CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

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Luis Vallarino, Citibank

Adriana Villanenor, Citigroup

Mikhal Bouganim, Compass Financial

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Veronica Armas, Larrain Vial AGF

Jason Trujillo, Lord Abbett

Omar Yeolla, Oppenheimer

David Masse, Prudential

Ken Monaghan, Rogge Global Partners

Maria Aramoni, Santander

Melinda Hill, Schroders

Justin Montini, Sentry Investments

PRESENTATION

Operator

Good morning everyone, and welcome to GCC's first quarter results conference call. If you need a copy of the press release issued yesterday, it is available on the company's website at www.gcc.com.

Before we begin, I would like to remind you that this call is being recorded, and that information discussed today may include forward-looking statements regarding the company's financial and operating performance. All projections are subject to risks and uncertainties, and actual results may differ materially. Please refer to the detailed note in the Company's press release regarding forward-looking statements.

I will now turn the call over to Mr. Manuel Milán, Chief Executive Officer of GCC. Please go ahead, sir.

Manuel Milan

Hello everyone, and thank you for joining us today. I am here with Martha Rodriguez, our CFO, as well as other members of our finance team. It has been some time since we hosted such a conference call, but when we completed the refinancing process back in February, we recognized it was important to continue the conversation with our investors and creditors and share with you ongoing developments in the business on a regular basis. So it is a pleasure to be on the line with you this afternoon.

I imagine most of you have already had the opportunity to review the figures we issued after the close of market yesterday, so I will only touch briefly on the key issues and trends driving our performance, as well as some additional outlook for the year. Martha will cover the financials in a bit more detail, and then we will be happy to take any questions you may have.

To start, I would say that our performance in the quarter was largely in line with our expectations in terms of better pricing, with solid uptick in demand in Mexico, and a slow recovery in the United States taking shape. To point out the obvious, however, all construction activity, irrespective of demand – is subject to weather conditions, and unfortunately the northern regions of the United States where we operate were hit with pretty severe winter weather in the early months of the year, which put a big dent on construction work and impacted our volumes in the period. Furthermore, the weakening of the US dollar vs. the Mexican peso meant that dollar-denominated sales were lower when converted into our reporting currency.

Let's take a look at regional performance in more detail, starting with Mexico. Demand in our domestic market has strengthened since the first quarter of 2012, much of it related to public sector projects such as road and highway paving, as well as increased commercial activity. This, combined with a better pricing environment, led to volume and sales growth in the current period. I should point out that because of the timing of the Easter and Holy Week holidays, there were actually fewer days in the first quarter of 2013 compared to 2012, but that will obviously even out in the second quarter.

In the United States, as I already mentioned, weather was the key factor, and this is particularly relevant because the regions with the most growth momentum were actually the ones hardest hit. If you look at where the recovery is taking hold for the construction industry right now – a lot is coming from the energy industry, specifically the shale oil boom in North Dakota, as well as from the agricultural sector in the central and plains states, and this is exactly where weather delays were happening. On the upside, we anticipate there is pent-up demand that will support volume growth in the coming months, so we are maintaining our forecasts for the year as a whole. I also want to point out that in the southern markets where we operate, we actually saw volume growth in cement, although that was not sufficient to mitigate the declines in other regions.

Although a vigorous recovery has yet to take effect, we are very conscious of the need to ensure that our cement and concrete plants in all our markets are in optimal condition to meet our customers' needs and that we stay ahead of environmental regulations, as well as having the right distribution network in place and sufficient capacity in our energy business to supply our plants. As such, we allocated about 90 million pesos this quarter for certain investments such as NESHAP compliance (which is the National Emissions Standards for Hazardous Air Pollutants) and to the coal operations in the United States, and for upgrading machinery and transportation equipment in Mexico. While this figure is still relatively conservative in terms of capital outlays, we believe these investments better position us to take advantage of opportunities in the coming months while enhancing the efficiency of our assets.

In terms of our outlook, we expect top line performance to strengthen over the course of the year, including a recovery of Q1 volumes, which should allow us to meet guidance and drive improvements across the P&L.

At this point I will turn the call over to Martha for an overview of the financials.

Martha Rodriguez

Thank you Manuel, and hello everyone.

Consolidated sales in the quarter fell 3.7% to 1.4 billion pesos, with the decline in the US partially offset by growth in Mexico. Costs in the period were higher due to three main factors. One: the increase in fuel costs. Two: higher transport costs due to the fact that our products were sitting in rail cars during the severe winter weather and could not be delivered to customers on time. And three: slightly higher fixed production costs, which were basically salary and benefits for our personnel. Combined, these factors led to a 4.4 percentage point contraction in the gross margin and contributed to an operating loss of 68.5 million pesos in the quarter.

However, net financial expenses were lower than in 2012. This was mainly because we had a lower average debt balance, and we also benefitted from lower exchange rates on interest expenses during the period. As a result, we were able to narrow the consolidated net loss from the year ago period.

In terms of free cash flow, which was lower year over year, performance at the operating level combined with the increase in capex that Manuel discussed were the main factors, as well as a higher inventories position that was caused by weather conditions. That led to silos, plants and distribution centers remaining fuller for longer, as well as the situation I just mentioned regarding cargo in rail cars.

Regarding our financial position, it is important to highlight the two transactions we completed in February. The 260 million dollar issuance of senior secured notes, and 250 million dollars in a syndicated bank loan have help strengthen the company's capital structure by extending the maturity profile of our debt, and aligning those maturities with the expected economic recovery of the Mexican and United States markets.

Right now, our key priority as a management team is to improve the company's leverage ratios. This requires a strict focus both on increasing cash flow and paying down debt.

That concludes my comments today, so we would be happy to take any questions you may have. Thank you, operator.

Operator

We will now begin the question and answer session. If you'd like to ask a question please press the star, followed by the one, and if you'd like to withdraw your question, please press the star, followed by the two. One moment for—before our first question.

And, our first question comes from Luis Vallarino with Citibank. Please go ahead.

Luis Vallarino:

Yes, hi. Good morning, everyone. Thanks for call. Thanks, Martha (Inaudible). Is there any way to quantify the effect on the gross margin of these three major issues that you had, you know, the cargo, the fixed production costs, let's see, the delivery problem?

Martha Rodriguez:

Well, the—as you know, is the first quarter, and I want to point it out even though that we have—we feel that some of the bigger—well, one of our big issues is the seasonality and the sense, of course, because of the weather conditions and unfortunately in the first quarter, we had severe weather condition than in the first quarter of 2012. So, one of the main issues that we had was the logistics in terms of that we rent—we used to rent a railroad car and then, because of the weather conditions we had, unfortunately have to storage some of the inventory in the rail car because they would not be able to deliver to our customers. So, it is a non-recurring cost in terms of the moorage that we have to pay in the quarter.

And, of course, the increase in fuels also affected us at the—in the product, both at the beginning of the year we increased salaries and we have—we are preparing, of course, for a better second quarter and we have been fulfilling some of—some positions in the U.S. and we did not in the first quarter of 2012.

Manuel Milan:

Just complimenting Martha's comments, I would say that a good part of number one, which is fuel costs, will go away as the year goes by. We will have a little bit of energy, additional costs, but it will be marginal and, as Martha said, the pardon on transport costs should also go away as the year goes by, and finally, the one that will—we will see grow during the year is the salaries and benefits for the two reasons Martha said. On one side we are hiring additional people now. Some of the vacancies that we had in the years that just passed because of right-sizing and because of the higher wages, we had an increase at the—in January of salaries and benefits, and I would say they were pretty similar in impact, all three of these factors.

Luis Vallarino:

Got it, thanks. So, now the weather situation is much better right now and therefore the logistics issue should be fading away, or should we still have some of that effect during the second quarter?

Manuel Milan:

It will go away. We're—the winter has lasted more than usual with still, this past weekend, snow in Denver and snow in the Dakotas. However, it looks like it's turning around and we'll—just yesterday we had the best day in sales of the year so we expect this to start moving all the inventory. As Martha said, we have the system full, so we do expect to start moving that. On the other hand, we're—the things just kept piling in. The news from North Dakota are better and better, you know, as time goes by, so we—as we said a minute ago, we're still optimistic. What we have said for the year, we'll be there.

Luis Vallarino:

Right. Many thanks.

Manuel Milan:

Sure.

Operator:

Once again, ladies and gentlemen, it is star, one, if you'd like to ask a question.

Our next question comes from Ken Monaghan with Rogge Global Partners. Please go ahead.

Ken Monaghan:

Yes, thank you. A couple of questions here; first of all, could you quantify for us in any way the impact of the weather in the Northern United States? And, could you also talk about the volume question, because you had a little bit of weakness here in cement, concrete, and block, but you had a huge increase in aggregate, so I wanted to get a little bit more information on where that was rising from?

Manuel Milan:

Sure, I would like to start by saying that in our internal budget we are—we're pretty much on line. We weren't too far from what we had—what we have in our internal budget. It does, because, of course, last year's winter was very mild, so we had a head start last year. What's going to happen and, just saying again what I said a minute ago, we have a big backlog, both in cement and concrete, so it'll start just happening. We're getting ready because it's going to be—it could get into being a logistic nightmare if all the customers want to do their jobs at the same time, so we're getting ready for that. We have—as Martha said a minute ago, we have cement all over the system and we're ready.

As you could see in our numbers, we're down from last year 2% in cement in the U.S., but 23% in concrete. We've had some additional sales in cement in the south, unfortunately at lower margins, because that sold to another cement company and, of course, that is always a different drive (inaudible) than when you sell it to typical customers. So, you can see that it—23% under last year in concrete is really what's happening in this winter.

Mexico is not too far away and again, we do expect to get to the volumes that we have talked about during the year.

Ken Monaghan:

Could you touch on, as well, if you would please, to what extent the stresses the Mexican home building industry seems to be going through, or having any impact either in this last quarter, or expected for the—through the year?

Manuel Milan:

Well, I don't think we will see housing as we used to for some years. It's going to—housing's going to struggle this year and probably even next year in Mexico. I think that the deficit on housing that we used to have is mostly gone, so housing will stay more similar to population growth because most of the deficit has been covered.

We are—however, in Mexico we are seeing non-residential and infrastructure to be very, very strong and that will certainly give us the—we expect a good growth compared to last year.

Ken Monaghan:

Okay, thank you. I'll get back in the queue. (Cross talking).

Manuel Milan:

I'm sorry, go ahead.

Martha Rodriguez:

We are in the north of the country and we give a lot of inventory in housing in Juárez in the—that there was—the market there was growing higher than the rest of the country, so we are not seeing a strong recovery in that.

Ken Monaghan:

Just one—sorry, one more quick question. On the free cash flow commentary, you noted that the inventories had been taken up during the quarter. Should we assume that that inventory rise really partly relates to being positioned for the second quarter when the weather improves?

Manuel Milan:

Yes, exactly. We—we're—especially in the U.S. we're in a seasonal part of the country where we build inventories during winter and sell during summer, so yes. And again, this winter has taken longer to go, so yes, the inventory is there for sales during—I would say during this week, all the way to November.

Ken Monaghan:

Thank you.

Operator:

Our next question comes from David Masse with Prudential, please go ahead:

David Masse:

Hi, good afternoon. Thanks for the call. I just wanted to ask you to repeat your guidance for the year. I know you said you were maintaining it, but I'm sorry I didn't hear what it was.

Martha Rodriguez:

Well, we have not disclosed our guidance. I think that we will do that in the next month. As we have pointed out, this first quarter was —we would guess that it's (inaudible) was going on with the quarter and, as Manuel was saying, the past week it was still snowing in the north region of U.S. markets where we serve, so I think that we will be able to send you guidance in about a month.

David Masse:

Okay, great. Thank you.

Martha Rodriguez:

That's a—we are still hoping that the—well, our predications in our budget, we will comply with that; we will be able to fill all the volumes that were not made in this first quarter in the remaining of the year.

David Masse:

I see, thank you.

Martha Rodriguez:

And unfortunately, something—some was being for SEC was that the prices that have been—the increasing prices have been materialized, so we hope that we will be able to comply with our financial commitments.

David Masse:

Okay, thank you.

Operator:

And, Sir, I'm not showing any questions in the queue at this time. Please go ahead.

We do have a question coming from Maria Aramoni with Santander. Please go ahead.

Maria Aramoni:

Yes, hi. Thank you. Thank you very much for—thank you very much for the call. During the road show for the bond you said that the Company net leverage was going to be for 2.75 for (inaudible) and '15, and that in the short-term you're going to reach levels below four times. Are you expecting that?

Martha Rodriguez:

Within this year?

Maria Aramoni:

Within this year, yes.

Martha Rodriguez:

Yes. We are right now—well, if you were here, the first month's EBITDA of the quarter we are higher than we expected in the first quarter, but…

Maria Aramoni:

Mm-hmm.

Martha Rodriguez:

Due that we are considering that we would comply with ourprojection, we are expecting to be below the first time (ph) at the end of the year.

Maria Aramoni:

Okay, and are you expecting to burn more free cash flow during the year?

Martha Rodriguez:

What's that? Excuse me?

Maria Aramoni:

Are you expecting to burn more free cash flow during the year?

Martha Rodriguez:

No. I think that—well, as we say, right now, unfortunately we have (inaudible) or this consequence of the weather, et cetera, but we are hoping that the free cash flow will be higher than expected than we had this first quarter. As soon as we, you know, continue with safe growth in the inventories, we'll go down.

It is an effect, of course, on the second and the third quarter on the account receivables that if—because you know if we are growing safe, but we think, and which have been recorded in some accounts receivables during the winter. So—but, we think that at the end of the year we will be in—online with our prediction to not use more cash in working costs.

Maria Aramoni:

Okay, thank you very much.

Operator:

And sir, there are no further questions at this time. Please go ahead. Sir, there are no further questions.

Manuel Milan:

Thank you everyone, we appreciate your time and look forward to speaking with you again soon. Please don't hesitate to contact us if you have any additional comments or questions.

Operator:

Ladies and gentlemen…

Martha Rodriguez:

Thank you very much.

Operator:

Ladies and gentlemen, this concludes the call. We would like to thank you for your participation and you may now disconnect.