

# 2019

## FOURTH QUARTER EARNINGS REPORT



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## GCC REPORTS FOURTH QUARTER AND FULL YEAR 2019 RESULTS

**Chihuahua, Mexico, February 20, 2020** – Grupo Cementos de Chihuahua, S.A.B. de C.V. (BMV: GCC\*), a leading supplier and producer of cement and concrete in the United States, Mexico and Canada, today announced its results for the fourth quarter and full year 2019.

Results from assets sold in June 2018 (including sales, costs and expenses) have been reported as discontinued operations, in accordance with IFRS-5 – Non-Current Assets Held for Sale and Discontinued Operations. Information on sales volumes refers to continuing operations only.

### Q4 2019 HIGHLIGHTS

- U.S. cement volumes increased 12.3%; a record high fourth quarter for the Company
- Consolidated net sales increased 11%, to US\$ 228.6 million
- EBITDA increased 49.6%, to US\$ 86.4 million, with a 37.8% EBITDA margin; a 974 basis point increase
- Free cash flow increased 87.6% to US\$ 82.5 million, with a conversion rate from EBITDA of 95%
- Net leverage (net debt/EBITDA) ratio decreased from 1.52x in September 2019 to 1.11x as of December 2019
- Earnings per share increased 71.6% year-on-year, to US\$ 0.1180

### FY 2019 HIGHLIGHTS

- 2019 consolidated net sales increased 5.8%, to US\$ 934.1 million
- EBITDA increased 13.9% to US\$ 292 million. EBITDA margin expanded 230 basis points to 31.3%
- Free cash flow was US\$ 137 million; a 47% conversion rate from EBITDA
- 2019 earnings per share increased 79.9% year-on-year, to US\$ 0.3518
- Fitch Ratings upgraded GCC's credit rating to 'BB+' from 'BB' with a stable outlook
- GCC's Corporate Technical and Operations Office (CTOO) began operation with the goal of supporting the Company's growth strategy, strengthening operations and supporting GCC's continued expansion
- New cement terminal opened in Fort Stockton, Texas
- A dividend of Ps. 0.8189 per outstanding share was paid on August 15, 2019, representing a 15% year-on-year increase
- Two long-term agreements were signed with renewable energy suppliers covering approximately 20% and 100% of the electricity consumed at Mexico's operations and Odessa's cement plant, respectively

## KEY FIGURES (millions of dollars)

	Q4-19	Q4-18	Q4-19 vs. Q4-18	2019	2018	2019 vs. 2018
Net sales	228.6	205.9	11.0%	934.1	883.2	5.8%
Operating income before other expenses, net	60.4	29.1	107.6%	183.6	169.8	8.1%
EBITDA*	86.4	57.7	49.6%	292.0	256.4	13.9%
EBITDA margin	37.8%	28.1%		31.3%	29.0%	
Free cash flow**	82.5	44.0	87.6%	137.0	106.4	28.8%
Net income	39.3	22.9	71.7%	117.0	65.0	79.9%
Earnings per share (US\$)***	0.1180	0.0688	71.6%	0.3518	0.1956	79.9%

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

\*\*Free cash flow before expansion CapEx.

\*\*\*Earnings per share calculated based on average number of outstanding shares during the quarter

**Enrique Escalante, GCC's Chief Executive Officer, commented:** *"We closed 2019 delivering strong results despite the challenges we faced during the first half of the year. Our strong operational capabilities coupled with our robust and unique distribution network enabled us to quarterly record high cement volumes in the U.S, exceeding our annual guidance, on the back of improved weather conditions. Mexico, which performed above our expectations, both in volumes and prices, also contributed to these strong results.*

*During the year we also made significant progress in our sustainability efforts by implementing best practices to mitigate impacts on our environment and on the communities we serve, further strengthening our Company's long term strategy."*

**Mr. Escalante continued,** *"Looking ahead, the underlying trends of our business remain strong and we expect positive momentum to continue in 2020, while the US economy continues to show solid economic fundamentals, we are cautiously optimistic about Mexico on the back of macroeconomic conditions and an increasing competitive environment."*

## FINANCIAL RESULTS

**Consolidated net sales** for the fourth quarter of 2019 increased by 11%, to US\$ 228.6 million, from US\$ 205.9 million in the fourth quarter 2018. This was primarily due to increased cement and concrete volumes in the U.S., increased concrete volumes in Mexico, as well as a favorable pricing environment in both markets.

*Twelve months:* Consolidated net sales increased 5.8%, to US\$ 934.1 million. The increase was due to higher cement volumes in the United States, and increased cement and ready-mix volumes in Mexico, as well as price increases in both markets.

For comparative purposes, consolidated net sales excluding the Trident cement plant acquired in Q2 2018 would have increased by 4.3%.

### NET SALES (millions of dollars)

	Q4-19	Q4-18	Q4-19 vs. Q4-18	2019	2018	2019 vs. 2018
<b>Consolidated</b>	<b>228.6</b>	<b>205.9</b>	<b>11.0%</b>	<b>934.1</b>	<b>883.2</b>	<b>5.8%</b>
United States	167.0	147.5	13.2%	681.9	647.2	5.4%
U.S. like-like	N.A	N.A	N.A.	645.2	624.2	3.4%
Mexico	61.6	58.3	5.6%	252.3	236.1	6.9%

  

	Q4-19 vs. Q4-18		2019 vs. 2018	
	Volumes	Prices*	Volumes	Prices*
<b>Cement</b>				
United States	12.3%	2.9%	5.6%	2.6%
U.S. like-like	N.A	N.A	2.4%	3.1%
Mexico	-1.0%	2.8%	2.9%	4.7%
<b>Concrete</b>				
United States	11.3%	4.8%	-1.8%	5.7%
Mexico	4.7%	2.3%	4.7%	6.1%

\*Prices in local currency

**U.S. sales**, which represented 72% of GCC's fourth quarter 2019 consolidated net sales, increased by 13.2% to US\$ 167 million. This was due to a 12.3% increase in cement volumes and 11.3% increase in concrete volumes, as well as a 2.9% and 4.8% price increase, respectively.

The increase in cement sales volumes was primarily due to strong demand during the quarter and to the significant backlog in all of GCC's market segments, as well as to demand

related to a late construction season start. Sales were further supported by favorable weather during the fourth quarter 2019.

The most dynamic market segments during the quarter were housing and infrastructure construction in Colorado, oil well drilling and other construction in the Permian Basin in Texas, and wind farm projects in the northern Midwest and Plains states.

*Twelve months:* U.S. sales increased 5.4%, to US\$ 681.9 million. This was primarily due to a 5.6% increase in cement volumes, as well as to 2.6% and 5.7% increase in cement and concrete prices, respectively, which were partially offset by a 1.8% decrease in concrete volumes.

Excluding the operations acquired in Q2 2018, U.S. sales would have increased by 3.4%, cement prices by 3.1% and cement sales volumes by 2.4%.

**Mexico sales**, which represented 28% of GCC's consolidated net sales, increased 5.6% in the fourth quarter 2019, to US\$ 61.6 million. This was due to a 4.7% increase in concrete volumes with a 2.8% and 2.3% increase in cement and concrete prices, respectively, and was further supported by the appreciation of the Mexican peso against the U.S. dollar during the quarter. This was partially offset by a 1% decrease in fourth quarter 2019 cement volumes.

Mexico sales during the quarter were primarily driven by demand related to industrial warehouse construction, mining projects and middle-income housing construction in the northern cities.

*Twelve months:* Mexico sales rose 6.9% to US\$ 252.3 million, primarily due to a 2.9% and 4.7% increase in cement and concrete volumes, respectively, as well as a 4.7% and 6.1% increase in prices, respectively.

**Cost of sales** totaled US\$ 149.8 million in the fourth quarter 2019, representing 65.6% of total sales, compared to 76.8% in the fourth quarter 2018. This decrease was primarily due to:

- Favorable selling prices
- Lower maintenance expenses
- Year-end accrual reversals to reflect the recovery of bad debt and employee benefits
- A change in the accounting treatment of GCC's long-term incentive compensation plan
- Higher fixed cost dilution from increased sales volumes

In addition, it's important to note that fourth quarter 2018 cost of sales was impacted by several one-time expenses, specifically expenses related to the Rapid City plant expansion and tie-in process delay, as well as the reactivation of a kiln to produce and export oil well cement at the Chihuahua plant.

*Twelve months:* Cost of sales was 71.4% of revenues; a 0.8 percentage-point decrease from the same period in 2018. The full year decrease was primarily due to favorable prices in both divisions, operating leverage and the aforementioned positive accruals, partially offset by higher variable costs, increased freight costs and higher electricity and fuel costs in Mexico.

**Selling, general and administrative expenses** totaled US\$ 18.3 million in the fourth quarter 2019, equivalent to 8% of consolidated net sales; a 110 basis point decrease.

*Twelve months:* Selling, general and administrative expenses totaled US\$ 83.3 million. These were equivalent to 8.9% of sales; a 30 basis point increase.

**Operating income before other expenses** increased 107.6%, to US\$ 60.4 million in the fourth quarter 2019.

*Twelve months:* Operating income before other expenses increased 8.1%, to US\$ 183.6 million.

**Other expenses** were US\$ 6.6 million, compared to US\$ 0.4 million in the prior year period, as a result of the annual impairment of assets related to the ready-mix business.

*Twelve months:* Other expenses were US\$ 7.3 million, compared to US\$ 8.3 million in the prior year period. This decrease in expenses and commissions was related to assets which had since been divested as well as to acquisitions made in Q2 2018, partially offset by the impairment recorded in Q4-19.

**Operating Income** increased 87.8% to US\$ 53.8 million in the fourth quarter 2019.

*Twelve months:* Operating income increased 9.2% to US\$ 176.3 million.

**EBITDA** increased 49.6% to US\$ 86.4 million, while the EBITDA margin expanded 9.7 percentage points to 37.8%. In the fourth quarter of 2019, 68% of EBITDA was generated by the Company's U.S. operations and 32% by its Mexico operations.

For comparative purposes, fourth quarter 2019 EBITDA would have increased 41.4% year-on-year on a pro forma basis when excluding the IFRS-16 effect on Q4-19 results, with a 35.7% margin.

*Twelve months:* EBITDA increased 13.9% to US\$ 292 million, with a 31.3% margin; 2.3 percentage points above the prior year period.

For comparative purposes, 2019 EBITDA would have increased 5.8% year-on-year on a pro forma basis when excluding the IFRS-16 effect on 2019 results, with a 29% margin.

GCC's U.S. operations generated 66% of EBITDA and Mexico generated 34% of EBITDA for the full year 2019.

EBITDA excluding acquired operations would have increased 13.3%, to US\$ 280 million, while the 2019 EBITDA margin would have expanded by 2.5 percentage points to 31.2%.

**Net financial expenses** decreased 24.4%, to US\$ 6.3 million, primarily due to a decrease in financial expenses in the fourth quarter 2019. This was due to lower interest rates on the variable portion of the financial debt which was partially offset by appreciation of the peso relative to the U.S. dollar.

*Twelve months:* Net financial expenses decreased 18.4%, to US\$ 36.3 million, primarily due to lower interest rates, the absence of commissions and fees paid related to bank debt refinancing, lower debt balance and higher cash balance compared to 2018.

**Income tax** totaled US\$ 8.8 million in the fourth quarter 2019.

*Twelve months:* Income tax totaled US\$ 25.1 million; a 50.5% year-on-year increase.

**Income before discontinued operations** was US\$ 39.2 million for the fourth quarter 2019; a 79.4% year-on-year increase.

*Twelve months:* Income before discontinued operations increased 11.3% to US\$ 117 million.

There were no effects resulting from **discontinued operations** in the fourth quarter 2019, as compared to a US\$ 1 million loss in Q4-18.

*Twelve months:* There were no effects from Discontinued Operations in 2019, as compared to a US\$ 40.1 million loss in the prior year period.

**Consolidated net income** was US\$ 39.3 million for the fourth quarter 2019, compared to US\$ 22.9 million in Q4-18; representing a 71.7% increase.

*Twelve months:* Consolidated net income increased 79.9% and totaled US\$ 117 million for the full year 2019, compared to US\$ 65 million for the same period of 2018.

**Earnings per share** was US\$ 0.1180, compared to US\$ 0.0688 in Q4-18, a 71.6% increase.

*Twelve months:* Earnings per share reached US\$ 0.3518, as compared to US\$ 0.1956 for the full year 2018, a 79.9% increase.

**Free cash flow** was US\$ 82.5 million in the Q4-19; an 87.6% increase compared to US\$ 44 million in Q4-18. This reflects increased EBITDA generation after operating leases (IFRS-16), lower interest expenses, decrease in working capital requirements and a decrease in maintenance CapEx, partially offset by higher cash taxes.

*Twelve months:* Free cash flow was US\$ 137 million; a 28.8% increase compared to US\$ 106.4 million generated in the full year 2018. This was primarily due to higher EBITDA generation after operating leases (IFRS-16), as well as lower interest expenses and maintenance CapEx, which were partially offset by higher working capital requirements and cash taxes.

## FREE CASH FLOW (millions of dollars)

	Q4-19	Q4-18	Var	2019	2018	Var
<b>Operating income before other expenses</b>	<b>60.4</b>	<b>29.1</b>	<b>107.6%</b>	<b>183.6</b>	<b>169.8</b>	<b>8.1%</b>
Depreciation and amortization	26.0	28.7	-9.3%	108.4	86.5	25.3%
<b>EBITDA</b>	<b>86.4</b>	<b>57.7</b>	<b>49.6%</b>	<b>292.0</b>	<b>256.4</b>	<b>13.9%</b>
Interest (expense)	(9.0)	(9.9)	-9.4%	(24.6)	(48.1)	-48.9%
(Increase) Decrease in working capital	52.7	36.3	45.2%	(19.0)	(11.0)	72.8%
Taxes	(1.2)	(0.5)	174.7%	(21.2)	(15.9)	33.1%
Accruals and other accounts	(35.2)	(30.3)	16.1%	(29.0)	(23.9)	21.6%
Operating leases (IFRS 16 effect)	(4.8)	0.0	100.0%	(20.8)	0.0	100.0%
<b>Flow from continuing operations, net</b>	<b>88.8</b>	<b>53.3</b>	<b>66.6%</b>	<b>177.4</b>	<b>157.4</b>	<b>12.6%</b>
Flow from discontinued operations	0.0	0.0	0.0%	0.0	1.7	-100.0%
<b>Operating cash flow</b>	<b>88.8</b>	<b>53.3</b>	<b>66.6%</b>	<b>177.4</b>	<b>159.1</b>	<b>11.4%</b>
Maintenance CapEx*	(6.3)	(9.3)	-32.1%	(40.4)	(52.8)	-23.5%
<b>Free cash flow</b>	<b>82.5</b>	<b>44.0</b>	<b>87.6%</b>	<b>137.0</b>	<b>106.4</b>	<b>28.8%</b>
Growth capital expenditures and other related expenses	(10.9)	(14.4)	-23.8%	(24.3)	(52.3)	-53.4%
Sale of assets	1.2	0.0	100.0%	1.2	118.5	-99.0%
Purchase of assets	0.0	0.0	0.0%	0.0	(107.5)	-100.0%
Debt amortization, net	(2.0)	0.0	100.0%	(4.4)	(34.9)	-87.4%
Dividends paid	0.0	0.0	0.0%	(13.9)	(12.6)	10.4%
FX effect	2.9	(1.6)	n.m.	3.2	1.3	147.5%
Initial cash balance	276.9	223.8	23.7%	251.8	232.9	8.1%
<b>Final cash balance</b>	<b>350.5</b>	<b>251.8</b>	<b>39.2%</b>	<b>350.5</b>	<b>251.8</b>	<b>39.2%</b>
<b>FCF conversion rate**</b>	<b>95.5%</b>	<b>76.1%</b>		<b>46.9%</b>	<b>41.5%</b>	

\*Excludes capital expenditures for growth and expansion

\*\*Free cash flow conversion rate: free cash flow after maintenance CapEx/EBITDA

**Total debt** was US\$ 657.4 million as of December 31, 2019, based on contractual balances; a 0.7% year-on-year decrease.

Short-term debt was US\$ 25.4 million, representing 3.9% of the total debt.

As of December 2019, 100% of GCC's total debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the fourth quarter 2019 was 1.11 times, compared to 1.55 as of December 31, 2018, appropriately aligned with contractual obligations.

## INTEREST-BEARING DEBT\* (millions of dollars)

	Dec-2019	Dec-2018	2019 vs. 2018
<b>Total</b>	<b>657.4</b>	<b>661.8</b>	<b>-0.7%</b>
Short-term	25.4	4.4	477.8%
Long-term	632.0	657.4	-3.9%

\*Excludes amortizable commissions and issuance expenses

## OUTLOOK FOR 2020

2020 Outlook		
<b>United States</b>		
<b>Volumes</b>	Cement	1% - 3%
	Concrete	
<b>Prices (US\$)</b>		
	Cement	3% - 5%
	Concrete	2% - 4%
<b>Mexico</b>		
<b>Volumes</b>	Cement	1% - 3%
	Concrete	
<b>Prices (Ps.)</b>	Cement	2% - 4%
	Concrete	3% - 4%
<b>Consolidated</b>		
<b>EBITDA Growth</b>		6% - 9%
<b>FCF Conversion Rate*</b>		> 50%
<b>Total CapEx</b>		US\$ 70 million
	Maintenance	\$60
	2019 carry-over	\$10
<b>Net Debt / EBITDA, year-end</b>		~0.5x

\*Free cash flow conversion rate: free cash flow after maintenance CapEx/EBITDA

**BASIS OF PREPARATION FOR FINANCIAL STATEMENTS**

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

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

**EXCHANGE RATES (pesos per U.S. dollar)**

	2019	2018
Fourth quarter average	19.2734	19.8425
As of December 31	18.8452	19.6829
Twelve month average	19.2594	19.2368

Unless otherwise stated, all percentage changes refer to the fourth quarter (or twelve months) of 2019 compared to the corresponding periods of 2018.

**ANALYST COVERAGE**

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

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

## MATERIAL EVENTS

### **GCC signed a long-term agreement with renewable energy supplier for its Mexico operations**

GCC announced on December 17, 2019 that the Company signed a long-term agreement with a leading Mexico-based supplier of solar energy for the Company's Mexico operations, including GCC's Juarez cement plant, ready mix and aggregates operations as well as GCC's corporate offices, thereby covering 20% of the electricity consumed at these operations.

The 15-year agreement takes effect beginning January 2021 and represents a significant decrease from current electricity costs for these operations, translating into approximately US\$ 2.5 million in annual savings and reducing CO2 emissions by 21,000 metric tons; equivalent to around 4,600 passenger vehicles driven for a year based on U.S. Environmental Protection Agency (EPA) estimates.

## CONFERENCE CALL

Grupo Cementos de Chihuahua, S.A.B. de C.V. will host its earnings conference call on February 21, 2020.

Time: 11:00 a.m. (Eastern Time) / 10:00 a.m. (Central Time) / 09:00 a.m. (Mountain Time)

Conference ID: **4614937**

Dial in:

U.S.: 1-800-458-4148 Toll Free

International: 1-323-794-2093

Replay (through February 28, 2020, 11:59 p.m.):

U.S.: 1-844-512-2921 Toll Free

International: 1-412-317-6671

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

## Income Statement

(Thousands of dollars)

	4Q 2019	%	4Q 2018	%	Q19 / Q18
<b>Net sales</b>	<b>228,570</b>	<b>100.0%</b>	<b>205,860</b>	<b>100.0%</b>	<b>11.0%</b>
USA sales	167,014	73.1%	147,548	71.7%	13.2%
Mexico sales	61,556	26.9%	58,312	28.3%	5.6%
Cost of sales	149,834	65.6%	158,071	76.8%	-5.2%
<b>Gross profit</b>	<b>78,736</b>	<b>34.4%</b>	<b>47,789</b>	<b>23.2%</b>	<b>64.8%</b>
Selling, general and administrative expenses	18,339	8.0%	18,698	9.1%	-1.9%
<b>Operating income before other expenses, net</b>	<b>60,397</b>	<b>26.4%</b>	<b>29,091</b>	<b>14.1%</b>	<b>107.6%</b>
Other expenses	6,603	2.9%	449	0.2%	1370.6%
<b>Operating income</b>	<b>53,794</b>	<b>23.5%</b>	<b>28,642</b>	<b>13.9%</b>	<b>87.8%</b>
Financial income	2,223	1.0%	1,971	1.0%	12.8%
Financial expenses	(5,051)	-2.2%	(11,209)	-5.4%	-54.9%
Exchange gain (loss), net	(3,479)	-1.5%	899	0.4%	-487.0%
<b>Net financing expenses</b>	<b>(6,307)</b>	<b>-2.8%</b>	<b>(8,339)</b>	<b>-4.1%</b>	<b>-24.4%</b>
Share of profit of associates and joint venture	529	0.2%	1,563	0.8%	-66.2%
<b>Income before income taxes</b>	<b>48,016</b>	<b>21.0%</b>	<b>21,866</b>	<b>10.6%</b>	<b>119.6%</b>
Income taxes	8,765	3.8%	(9)	0.0%	n.s.
<b>Income before discontinued operations</b>	<b>39,251</b>	<b>17.2%</b>	<b>21,875</b>	<b>10.6%</b>	<b>79.4%</b>
Loss from discontinued operations	-	0.0%	988	0.5%	-100.0%
<b>Consolidated net income</b>	<b>39,251</b>	<b>17.2%</b>	<b>22,863</b>	<b>11.1%</b>	<b>71.7%</b>
<b>Controlling interest</b>	<b>39,251</b>	<b>17.2%</b>	<b>22,863</b>	<b>11.1%</b>	<b>71.7%</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>
<b>EBITDA</b>	<b>86,388</b>	<b>37.8%</b>	<b>57,744</b>	<b>28.1%</b>	<b>49.6%</b>
Free cash flow	82,491	36.1%	43,968	21.4%	87.6%

## Cumulative Income Statement to December

(Thousands of dollars)

	2019	%	2018	%	2019 / 2018
<b>Net sales</b>	<b>934,115</b>	<b>100.0%</b>	<b>883,230</b>	<b>100.0%</b>	<b>5.8%</b>
USA sales	681,863	73.0%	647,172	73.3%	5.4%
Mexico sales	252,252	27.0%	236,058	26.7%	6.9%
Cost of sales	667,201	71.4%	637,864	72.2%	4.6%
<b>Gross profit</b>	<b>266,914</b>	<b>28.6%</b>	<b>245,366</b>	<b>27.8%</b>	<b>8.8%</b>
Selling, general and administrative expenses	83,348	8.9%	75,530	8.6%	10.4%
<b>Operating income before other expenses, net</b>	<b>183,566</b>	<b>19.7%</b>	<b>169,836</b>	<b>19.2%</b>	<b>8.1%</b>
Other expenses	7,289	0.8%	8,341	0.9%	-12.6%
<b>Operating income</b>	<b>176,277</b>	<b>18.9%</b>	<b>161,495</b>	<b>18.3%</b>	<b>9.2%</b>
Financial income	8,849	0.9%	6,461	0.7%	37.0%
Financial expenses	(41,002)	-4.4%	(50,577)	-5.7%	-18.9%
Exchange gain (loss), net	(4,141)	-0.4%	(342)	0.0%	1110.8%
<b>Net financing expenses</b>	<b>(36,294)</b>	<b>-3.9%</b>	<b>(44,458)</b>	<b>-5.0%</b>	<b>-18.4%</b>
Share of profit of associates and joint venture	2,162	0.2%	4,749	0.5%	-54.5%
<b>Income before income taxes</b>	<b>142,145</b>	<b>15.2%</b>	<b>121,786</b>	<b>13.8%</b>	<b>16.7%</b>
Income taxes	25,127	2.7%	16,692	1.9%	50.5%
<b>Income before discontinued operations</b>	<b>117,018</b>	<b>12.5%</b>	<b>105,094</b>	<b>11.9%</b>	<b>11.3%</b>
Loss from discontinued operations	-	0.0%	(40,055)	-4.5%	100.0%
<b>Consolidated net income</b>	<b>117,018</b>	<b>12.5%</b>	<b>65,039</b>	<b>7.4%</b>	<b>79.9%</b>
Controlling interest	117,014	12.5%	65,037	7.4%	79.9%
Non-controlling interest	4	0.0%	2	0.0%	100.0%
<b>EBITDA</b>	<b>291,972</b>	<b>31.3%</b>	<b>256,361</b>	<b>29.0%</b>	<b>13.9%</b>
Free cash flow	136,989	14.7%	106,358	12.0%	28.8%

## 2019 Income Statement

(Thousands of dollars)

	1Q 2019	%	2Q 2019	%	3Q 2019	%	4Q 2019	%	2019
<b>Net sales</b>	<b>163,424</b>	<b>100.0%</b>	<b>240,468</b>	<b>100.0%</b>	<b>301,653</b>	<b>100.0%</b>	<b>228,570</b>	<b>100.0%</b>	<b>934,115</b>
USA sales	103,361	63.2%	175,442	73.0%	236,046	78.3%	167,014	73.1%	681,863
Mexico sales	60,063	36.8%	65,026	27.0%	65,607	21.7%	61,556	26.9%	252,252
Cost of sales	130,787	80.0%	176,747	73.5%	209,833	69.6%	149,834	65.6%	667,201
<b>Gross profit</b>	<b>32,637</b>	<b>20.0%</b>	<b>63,721</b>	<b>26.5%</b>	<b>91,820</b>	<b>30.4%</b>	<b>78,736</b>	<b>34.4%</b>	<b>266,914</b>
Selling, general and administrative expenses	21,619	13.2%	21,253	8.8%	22,137	7.3%	18,339	8.0%	83,348
<b>Operating income before other expenses, net</b>	<b>11,018</b>	<b>6.7%</b>	<b>42,468</b>	<b>17.7%</b>	<b>69,683</b>	<b>23.1%</b>	<b>60,397</b>	<b>26.4%</b>	<b>183,566</b>
Other expenses	(170)	-0.1%	675	0.3%	181	0.1%	6,603	2.9%	7,289
<b>Operating income</b>	<b>11,188</b>	<b>6.8%</b>	<b>41,793</b>	<b>17.4%</b>	<b>69,502</b>	<b>23.0%</b>	<b>53,794</b>	<b>23.5%</b>	<b>176,277</b>
Financial income	2,109	1.3%	2,232	0.9%	2,285	0.8%	2,223	1.0%	8,849
Financial expenses	(10,528)	-6.4%	(13,872)	-5.8%	(11,551)	-3.8%	(5,051)	-2.2%	(41,002)
Exchange gain (loss), net	(148)	-0.1%	(948)	-0.4%	434	0.1%	(3,479)	-1.5%	(4,141)
<b>Net financing expenses</b>	<b>(8,567)</b>	<b>-5.2%</b>	<b>(12,588)</b>	<b>-5.2%</b>	<b>(8,832)</b>	<b>-2.9%</b>	<b>(6,307)</b>	<b>-2.8%</b>	<b>(36,294)</b>
Share of profit of associates and joint venture	487	0.3%	578	0.2%	568	0.2%	529	0.2%	2,162
<b>Income before income taxes</b>	<b>3,108</b>	<b>1.9%</b>	<b>29,783</b>	<b>12.4%</b>	<b>61,238</b>	<b>20.3%</b>	<b>48,016</b>	<b>21.0%</b>	<b>142,145</b>
Income taxes	(796)	-0.5%	4,685	1.9%	12,473	4.1%	8,765	3.8%	25,127
<b>Income before discontinued operations</b>	<b>3,904</b>	<b>2.4%</b>	<b>25,098</b>	<b>10.4%</b>	<b>48,765</b>	<b>16.2%</b>	<b>39,251</b>	<b>17.2%</b>	<b>117,018</b>
(Loss) income from discontinued operations	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
<b>Consolidated net income</b>	<b>3,904</b>	<b>2.4%</b>	<b>25,098</b>	<b>10.4%</b>	<b>48,765</b>	<b>16.2%</b>	<b>39,251</b>	<b>17.2%</b>	<b>117,018</b>
Controlling interest	3,904	2.4%	25,094	10.4%	48,765	16.2%	39,251	17.2%	117,014
Non-controlling interest	-	0.0%	4	0.0%	-	0.0%	-	0.0%	4
<b>EBITDA</b>	<b>38,262</b>	<b>23.4%</b>	<b>70,945</b>	<b>29.5%</b>	<b>96,377</b>	<b>31.9%</b>	<b>86,388</b>	<b>37.8%</b>	<b>291,972</b>

## Statement of Financial Position

(Thousands of dollars)

	December 2019	December 2018	Variation
<b>Total assets</b>	<b>2,057,861</b>	<b>1,902,532</b>	<b>8.2%</b>
<b>Current Assets</b>	<b>655,991</b>	<b>534,152</b>	<b>22.8%</b>
Cash and cash equivalents	350,523	251,818	39.2%
Trade accounts receivable, net	92,345	78,881	17.1%
Other accounts receivable	58,980	59,311	-0.6%
Due from related parties	2,610	1,417	84.2%
Inventories	102,810	96,649	6.4%
Urban land	35,478	35,529	-0.1%
Prepaid expenses	13,245	10,547	25.6%
<b>Non-current assets</b>	<b>1,401,870</b>	<b>1,368,380</b>	<b>2.4%</b>
Investment in associates	18,313	15,548	17.8%
Property, machinery and equipment, net	1,015,909	1,027,760	-1.2%
Long term right of use assets	40,531	-	100.0%
Goodwill	240,545	246,884	-2.6%
Intangible assets, net	68,508	73,251	-6.5%
Other assets	18,064	4,937	265.9%
<b>Total liabilities</b>	<b>985,229</b>	<b>930,316</b>	<b>5.9%</b>
<b>Short-term liabilities</b>	<b>195,194</b>	<b>163,293</b>	<b>19.5%</b>
Current portion of long term financial debt	25,425	4,400	477.8%
Trade accounts payable	83,625	83,223	0.5%
Due to related parties	1,248	1,204	3.7%
Short term - employee benefits	31,852	29,022	9.8%
Accrued expenses and taxes other than income taxes	29,605	42,267	-30.0%
Provisions	2,651	3,177	-16.6%
Short term right of use liabilities	20,788	-	100.0%
<b>Long-term liabilities</b>	<b>790,035</b>	<b>767,023</b>	<b>3.0%</b>
Long term financial debt	624,566	645,936	-3.3%
Long term right of use liabilities	20,661	-	100.0%
Employee benefits	47,574	34,466	38.0%
Provision for environmental restoration	22,677	21,969	3.2%
Other long-term liabilities	244	1,408	-82.7%
Income taxes payable	12,457	19,458	-36.0%
Deferred income taxes	61,856	43,786	41.3%
<b>Total stockholders' equity</b>	<b>1,072,632</b>	<b>972,216</b>	<b>10.3%</b>
<b>Controlling interest</b>	<b>1,072,599</b>	<b>972,183</b>	<b>10.3%</b>
Capital stock	32,071	32,068	0.0%
Additional paid-in capital	148,365	148,365	0.0%
Legal reserves	22,659	22,659	0.0%
Retained earnings	1,040,722	986,794	5.5%
Consolidated net income	117,014	65,037	79.9%
Other items of comprehensive income	(288,232)	(282,740)	-1.9%
<b>Non-controlling interest</b>	<b>33</b>	<b>33</b>	<b>0.0%</b>
<b>Total Liabilities and Equity</b>	<b>2,057,861</b>	<b>1,902,532</b>	<b>8.2%</b>

## ABOUT GCC

GCC is a leading supplier and producer of cement, concrete, aggregates and construction-related services in the United States, Mexico and Canada, with an annual cement production capacity of 5.8 million metric tons.

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

*This earnings report may contain forward-looking statements. All statements that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "intend," "project" and similar expressions are generally intended to identify forward-looking statements. These statements are subject to risks and uncertainties including, among others, changes in macroeconomic, political, 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.*