiere el Art. 28, fracción IV, incisos d) y e).

c) Presentación por parte de los Auditores de Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) de las observaciones a la auditoría del ejercicio fiscal 2018.

II. Se cumplió con lo señalado en el Artículo 43 de la Ley del Mercado de Valores tratándose los siguientes temas:

a) La ratificación y aprobación del pago de honorarios y rotación de Socios Auditores Externos para el ejercicio de 2018, de la firma Galaz, Yamazaki, Ruiz, Urquiza, S.C., (Deloitte Touche Tohmatsu Limited).

b) El Comité se cercioró que la Firma de Auditores Externos de Deloitte cumpliera con los criterios de independencia que establece la normativa aplicable y revisó el presupuesto de honorarios por los servicios de auditoría externa.

c) Se revisaron los Estados Financieros de Grupo Cementos de Chihuahua, S.A.B. de C.V., y empresas subsidiarias, dictaminados por el ejercicio de 2018, autorizándose junto con el correspondiente Dictamen, a efecto de que una vez aprobados por el Consejo de Administración, sean sometidos a la

FRS

Asamblea General Ordinaria de Accionistas y sean presentados a la Bolsa Mexicana de Valores.

d) Se presentó el informe del Director General de la Sociedad para su aprobación y posterior presentación al Consejo de Administración y a la Asamblea General Ordinaria de Accionistas.

e) El Director General presentó el informe sobre el cumplimiento de las operaciones de GCC con partes relacionadas, las cuales fueron aprobados para su presentación al Consejo de Administración

f) Se presentó por parte de Auditoria Interna las observaciones y recomendaciones del ejercicio 2018.

g) Se aprobó el cumplimiento a las políticas sobre la retribución para el Director General y los Directivos relevantes, haciéndose la propuesta al Consejo de Administración para su aprobación.

h) Se presentó por parte del equipo auditor la información a presentar a la CNBV y a la BMV en relación al cumplimiento a la Nueva Circular de Auditores Externos para la evaluación del Comité de Auditoria y Prácticas Societarias.

i) El Comité se aseguró que la Administración diese adecuado seguimiento a las recomendaciones y acciones correctivas sugeridas por los Auditores externos, sin que se presentaran irregularidades o fallas, emitiendo su opinión en los distintos asuntos de su competencia.

j) Se aprobaron los avances en control interno y normatividad contable para el ejercicio de 2019.

k) No se presentó dispensa alguna para aprovechar oportunidades de negocio por parte de algún Consejero, Directivo Relevante o persona con poder de mando.

Chihuahua, Chih., a 12 de abril de 2019

A t e n t a m e n t e

Fernando Ruiz Sahagún
Presidente del Comité de
Auditoria y Prácticas Societarias

FRS

FERNANDO RUIZ SAHAGÚN

Contador Público

INFORME DEL COMITÉ DE AUDITORIA Y PRÁCTICAS SOCIETARIAS

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Y ASAMBLEA GENERAL ORDINARIA DE ACCIONISTAS
DE GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V.

Estimados Consejeros y Accionistas:

En cumplimiento a lo dispuesto por los Artículos 42 y 43 de la Ley del Mercado de Valores, sometemos a la consideración del Consejo de Administración y Asamblea de Accionistas, el siguiente informe de actividades correspondiente al ejercicio terminado el 31 de diciembre de 2017.

A partir de la Asamblea de Accionistas celebrada el día 27 de abril de 2017 en la que fui designado; los miembros del Comité celebramos 4 reuniones.

En dichas reuniones se trataron los temas siguientes:

I. Con respecto a lo establecido en el Art. 42 de la Ley del Mercado de Valores, lo siguiente:

1. Discusión y análisis de las bases utilizadas para la elaboración de los Estados Financieros Trimestrales correspondientes y anual por el ejercicio 2017 de la Sociedad.

2. La presentación del avance al plan anual de auditoria interna y resultado final del ejercicio 2017.

3. Presentación al Consejo de la opinión del Informe del Director General, incluyendo los Estados Financieros Dictaminados por el ejercicio 2017.

4. Se apoyó al Consejo de Administración en la elaboración de los informes a que se refiere el Art. 28, fracción IV, incisos d) y e).

5. Presentación por parte de los Auditores de Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) de las observaciones a la auditoría del ejercicio fiscal 2017.

Los aspectos más relevantes fueron:

a. La presentación de los integrantes del Comité de Auditoría y de Prácticas Societarias para el ejercicio 2017 - 2018.

b. Presentación sobre el financiamiento de la Sociedad de las Notas Senior del 2020.

c. Se presentó la revisión de las licencias de software de la Sociedad.

d. Se llevó a cabo la presentación sobre la compensación de los empleados de la Sociedad.

e. Se autorizó a Cemex, S.A.B. de C.V., realizar operaciones del más del 3% de acciones de la Sociedad con Banco Santander (México) S.A., Institución de Banca Múltiple, Grupo Financiero Santander México y Banco Nacional de México, S.A., integrante de Grupo Financiero Banamex.

f. Presentación sobre los activos que se han dado de baja en el ejercicio de 2017.

g. Presentación e informe sobre la seguridad cibernética en GCC.

h. Se autorizó participar a la Sociedad en los proyectos Trout y Ozar respecto a compra y venta de activos en los Estados Unidos de Norteamérica.

II. Se cumplió con lo señalado en el Artículo 43 de la Ley del Mercado de Valores tratándose los siguientes temas:

1. La aprobación de la contratación de la firma de Auditores Externos Galaz, Yamazaki, Ruiz, Urquiza, S.C., (Deloitte Touche Tohmatsu Limited) para el ejercicio 2017, y el Plan de Auditoria.

2. El Comité se cercioró que la Firma de Auditores Externos de Deloitte cumpliera con los criterios de independencia que establece la normativa aplicable y revisó el presupuesto de honorarios por los servicios de auditoría externa.

3. Se revisaron los Estados Financieros de Grupo Cementos de Chihuahua, S.A.B. de C.V., y empresas subsidiarias, dictaminados por el ejercicio de 2017, autorizándose junto con el correspondiente Dictamen.

4. Se presentó el informe del Director General de la Sociedad para su aprobación y posterior presentación al Consejo de Administración y a la Asamblea General Ordinaria de Accionistas.

5. El Director General presentó el informe sobre el cumplimiento de las operaciones de GCC con partes relacionadas, las cuales fueron aprobados para su presentación al Consejo de Administración

6. Presentación por parte de Auditoria Interna de las observaciones y recomendaciones del ejercicio 2017.

7. Se aprobó el cumplimiento a las políticas de designación y retribución para el Director General y los Directivos relevantes y su compensación.

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8. El Comité se aseguró que la Administración diese adecuado seguimiento a las recomendaciones y acciones correctivas sugeridas por los Auditores externos, sin que se presentaran irregularidades o fallas, emitiendo su opinión en los distintos asuntos de su competencia que fueron sometidos al Consejo de Administración.

9. No se presentó dispensa alguna para aprovechar oportunidades de negocio por parte de algún Consejero, Directivo Relevante o persona con poder de mando.

Chihuahua, Chih., a 20 de marzo de 2018

Atentamente

Fernando Ruiz Sahagún
Presidente del Comité de
Auditoria y Prácticas Societarias

FRS

FERNANDO RUIZ SAHAGÚN

Contador Público

INFORME DEL COMITÉ DE AUDITORIA Y PRÁCTICAS SOCIETARIAS

CIUDAD DE MÉXICO
Corporativo Pirámide
Vasco de Quiroga 2121
4º Piso, Peña Blanca Santa Fe
C.P. 01210

H. CONSEJO DE ADMINISTRACIÓN
Y ASAMBLEA GENERAL ORDINARIA DE ACCIONISTAS
DE GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. DE C.V.

Estimados Consejeros y Accionistas:

En cumplimiento a lo dispuesto por los Artículos 42 y 43 de la Ley del Mercado de Valores, sometemos a la consideración del Consejo de Administración y Asamblea de Accionistas, el siguiente informe de actividades correspondiente al ejercicio terminado el 31 de diciembre de 2016.

A partir de la Asamblea de Accionistas celebrada el 28 de abril de 2016 en la que fui designado; los miembros del Comité celebramos 6 reuniones.

En dichas reuniones se trataron los temas siguientes:

I. Con respecto a lo establecido en el Art. 42 de la Ley del Mercado de Valores, lo siguiente:

1. Discusión y análisis de las bases utilizadas para la elaboración de los Estados Financieros Trimestrales correspondientes y anual por el ejercicio 2016 de la Sociedad.

2. La presentación del avance al plan anual de auditoria interna y resultado final del ejercicio 2016.

3. Presentación al Consejo de la opinión del Informe del Director General, incluyendo los Estados Financieros Dictaminados por el ejercicio 2016.

4. Se han mantenido activos los registros de Información Financiera Internacionales IFRS y el estado actual del proceso.

5. Apoyo al Consejo de Administración en la elaboración de los informes a que se refiere el Art. 28, fracción IV, incisos c), d) y e).

6. Presentación por parte de los Auditores de Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) de los resultados a la auditoria del ejercicio fiscal 2016.

Los aspectos más relevantes fueron:

a. La presentación de los integrantes del Comité de Auditoría y de Prácticas Societarias para el ejercicio 2016 - 2017.

b. La opinión del experto independiente Deloitte, Galaz, Yamazaki, Ruiz Urquiza, S.C., de la razonabilidad de los términos de la reestructura societaria consistente en la fusión simultanea de las empresas Imin de México, S.A. de C.V. y Control Administrativo Mexicano, S.A. de C.V., como sociedades fusionadas en Grupo Cementos de Chihuahua, S.A.B. de C.V., como sociedad fusionante; así como la aprobación de los estados proforma presentados en las asambleas de accionistas.

c. La aprobación para que Camcem, S.A. de C.V., y Cemex, S.A. de C.V. sean tenedores de acciones de la Sociedad Grupo Cementos de Chihuahua, S.A.B. de C.V., que excedan del 3% del capital social en circulación, como consecuencia de la fusión.

d. Se revisó junto con Auditoria Interna el programa de pruebas a los sistemas de control interno, verificando que fuesen declarados efectivos conforme lo establece la normativa aplicable.

e. El refinanciamiento del crédito sindicado del que es parte la Sociedad y del financiamiento parcial para la Adquisición por la Sociedad de diversos activos propiedad de Cemex, S.A.B. de C.V., localizados en los Estados Unidos de América, así como, la opinión del experto independiente sobre la razonabilidad del precio pagado por dichos activos y los estados financieros proforma presentados al Consejo de Administración para su posterior aprobación por la Asamblea General Ordinaria de Accionistas.

f. La participación de la Sociedad en una oferta pública secundaria global de venta de acciones de la Sociedad, por Cemex, S.A.B. de C.V.

g. Los supuestos utilizados y los resultados obtenidos de las pruebas de estres y de negocio en marcha al 31 de diciembre de 2016

h. Resultado del estudio actuarial de beneficios a empleados para el ejercicio de 2017.

II. Se cumplió con lo señalado en el Artículo 43 de la Ley del Mercado de Valores tratándose los siguientes temas:

1. La aprobación de la contratación de la firma de Auditores Externos Galaz, Yamazaki, Ruiz, Urquiza, S.C., (Deloitte Touche Tohmatsu Limited) para el ejercicio 2016, y el Plan de Auditoria.

2. El Comité se cercioró que la Firma de Auditores Externos de Deloitte cumpliera con los criterios de independencia que establece la normativa aplicable y revisó el presupuesto de honorarios por los servicios de auditoría externa.

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3. Se revisaron los Estados Financieros de Grupo Cementos de Chihuahua, S.A.B. de C.V., y empresas subsidiarias, dictaminados por el ejercicio de 2016, autorizándose junto con el correspondiente Dictamen, a efecto de que una vez aprobados por el Consejo de Administración, sean sometidos a la Asamblea General Ordinaria de Accionistas y sean presentados a la Bolsa Mexicana de Valores.

4. El Director General presentó el informe sobre el cumplimiento de las operaciones con partes relacionadas por el año 2016, y el presupuesto para el ejercicio 2017, los cuales fueron aprobados para su presentación al Consejo de Administración.

5. El Comité durante las sesiones celebradas, revisó y evaluó los riesgos operativos de la sociedad y sus empresas controladoras, conforme a los procedimientos de Auditoría interna, analizándose el impacto potencial y las medidas correctivas.

6. Se aprobó el cumplimiento a las políticas de designación y retribución para el Director General y los Directivos relevantes y su compensación, haciéndose la propuesta al Consejo de Administración para su aprobación.

7. El Comité se aseguró que la Administración diese adecuado seguimiento a las recomendaciones y acciones correctivas sugeridas por los Auditores externos, sin que se presentaran irregularidades o fallas materiales, emitiendo su opinión en los distintos asuntos de su competencia que fueron sometidos al Consejo de Administración.

8. No se presentó dispensa alguna para aprovechar oportunidades de negocio por parte de algún Consejero, Directivo Relevante o persona con poder de mando.

Chihuahua, Chih., a 28 de marzo de 2017

Atentamente

Fernando Ruiz Sahagún
Presidente del Comité de
Auditoria y Prácticas Societarias

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