

# 2018

## FIRST QUARTER EARNINGS REPORT



FOR MORE INFORMATION: [investors@gcc.com](mailto:investors@gcc.com)

GRUPO CEMENTOS  
DE CHIHUAHUA,  
S.A.B. DE C.V.  
(BMV: GCC \*)

## GCC REPORTS FIRST QUARTER 2018 RESULTS

**Chihuahua, Chihuahua, Mexico, April 24, 2018** – Grupo Cementos de Chihuahua, S.A.B. de C.V. (BMV: GCC \*), a leading producer of cement and ready-mix concrete in the United States and Mexico, today announces its results for the first quarter of 2018.

### HIGHLIGHTS

GCC had a strong start to 2018, with double-digit increases in sales and EBITDA. The increases reflect strong cement demand and favorable cement pricing environments in both the United States and Mexico; increased ready-mix demand in Mexico; the effect of peso appreciation compared to the dollar; and strict control of operating expenses.

### KEY FIGURES (millions of dollars)

	1Q18	1Q17	1Q18 vs. 1Q17
Net Sales	188.7	166.1	13.6%
Operating Income before other expenses	25.4	12.3	107.1%
EBITDA	45.9	32.6	40.6%
EBITDA margin	24.3%	19.6%	
Consolidated Net Income	11.3	1.7	554.6%
Earnings per Share (US\$)	0.034	0.005	

*EBITDA: operating income before other expenses + depreciation and amortization*

- Total sales increased 13.6% in the first quarter of 2018, with U.S. sales up 11.9% and Mexico sales up 18.0%.
- EBITDA grew 40.6%, and the EBITDA margin increased 470 basis points.
- Net income increased 554.6%, with earnings per share of US\$ 0.034.
- Operating income before other expenses increased 107.1%.
- Net leverage (Net debt/EBITDA) fell to 1.83 at the end of March 2018.

## FINANCIAL RESULTS

Consolidated Net Sales for the first quarter of 2018 increased to US\$ 188.7 million, 13.6% higher than the same period of 2017.

### NET SALES

Millions of dollars	1Q18	1Q17	1Q18 vs. 1Q17
<b>Consolidated</b>	<b>188.7</b>	<b>166.1</b>	<b>13.6%</b>
United States	133.2	119.0	11.9%
Mexico	55.6	47.1	18.0%
<b>1Q18 vs 1Q17</b>			
	<b>Volumes</b>	<b>Prices *</b>	
<b>Cement</b>	<b>13.2%</b>		
United States	20.3%	2.8%	
Mexico	2.0%	9.6%	
<b>Concrete</b>	<b>0.8%</b>		
United States	-9.8%	-0.4%	
Mexico	4.8%	3.2%	
*Prices in local currency			

U.S. sales rose 11.9% to US\$ 133.2 million and represented 71% of GCC's consolidated net sales. The strong growth mainly reflects higher cement sales volumes in Texas (particularly in the Permian Basin), New Mexico, and Minnesota. U.S. cement volumes increased 20.3%. Concrete volumes decreased 9.8%, largely because of weather-related effects.

Cement prices rose 2.8%, and concrete prices decreased 0.4%.

The most dynamic sectors in the regions where GCC operates were oil well drilling, residential real estate, and public-sector construction.

Mexico sales rose 18.0% to US\$ 55.6 million and represented 29% of total sales. Cement prices (in pesos) rose 9.6% and concrete prices of 3.2%. Cement volumes increased 2.0% and ready-mix volumes rose 4.8%. The appreciation of the peso against the dollar also increased reported Mexico sales.

The housing, commercial and industrial, and mining sectors had the largest volume increases.

Projects supporting demand included a real estate development, high rise apartment buildings, a power plant, and several industrial warehouses. These new projects offset the effects of the completion of a brewery and glass bottle manufacturing plant that contributed to 2017 volumes.

**Cost of Sales** totaled US\$ 141.8 million in 1Q18 and represented 75.1% of sales, a decrease of 4.5 percentage points, principally as a result of operating leverage, higher prices, operating efficiencies, and a reduction in electricity costs in Mexico.

**Operating Expenses** decreased 0.4% to US\$ 21.5 million and were equivalent to 11.4% of sales, a decrease of 1.6 percentage points. The decrease resulted mainly from acquisition-related integration expenses in the 2017 period and a stronger average peso exchange rate.

**Operating Income before Other Expenses** increased 107.1% to US\$ 25.4 million.

**Operating Income** increased 105.7% to US\$ 25.2 million.

**EBITDA** increased 40.6% to US\$ 45.9 million. The EBITDA margin represented 24.3% of sales and was 4.7 percentage points higher than 1Q17.

U.S. operations generated 48% of EBITDA, while Mexico operations generated 52%.

**Net Financial Expenses** decreased 24.7% to US\$ 11.1 million. The reduction was principally a result of lower interest expense from the senior secured notes refinancing in June 2017 and higher interest income from higher cash balances.

**Income Taxes** totaled US\$ 3.2 million, compared to a tax credit of US\$ 3.9 million in 1Q17 resulting from a pre-tax loss in the prior year period.

**Consolidated Net Income** was US\$ 11.3 million, a 554.6% increase. The increase was the result of higher operating income before other expenses and reductions in financial expenses, which were partially offset by higher taxes.

**Earnings per Share** were US\$ 0.0340 per share, compared to US\$ 0.0052 in 1Q17.

**Free Cash Flow** in the first quarter required resources for US\$ 10.0 million, 55.8% lower than the US\$ 22.7 million required in 1Q17. The decrease resulted principally from higher working capital requirements as a result of higher sales and an increase in maintenance Capex, which offset the increase in EBITDA and lower financial expenses.

## EBITDA AND FREE CASH FLOW (millions of dollars)

	1Q18	1Q17	Var
<b>Operating income before other expenses</b>	<b>25.4</b>	<b>12.3</b>	<b>107.1%</b>
Depreciation and amortization	20.5	20.4	0.5%
<b>EBITDA</b>	<b>45.9</b>	<b>32.6</b>	<b>40.6%</b>
Interest income (expense)	(4.6)	(17.7)	-74.1%
(Increase) Decrease in working capital	(38.4)	(21.7)	77.2%
Taxes	(0.9)	(1.6)	-41.8%
Other	2.3	(6.4)	136.0%
<b>Operating cash flow</b>	<b>4.3</b>	<b>(14.7)</b>	<b>129.2%</b>
Maintenance Capex*	(14.3)	(7.9)	80.2%
<b>Free cash flow</b>	<b>(10.0)</b>	<b>(22.7)</b>	<b>55.8%</b>
Initial cash balance	232.9	163.9	42.2%
FX effect	3.6	5.4	-32.0%
Growth capital expenditures and other related expenses	(11.6)	(9.2)	26.4%
Debt amortizations, net	(1.8)	(0.4)	400.0%
Dividends paid	0.0	0.0	0.0%
<b>Final cash balance</b>	<b>213.2</b>	<b>137.0</b>	<b>55.6%</b>

\*excludes capital expenditures for growth and expansion

**Interest-Bearing Debt** as of March 31, 2018 totaled US\$ 694.9 million, based on contractual balances, 0.7% lower than the level as of March 31, 2017.

Short-term debt was US\$ 22.8 million, or 3.3% of the total.

GCC's debt is 100% denominated in U.S. dollars.

Net leverage (Net debt/EBITDA) at the end of the first quarter of 2018 was 1.83 times. As of March 31, 2017, the ratio was 2.65.

## INTEREST-BEARING DEBT (millions of dollars)

	Dec-2018	Dec-2017	2018 vs. 2017
<b>TOTAL</b>	<b>694.9</b>	<b>700.2</b>	<b>-0.7%</b>
Short-term	22.8	5.3	333.3%
Long-term	672.2	694.9	-3.3%

\*excluding amortizable commissions and issuance expenses

**BASIS OF PREPARATION FOR FINANCIAL STATEMENTS**

Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and use the U.S. dollar as the presentation currency. (See the section below on change in reporting currency.)

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

**EXCHANGE RATES** (Pesos per U.S. Dollar)

	2018	2017
First quarter average	18.7501	20.3661
As of March 31	18.2709	18.8092
Twelve-month average	18.7501	20.3661

Unless otherwise stated, all percentage changes refer to fourth quarter of 2017 or full year 2017 amounts compared to those of the corresponding period of 2016.

**ANALYST COVERAGE**

In accordance with Mexican Stock Exchange regulations, the Company informs that analysts currently covering GCC stock include: Acciones y Valores Banamex, J.P. Morgan, Bank of America Merrill Lynch, and UBS Casa de Bolsa.

**MATERIAL AND SUBSEQUENT EVENTS****Change in functional and reporting currency**

On April 24, 2018, GCC announced adoption of the U.S. dollar as its reporting currency, in place of the Mexican peso, taking into account IAS 21 The Effects of Changes in Foreign Exchange Rates. As a result, GCC's financial statements starting with the first quarter of 2018 will be presented in U.S. dollars.

The adoption takes into account the fact that transactions in the primary economic environment in which GCC operates take place in U.S. dollars, and financial statements reported in dollars better represent the results of operations and financial condition of the Company.

## **Market Maker Agreement**

On March 12, 2018 GCC announced the signing of a Market Maker agreement with UBS Casa de Bolsa, S.A. de C.V., UBS Grupo Financiero, to promote the trading liquidity of GCC stock on the Mexican Stock Exchange, in accordance with applicable laws and regulations. The agreement is effective as the date of the announcement.

## **CONFERENCE CALL**

Grupo Cementos de Chihuahua, S.A.B. de C.V. will host its earnings conference call on April 25, 2018.

Time: 11:00 am (Eastern Time) / 10:00 am (Mexico City) / 09:00 am (Mountain Time)

Dial in: U.S.: 1-888-289-0438 Toll Free  
International: 1-323-794-2423  
Conference ID: 7937298

Replay (through May 2, 2018):  
U.S.: 1-844-512-2921 Toll Free  
International: 1-412-317-6671  
Conference ID: 7937298

Listen-only webcast and replay: [click here.](#)

## Income Statement

(Thousands of dollars)

	1Q 2018	%	1Q 2017	%	1Q18 / 1Q17
<b>Net sales</b>	<b>188,749</b>	100.0%	<b>166,115</b>	100.0%	<b>13.6%</b>
USA sales	133,165	70.6%	119,004	71.6%	11.9%
Mexico sales	55,584	29.4%	47,111	28.4%	18.0%
Cost of sales	141,802	75.1%	132,237	79.6%	7.2%
<b>Gross income</b>	<b>46,947</b>	24.9%	<b>33,878</b>	20.4%	<b>38.6%</b>
Operating expenses	21,530	11.4%	21,607	13.0%	-0.4%
<b>Operating income before other expenses, net</b>	<b>25,417</b>	13.5%	<b>12,271</b>	7.4%	<b>107.1%</b>
Other expenses, net	171	0.1%	-	0.0%	100.0%
<b>Operating income</b>	<b>25,246</b>	13.4%	<b>12,271</b>	7.4%	<b>105.7%</b>
Financial income	1,580	0.8%	790	0.5%	100.0%
Financial expenses	(11,102)	-5.9%	(13,280)	-8.0%	-16.4%
Exchange gain (loss), net	(1,608)	-0.9%	(2,296)	-1.4%	-30.0%
<b>Net financing expenses</b>	<b>(11,130)</b>	-5.9%	<b>(14,786)</b>	-8.9%	<b>-24.7%</b>
Earnings in associates	392	0.2%	312	0.2%	25.6%
<b>Income (loss) before taxes</b>	<b>14,508</b>	7.7%	<b>(2,203)</b>	-1.3%	<b>758.6%</b>
Income taxes	3,196	1.7%	(3,931)	-2.4%	181.3%
<b>Consolidated net income</b>	<b>11,312</b>	6.0%	<b>1,728</b>	1.0%	<b>554.6%</b>
<b>Controlling interest</b>	<b>11,312</b>	6.0%	<b>1,695</b>	1.0%	<b>567.4%</b>
<b>Non-controlling interest</b>	<b>-</b>	0.0%	<b>33</b>	0.0%	<b>-100.0%</b>
<b>EBITDA</b>	<b>45,888</b>	24.3%	<b>32,641</b>	19.6%	<b>40.6%</b>
Free cash flow	(10,014)	(0)	(22,660)	-13.6%	55.8%



## Statement of Financial Position (Thousands of dollars)

	March 2018	March 2017	Variation
<b>Total assets</b>	<b>1,918,004</b>	<b>1,889,966</b>	<b>1.5%</b>
<b>Current Assets</b>	<b>498,378</b>	<b>395,860</b>	<b>25.9%</b>
Cash and cash equivalents	213,196	137,007	55.6%
Accounts receivable, net	91,070	80,651	12.9%
Other accounts receivable, net	45,230	42,457	6.5%
Due from related parties	1,668	1,797	-7.2%
Inventories	98,318	90,931	8.1%
Urban land	36,945	32,931	12.2%
Prepaid expenses	11,951	10,085	18.5%
<b>Non-current assets</b>	<b>1,419,626</b>	<b>1,494,106</b>	<b>-5.0%</b>
Investment in associates	11,146	9,011	23.7%
Property, machinery and equipment, net	949,591	938,636	1.2%
Goodwill	387,391	404,752	-4.3%
Intangible assets, net	59,696	63,697	-6.3%
Other non-current assets	7,051	4,306	63.7%
Deferred taxes	4,751	73,704	-93.6%
<b>Total liabilities</b>	<b>960,770</b>	<b>1,009,507</b>	<b>-4.8%</b>
<b>Current liabilities</b>	<b>165,331</b>	<b>144,204</b>	<b>14.7%</b>
Current portion of long term debt	22,750	5,250	333.3%
Trade accounts payable	68,225	69,225	-1.4%
Due to related parties	617	831	-25.8%
Short term - employee benefits	21,190	19,615	8.0%
Accrued expenses and taxes other than income taxes	46,788	43,513	7.5%
Provisions	5,761	5,770	-0.2%
<b>Long-term liabilities</b>	<b>795,439</b>	<b>865,303</b>	<b>-8.1%</b>
Long term debt	659,317	684,757	-3.7%
Employee benefits	41,551	38,353	8.3%
Provision para restauracion ambiental	9,062	8,577	5.7%
Other long-term liabilities	697	719	-3.1%
Income taxes payable	31,740	43,045	-26.3%
Deferred income taxes	53,072	89,853	-40.9%
<b>Total equity</b>	<b>957,234</b>	<b>880,459</b>	<b>8.7%</b>
<b>Controlling interest</b>	<b>957,204</b>	<b>880,248</b>	<b>8.7%</b>
Capital stock	32,070	32,070	0.0%
Additional paid-in capital	148,365	148,365	0.0%
Reserves	22,659	22,659	0.0%
Retained earnings	1,000,666	927,871	7.8%
Net consolidated income	11,312	1,695	567.4%
Other comprehensive income	(257,868)	(252,412)	-2.2%
<b>Non-controlling interest</b>	<b>30</b>	<b>211</b>	<b>-85.8%</b>
<b>Total Liabilities and Equity</b>	<b>1,918,004</b>	<b>1,889,966</b>	<b>1.5%</b>

## ABOUT GCC

GCC is a leading supplier of cement, concrete, aggregates, and construction-related services in Mexico and the United States. The Company has annual cement production capacity of 5.1 million tons.

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

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