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, 2017.

Outstanding securities as of April 27, 2018:

332,535,508 nominative common shares, Class I, Single Series

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.

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GCC

Table of Contents

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 Management and Finance 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 8.125% Senior Notes due 2020, 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, calcium powder 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.
"CGU"	means cash generating unit.
"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
"CSI"	means Cement Sustainability Initiative.
"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, 2017, 2016 and 2015, as well as the income statements, statements of changes in stockholders' equity and cash flows for the years ended in 2017, 2016 and 2015, 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.
"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 Instituto Nacional de Estadística y Geografía (agency dedicated to coordinate the National System of Statistical and Geographical Information in Mexico).
"INFONAVIT"	means Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Federal Institute for Workers Housing).
"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, 2017.
“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.
“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) 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 to the United States border with 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 four cement plants with an annual production capacity of 2.73 million tons in Pueblo, Colorado; Rapid City, South Dakota; Tijeras, New Mexico and Odessa, Texas. Additionally, GCC has 19 cement distribution terminals and transfer stations in Colorado, North Dakota, South Dakota, Iowa, Minnesota, 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 78 concrete production plants and a fleet of 476 ready-mix trucks as well as 236 trucks for the transportation of cement and aggregates. Additionally, GCC has 2 asphalt plants and 6 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 40 ready-mix concrete plants, 247 mixer trucks, six concrete block plants, four aggregates plants, one gypsum plant and two prefabricated products plants. Additionally, the Company owns a transportation fleet that consists of 157 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 95% of the raw materials necessary for the production of cement. GCC supplies approximately 67% 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 such fuel to 5 cement plants.

For the year ended December 31, 2017, GCC had net sales of Ps. 17,334.9 million, of which 76.0% was generated by its U.S. operations and 24.0% by its Mexican operations. The Company had total assets of Ps. 37,750.8 million.

As of December 31, 2017, GCC had 3,025 employees, including its executives, sales force, and administrative, technical and operations personnel. As of March 31, 2018 the Company had 3,031 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 in the markets in which it operates in light of competitive conditions. 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 support system. In the United States, GCC constantly works on enhancing its extensive network of plants and distribution terminals, which allows it to provide continuous product supplies to its customers from geographically close inventories. 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 offerings by 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, high-strength cements.

GCC encourages and manages innovation within the organization through continuous improvement programs, as well as through its Research and Development Department. In 2017, one GCC project received an award from the National Council for Science and Technology (Consejo Nacional de Ciencia y Tecnología - CONACYT) in their "Incentives for Research, Technological Development and Innovation" program, which included an incentive for its implementation totaling Ps. 14.4 million.

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 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 2017, GCC started 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 2017, the substitution of 47% of fossil fuels used by the Juarez Plant and 43% of those used by the Samalayuca 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 with 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 2017, supports were granted to seven projects developed under this initiative, totaling three million Pesos. In 2018, the joint work with public and private organizations will continue for the development of specific projects aimed to generate economically and environmentally feasible solutions.

Continue to expand operations and the geographic footprint

GCC intends to continue developing and expanding in the markets where it operates through organic growth, the 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. This successful acquisition is 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 petroleum 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 construction and drilling in the western Texas markets through exports from the Samalayuca plant in Mexico and shipments from the plants in Tijeras, New Mexico and Pueblo, Colorado. This has resulted in a stronger market position in this new territory, better customer service and higher margins.

The successful integration – not only for production and distribution, but also for human resources and systems – clearly evidences GCC's execution capacities 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. As part of the model, the second stage of the implementation of the "Successfactors" Human Resources System was concluded in 2017. In 2018, the implementation and consolidation of this system will be completed, aiming to standardize processes and transform the area's function throughout the organization.

GCC invests heavily in formal training through the GCC University online platform.

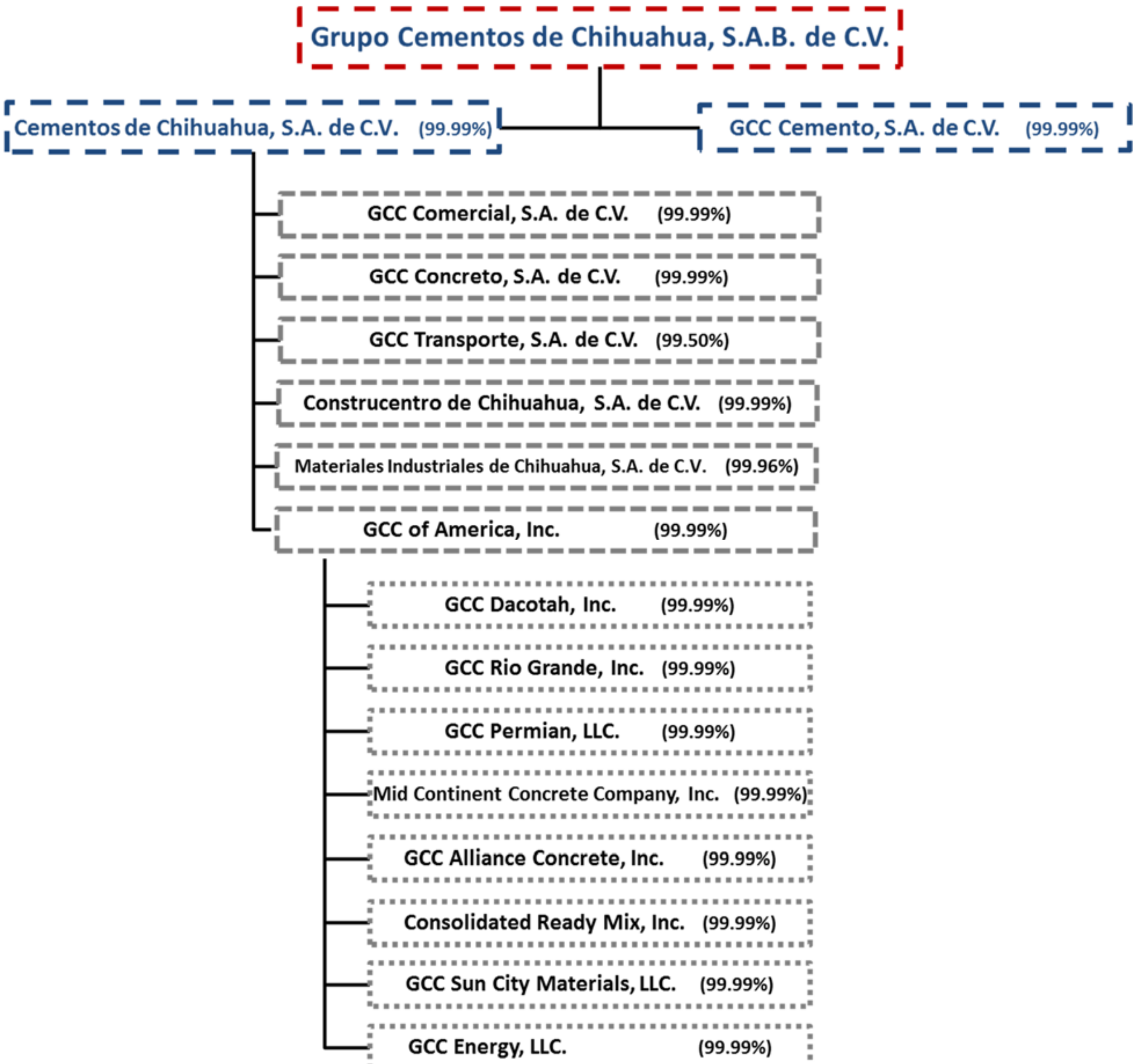
As a result of our efforts, we have been recognized as one of the 100 best companies to work for in Mexico and were awarded a "Great Place to Work" certification in 2017.

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 2017, 2016 and 2015:
(Thousand Pesos)

Income Statement information	**2017**	**2016**	**2015**
Net Sales	17,334,958	13,996,791	11,983,778
Mexico sales	4,151,881	3,689,594	3,434,870
USA sales	13,183,077	10,307,197	8,548,908
Operating income before other expenses, net	3,095,079	2,362,089	1,674,514
EBITDA (Operating income before Other expenses + Depreciation and Amortization)	4,653,082	3,525,567	2,639,108
Net financing expenses	1,012,946	695,526	614,249
Income before taxes	1,772,130	1,592,384	1,085,145
Income taxes	231,495	308,194	169,654
Consolidated net income	1,540,635	1,284,190	915,491

Information from the Statement of Financial condition	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Total assets	37,750,853	38,651,900	26,974,782
Cash and cash equivalents	4,608,972	3,396,868	2,522,835
Property, machinery and equipment	18,528,011	19,176,875	13,900,911
Total liabilities	19,369,760	20,594,571	12,243,257
Short-term interest bearing liabilities	339,343	79,816	115,473
Long-term interest bearing liabilities	13,173,007	14,217,493	7,413,526
Total equity	18,381,093	18,057,329	14,731,525

Behavior 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 4,864,492 shares are in GCC's Treasury, and the number of outstanding shares is 332,535,508. Of the outstanding shares, 160,876,920 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
2013	40.00	1,627,308	46.95	37.95
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

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

Period	Closing price	Trading volume	Maximum price	Minimum price
I – 2016	48.50	8,914,210	49.00	41.50
II – 2016	48.90	1,707,842	50.75	45.13
III – 2016	54.00	425,417	54.00	48.00
IV – 2016	68.40	5,214,135	68.88	55.00
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

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 2017	4,256,903	91.57	95.50	88.31
November 2017	2,552,857	92.81	96.57	87.11
December 2017	1,724,740	91.47	94.95	86.91
January 2018	3,321,104	104.76	110.30	89.46
February 2018	6,127,936	99.67	110.00	96.77
March 2018	4,097,609	97.79	102.35	95.54

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 76.0% and 24.0% of its net sales generated in each country, respectively, for the year ended December 31, 2017 and 73.6% and 26.4% of its net sales generated in each country, respectively, for the year ended December 31, 2016. 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 from October 2017 (the "IMF World Economic Outlook"), the real gross domestic product ("GDP") increased 2.2%, 1.5% and 2.9% in the United States and 2.2%, 2.3% and 2.6% in Mexico in 2017, 2016 and 2015, respectively, compared, in each case to the prior year.

During 2017, the United States of America kept a stable economic behavior, achieving the lowest unemployment since 2001. Also, the U.S. Federal Reserve System increased the short-term interest rates in June and December 2017 and in March 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 2017, the Mexican Peso appreciated 5.15%, after a strong first quarter and ended the year with a 7.69% depreciation against the US Dollar in the last quarter of the year. During 2016 and 2015, the Mexican Peso depreciated by approximately 20.5% and 16.9%, respectively. 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. As a result, the renegotiation terms of NAFTA, an economic downturn in the United States 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 6.7%, 4.1% and 3.0% for 2017, 2016 and 2015, 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. Moreover, the anticipation and results of the 2018 presidential elections in Mexico could produce changes and uncertainty with respect to government policies.

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 2017, residential construction accounted for approximately 34% of GCC´s cement sales, while public infrastructure and residential housing construction accounted for approximately 8% and 9%, 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, deriving in Pesos approximately 24.0% and 26.4% of the net sales for the years ended on December 31, 2017 and 2016, 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, 2017 was Ps. 4,653.1 million, of which 66.1% was generated by the U.S. operations and 33.9% by the Mexican operations. For the year ended December 31, 2016, EBITDA was Ps. 3,525.6 million, of which 66.5% was generated by the U.S. operations and 33.5% 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, 2017. In 2017, the Mexican Peso appreciated around 5.15% against the US Dollar, while in 2016 and 2015 the Mexican Peso depreciated around 20.5% and 16.9%, respectively.

The Company prepares annual consolidated financial statements in Mexican Pesos. See note 4(r) to the annual consolidated financial statements for the year ended December 31, 2017 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") and Copachisa, S.A. de C.V. ("Copachisa"), 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, 2017, GCC has Ps. 13,512.3 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 76.0% and 73.6% of GCC´s net sales were generated in the United States for the years ending December 31, 2017 and 2016, 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, 2017, goodwill constituted approximately 20.3% 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, 2017, 2016 and 2015, GCC recorded Ps. 1,459.8 million, Ps. 1,080.6 million and Ps. 806.6 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 and the recently acquired 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, GCC has a supply agreement with a coal supplier, which was renewed in 2016 and extends the maturity of the agreement to 2019. The Company can give no assurance that such supplier 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 or decreased profitability if GCC must obtain a significant portion of its fuel or other raw materials from other suppliers, 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, Tijeras, New Mexico and Pueblo, Colorado, 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 is 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 32% 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, 2017, GCC had 3,025 employees. Approximately 23% 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, 2017, 2016 and 2015, GCC´s top ten customers accounted for 15.1%, 14.9% and 12.9% of its net sales, respectively. Its top two customers together accounted for approximately 4.1% of its net sales during 2017. 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. With the sale of SOBOCE, 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"). The Company 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 the Company and GCC Latinoamerica, S.A. de C.V. ("GCC Latinoamerica"), finding GCC and GCC Latinoamerica liable for breaching the aforementioned shareholders' agreement. Together with GCC Latinoamerica, the Company sought annulment of both of the awards in Bolivia. As a result, both awards were held to be contrary to Bolivian law and are thus considered null, without effect and unenforceable.

In December 2014, CIMSA sold its 51.3% interest in SOBOCE to CCS for approximately U.S.$ 300 million, thereby making CCS the majority and controlling shareholder of SOBOCE with 98.32% of its shares.

On April 10, 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. 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 23 penalties against GCC since 2006. These assessed penalties averaged less than Ps. 390,000 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 cause you to lose part or all 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, although there is no present intention to do so and subject to the Company´s obligations under the lock-up agreements, in the future, it 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 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. 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 such 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, 2017, this reserve amounted to Ps. 279,998 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 equivalent amounts holders of its shares receive from the conversion. 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 "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "project," "should" or "will" or the negative of such terms or other comparable terminology. 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. Various factors may cause actual results to differ from those expressed herein.

1.d) Other securities

GCC´s shares are registered with the Mexican National Securities Registry (*Registro Nacional de Valores*, or "RNV") maintained by the CNBV. Of GCC's total capital stock, 160,876,920 shares, sole series, are held by the public. As of the date of this Report, GCC holds 4,864,492 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 fund for the acquisition of the Company's own stock, 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 shareholders of the 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 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 Management and Finance 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.

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: GRUPO CEMENTOS DE CHIHUAHUA, S.A.B. de C.V. 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 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 Securities 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, which led the Company to an annual total production capacity of 420,000 tons. Furthermore, the systems for two-phase preheater and dust collection for kilns 2 and 3 of the Chihuahua cement plant were installed in 1974, 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 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 Tijeras, New Mexico and in Mexico. National King Coal, LLC changed its name to GCC Energy, LLC (“GCC Energy”) in October 2007, 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, Consolidated Ready Mix, Inc., Henrich and Sons, Inc., Huron Steel Structures, Inc., and B&B Concrete, Inc. are now operating as Consolidated Ready Mix, Inc. With these acquisitions, the Company strengthened its leadership position in the ready-mix concrete markets of South Dakota and surrounding regions in terms of total consumption.

In May 2006, GCC acquired 100% of the stock of The Hardesty Company Inc., the largest producer of ready-mix concrete in northeastern Oklahoma and northwestern Arkansas with a total of 30 ready-mix concrete plants, and Alliance Transportation Inc. (“Alliance Transportation”), which provides aggregates hauling for The Hardesty Company Inc. and other freight services to third parties (together better known as “MidCo”). The MidCo acquisition represented an expansion of our U.S. presence and provided us with a foothold in a market then characterized by strong growth.

In January 2008, GCC acquired 100% of the assets of Alliance Concrete Inc. (“Alliance Concrete”), which included 20 ready-mix concrete plants. 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., which included eight ready-mix concrete plants. Bosshart was headquartered in Minnesota and was 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 the markets in which it already participated, believing this furthered GCC’s vertical integration, and improved the efficiency of the operations and customer service in these markets.

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 and a plant permit at that time for 1.0 million tons, strictly observing the highest quality and environmental protection standards. This plant brought our 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 Iowa, Kansas, Minnesota, New Mexico and Oklahoma, which, coupled with its mobile ready-mix concrete plants, allows the Company to reach customers in neighboring markets.

In August 2011, GCC sold all of its shares in SOBOCE to CCS. 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 and new mining projects in Chihuahua. 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, increasing cement production by 440.0 thousand tons per year. This expansion, which is still underway, represents a total investment of U.S.$ 103.5 million and is expected to be completed in the fall 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 0.5 million 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 Ps. 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 share in GCC of 9.47% as of the date of this report.

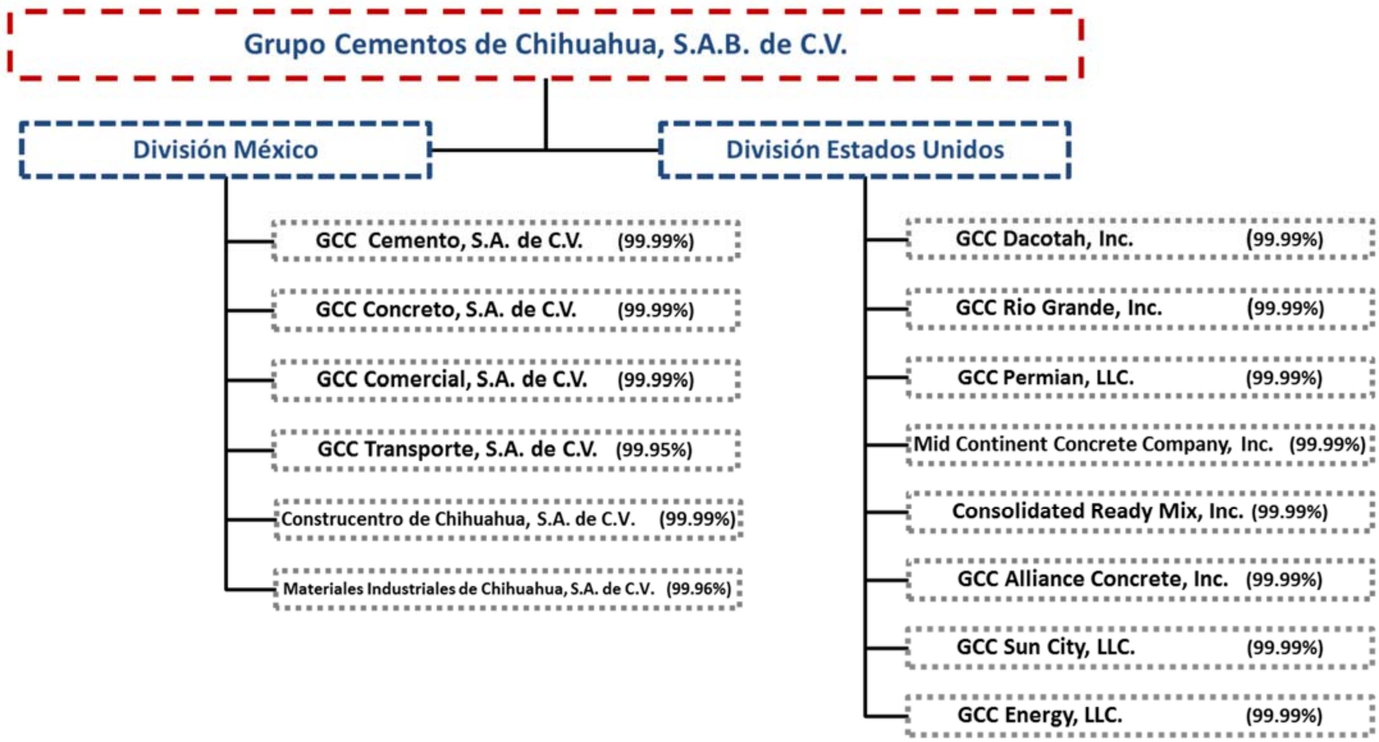
In June 2017, senior unsecured notes were issued for US$ 260 million, with 5.250% annual interest rate, due June 23, 2024 ("New Bonds"), which were traded in the United States of America and other foreign markets. The proceeds from this transaction were used to settle GCC's 8.125% notes ("Original Bonds") due on February 8, 2020 through a purchase offer subject to redeeming the majority of the Original Bonds and completing the placement of the New Bonds. With this issue, GCC strengthens its financial position and supports the Company's sustained growth.

In September 2017, CEMEX sold to two financial institutions the full amount of the remaining direct shareholding in GCC, i.e. 31,483,332 shares, representing around 9.47% of GCC's stock.

As of March 31, 2018, GCC has assets for Ps. 35,043.7 million, and provides direct employment to 3,031 persons.

Organizational 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 table below shows the Company's main investments:
(millions of Pesos)

Concept	2017	2016	2015
Coal Mine	95	93	71
Distribution Centers	2	32	12
Modernization and automation of cement plants	361	241	417
Expansion of Rapid City Plant in South Dakota	594	267	-
Aggregates plant	47	5	38
Transportation equipment	347	372	216
Information systems equipment	12	54	35
Land and buildings	2	17	17
Total	**1,460**	**1,081**	**806**

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, ground 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, 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. 100% 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 our deposits of these materials and the Company owns most of the limestone and all of the clay quarries and leases some of the gypsum and shale quarries that supply our 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 only supply materials to the Company.

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 to 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 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, for which there is a coal supplier in the state of Wyoming 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.

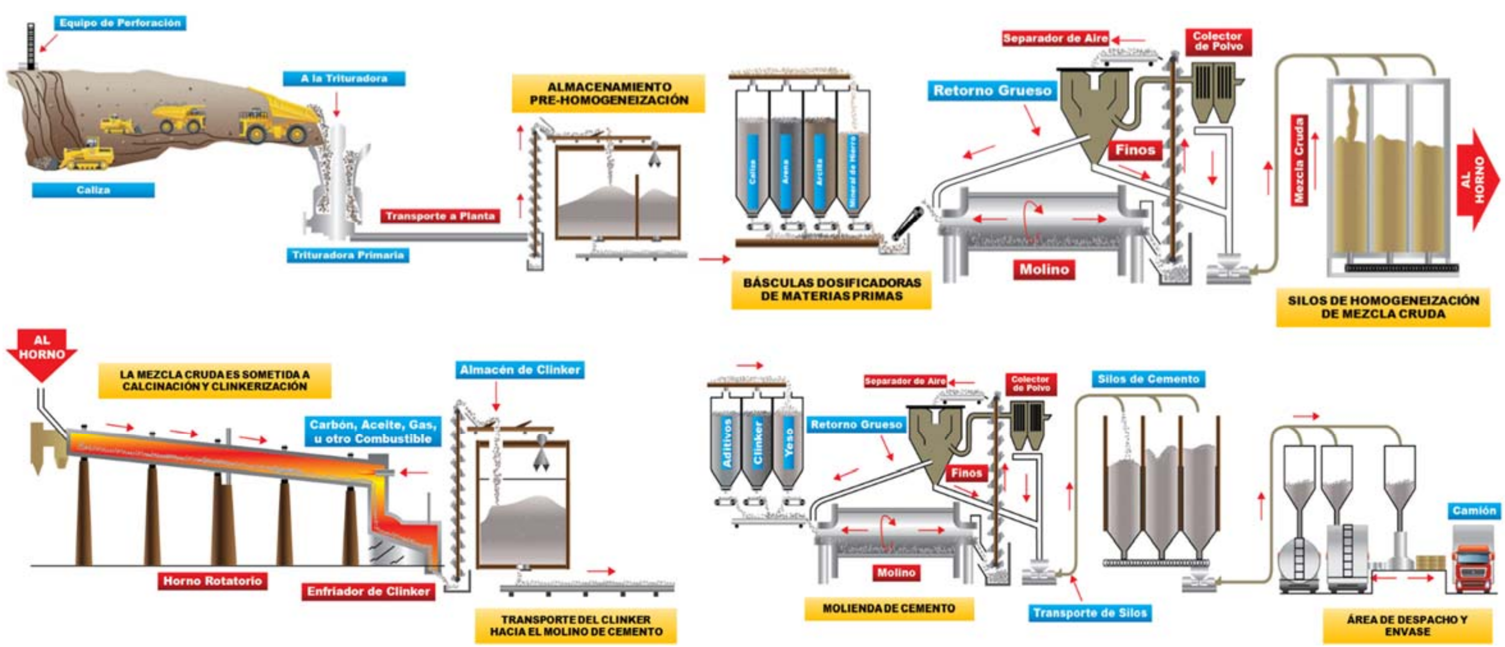
Milling

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 our lower selling seasons to build our 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 2017, 2016 and 2015, in thousands of Pesos, were as follows:

Business line	2017		2016		2015	
	Sales	%	Sales	%	Sales	%
Cement and mortar	10,107,019	58%	7,685,320	55%	6,364,571	53%
Concrete	5,266,221	31%	4,923,618	35%	4,063,436	34%
Concrete block	217,996	1%	201,423	1%	194,289	1%
Aggregates	498,396	3%	247,705	2%	207,320	2%
Other	1,245,326	7%	938,725	7%	1,154,162	10%
Total	17,334,958	100%	13,996,791	100%	11,983,778	100%

2.b.ii) Distribution channels

In Mexico, approximately 32% 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. subsidiarie 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, 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	62%
Mining /oil wells	20%
Prefabricated, prestressed and block	7%
Paving	5%
Distributors / packers	3%
Ground stabilization	2%
Government, contractors and other	1%
Total	100%

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

Below is an analysis by customer sub-segment for sales in 2017:

Subsegment	%
Construed / Distributors	34%
Construction companies	20%
Exports	11%
Mining	12%
Housing	9%
Government and infrastructure	8%
Manufacturers	4%
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 use, zoning and tax legislation and their regulations; and
- Mexican Official Standards ("*Normas Oficiales Mexicanas*", or "NOMs").

GCC is currently in good standing with its tax obligations.

2.b.vi) Human resources

As of December 31, 2017, GCC had 3,025 employees; as of March 31, 2018, this increased to 3,031 employees.

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 team work 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:

- Reducing the emission of greenhouse gases (CO_2).
- Reducing other emissions (Dust, NOx, SOx).
- Quarries remediation (soil and environment restoration).
- Development of environmentally-friendly products.

- Search for and introduction of alternative energy sources.
- Integrated waste management.
- Eco-efficiency, reduced thermal power, electricity and water consumption.
- Reforestation through plant nurseries.
- Excellence in environmental stewardship.
- Increasing the use of alternative fuels.

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 2012, GCC joined the Cement Sustainability Initiative (CSI) under the requirements of the World Business Council for Sustainable Development. GCC's commitments are related to the management of climate change, use of materials and fuels, industrial health and safety, monitoring and reporting emissions and local impacts.

The increase in the use of alternative fuels in its cement plants shows GCC's commitment with the environment. In 2017, the replacement of fuels reached by plant was: Samalayuca 36%; Juárez 49% and Chihuahua 14%. Additionally, in 2014 GCC started the use of fuel obtained by employing used tires as a supplemental fuel in the cement plant in Pueblo, Colorado, reaching a replacement rate of 12% during 2017. 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% to 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.

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 eleven years 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 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 Cement - Samalayuca Plant

- Clean industry certification for GCC's processes.
- Environmental Excellence Certification 2005.
- Environmental Excellence Certification 2006.
- ISO 14001 Certified since 2001 and through 2016.

- National Quality Award 1999.
- National Award for Energy Savings 1996.

GCC Cement - Chihuahua Plant

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

GCC Concrete

- Clean Industry certified since 2009 in the Homero and Jarudo plants (in force up to 2017 and 2016).
- Green Company certified by the Government of the State of Chihuahua, 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 Transportation

- 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 magazine Cement Americas.

GCC Dacotah - Rapid City Plant

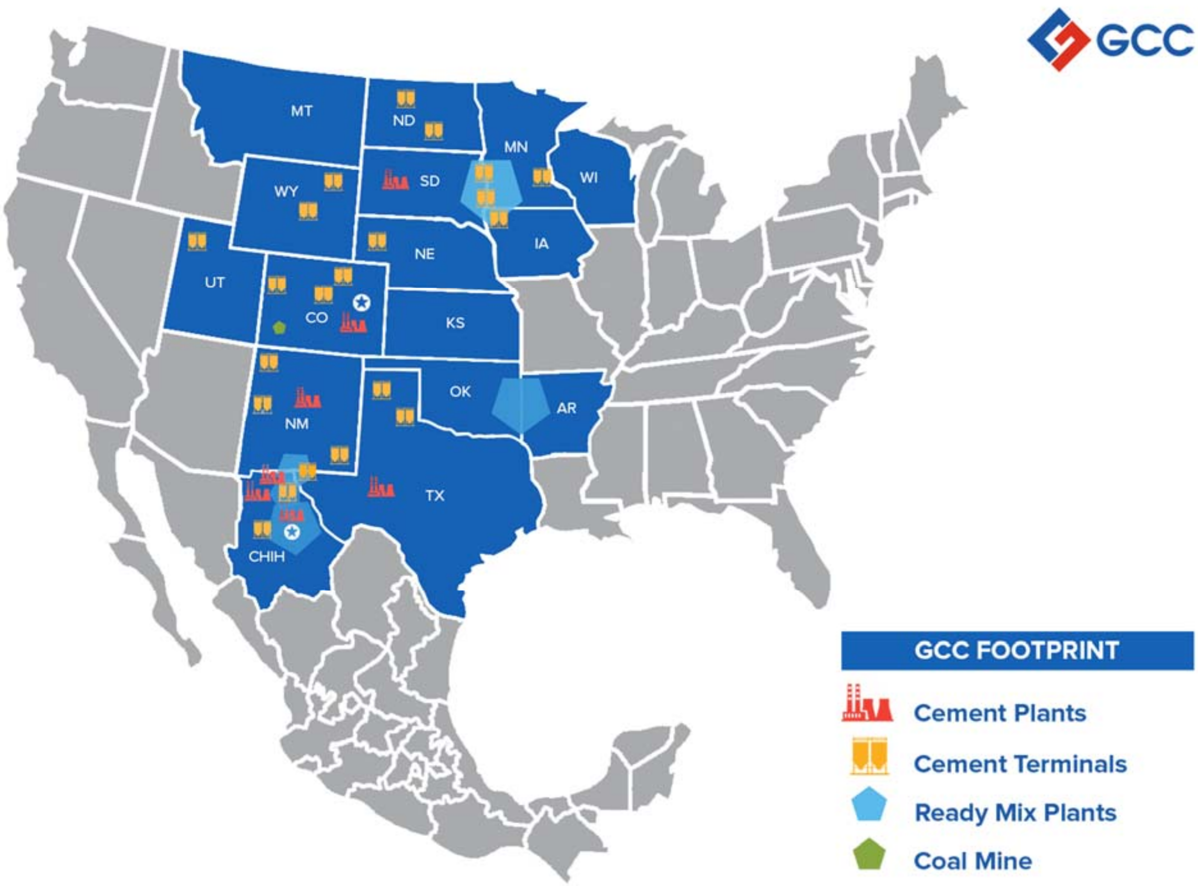
- Award for a decade of excellence (2002-2011) for water use compliance.
- Sustainability Award 2014 by Rapid City, South Dakota.

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 both in Mexico and the United States is shown in the figure below:



United States	Mexico
• Cement: 4 plants • Concrete: 78 plants • Coal mine: 1 • Cement terminals: 19 • Asphalt: 2 plants • Aggregates: 6 plants • Construction materials: 3	• Cement: 3 plants • Concrete: 40 plants • Concrete block: 6 plants • Prefabricated products: 2 plants • Aggregates: 4 plants • Distribution centers: 2

GCC Operations in the United States

In the United States, GCC successfully participates in the cement and ready-mix concrete markets. In 2017, 76.0% of the Company's income came from sales in the USA. GCC has four cement plants with an annual production capacity of 2.80 million tons in Pueblo, Colorado; Rapid City, South Dakota; 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, Kansas, 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 78 concrete production plants and a fleet of 476 ready-mix trucks as well as 236 trucks for the transportation of cement and aggregates.

GCC participates in the asphalt and aggregates markets in Texas and New Mexico. GCC has two asphalt plants installed in El Paso Texas and one in Vado, New Mexico. Additionally, GCC operates six 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 78% of installed manufacturing capacity. In accordance with the United States Geological Survey (USGS), in 2017 total cement consumption was 96.8 million tons, with average capacity utilization of 79%. The volume of imports was 12.0 million metric tons, 2.15% higher than the previous year. This was 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 2017, 30% of total cement consumption in the United States was accounted for by residential construction, 19% by non-residential construction, and the remaining 51% by 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 27%, 25% and 48% of total cement consumption, respectively. The oil Permian Basin is one of the pillars for cement industry in Texas. In 2017, 8% of total cement consumption in Texas belonged to the oil wells drilling sector, a 70% 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 cement market in the states 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, landing strips, 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 paved roads, around 796,000 miles are asphalt-paved and 158,000 are concrete-paved. At the airports, between 85% and 90% of landing strips 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 2016, 2,490 million metric tons of aggregates were produced in the U.S.; estimates are that 2017 closed with a 5.3% increase. This figure is divided into two categories: 1,010 million metric tons of construction sand and gravel and 1,480 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 2017, GCC's sales in Mexico accounted for 24.0% 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; 40 ready-mix concrete plants, 247 ready-mix trucks, six concrete block plants, four limestone aggregates plants in the cities of Chihuahua, Juárez, 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. Also 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, most cement sales (approximately 80% on a national basis) are to retail customers who use it for housing and other basic construction projects.

This in turn requires an efficient network of distributors targeting builders and self-builders. As mentioned above, 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 31% of the volume of cement is sold as ready-mix concrete. During 2017, the ready-mix concrete market in the state of Chihuahua consumed approximately 1.2 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 and also by offering the highest technology in the production and distribution processes of the products sold.

In the State of Chihuahua, GCC's main competitor in the cement and concrete markets is Holcim Apasco. GCC's potential competitors in the national cement market face different market entry barriers, such as the need for large capital investments, time required for the construction of new plants (approximately two years), high land transportation costs and the slow and costly process related to the establishment of a distribution network.

Considering that approximately 32% of cement is sold in bags in the state of Chihuahua, one of the main competitive advantages that GCC has is consumer loyalty to the brand "Cemento Chihuahua", which has strong roots in the community. Additionally, the quality of GCC's raw materials allows offering an alkali-low cement product which avoids cement reaction when exposed to weather changes, thus preventing cracking.

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

GCC has been successful in the manufacturing and sale of concrete blocks as these plants have high technology which 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, 2017, the total number of shares representing GCC's capital stock is 337,400,000 of which 4,864,492 shares are held in GCC Treasury, thus the total outstanding shares are 332,535,508. CAMCEM is the owner of 171,658,588 shares which represent 51.62% of the outstanding shares representing GCC's capital stock. The remaining 160,876,920 shares, equivalent to 48.38% of GCC's outstanding capital stock, are distributed amongst public investors.

As of April 15, 2018, GCC had 39 subsidiaries. The most significant subsidiaries of GCC, including both the Mexico Division and the U.S. Division, are shown in the chart 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)	Utilized capacity in 2017
U.S.A.			
Tijeras Plant	New Mexico	436,000	90%
Rapid City Plant	South Dakota	727,000	93%
Pueblo Plant	Colorado	1,127,000	87%
Odessa Plant	Texas	514,000	88%
	Total U.S.A.	**2,804,000**	
MEXICO			
Chihuahua Plant	Chihuahua	1,071,000	65%
Samalayuca Plant	Chihuahua	1,063,000	90%
Juarez Plant	Chihuahua	123,000	87%
	Total Mexico	**2,257,000**	
	Total cement production capacity	**5,061,000**	

Concrete manufacturing plants

Country	Number of plants
Mexico	40
U.S.A.	78

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 720 ready-mix trucks and more than 580 trucks in Mexico and the U.S.

Insurance

GCC has insurance policies with different insurance companies with coverage 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 adequate and similar to those customarily maintained by companies engaged in the same or similar industry.

Assets pledged as guarantees

GCC has no fixed assets pledged as guarantees. 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.

Asset investment

GCC made capital investments for Ps. 1,460 million in 2017 and Ps. 1,081 million in 2016, 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) at the Chihuahua Plant, as well as the acquisition of transportation equipment and trucks for the manufacture and distribution of concrete. Additionally, a data storage computer system was implemented.

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

Currently there is not, nor does GCC have any knowledge of, any material judicial, administrative or arbitration proceeding, other than those which are incurred in the normal course of business, as to which there is a reasonable possibility that, if adversely determined, could be expected to result in a material adverse effect on the operations, results of operations and/or financial condition of the Company or those disclosed in section 1.c) related to risk factors.

As of the date of this report, GCC does not meet any of the characteristics specified in articles 9 or 10 of the Commercial Bankruptcy Law (Ley de Concursos Mercantiles) to be declared in bankruptcy.

2.b.xii) Shares representing the capital stock

GCC's capital stock is variable. The fixed minimum capital stock with no right of withdrawal totals Ps. 134,960,000 as of the date of this report, and is fully subscribed and paid. The capital stock is represented by 332,535,508 ordinary, common, nominative shares with no par value, Class I, single series; plus 4,864,492 repurchased shares of the same class and series which are held in the Company's Treasury. The variable part of capital is unlimited and is represented by ordinary, nominative shares with no par value, Class II, single series. Each share has one vote in Shareholders' meetings and grants equal rights and obligations to holders. There are no mechanisms through which corporate rights granted by the shares representing GCC's capital stock may be 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	Coupon*	Fixed portion	Variable portion	Mexicans	Free subscription	Fixed Capital	Variable Capital
Sole	No par value	14	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, 2017, the total number of shares representing GCC's capital stock is 337,400,000 of which 4,864,492 shares are held in GCC Treasury, thus the total outstanding shares are 332,535,508. CAMCEM is the owner of 171,658,588 shares which represent 51.62% of the shares representing GCC's outstanding capital stock. The 160,876,920 remaining shares, equivalent to 48.38% of GCC's capital stock, are distributed amongst public investors.

In the General Ordinary Stockholders Meeting held on April 27, 2011, approval was given to increase the variable portion of capital stock by up to 14,000,000 (fourteen million) ordinary, nominative shares without par value, Class II, single series. As of this date, none of these shares have 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 annual shareholders' meeting, with the recommendation of the Board. Dividend payments will depend upon the results, financial condition, projected investments, restrictions stated in the loan agreements and other events affecting GCC. Due to the aforementioned variables, payment of dividends cannot be guaranteed every year.

Since 1992, GCC has paid dividends every year except 2009, 2010, 2011 and 2012. In the General Ordinary Shareholder's Meeting held on April 27, 2017, a dividend payment was declared of Ps. 0.6192 per share, with the payment to be made on August 7, 2017.

In recent years dividends have been declared as follows:

Year	Year paid	Pesos per share*
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, 2017, 2016 and 2015, should be read in conjunction with, and is qualified in its entirety by reference to, the Company´s audited and unaudited consolidated financial statements, including the notes thereto.

The figures included in this report for the years ended December 31, 2017, 2016 and 2015, are presented both in Mexican Pesos and in U.S. Dollars, except for those related to financial ratios and operating data. All values have been rounded to thousands, except where otherwise noted.

Selected financial information for the years 2017, 2016 and 2015:
(Thousand Pesos)

Income Statement information	2017	2016	2015
Net Sales	17,334,958	13,996,791	11,983,778
Mexico sales	4,151,881	3,689,594	3,434,870
USA sales	13,183,077	10,307,197	8,548,908
Operating income before other expenses, net	3,095,079	2,362,089	1,674,514
EBITDA (Operating income before Other expenses + Depreciation and Amortization)	4,653,082	3,525,567	2,639,108
Operating income	2,785,146	2,243,288	1,649,222
Net financing expenses	1,012,946	695,526	614,249
Income before taxes	1,772,130	1,592,384	1,085,145
Income taxes	231,495	308,194	169,654
Consolidated net income	1,540,635	1,284,190	915,491

Information from the Statement of Financial condition	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	37,750,853	38,651,900	26,974,782
Cash and cash equivalents	4,608,972	3,396,868	2,522,835
Property, machinery and equipment	18,528,011	19,176,875	13,900,911
Total liabilities	19,369,760	20,594,571	12,243,257
Short-term interest bearing liabilities	339,343	79,816	115,473
Long-term interest bearing liabilities	13,173,007	14,217,493	7,413,526
Total equity	18,381,093	18,057,329	14,731,525

GCC´s main financing activities are set forth in section 3.c. “Main financing activities”. Refer to Note 18 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. Net sales of GCC by business line and geographic zone are included below:

Figures are expressed in thousands of Pesos, except for those of exports from Mexico to the U.S., which are in thousands of Dollars.

By business line

Business line	2017		2016		2015	
	Sales	%	Sales	%	Sales	%
Cement and mortar	10,107,019	58%	7,685,320	55%	6,364,571	53%
Concrete	5,266,221	31%	4,923,618	35%	4,063,436	34%
Concrete block	217,996	1%	201,423	1%	194,289	1%
Aggregates	498,396	3%	247,705	2%	207,320	2%
Other	1,245,326	7%	938,725	7%	1,154,162	10%
Total	17,334,958	100%	13,996,791	100%	11,983,778	100%

By geographic region

Geographic region	2017	2016	2015
Mexico	4,151,881	3,689,594	3,434,870
United States of America	13,183,077	10,307,197	8,548,908

Exports from Mexico to the U.S.A. (thousands of Dollars)

Exports	2017	2016	2015
Cement	49,289	22,480	25,976
% total sales	6.6%	5.3%	2.7%

3.c) Main financing activities

In November 2016, the Company prepaid the syndicated loan obtained in 2015, using the proceeds of a new secured loan for $184.9 million. The new loan has two tranches, one for US$ 127.1 million maturing in seven years, and another for US$ 57.7 million with a five-year maturity, at interest rates of LIBOR plus a margin of 4.75% for the tranche with a term of seven years, and LIBOR plus a margin of 4.50% for the tranche with a five-year maturity. In addition, the Company 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 has a tranche for 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 tranche with a seven-year-maturity, and of 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 on the tranches with a term of 5 years for an amount of US$ 57.7 million of the secured loan and for US$ 81.4 million of the unsecured loan. These amounts represent the outstanding amount of each credit as of the transfer date. This transfer was allocated amongst 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. Through this transfer, the Company managed to reduce the applicable interest rate as the margin over the LIBOR rate for both tranches came down from an annual fixed margin of 4.50% to a margin ranging from 3.75% to 2.00% per year which varies upwards or downwards in accordance with the increase or decrease of the net leverage ratio. The outstanding amount as of April 15, 2018 is US$432.8 million.

The loan agreements include specific clauses related 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 ratio). The Company may be required to make an early repayment in case of default of either the financial covenants and the operating restrictions mentioned in the loan agreements, including principal or interest payment default.

In June 2017, the company concluded the issue of Senior Unsecured Notes in the amount of US$ 260 million, with 5.250% annual interest rate and one sole payment of capital upon 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 June 5, 2017, Standard & Poor's raised GCC's credit and corporate debt rating from 'BB-" to 'BB', reflecting GCC's swift integration of the assets purchased in late 2016, improving the Company's strategic geographic presence and providing for an efficient consolidation of the distribution networks in central United States and the State of Chihuahua in Mexico. On December 12, 2017, Fitch Ratings ratified GCC's credit and corporate debt rating as 'BB', reflecting the Company's sound position in the cement, concrete and aggregates markets at the regions where it participates, as well as operations diversification in Mexico and the USA, and a positive generation of free cash flow.

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.

The Company is in compliance with principal and interest payments of all loans and also with all operating and financial covenants derived from them.

3.d) Management's comments and analysis on the operating results and financial status of the Issuer

General

The following commentary should be read in conjunction with the consolidated financial statements of the Company, which have been prepared in accordance with International Financing Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for the years ended December 31, 2017, 2016 and 2015.

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

The Company's Financial Statements attached hereto are the consolidated statements of financial condition as of December 31, 2017, 2016 and 2015, 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, therefore, subject to fluctuations of exchange, inflation and interest rates, which historically have had high levels of volatility in Mexico.

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

The accompanying Financial Statements include the financial statements of the Company and those of the subsidiary companies over whose administration, financing and operating policies the Company maintains control. Balances, investments and transactions amongst GCC and its subsidiaries have been eliminated in the Financial Statements.

3.d.i) Results of operations

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

Net sales as of December 31, 2017 increased 23.8% to Ps. 17,334.9 million from 2016. In the United States, net sales increased 27.9% to Ps. 13,183.1 million in 2017 and represented 76.0% of GCC´s net sales in 2017. 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, net sales increased 12.5%, Ps. 4,151.8 million and represented 24.0% of GCC´s consolidated net sales. The increase was due to a better scenario in cement and concrete prices, which went up 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.

The **cost of sales** in 2017 represented 72.7% of sales, 0.3 percentage points under 2016, mainly reflecting a better pricing scenario in both countries and a decrease in distribution costs.

The **general, administrative and selling expenses** increased 16.4% in 2017, due to the increase in depreciation expenses. Operating expenses represented 9.5% of net sales, 0.6 percentage points lower compared to 2016.

Operating income before other expenses in 2017 had a growth of 31.0% when compared to the previous year and raised to Ps. 3,095.1 million.

Cash flow from operating activities increased by 32.0% to Ps. 4,653.1 million in 2017, with a sales margin of 26.8%, 1.6 percentage points higher than 2016. In 2016, EBITDA generated by United States represented 66% of the total, and 34% was produced by the operations in Mexico.

Other expenses increased to Ps. 309.9 million in 2017 from Ps. 118.8 million in 2016.

Net financial expenses increased 56.8% to Ps. 1,052.2 million in 2017. The increase was principally the result of fees related to a debt refinancing and a higher level of debt, both as a result of the acquisition of assets in the United States, which was partially offset by higher financial income.

Income Taxes were Ps. 231.5 million in 2017 compared to Ps. 308.2 million in 2016, mainly because of a higher pre-tax income and the effect of the earnings repatriation tax included in the U.S. tax form legislation, which had an impact on profits repatriation only.

Consolidated net income in 2017 reached Ps. 1,540.6 million, a 20.0% increase over the consolidated net income of 2016, Ps. 1,284.2 million.

Free cash flow generated in 2017 was Ps. 2,848.6 million, a 43.1% increase over the flow of 2016 which was Ps. 1,990.8 million. This increase was mainly due to the 32.0% increase in EBITDA, partially offset by higher financial expenses, working capital, taxes and capital investments.

Interest bearing debt as of December 31, 2017 amounted to Ps. 13,512.3 million (US$ 682.9 million), 5.5% less than the outstanding amount recorded at year end 2016. During the year, GCC made capital amortization payments for US$ 263.8 million (including the payment for US$ 260 million for the 2013 bonus), which allowed reducing the net leverage as of 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 amounted to Ps. 37,750.8 million, which represents a decrease of 2.3% when compared to the amount of total assets recorded at year end 2016. This was mainly due to the effect of the appreciation of the Peso against the Dollar on the assets of the U.S. division, compensated by the 35.7% increase in available cash.

Operating results for the year ended December 31, 2016 as compared to those of the year ended December 31, 2015.

Net sales as of December 31, 2016 increased 16.8% to Ps. 13,996.8 million from 2015. In the United States, net sales increased 20.6% to Ps. 10,307.2 million in 2016 and represented 73.6% of GCC´s net sales. The increase was primarily driven by: a 3% increase in the weighted average ready-mix and cement prices; a 10% increase in ready-mix concrete sales volume and the 17.7% weighted average depreciation of the Mexican Peso against the U.S. Dollar. In Mexico, net sales increased by 7.4% to Ps. 3,689.6 million in 2016, which represented 26.4% of GCC´s net sales. This increase was primarily due to: a 4% increase in cement sales volume driven by further development of the commercial and industrial segments, mainly with the construction of hotels, shopping malls and industrial warehouses, which was partially offset by a decrease in public sector activity due to the completion of two major urban and highway paving projects in 2015; and by a 13% increase in the weighted average ready-mix concrete sales price. Additionally, the effect of the depreciation of the Mexican Peso against the U.S. Dollar in export cement, contributed to the 16% increase in cement prices.

The **cost of sales** in 2016 represented 73.0% of net sales, a 2.7 percentage point decrease as compared to 2015, primarily reflecting decreases in distribution costs as a result of lower fuel costs in the United States, which was partially offset by the effect of the weighted average depreciation of the Mexican Peso against the U.S. Dollar.

The **general, administrative and selling expenses** increased 14.2% in 2016, primarily due to the effect of the depreciation of the Mexican Peso against the U.S. Dollar, and to the increase in depreciation expenses. Compared to sales, the operating expenses decreased 0.2 percentage points in 2016.

Operating profit before other expenses increased 41.1% to Ps. 2,362.1 million in 2016.

Cash flow from operating activities increased by 33.6% to Ps. 3,525.6 million in 2016, with a sales margin of 25.2%, 3.2 percentage points higher than 2015. In 2016, EBITDA generated by United States represented 66.5% of the total, and 33.5% was produced by the operations in Mexico.

Other expenses increased to Ps. 118.8 million in 2016 from Ps. 25.3 million in 2015.

The **result financing activities** increased 16.3% to an expense of Ps. 670.9 million in 2016, primarily due to the adverse effect of the weighted average depreciation of the Mexican Peso against the U.S. Dollar when converting financial expenses into Mexican Pesos, and a higher level of indebtedness, which was partially offset by lower interest rates.

Income Taxes were Ps. 308.2 million in 2016 compared to a tax expense of Ps. 169.7 million in 2015, mainly attributable to an increase in income before taxes.

Consolidated net income increased 40.3% to Ps. 1,284.2 million in 2016 from Ps. 915.5 million in 2015.

Free cash flow generated in 2016 was Ps. 2,315.6 million, a 73.3% increase over the flow of 2015 which was Ps. 1,336.2 million. This increase was mainly due to: the growth in EBITDA, the improvement of working capital derived from less accounts payable, and also to the decrease in capital investments (excluding capital investments for growth), which partially decreased due to an increase in financial expenses.

Additionally, GCC made a partial payment for the acquisition of cement and concrete operations in Texas and New Mexico with funds from its own cash for an amount of US$ 52.5 million. The remainder of the acquisition cost was financed through a bank loan for US$ 253.5 million.

Interest bearing debt as of December 31, 2016 amounted to Ps. 14,297.3 million (US$ 689.6 million), 89.9% higher than the outstanding amount recorded at year end 2015. 22.8% of this increase resulted from the depreciation of the Peso against the Dollar, and the remaining increase came from the bank loan obtained to partially finance the acquisition of the cement and concrete assets in Texas and New Mexico. With these transactions, net leverage as of the end of 2016 (measured as Net Debt/EBITDA) was 2.57 times.

GCC's **Total Assets** as of December 31, 2016 were Ps. 38,708.2 million, an increase of 43.5% over total assets as of the end of 2015, mainly due to the increase in properties, plant and equipment derived from the acquisition and also from the effect of the depreciation of the Peso against the Dollar in the assets of the operations in the United States as well as from the increase of 34.6% in available cash.

Operating results for the year ended December 31, 2015 as compared to those of the year ended December 31, 2014.

Net sales increased 19.7% to Ps. 11,983.8 million in 2015. In the United States, net sales increased 21.9% to Ps. 8,548.9 million, primarily driven by a positive effect from the depreciation of the Mexican Peso against the U.S. Dollar, better sales prices, the 2% increase in cement sales volumes, and the 5% decrease in ready-mix concrete sales volume. In Mexico, net sales increased by 14.6% in 2015 as a result of a better pricing strategy and increases of 6%, 19% and 12% in cement, block and aggregates sales volumes, respectively, which resulted from a stronger demand in the residential, commercial and industrial segments, which partially mitigated the decline in public sector activity in the second half of the year due to the completion of two major urban and highway paving projects, which resulted in a 1% contraction in ready-mix concrete sales volume.

Cost of sales represented 75.7% of net sales in 2015, a 1.1 percentage point decrease as compared to 2014, reflecting increases in the weighted average prices of GCC´s products, lower transport costs in the U.S. operations and lower fuel and electricity costs in the Mexican operations.

General, administrative and selling expenses increased 8.6% in 2015. 55% of the increase was due to the effect of the depreciation of the Mexican Peso against the U.S. Dollar in the United States operating expenses, and to higher depreciation expenses. Operating expenses represented 10.3% of net sales, 1.1 percentage point lower compared to 2014.

Operating income before other expenses in 2015 had a growth of 40.8% when compared to the previous year and amounted to Ps. 1,674.5 million.

The **operating flow or EBITDA** in 2015 increased 29.4% over that of 2014 for an amount of Ps. 2,639.1 million with a sales margin of 22.0%, 1.6 percentage points higher than the margin of 20.4% recorded the previous year.

Other expenses decreased 61.9% to Ps. 25.3 million in 2015 from 2014.

The **result from financing activities** increased 8.4% to Ps. 576.9 million in 2015, primarily due to the adverse effect of the depreciation of the Mexican Peso against the U.S. Dollar, partially offset by a lower level of indebtedness and decreased interest payments as a result of lower applicable margins.

Consolidated net income increased 62.8% to Ps. 915.5 million in 2015 from Ps. 562.2 million in 2014.

Free cash flow was Ps. 1,265.5 million, an increase of 37.6% when compared to the cash flow of Ps. 920.0 million recorded in 2014. This variation is composed by the combination of the following events: an increase in EBITDA of 29.4%, higher generation of cash coming from other items, a decrease in tax paid, reduced freeing up of working capital, and the increase in financial expenses and capital investments.

Interest bearing debt was Ps. 7,529.0 million as of December 31, 2015 showing an increase of 10.1% when compared to outstandings recorded at previous year end and this was caused by the effect of the depreciation of the Peso against the Dollar. During the year, GCC made principal amortization payments for US$ 27.2 million. This decrease in debt, together with the increase in the operating flow, allowed for a reduction of leverage (measured by Debt/EBITDA), from 3.06 to 2.66 times.

GCC's **total assets** as of December 31, 2015 amounted to Ps. 26,974.8 million, which represents an increase of 11.3% when compared to the amount of total assets recorded at year end 2014. This was mainly due to the effect of the depreciation of the Peso against the Dollar on the assets of the United States Division and also to the increases in cash, accounts receivable and capital investments.

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

During the years 2017, 2016 and 2015, GCC's Subsidiaries generated operating flows for Ps. 4,653.1, Ps. 3,525.6 and Ps. 2,639.1 million, respectively. GCC finances its working capital needs and investment projects of normal operations with internally generated cash flows. Also, GCC uses external financing sources for medium and long-term financing of investment projects

GCC's net debt at year end December 31, 2017, 2016 and 2015 was Ps. 8,903.4, Ps. 10,900.4 and Ps. 5,006.2 million, respectively.

In November 2016, the Company prepaid the syndicated loan obtained in 2015, using the proceeds of a new secured loan for US$184.9 million. The new loan has two tranches, one for US$ 127.1 million maturing in seven years, and another for US$ 57.7 million with a five-year maturity, at interest rates of LIBOR plus a margin of 4.75% for the tranche with a term of seven years, and LIBOR plus a margin of 4.50% for the tranche with a five-year maturity. In addition, the Company obtained an unsecured loan for US$ 253.5 million to finance part of the assets bought in the United States in November 2016. This loan has a tranche for 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 tranche with a seven-year-maturity, and of 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 on the tranches with a term of 5 years for an amount of US$ 57.7 million of the secured loan and for US$ 81.4 million of the unsecured loan. These amounts represent the outstanding amount of each credit as of the day of the transfer. This transfer was allocated amongst 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. Through this transfer, the Company managed to reduce the applicable interest rate as the margin over the LIBOR rate for both tranches came down from an annual fixed margin of 4.50% to a margin ranging from 3.75% to 2.00% per year which varies upwards or downwards in accordance with the increase or decrease of the net leverage ratio. The outstanding amount as of April 15, 2018 is US$ 432.8 million.

The loan agreements include specific clauses related 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 ratio). The Company may be required to make an early repayment in case of default of either the financial covenants and the operating restrictions mentioned in the loan agreements, including principal or interest payment default.

In June 2017, the company concluded the issue of Senior Unsecured Notes in the amount of US$ 260 million, with 5.250% annual interest rate and one sole payment of capital upon 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 June 5, 2017, Standard & Poor's raised GCC's credit and corporate debt rating from 'BB-" to 'BB', reflecting GCC's swift integration of the assets purchased in late 2016, improving the Company's strategic geographic presence and providing for an efficient consolidation of the distribution networks in central United States and the State of Chihuahua in Mexico. On December 12, 2017, Fitch Ratings ratified GCC's credit and corporate debt rating as 'BB', reflecting the Company's strong position in the cement, concrete and aggregates markets at the regions where it participates, as well as diversification of operations in Mexico and the USA, and a positive generation of free cash flow.

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 of all loans and also with all operating and financial covenants derived from them.

Short-term interest bearing debt as of March 31, 2018 is US$ 22.8 million. Long-term debt is US$ 672.2 million. The average cost of debt as of March 31, 2018 is 5.63%.

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

Amortizations per year (million US Dollars)	
2018*	17.2
2019	48.3
2020	103.3
2021	165.2
2022	82.8
2023	19.9
2024	260.0
Total	**696.7**

*As of the date of this report, principal payments for the amount of US$ 1.8 million have been made.

The policy for the investment of temporary liquidity surpluses of GCC's treasury is conservative. Investments are made in governmental instruments, certificates of deposit of financial institutions and commercial paper of corporations with high credit ratings. As of March 31, 2018, 18% of investments in treasury were denominated in Pesos and 82% in Dollars.

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

3.d.iii) Internal control

Aiming at assuring operative efficiency, reliability of the financial information as well as fulfillment of general guidelines, criteria and applicable accounting principles, GCC has established an internal control system which contemplates, amongst others, business policies, risk administration, internal controls, reviews of controls effectiveness, internal audits to the business processes and implementation of corrective and preventive actions.

GCC has an integrated information system (ERP SAP) which allows ensuring customer satisfaction and optimizing resources. This integrated information system has a report generation tool which provides timely feedback to the business processes as to their performance and compliance with objectives as well as facilitating a timely decision-making process.

3.e) Critical accounting estimations or provisions

The accounting estimations or provisions of the Company are included in notes 5 and 19 to the Financial Statements attached herein. The Company does not consider there is any critical accounting estimate that could cause significant changes to the Financial Statements.

4) Management

4.a) External Auditors

GCC’s external auditors were selected by the Board based on experience, service standards and quality, and after it had been briefed by the Audit and Corporate Practices Committee.

GCC’s external auditors are Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte, Touche, Tohmatsu, Limited, independent auditors, with offices at Av. Juarez 1102, piso 40, Centro 64000, Monterrey, N.L. Galaz, Yamazaki, Ruiz Urquiza, S.C. has served as GCC’s external auditors since 2013.

From 1994 to 2012, the Company's consolidated financial statements were audited by the auditing 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 and until 2012, Mancera, S.C., a member of Ernst & Young Global International audited all GCC’s subsidiaries in the United States and Mexico.

Galaz, Yamazaki, Ruiz Urquiza, S.C. has served as the Company’s external auditors since 2013 both in Mexico and the United States and have audited its financial statements since December 31, 2013.

For the years ended December 31, 2017, 2016 and 2015, the external auditors have not issued any exceptions to their opinion or issued a negative opinion, nor have they refrained from issuing opinions on GCC’s annual consolidated financial statements included in 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 is and has been a shareholder of GCC´s majority shareholder and has an interest in the Company, 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 equity holders also holding significant equity interests in them. Starting in 2015, a strategic contract was signed with Madata IT, S.A. de C.V., with 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 made on terms no less favorable to GCC than would have been obtained in an arm’s-length transaction and comply with the applicable Mexican corporate and tax law.

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

Related Party	Year Ended December 31 2017	2016 (Thousand Pesos)	2015	Nature of Operations
Sales				
Cemex, S.A.B. de C.V. Ps.	6,877	53,921	87,900	Sales of cement and construction materials
Abastecedora de Fierro y Acero, S.A. de C.V.	40,966	28,574	28,460	Sales of cement and construction materials
Inmobiliaria Ruba, S.A. de C.V.	89,998	76,259	120,426	Sales of cement and construction materials
Copachisa, S.A. de C.V.	110,120	55,277	52,717	Sales of cement and construction materials
Total Sales Ps.	**247,961**	**214,031**	**289,503**	

Related Party	2017	2016	2015	Nature of Operations
Purchases				
CEMEX, S.A.B. de C.V. Ps.	115,342	69,914	67,488	Purchase of inventories and other services
Abastecedora de Fierro y Acero, S.A. de C.V.	6,594	4,983	15,511	Purchase of inventories and other services
Madata IT, S.A. de C.V.	66,606	54,625	13,167	IT services
Total Purchases Ps.	**188,542**	**129,522**	**96,166**	

See note 8 to the audited financial statements of transactions carried out by GCC and its subsidiaries.

In accordance with the Mexican Securities Market Law and the LGSM article 156, any GCC director or officer 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) Board of Directors and Shareholders

Directors

The management of GCC is entrusted to a Chief Executive Officer and to a Board of Directors. The Board of Directors determines the policies and the strategy to run the business, as well as supervises their implementation.

Pursuant to the Mexican Securities Market Law and GCC's corporate bylaws, the Board must approve, amongst other things:

- the Company's general business strategies;
- policies and guidelines for the use of the Company's assets by related parties
- any transaction with related parties, subject to certain limited exceptions, in both cases taking into consideration the opinion of the Audit and Corporate Practices Committee;
- unusual or non-recurring transactions and any transactions, including the acquisition or sale of assets with a value equal to or in excess of 5% of the Company's consolidated assets, or the provision of collateral or guarantees or the assumption of liabilities equal to or in excess of 5% of GCC's consolidated assets;
- the appointment, removal and compensation of the Company's Chief Executive Officer;
- GCC's financial statements;
- accounting policies and internal control systems and auditing;
- the opinion to be presented at the annual shareholders' meeting regarding the report prepared by GCC's Chief Executive Officer (which includes the Company's consolidated financial statements) and the report on the accounting policies used for the preparation of the Company's financial statements;
- the opinion regarding public offers for the purchase of GCC's stock;
- policies for the disclosure of information;
- the appropriate measures to remedy known deficiencies;

The Board's meetings shall be considered validly installed and held if, at least, the majority of its members are present. The resolutions adopted at these meetings shall be valid if they are approved by the majority of the members of the Board of Directors present at the meeting.

The meetings of the Board of Directors of GCC 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 care and loyalty on GCC's directors.

The duty of care generally requires that directors obtain sufficient information and be sufficiently prepared to support their decisions, and to act in the best interests of GCC. The duty of care is principally discharged by a director by requesting and obtaining from GCC or officers of GCC, as the case may be, all information that may be necessary to participate in discussions requiring the presence of such director, by requesting and obtaining information from third-party experts, by attending board meetings and by disclosing material information in possession of such director. Failure of directors to act with due care makes the relevant directors jointly and severally liable for damages and losses caused to GCC and its subsidiaries, which may be limited by the Company's bylaws or by resolution of a shareholders' meeting, except in the case of bad faith, willful misconduct or illegal acts. Liability for breach of the duty of care may also be covered by indemnification provisions and director and officer insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of the director's duties and abstaining from discussing or voting on matters, where the director has a conflict of interest. In addition, the duty of loyalty is violated if a shareholder or group of shareholders is knowingly favored or if, without the express approval of the board of directors, a director takes advantage of a corporate opportunity. The duty of loyalty also implies not disclosing information that is false or misleading or omitting to register any such information in GCC's minute books and other corporate records. The violation of the duty of loyalty makes the relevant directors jointly and severally liable for damages and losses caused to GCC and its subsidiaries.

This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by the breaching 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.

Liability for breach of the duty of care or the duty of loyalty may be claimed solely for the benefit of GCC (as a derivative suit) and may only be exercised by the Company or by shareholders holding shares of any class representing at least 5% of any outstanding shares in the aggregate.

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 the bylaws of the issuer, (ii) the decision was made based upon information provided by officers, external auditors or third-party experts, the capacity and credibility of which were not the subject of reasonable doubt, (iii) selected the most appropriate alternative in good faith and any negative effects of such decision were not reasonably foreseeable and (iv) actions were taken in compliance with resolutions adopted at a shareholders' meeting. Mexican courts have not interpreted these provisions, and therefore, the decision that the competent court could take is uncertain.

Pursuant to article XXIV of GCC Bylaws, the Board of Directors shall be composed of an odd number of members, with a maximum of 21 directors appointed by the Ordinary General Stockholders Meeting, of which at least 25% must be independent.
As of the date of this report, GCC's Board of Directors consists of 10.7% women and 89.3% men. The Company has no policy or specific program on this matter, other than the Code of Ethics that encourages labor inclusion regardless to gender both for its governance bodies and among its employees. The Directors are:

Chairman of the Board: Federico Terrazas Becerra

Proprietary Directors		**Alternate Directors**	
Federico Terrazas Becerra	P	Alberto Terrazas Seyffert	P
Federico Terrazas Torres	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

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 the son of Federico Terrazas Torres, 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.

FEDERICO TERRAZAS TORRES has served as a member of the Board since 1991 and served as Chairman of the Board from 1991 to 2013. He is also a member of the board of directors of the following companies: CAMCEM, S.A. de C.V., IMIN de México S.A de C.V., Control Administrativo Mexicano, S.A. de C.V. He is the President of Promotora de Proyectos PROVAL, S.A. DE C.V., Cofiasa, S.A de C.V. and three other companies of Grupo Promotora de Inversiones Mexicanas, S.A de C.V., Inmobiliaria Médica de México, S.A. de C.V., Promotora de Hospitales Mexicanos, S.A. de C.V., Promociones Educativas, A.C., Fundación Chihuahua, A.C., Misiones Coloniales de Chihuahua, A.C., Promotora Cultural de Chihuahua, A.C., Promotora de la Cultura Mexicana, A.C. and five more companies of the Group. He is a member of the board of the Mexican Businessmen Council (Consejo Mexicano de Negocios, A.C.), Ciudad Juarez Strategic Plan (Plan Estrategico de Cd. Juarez), and State of Chihuahua Economic Development (Desarrollo Economico del Estado de Chihuahua, A.C.) He is also a member of the board of directors of the following companies: Inmobiliaria Ruba, S.A. de C.V., Constructora Ruba, S.A. de C.V., Teléfonos de México, S.A. de C.V., Banco de México, S.A., Consejo Cd. Juárez, Universidad TecMilenio, Fundación Pro-Empleo, A.C., Fundación Mexicana para la Salud, A.C., Fundación Empresarios por la Educación Básica, (Tecnológico de Monterrey Campus Chihuahua).

Mr. Terrazas also serves as the president of Unión Ganadera Regional de Chihuahua and Consejo de Educacion Superior del Norte, A.C. (Tecnológico de Monterrey Campus Chihuahua) Universidad TecMilenio (Tecnológico de Monterrey Campus Chihuahua); Chairman of the Board of Directors of Grupo Cementos de Chihuahua, S.A.B. de C.V. He was member of the Board of Enseñanza e Investigación Superior, A.C., (EISAC) from 1985 to 2016, as well as Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. (ITESMAC). He is currently an Honorary Member of these three institutions.

Mr. Terrazas has previously served as president of Desarrollo Económico del Estado de Chihuahua, A.C., Centro Empresarial de Chihuahua, Casino de Chihuahua, A.C., Casino Chihuahuense, S.C. and Vice President of the Confederación Patronal de la República Mexicana, S.P. Mr. Terrazas holds a Public Accountant degree from ITESM, and graduated from the Executive Officers Management Program AD-2 at the Institute of Executive Business Management ("IPADE"). Mr. Terrazas is the father of Mr. Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is the brother of Enrique Terrazas Torres and cousin of Miguel Márquez Prieto. Mr. Terrazas is also the uncle of Alberto Terrazas Seyffert, Luis Enrique Terrazas Seyffert and first cousin once removed of Luis Márquez Villalobos, Ana Cecilia Márquez Villalobos and Martha Márquez de Corral, 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 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. He is the father of Luis Márquez Villalobos, Ana Cecilia Márquez Villalobos and Martha Márquez de Corral, cousin of Mr. Federico Terrazas Torres and 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: 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., Promotora de Hospitales Mexicanos, S.A. de C.V., Banamex Consejo Regional and Inmobiliaria RUBA, S.A. de C.V. He is member of the board of Educacion Superior del Norte, A.C. He is also 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. Mr. Terrazas also 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 the brother of Mr. Federico Terrazas Torres and cousin of Miguel Márquez Prieto, father of Alberto Terrazas Seyffert and Luis Enrique Terrazas Seyffert and first cousin once removed of Luis Márquez Villalobos, 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), Homes of Daily Care, A.C. and Fundación Cima, A.C. She has also collaborated in Comercial de Fierro y Acero, S.A. in the Accounting Department and at 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., of the Council of Promotora de Hospitales Mexicanos, S.A. de C.V., of Grupo Cofiasa S.A. de C. V., as well as of some subsidiaries of GCC. 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. Federico Terrazas Torres and Mr. Enrique Terrazas Torres, daughter of Mr. Miguel Márquez Prieto, sister of Messrs. Luis Márquez Villalobos and Ana Cecilia Márquez Villalobos and cousin of engineers Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all of whom are members of GCC's Board of Directors.

LUIS MÁRQUEZ VILLALOBOS has served as a member of the Board since 1991. He currently serves as a staff consultant for the chief executive officer's office 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 Federico Terrazas Torres and 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, Vice President of Human Resources, President of CEMEX Venezuela, President of CEMEX Asia, President of CEMEX South America and the Caribbean, President of CEMEX Europe, Middle East, Africa, Asia; Executive Vice President of Planning and Development; and Executive Vice President of Planning and Finances. He currently serves as Chief Executive Officer of CEMEX. Mr. González holds professional and postgraduate degrees in Business Administration from ITESM.

JOSÉ ANTONIO GONZÁLEZ FLORES has served as a member of the Board since 2013. He joined CEMEX in 1998 and has held management positions in corporate and operating areas in Finance, Strategic Planning, and Corporate Communications and Public Affairs at CEMEX. He is currently responsible for CEMEX's Finance, Controllership, Tax and Process Assessment areas. Mr. González holds a Bachelor's degree in Industrial and Systems Engineering from ITESM and an M.B.A. from Stanford University in California.

RAMIRO GERARDO VILLARREAL MORALES has served as a member of the Board since 1991. He joined CEMEX in 1987 and served as general counsel since then, and also has served as secretary of CEMEX's board of directors since 1995. Prior to joining CEMEX, Mr. Villarreal served as Deputy Director General of Grupo Financiero Banpaís, having served as deputy general director from 1985 to 1987. Currently, he serves as Executive Vice President of the Legal Department. Mr. Villarreal is a graduate of the Universidad Autónoma de Nuevo León with a degree in law. He also received a Master of Science degree in finance from the University of Wisconsin.

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 and the Caribbean regions and President of CEMEX's former Europe, Middle East, Africa and Asia regions. He is currently President of CEMEX's operations in Mexico and is also in charge of the global procurement area. Mr. Romero graduated from Universidad de Comillas in Spain, where he studied law and economic and enterprise sciences.

HECTOR MEDINA AGUIAR has been a director of the Board from 1995 to 2009 and independent director of the Board 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 Finances 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 of 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 and a Master's degree in Management Studies from The Management Centre at the University of Bradford.

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 Auditor Owner 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 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., ArcelorMittal Lázaro Cárdenas, S.A. de C.V., Grupo Collado S.A.B. de C.V. y S.D. Indeval, S.A. de C.V. He has represented business and professional bodies in the committees for analysis of proposals for tax reforms 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, AC, from which he obtained his certification under number 1498. He is a partner of the Public Accountants' of Chihuahua Institute and Association, AC, 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 and counselor 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. From 2005 to date he is 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 from 2009 until now as the Managing Director of Comercializadora de Origen Natural, S. de R.L. de C.V. From 2011 to date 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 Cónover 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 the CEO and Director of Grupo Punto Alto. He is the Chairman of the Board of the following companies with variable capital: Copachisa, Demek EMYCSA, ESJ, Premet, Spec Ingeniería, Inmobiliaria Abadan, Dalta, Altaser, KAT, ECHIDNA and Hidroponia El Silencio. He is a director of the following Corporations: Grupo Ruba, Grupo Cofiasa. He is also 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, President of Consejo ITESM Chihuahua, President of Pro Empleo Chihuahua, President of Casino de Chihuahua AC and member of Grupo Avance Empresarial A.C. Mr. Terrazas graduated from ITESM, Monterrey campus with the title of Industrial and Systems Engineer, and received the Diploma of Owners Management Program at 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 Federico Terrazas Torres and Miguel Márquez Prieto, son of Enrique Terrazas Torres, brother of Luis Enrique Terrazas Seyffert and cousin of Luis Márquez Villalobos, Martha Márquez de Corral, 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, being the Chairman in some of them. He is currently the chairman of Chihuahua Competitiveness Center (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 the niece of Federico Terrazas Torres and 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. He has been a director since 1988 of Constructora Copachisa, S.A. de C.V., President of Grupo Ruba S.A. de C.V. and President of Cubiertas Industriales de México, S.A. de C.V. He is an administrator of the cattle ranch "San Luis" and supports the Center for Studies for the Blind, A.C. and is Director of the Instituto Tecnológico de Monterrey; 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 Management Program of Business AD-2 of the Instituto Panamericano de Alta Administración de Empresas (IPADE). Mr. Terrazas is cousin of Mr. Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. He is the nephew of Federico Terrazas Torres and 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 to GCC and some subsidiaries. She is cousin of Federico Terrazas Becerra, Chairman of the Board of Directors of GCC. She is the niece of Mr. Federico Terrazas Torres and Mr. Enrique Terrazas Torres, daughter of Mr. Miguel Márquez Prieto, sister of Messrs. Luis Márquez Villalobos and Martha Márquez de Corral and cousin of engineers Luis Enrique Terrazas Seyffert and Alberto Terrazas Seyffert, all of them are members of GCC's Board of Directors.

HÉCTOR ENRIQUE ESCALANTE OCHOA joined the Company in 1999 as President of our Mexico Division. He served as President of our U.S. Division from 2000 through the end of 2014, and on January 1, 2015, he was named Chief Executive Officer by the Board. Prior to joining GCC, he spent 15 years in the Mexican lumber industry. From 1983 to 1985 he was a Financial Analyst with Ponderosa Industrial, S.A. de C.V. From 1986 to 1987, he was the Planning Manager at Ponderosa Industrial, S.A. de C.V. From 1987 to 1990, he was the Sales Manager at Plywood Ponderosa de Mexico, S.A. de C.V., and went on to become Plywood Ponderosa de Mexico, S.A. de C.V.'s President from 1990 to 1996. From 1996 to 1998, he was 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 a number of Executive Education programs, including the 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 graduated from Tecnológico de Monterrey, he holds a Master's degree in Business Administration from Stanford University. He joined CEMEX in 1993, performing various functions, including President of CEMEX in the Philippines and President of Cemex in Egypt, currently VP 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. Luis Franco is VP of CEMEX Construction Segment in Mexico. He was CEMEX President in Hungary. 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, Strategic Planning for Cemex, S.A.B. de C.V., which he joined in 2002. He has been a member of the board with 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 of CEMEX, S.A.B. de C.V. in the period 1985-2010. He has participated in the following Councils as President, in the 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 Council, at the 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 the 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 a GCC 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, Bangalore, Silicon Valley, Boston, Santiago, San Jose Costa Rica and Tokyo.

Mr. Araujo has held positions as Director of the Tecnológico de Monterrey, Northern Zone, Director of master's programs, Director of the Center for International Competitiveness, General Director of Tecnológico de Monterrey Campus Cd. Juárez and Campus Chihuahua, has participated in various civil associations such as Chihuahuense Entrepreneurial Foundation, Coparmex Ciudad Juárez, 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 General Director of Innovakglobal a biotechnology company dedicated to develop, produce and commercialize biotech products focused on the agricultural sector.

MANUEL ESPARZA ZUBERZA is a Partner of GOSSLER Firm, 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 Firm of Accountants in 2000, a title that he currently holds. At GOSSLER, 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 issuing technical bulletins), also appointed as member of the Supervisory 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 was president of the Financial Information Standards Commission of the ICCPCH; member of the Audit Committee of the Government Sector and currently Chairman of the Control Committee of Accounting Firms of the ICCPCH. He is a member of the ICCPCH Honor Board and lecturer in various forums on topics such as International Financial Reporting Standards, International Standards on Auditing, Quality Control of Accountants Firms, Accounting and Government Auditing and Courses to obtain Certification as Public Accountants, etc. He is also the Trustee for Taxpayers through CANACINTRA and Financial Statements Auditing and Government Accounting Professor with Business Schools. He graduated from the Universidad Autónoma de Chihuahua as a Public Accountant and has certificates in Audit, Government Accounting, Taxation, 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 Inverméxico, 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 certain 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	50.876
Treasury shares	4,864,492[(1)]	1.441
Public investors	160,876,920	47.681
Total	**337,400,000**	**100.0%**

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

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, Federico Terrazas Torres, Miguel Márquez Prieto, Enrique G. Terrazas Torres and Luis Márquez Villalobos, who are 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 power at shareholders' meetings, may be able to elect a majority of the members of the Board, exert significant influence over GCC´s management and corporate policies and determine the outcome of other actions requiring a vote of its shareholders. In addition, five of the 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 or is able to decisively influence its course of business. The Company is not controlled, directly or indirectly, by any other entity, foreign government or any other person, and it has no knowledge of any agreements that could result in a change of control.

GCC´s shareholders authorized the Company at the annual meeting held on April 27, 2017 to repurchase shares with an aggregate value of up to Ps. 700 million through the next annual shareholders' meeting. GCC has not repurchased any of its shares since April 2008.

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 stockholder or group of stockholders. In addition, the management of GCC should: 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 relevant information to the public and maintain accounting and booking systems, as well as adequate 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 men.

Name	Position	Years of service
Héctor Enrique Escalante Ochoa	Chief Executive Officer	18
Jesus Rogelio González Lechuga	Mexico Division President	44
Ronald S. Henley	U.S. Division President	5
Luis Carlos Arias Laso	Chief Financial Officer	21
Daniel E. Helguera Moreno	Chief Human Resources Officer	2

HÉCTOR ENRIQUE ESCALANTE OCHOA – Chief Executive Officer Mr. Escalante joined the Company in 1999 as President of our Mexico Division. He served as President of our U.S. Division from 2000 through the end of 2014, and on January 1, 2015, he was named Chief Executive Officer by the Board. Prior to joining GCC, he spent 15 years in the Mexican lumber industry. From 1983 to 1985 he was a Financial Analyst with Ponderosa Industrial, S.A. de C.V. From 1986 to 1987, he was the Planning Manager at Ponderosa Industrial, S.A. de C.V. From 1987 to 1990, he was the Sales Manager at Plywood Ponderosa de Mexico, S.A. de C.V., and went on to become Plywood Ponderosa de Mexico, S.A. de C.V.'s President from 1990 to 1996. From 1996 to 1998, he was 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 a number of Executive Education programs, including the 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.

JESUS ROGELIO GONZÁLEZ LECHUGA – Mexico Division President. Rogelio González joined the Company in 1973 as head of the Physical-Chemistry Lab in our 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, as Director of Processes in the Samalayuca plant from 1992 to 1995 and as Director of GCC's Samalayuca and Juarez plants in 1995. In September, 2001, he was named president of Mexico Division. Mr. González Lechuga holds a degree in Chemical Engineering and a postgraduate degree in Business Administration from the Universidad Autónoma de Chihuahua, and an M.B.A. from ITESM.

RONALD S. HENLEY - United States Division President. Ron Henley joined the Company in 2012 and was named 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 asset sales, 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 is a graduate 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 attended the Senior Management Program of Business D-1 of the Instituto Panamericano de Alta Dirección de Empresas (IPADE).

DANIEL E. HELGUERA MORENO – Human Resources Director Mr. Helguera joined the Company in 2015 and currently serves as the Head of Human Resources. Mr. Helguera has 20 years of experience in human resources and has led human resources for business leaders in the construction, cement, steel, food and technology industries, facing the challenges of organizations in different labor environments in several 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 for a great place to work granted by The Great Place to Work Institute. He currently holds the position of Human Resources Director 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.

The main officers have a total of 157,224 shares representing the 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 Stockholders Meeting held on December 4, 2006. The bylaws were subsequently amended at the Extraordinary Stockholders 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. The fixed minimum 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 includes a right to one vote at shareholders' meetings, and each share confers equal rights and obligations to their holders.

Changes to capital stock

The fixed portion of the capital stock may be increased or decreased by a resolution adopted at an extraordinary general 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 general shareholders' meeting, without amending our 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 then-issued and outstanding shares have been paid in full.

During the last three years and as of the date of this report, GCC has not increased its capital stock or issued shares.

Registration and Transfer

The shares are represented by nominative share certificates. GCC's shareholders may maintain their shares certificates in physical form or by electronic records on the books of a financial institution authorized to maintain accounts with Indeval. Indeval will be the registered holder of the share certificates maintained through electronic records on 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 our 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 consider any of the matters set forth in Article 182 of the General Law on Corporate Entities and may, additionally, approve the cancellation of the registration of the 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 any special quorum.

Ordinary general shareholders' meetings will be those called to:

- discuss, approve or modify the Chief Executive Officer's report referred to in Article 44, section XI and Article 172 of the General Law on Corporate Entities, 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;
- take decisions regarding 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 decrease 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 (such as the repurchase of shares on the BMV and their subsequent placement);
- approve, without exceeding any legal limit, for each fiscal year, the maximum amount of cash 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 that by reason of 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.

Under its bylaws, shareholders' meetings may be called by (i) GCC Board, (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 Rights

Under Mexican law and the Company's bylaws, the shareholders have preemptive rights in respect of all share issuances or capital stock increases, except in certain cases. 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 that preemptive rights do not apply to public offers carried out by a public traded stock corporation, and (iv) in respect of 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 ("Voting Agreement"), (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, or (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 an investment bank of recognized reputation.

In evaluating the authorization requests, the Board shall take into account the factors that it deems relevant, considering the interests and those of the shareholders, including financial, market and business factors as well as the solvency of the potential purchasers, 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 in its plans and budgets, the quality, accuracy and truthfulness of the information furnished by the potential purchaser, the feasibility of the offer, the offered price, 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 member or the shareholders), the reasons for the execution and the timing of the Voting Agreement, the sources of financing of the offer and the term for its conclusion and any other factors that the Board may deem necessary or convenient.

Notwithstanding the above, regardless of the percentage held by the stockholder 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 meeting, and the Company will abstain from registering such alleged shareholder or shareholders in the shares registry, and the prior registrations shall be canceled, 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 to the shareholders meetings, nor will legitimate the exercise of any actions, including procedural actions. The person or 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, for the 30 trading days prior to the offering, or (ii) the last reported book value per share. The Mexican Securities Market Law defines control, for these purposes, as (i) the ability 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, that its management, strategy or policies be pursued in any given fashion. 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 and Chief Executive Officer shall 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 profits 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 paid-in capital stock. As of the date of this offering memorandum, the legal reserve fund is equal to 20% of the paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including the amount allocated to a fund for the repurchase of shares. The remaining balance, if any, may be distributed as dividends. No dividends may be distributed if losses for prior 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 can 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 offers 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 that those shares are converted into treasury shares, in which case a 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 general shareholders' meeting. All fully paid and outstanding shares of 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 respect to any matter on which they were not sufficiently informed be postponed; and
  - appoint one member of the Board and one alternate member of the Board.
- holders of at least 20% of its outstanding voting shares may oppose judicially certain resolutions of the general shareholders' meetings, to 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 plaintiff's benefit), against all or any of the directors for breaching any of their duties for an amount equivalent to the damages caused to GCC. Actions seeking such remedies may not be pursued more than 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

A member of the Board with a conflict of interest must disclose such conflict and abstain from any deliberation or vote in connection therewith. A breach by any member of the Board of any such obligations may result in the director being liable for damages and lost profits, as a violation of such director's 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 therewith. Shareholders violating such provision may be liable for damages incurred by the Company where the relevant transaction would not have 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, will be submitted to the jurisdiction of the courts of Chihuahua.

Right to Separation

Whenever GCC's shareholders approve a change in the corporate purpose, jurisdiction of organization or transformation from one corporate form to another, any shareholder entitled to vote that voted against these matters has the right to withdraw and receive the book value of its shares as set forth in the financial statements last approved by the shareholders, provided that the shareholder exercises this appraisal right within 15 days after the meeting at which the relevant matter was approved.

Cancellation of Registration in the RNV

In accordance with GCC's bylaws and the Mexican Securities Market Law, the Company will be required to make a public tender offer for the purchase of the shares held by minority shareholders in the event that the listing of GCC shares on the BMV is canceled, either by the Company's resolution or by an order of the CNBV. The controlling shareholders will be secondarily liable for 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 stockholders. 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 chairperson 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 chairperson 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 will also have that same character in relation to the integration of the committee, (v) each committee in its first session will appoint the persons who will serve as secretary and alternate secretary, neither of whom will be a 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 their duties or when so required in accordance with the LMV or general provisions.
- Summoning Stockholders Meetings and having the items that they consider pertinent be included in the agenda.
- 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 present legal system.

In terms of audit:

- Provide an opinion to the Board of Directors on matters that fall under the applicable legislation.
- Evaluate the performance of the entity providing independent audit services, as well as analyze the opinion, opinions, reports or reports drawn up and subscribed by the external auditor; for this purpose, the Committee may request the presence of such auditor whenever it considers it appropriate, notwithstanding that it should meet with the latter at least once a year.
- Discuss the financial statements of the Company with the persons responsible for its preparation and review, and based on this, recommend its approval or not to the Board of Directors.

- Inform the Board of Directors of the situation of the internal control system and internal audit 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 (twenty-eight), section IV, paragraph c) of the Mexican Stock Exchange Law and submit it to the Board of Directors for consideration to be presented at a later date at the Stockholders Meeting, based among other elements, in the opinion of the independent auditor; such 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 the particular circumstances of the same. 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 condition and results of the Company.
- Support the Board of Directors in preparing the reports referred to in article 28 (twenty-eight), section IV, paragraphs d) and e) of the LMV.
- Ensure that the transactions referred to in articles 28 (twenty-eight), section III and 47 (forty-seven) of the Mexican Stock Exchange Law are carried out in accordance with the provisions therein set forth, as well as the policies therein derived.
- Request the opinion of independent experts in cases where it deems it appropriate, for the proper performance of their duties or when so required according to applicable law or general provisions.
- Require from the relevant executives and other employees of the Company or of the legal entities that it controls, reports related to the preparation of financial and any other type of information deemed necessary for the exercise of its functions.
- Investigate any possible non-compliance in the operations, operating guidelines and policies, internal control system and internal audit and accounting records, whether in the company or the legal entities it controls, by analyzing the documents, records and other supporting evidence, to the extent deemed necessary.
- Receive comments and remarks made by stockholders, members of the board, relevant officers, employees and, in general, any third party regarding the issues in the item above, as well as carrying out any actions deemed convenient regarding such remarks.
- Request periodical meetings with the relevant officers, as well as the delivery of information of any kind 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 in connection with the performance of their duties and, if applicable, of the corrective actions taken or proposed to be taken.
- Call Stockholders Meetings and request that the items deemed relevant are included in the agenda of said meetings.
- Ensure that the CEO complies with the resolutions of the Stockholders Meetings and of the Board of Directors of the Company, in accordance with the instructions issued by the Stockholders Meeting or the Board of Directors.
- Ensure that internal mechanisms and controls are in place to verify that the acts and operations of the Company and 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 behavior in the stock exchange

As of the date of this report, 332,535,508 shares representing GCC's capital stock are listed in the Mexican Stock Exchange, BMV, of which 160,876,920 are outstanding shares. The shares behavior on the Mexican Stock Exchange is summarized below, with share prices shown in nominal Mexican Pesos.

GCC share price upon closing the last five fiscal years:

Period	Closing price	Volume traded	Maximum price	Minimum price
2013	40.00	1,627,308	46.95	37.95
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

GCC Share Price upon quarterly closure in the last two fiscal years:

Period	Closing price	Volume traded	Maximum price	Minimum price
I – 2016	48.50	8,914,210	49.00	41.50
II – 2016	48.90	1,707,842	50.75	45.13
III – 2016	54.00	425,417	54.00	48.00
IV – 2016	68.40	5,214,135	68.88	55.00
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

GCC Share Price upon monthly closure in the last six months prior to presenting this Report:

Period	Volume traded	Closing price	Maximum price	Minimum price
October 2017	4,256,903	91.57	95.50	88.31
November 2017	2,552,857	92.81	96.57	87.11
December 2017	1,724,740	91.47	94.95	86.91
January 2018	3,321,104	104.76	110.30	89.46
February 2018	6,127,936	99.67	110.00	96.77
March 2018	4,097,609	97.79	102.35	95.54

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. The life of the agreement is 12 months, with the option of cancelling it after 6 months or renewing it upon expiration.

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%.

The average daily volume of GCC shares between March 12th and March 31st, 2018 was 233,051 shares, while the average daily volume of the market maker was 16,227, or 13.93% of the average daily trading of the Company's shares.

During such term, the Company’s shares closing price had a slight 2.14% decrease, going from $99.93 to $97.79.

5.c) Market Maker

During 2017, GCC did not enter into any Market Maker Agreement.

6) Legal Representatives

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

Chihuahua, Chihuahua, México a 27 de abril de 2018

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

Los suscritos manifestamos, 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 2017, 2016 y 2015, y por los años que terminaron en esas fechas, contenidos en el Anexo A del presente reporte anual, fueron dictaminados con fecha 19 de marzo de 2018, 9 de marzo de 2017 y 22 de febrero de 2016, de acuerdo con las Normas Internacionales de Auditoría.

Asimismo, manifestamos que hemos leído el presente reporte anual y, basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tenemos 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, los suscritos no fuimos contratados para realizar, y no realizamos, 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
Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro de Deloitte Touche Tohmatsu Limited

C.P.C. Gabriel González Martínez
Auditor externo
Socio de Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

7) Appendix

7.a) Audited Financial Statements 2017, 2016 and 2015

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

Consolidated Financial Statements for the Years Ended December 31, 2017, 2016 and 2015, and Independent Auditors' Report Dated March 19, 2018

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

Independent Auditors' Report and Consolidated Financial Statements for 2017, 2016 and 2015

Table of contents **Page**

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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 Mexican pesos)

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, 2017, 2016 and 2015, and the consolidated statements of profit, consolidated statements of other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows 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, 2017, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

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.

Convenience translation and explanation for translation into English

As mentioned in Note 3, the consolidated financial statements as of December 31, 2017 include the translation of Mexican peso amounts into U.S. dollar amounts, titled "Convenience" and are presented solely for the convenience of the reader. These amounts are presented for informational purposes only and do not represent amounts in accordance with IFRS or the equivalent in U.S. dollars in which transactions were conducted or in which the amounts presented in Mexican pesos could be translated or realized.

Additionally, the accompanying consolidated financial statements have been translated into English for the convenience of readers.

Deloitte.

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**

Given 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. In order to evaluate the impairment, the Company has assigned two cash generating units involving the Cement and Concrete Divisions.

The International Accounting Standard 36 (IAS 36) 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 23 to the consolidated financial statements, as of December 31, 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 for an amount of $ 294,764 (US. $15,400). As of December 31, 2016 and 2015, 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 changes in financial position for $ 1,970,049 for the Mexican entities and $ 850,495 for the United State of America entities.

According to the International Accounting Standard 12 (IAS 12), 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.t and 20, respectively, of the accompanying consolidated financial statements.

3. Contingencies

As a result of its daily 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 its 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.v and 26, 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.

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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 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 ISAs 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.

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- 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 regarding, 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 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, 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. Gabriel González Martínez
March 19, 2018

Consolidated statements of financial position

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

	Note	Convenience translation (Note 3)	As of December 31, 2017	2016	2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	US$ 232,933	$ 4,608,972	$ 3,396,868	$ 2,522,835
Accounts receivable:					
Trade accounts receivable, net	7	91,338	1,807,276	1,518,792	1,194,643
Other accounts receivable	7	42,945	849,731	815,798	653,650
Due from related parties	8	2,726	53,942	53,159	29,989
		369,942	**7,319,921**	**5,784,617**	**4,401,117**
Inventories	9	113,212	2,240,098	2,207,281	1,735,051
Prepaid expenses	10	12,532	247,975	230,998	196,352
Total current assets		**495,686**	**9,807,994**	**8,222,896**	**6,332,520**
NON-CURRENT ASSETS					
Investments in associates, joint venture and other investments	11	9,955	196,980	160,800	137,818
Property, plant and equipment, net	12	936,387	18,528,011	19,176,875	13,900,911
Goodwill	14	387,461	7,666,567	8,341,936	5,534,419
Intangible assets, net	15	60,790	1,202,838	1,417,177	136,597
Other assets	16	5,430	107,445	94,288	68,680
Deferred income tax	20	12,181	241,018	1,237,928	863,837
Total non-current assets		**1,412,204**	**27,942,859**	**30,429,004**	**20,642,262**
TOTAL ASSETS		**US$ 1,907,890**	**$ 37,750,853**	**$ 38,651,900**	**$ 26,974,782**

See accompanying notes to consolidated financial statements.

	Note	Convenience translation (Note 3)	As of December 31, 2017	2016	2015
LIABILITIES AND EQUITY					
SHORT-TERM LIABILITIES					
Debt and current portion of long-term financial debt	18	US$ 17,150	$ 339,343	$ 79,816	$ 115,473
Trade accounts payable		89,232	1,765,606	1,467,019	918,428
Due to related parties	8	1,435	28,394	16,996	14,045
Short-term employee benefits	17	25,427	503,118	492,275	332,224
Accrued expenses and taxes other than income taxes	19	45,137	893,122	1,044,446	774,233
Provisions	19	5,007	99,073	106,787	99,230
Total current liabilities		**183,388**	**3,628,656**	**3,207,339**	**2,253,633**
LONG-TERM LIABILITIES					
Long-term financial debt	18	665,751	13,173,007	14,217,493	7,413,526
Employee benefits	17	40,072	792,898	771,004	649,829
Provision for environmental restoration	19	9,043	178,940	177,454	74,761
Other long-term liabilities		734	14,522	15,455	-
Income taxes payable	20	29,308	579,911	809,638	933,724
Deferred income tax	20	50,631	1,001,826	1,396,188	917,784
Total non-current liabilities		**795,539**	**15,741,104**	**17,387,232**	**9,989,624**
Total liabilities		**978,927**	**19,369,760**	**20,594,571**	**12,243,257**
STOCKHOLDERS' EQUITY	21				
Capital stock		20,027	396,270	396,270	396,270
Additional paid-in capital		92,635	1,832,940	1,832,940	1,832,940
Legal reserve		14,151	279,998	279,998	279,998
Retained earnings		678,377	13,422,837	12,090,805	10,973,850
Other items of comprehensive income		123,743	2,448,460	3,451,442	1,241,970
Equity attributable to owners of the Company		**928,933**	**18,380,505**	**18,051,455**	**14,725,028**
Non-controlling interest		30	588	5,874	6,497
Total stockholders' equity		**928,963**	**18,381,093**	**18,057,329**	**14,731,525**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**US$ 1,907,890**	**$ 37,750,853**	**$ 38,651,900**	**$ 26,974,782**

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

Consolidated statements of profit

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$), except per share amounts)

	Note	Convenience translation (Note 3)	For the years ended December 31, 2017	2016	2015
Net sales	25	US$ 876,091	$ 17,334,958	$ 13,996,791	$ 11,983,778
Cost of sales	22	636,634	12,596,889	10,223,785	9,074,092
Gross profit		239,457	4,738,069	3,773,006	2,909,686
General, administrative and selling expenses	22	83,035	1,642,990	1,410,917	1,235,172
Operating income before other expenses		**156,422**	**3,095,079**	**2,362,089**	**1,674,514**
Other expenses	23	15,664	309,933	118,801	25,292
Operating income		**140,758**	**2,785,146**	**2,243,288**	**1,649,222**
Financial expenses	24	54,580	1,079,949	729,769	641,269
Financial income		3,386	67,003	34,243	27,020
Exchange (loss) gain, net		(1,986)	(39,306)	24,603	37,395
Share of profit of associates, joint venture and other investments		1,983	39,236	20,019	12,777
Income before income taxes		89,561	1,772,130	1,592,384	1,085,145
Income taxes	20	(11,699)	(231,495)	(308,194)	(169,654)
Consolidated net income for the year		**US$ 77,862**	**$ 1,540,635**	**$ 1,284,190**	**$ 915,491**
Consolidated net income attributable to:					
Owners of the Company		77,726	1,537,938	1,280,737	912,699
Non-controlling interests		136	2,697	3,453	2,792
Consolidated net income for the year		**US$ 77,862**	**$ 1,540,635**	**$ 1,284,190**	**$ 915,491**

Basic and diluted earnings per share:

Weighted average outstanding shares (thousands)		332,536	332,536	332,536
Basic and diluted earnings per share of controlling interest (in pesos)	US$	$ 4.63	$ 3.86	$ 2.75

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 Mexican pesos ($) and thousands of U.S. dollars (US$))

	Convenience translation (Note 3)	For the years ended December 31, 2016	2015	2014
Consolidated net income for the year	**US$ 77,862**	**$ 1,540,635**	**$ 1,284,190**	**$ 915,491**
Other comprehensive income:				
Items that may be reclassified to net income in the future:				
Cumualtive translation adjustments	(53,309)	(1,054,806)	1,747,955	98,327
Items that will not be reclassified to net income in the future:				
Remeasurements of employee benefits	6,466	127,947	(39,805)	24,536
Income taxes	(3,847)	(76,123)	501,322	307,785
Total other items of comprehensive income	(50,690)	(1,002,982)	2,209,472	430,648
Consolidated comprehensive income for the year	**US$ 27,172**	**$ 537,653**	**$ 3,493,662**	**$ 1,346,139**
Consolidated comprehensive income for the year attributable to:				
Owners of the Company	US$ 27,439	$ 542,939	$ 3,494,285	$ 1,343,347
Non-controlling interests	(267)	(5,286)	(623)	2,792
	US$ 27,172	**$ 537,653**	**$ 3,493,662**	**$ 1,346,139**

See accompanying notes to consolidated financial statements.

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

Consolidated statements of cash flows

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

	Note	Convenience translation (Note 3)	For the years ended December 31, 2016	2015	2014
Cash Flows from operating activities					
Consolidated net income for the year		US$ 77,862	$ 1,540,635	$ 1,284,190	$ 915,491
Adjustments for:					
Increase in pensions and seniority premium	17	3,862	76,403	88,611	79,712
Share of profit of associates		(1,983)	(39,236)	(20,019)	(12,777)
Depreciation	12	71,987	1,424,378	1,124,507	932,651
Amortization	15	6,753	133,625	38,971	31,943
Impairment of non–current assets	23	14,897	294,764	-	-
Loss (gain) on sale of property, plant and equipment		160	3,140	23,301	(11,445)
Income tax	20	11,699	231,495	308,194	169,654
Financial expenses	24	54,580	1,079,949	729,769	641,269
Financial income		(3,386)	(67,003)	(34,243)	(27,020)
Movements in working capital:					
Trade accounts receivable		(14,006)	(277,124)	(134,986)	(60,731)
Due to related parties		536	10,615	(26,121)	44,496
Other accounts receivable		(1,528)	(30,242)	(134,799)	(120,632)
Inventories		(1,691)	(33,454)	(19,565)	28,562
Prepaid expenses		(813)	(16,080)	3,417	7,444
Trade accounts payable		14,519	287,286	423,546	(143,313)
Direct benefits paid to employees		(3,173)	(62,778)	(55,278)	(38,861)
Accrued provisions and liabilities		25,100	496,651	(290,215)	129,912
Cancelation of assets retirement obligation	23	-	-	(57,600)	-
Cash generated from operations		255,375	5,053,024	3,251,680	2,566,355
Interest received		3,386	67,003	34,243	27,020
Income tax paid		(11,693)	(231,369)	(142,544)	(142,950)
Net cash flows generated by operating activities		247,068	4,888,658	3,143,379	2,450,425
Cash Flows from investing activities					
Additions of property, plant and equipment and other assets		(72,270)	(1,429,977)	(848,741)	(835,323)
Proceeds from disposal of property, plant and equipment		855	16,917	55,185	20,135
Merger effect	21	-	-	7,806	-
Business combination	13	-	-	(6,181,249)	-
Net cash flows used in investing activities		(71,415)	(1,413,060)	(6,966,999)	(815,188)
Cash Flows from financing activities					
Payments of short-term and long-term financing		(241,832)	(4,785,058)	(3,772,809)	(3,503,883)
Proceeds from short and long-term financing		235,173	4,653,298	8,907,534	3,117,566
Interest paid		(62,029)	(1,227,357)	(613,759)	(508,542)
Dividends paid		(10,406)	(205,906)	(171,588)	(142,990)
Net cash flows (used in) generated by financing activities		(79,094)	(1,565,023)	4,349,378	(1,037,849)
Net increase in cash and cash equivalents		96,559	1,910,575	525,758	597,388
Adjustment to cash flows for variations in exchange Rates		(35,300)	(698,471)	348,275	138,791
Cash and cash equivalents at the beginning of the year		171,674	3,396,868	2,522,835	1,786,656
Cash and cash equivalents at the end of the year		**US$ 232,933**	**$ 4,608,972**	**$ 3,396,868**	**$ 2,522,835**

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 Mexican pesos ($) and thousands of U.S. dollars (US$))

	Capital stock	Additional paid-in capital	Legal reserve	Retained earnings	Other comprehensive income	Equity attributable to owner	Non-controlling' interest	Total stockholders' equity
Balances as of January 1, 2015	**$ 396,270**	**$ 1,832,940**	**$ 279,998**	**$ 10,204,141**	**$ 811,322**	**$ 13,524,671**	**$ 3,705**	**$ 13,528,376**
Consolidated net income for the year	-	-	-	912,699	-	912,699	2,792	915,491
Dividends paid	-	-	-	(142,990)	-	(142,990)	-	(142,990)
Other comprehensive income	-	-	-	-	430,648	430,648	-	430,648
Balances as of December 31, 2015	**$ 396,270**	**$ 1,832,940**	**$ 279,998**	**$ 10,973,850**	**$ 1,241,970**	**$ 14,725,028**	**$ 6,497**	**$ 14,731,525**
Consolidated net income for the year	-	-	-	1,280,737	-	1,280,737	3,453	1,284,190
Dividends paid	-	-	-	(171,588)	-	(171,588)	(4,076)	(175,664)
Merger effect (Note 21)	-	-	-	7,806	-	7,806	-	7,806
Other comprehensive income	-	-	-	-	2,209,472	2,209,472	-	2,209,472
Balances as of December 31, 2016	**$ 396,270**	**$ 1,832,940**	**$ 279,998**	**$ 12,090,805**	**$ 3,451,442**	**$ 18,051,455**	**$ 5,874**	**$ 18,057,329**
Consolidated net income for the year	-	-	-	1,537,938	-	1,537,938	2,697	1,540,635
Dividends paid	-	-	-	(205,906)	-	(205,906)	(7,983)	(213,889)
Other comprehensive income	-	-	-	-	(1,002,982)	(1,002,982)	-	(1,002,982)
Balances as of December 31, 2017	**$ 396,270**	**$ 1,832,940**	**$ 279,998**	**$ 13,422,837**	**$ 2,448,460**	**$ 18,380,505**	**$ 588**	**$ 18,381,093**
Convenience translation (Note 3)	US$ 20,027	US$ 92,635	US$ 14,151	US$ 678,377	US$ 123,743	US$ 928,933	US$ 30	US$ 928,963

See accompanying notes to consolidated financial statements.

1. 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 (principally 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.

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 and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

Amendments to IAS 7, "Disclosure Initiative"

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of documents payable and financial debt (Note 18). A reconciliation between the opening and closing balances of these items is provided in Note 18.c. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 18.c, the application of these amendments has had no impact on the Company's consolidated financial statements.

Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealized Losses"

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's consolidated financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

Annual Improvements to IFRS "2014-2016 Cycle"

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRS 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company (see Note 2.b).

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's consolidated financial statements as none of the Company's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9	Financial Instruments (and the related clarifications)[1]
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
IFRS 16	Leases[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS	Annual Improvements to IFRS Standards 2014-2016 Cycle[1and2]
Amendments to IFRS	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over income Tax Treatments[2]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

IFRS 9, "Financial Instruments"

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9, "Financial Instruments", are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments 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 outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- 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 to 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, 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 overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a Company's risk management activities have also been introduced.

The management of the Company anticipates that the application of IFRS 9 in the future may have a material impact with the impairment of the amounts reported in respect of the Company's financial assets and does not consider that there is an impact with respect to the classification of financial assets and liabilities or with hedge accounting requirements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, "Revenue", IAS 11, "Construction Contracts", and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the company satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, "principal" versus "agent" considerations, as well as licensing application guidance.

The Company recognizes that the main sources of its revenues come from the sale of Portland Cement and Concrete.

The directors intend to use the full retrospective method of transition and adoption to IFRS 15.

Apart from providing more extensive disclosures on the Company's revenue transactions, the directors do anticipate that the application of IFRS 15 will not have a significant impact on the financial position and/or financial performance of the Company. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

IFRS 16, "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

IFRS 16 was issued in January 2016 and will supersede the current lease guidance including IAS 17, "Leases", and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off financial position) and finance leases (on financial position) are removed for lessee accounting and is replaced by a model where a right-of – use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on financial position) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others.

Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Company is in the process of determining the potential impacts that will be derived in its consolidated financial statements by the adoption of this standard and considers that they will be important in their financial position, however, it is impractical to provide a reasonable estimate of such effect until the Company has performed a detailed review.

Amendments to IFRS 10 and IAS 28, "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 management of the Company expects that there may be no important impacts as a result of these amendments.

Annual Improvements to IFRS "2014 – 2016 Cycle"

The Annual Improvements include amendments to IFRS 1, IFRS 9, and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 which is mandatorily see Note 2.a for details of application.

The amendments to IAS 28 are two, the first one clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

The second amendment to IAS 28 in long term interest in associates and joint ventures clarifies that an entity applies IFRS 9 "Financial Instruments" to long term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply retrospectively with earlier application permitted.

Prepayment features with negative compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Company consolidated financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

Amendments to IFRS 9 and IAS 28 are effective for annual periods beginning on or after January 1, 2019. The Company is in the process of determining the potential impacts that will derive from the adoption of these amendments in its consolidated financial statements, although given the nature of its operations it would not expect significant impacts.

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 (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

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. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

IFRIC 23, "Uncertainty over Income Tax Treatments"

The interpretation addresses the determination of taxable profit (tax loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively,
- Assumptions for taxation authorities' examinations,
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and
- The effect of changes in fact and circumstances.

The directors of the Company considers that the application of the amendments in the future will not have an impact on the Company's consolidated financial statements, because when the Company determines the effects of the income taxes on its financial statements, it makes similar considerations to those contained by the interpretation.

Annual Improvements to IFRSs "2015 - 2017 Cycle"

The Annual Improvements include amendments to IFRS 3 and IFRS 11, IAS 12 and IAS 23.

Amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operations, it remeasures previously held interest in that business. The amendments to IFRS 11 clarify that when an entity obtains control of a business that in not a joint operation the entity does not remeasure previously held interest in that business.

Amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regarding of how the tax arises.

Amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization on general borrowings.

The directors of the Company will not have an impact derive from the adoption of these amendments.

3. Convenience translation and explanation for translation into English

The consolidated financial statements as of December 31, 2017 include in the presentation in each line item of the financial statements amounts denominated in U.S. dollars under the heading "Convenience translation", which are presented solely for the readers' convenience. Such amounts were translated using the exchange rate of $ 19.7867 per U.S. dollar, using the exchange rate to settle obligations denominated in foreign currency payable in Mexico, published by "Banco de Mexico", at December 31, 2017.

The referred information in U.S. dollars is solely for informational purposes and does not represent amounts in accordance with IFRS or the equivalent in U.S. dollars in which the transactions were conducted or in which the amounts presented in Mexican pesos could be translated or realized.

The consolidated financial statements are presented in Mexican pesos ($) and U.S. dollars (US$), all values are rounded to thousands (000) except when otherwise mentioned.

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Company that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

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 the historical cost basis except for certain financial instruments that for disclosures purposes are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost

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

Fair value

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, 2016 and 2015 have been reclassified to conform to the presentation of the 2017 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 Company:

- 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 returns.

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.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting polices 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.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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

Subsidiaries	% Ownership Interest 2017	2016	2015
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
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
GCC Proyectos y Administración, S.A. de C.V.	-	-	99.749
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	-
GCC Sun City Materials, LLC.	99.999	99.999	-
New Materiales Investment, 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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company has only financial instruments classified as loans and receivables.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivable, assets are subject to impairment tests for purposes that have not been impaired individually, are included in the assessment of impairment on a collective basis. Between objective evidence that a portfolio of accounts receivable may be impaired, it could include the Company's past experience regarding the collection, an increase in the backlog in the portfolio exceeding the credit period payments as well as observable changes in national and local economic conditions that correlate with default on payments.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the asset financial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance for doubtful accounts. When an accounts is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the results.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Company derecognizes a financial asset 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 party.

g) 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.

h) Prepaid expenses

Prepaid expenses are recognized for the amount paid upon payment. The Company recognizes the amount related to the prepaid expenses as an asset when the Company has the right to receive goods or services in the future.

i) 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 commences when the asset is available to be used as properties, plant and equipment on the following basis:

	Percentage
Buildings	2.00% - 2.33%
Machinery and equipment	3.33% - 10.00%
Vehicles	6.67% - 25.00%
Furniture and equipment	10.00% - 33.33%

<u>Construction in progress</u>

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.

j) 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.

k) 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.

l) Goodwill

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.

m) 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.

n) 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.

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.

o) Investments in associates, joint ventures and other investments

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.

p) 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 subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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.

q) 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.

<u>The Company as lessee</u>

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.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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.

r) 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:

- 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 Mexican pesos 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:

	December 31, 2017	**December 31, 2016**	**December 31, 2015**
Closing exchange rate	$ 19.7867	$ 20.7314	$ 17.2065
Average exchange rate	$ 18.9326	$ 18.6673	$ 15.8542

The exchange rate at the date of issuance of the consolidated financial statements is $ 18.7023 pesos per U.S. dollar.

s) Employee benefits from termination, retirement and statutory 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 this 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 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, 2017, 2016 and 2015 employee profit sharing is based on the taxable income under Section I of Article 9 of the Law on Income Tax.

t) 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 tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

u) 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. <u>Onerous contracts</u>

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. <u>Restructuring</u>

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. <u>Warranties</u>

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.- <u>Contingent liabilities acquired in a business combination</u>

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 18, "Revenues".

v) Financial liabilities and equity instruments

<u>Classification as debt or equity</u>

Debt and equity instruments issued by a group Company 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "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.

w) 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.

x) Revenue recognition

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar discounts. These revenues should be recognized when they meet each and every one of the following conditions:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the sale of land, the above conditions are usually met when the title of the property is transferred to the buyer.

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Income from other activities than the main operations of the Company are recognized when the revenue has been earned through the delivery of the good or service delivery, provided there is no uncertainty regarding their realization and the goods or services provided have been accepted by customers.

y) 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.

z) 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.

aa) 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 22, 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.

ab) 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 25).

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 Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities of the consolidated financial statements. 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 Company's management 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.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Cash and banks balances	$ 1,627,198	$ 2,125,353	$ 1,892,324
Short-term deposits	2,981,774	1,271,515	630,511
	$ 4,608,972	**$ 3,396,868**	**$ 2,522,835**

7. Trade accounts receivable and other accounts receivable

Balances receivable from customers and allowance for doubtful accounts as of December 31, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Trade accounts receivable	$ 2,077,395	$ 1,771,080	$ 1,396,547
Allowance for doubtful accounts	(270,119)	(252,288)	(201,904)
	$ 1,807,276	**$ 1,518,792**	**$ 1,194,643**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

The average credit term on the sale of goods is 60 days. The Company performs a 100% analysis for all the accounts receivable from clients with 90 days old or more, due to experience the Company needs to perform another types of collection tasks to recover those accounts. For accounts receivable that are more than 90 days old, an allowance for doubtful accounts is recognized, based on irrecoverable amounts determined by experiences of the counterparty and an analysis of its current financial position.

Movements in the allowance for doubtful accounts are as follows:

	2017	2016	2015
Beginning balance	$ (252,288)	$ (201,904)	$ (180,476)
Increases during the year	(41,103)	(86,945)	(67,993)
Application	17,447	60,070	60,747
Translation effect	5,825	(23,509)	(14,182)
	$ (270,119)	**$ (252,288)**	**$ (201,904)**

The balance of other accounts receivable as of December 31, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Recoverable taxes	$ 637,016	$ 624,637	$ 556,092
Other	212,715	191,161	97,558
	$ 849,731	**$ 815,798**	**$ 653,650**

8. Balance and transactions with related parties

a) As of December 31, 2017, 2016 and 2015, the accounts receivable from related parties are as follows:

Accounts receivable	2017	2016	2015
Cemex, S.A.B. de C.V.	$ 3,002	$ 22,144	$ 10,455
Copachisa, S.A. de C.V.	28,672	21,663	7,012
Inmobiliaria Ruba, S.A. de C.V.	14,359	4,813	6,744
Abastecedora de Fierro y Acero, S.A. de C.V.	7,909	4,539	5,778
	$ 53,942	**$ 53,159**	**$ 29,989**

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2017, 2016 and 2015, there was no expense resulting from the uncollectibility of balances due from related parties.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

b) As of December 31, 2017, 2016 and 2015, the accounts payable to related parties are as follows:

Accounts payable		**2017**		**2016**		**2015**
Cemex, S.A.B. de C.V.	$	18,059	$	10,820	$	7,499
Madata It, S.A. de C.V.		7,328		5,161		5,239
Abastecedora de Fierro y Acero, S.A. de C.V.		3,007		1,015		1,307
	$	**28,394**	**$**	**16,996**	**$**	**14,045**

c) During the years ended December 31, 2017, 2016 and 2015, the Company had transactions with related parties, as follows:

Sales of cement and construction materials		**2017**		**2016**		**2015**
Inmobiliaria Ruba, S.A. de C.V.	$	89,998	$	76,259	$	120,426
Cemex, S.A.B. de C.V.		6,877		53,921		87,900
Copachisa, S.A. de C.V.		110,120		55,277		52,717
Abastecedora de Fierro y Acero, S.A. de C.V.		40,966		28,574		28,460
	$	**247,961**	**$**	**214,031**	**$**	**289,503**

Purchases of inventories and other services		**2017**		**2016**		**2015**
Cemex, S.A.B. de C.V.	$	115,342	$	69,914	$	67,488
Abastecedora de Fierro y Acero, S.A. de C.V.		6,594		4,983		15,511
Madata It, S.A. de C.V.		66,606		54,625		13,167
	$	**188,542**	**$**	**129,522**	**$**	**96,166**

d) An analysis of employee benefits granted to the Company's directors and senior management for the years ended December 31, 2017, 2016 and 2015, is as follows:

		2017		**2016**		**2015**
Short-term direct benefits	$	81,268	$	74,153	$	66,478

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

9. Inventories

An analysis of this line item as of December 31, 2017, 2016 and 2015, is as follows:

		2017		2016		2015
Finished goods	$	568,787	$	669,046	$	413,869
Work in process		237,550		253,796		185,013
Raw materials and spare parts		757,469		666,149		564,342
Developed land for sale		676,292		618,290		571,827
	$	**2,240,098**	**$**	**2,207,281**	**$**	**1,735,051**

The amount of inventories that was recognized in cost of sales in 2017, 2016 and 2015 amounted to $ 11,376,762, $ 9,308,188 and $ 8,316,329, respectively.

10. Prepaid expenses

An analysis of this line item as of December 31, 2017, 2016 and 2015, is as follows:

		2017		2016		2015
Advances to service suppliers	$	164,301	$	168,524	$	134,432
Prepaid insurance expenses		83,674		62,474		61,920
	$	**247,975**	**$**	**230,998**	**$**	**196,352**

11. Investments in associates, joint venture and other investments

An analysis of this line item as of December 31, 2017, 2016 and 2015, is as follows:

	% Equity Interest		2017		2016		2015
Associate company:							
Inmobiliaria Médica de México, S.A. de C.V.	17.48%	$	151,619	$	143,299	$	133,381
Joint venture:							
Madata It, S.A. de C.V.	58.00%		27,501		15,062		2,499
Investment under cost method:							
Other			17,860		2,439		1,938
		$	**196,980**	**$**	**160,800**	**$**	**137,818**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

12. Property, plant and equipment

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	$ 6,928,684	$ 3,771	$ (386)	$ 19,539	$ -	$ (561,357)	$ 6,390,251
Machinery and equipment	16,988,991	163,123	(9,568)	67,750	-	(308,952)	16,901,344
Vehicles	2,500,301	178,635	(100,845)	(4,453)	-	(190,998)	2,382,640
Furniture and equipment	465,950	5,443	(18,352)	-	-	(16,776)	436,265
Accumulated Depreciation	(11,152,847)	-	110,154	-	(1,424,378)	378,947	(12,088,124)
Net carrying amount	15,731,079	350,972	(18,997)	82,836	(1,424,378)	(699,136)	14,022,376
Lands	2,712,892	1,068	-	-	-	18,429	2,732,389
Investments projects in process	732,904	1,107,724	-	(82,836)	-	15,454	1,773,246
	$ 19,176,875	**$ 1,459,764**	**$ (18,997)**	**$ -**	**$ (1,424,378)**	**$ (665,253)**	**$ 18,528,011**

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	$ 5,225,166	$ 29,170	$ (33)	$ 20,172	$ 803,968	$ 850,241	$ 6,928,684
Machinery and equipment	12,330,188	297,042	(28,771)	559,999	1,607,331	2,223,202	16,988,991
Vehicles	1,609,256	275,599	(162,393)	5,296	334,238	438,305	2,500,301
Furniture and equipment	390,838	16,112	(7,468)	4,487	2,372	59,609	465,950
Accumulated Depreciation	(8,520,124)	(1,124,507)	174,090	-	-	(1,682,306)	(11,152,847)
Net carrying amount	11,035,324	(506,584)	(24,575)	589,954	2,747,909	1,889,051	15,731,079
Lands	2,095,971	16,323	(308)	-	357,158	243,748	2,712,892
Investments projects in process	769,616	446,380	-	(589,954)	34,629	72,233	732,904
	$ 13,900,911	**$ (43,881)**	**$ (24,883)**	**$ -**	**$ 3,139,696**	**$ 2,205,032**	**$ 19,176,875**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

An analysis of this line item as of December 31, 2015 is as follows:

	December 31, 2014	Additions	Disposals	Transfers	Depreciation	Translation effect	December 31, 2015
Property	$ 4,572,541	$ 28,042	$ -	$ 48,256	$ -	$ 576,327	$ 5,225,166
Machinery and equipment	10,306,562	253,944	(39,945)	153,997	-	1,655,630	12,330,188
Vehicles	1,248,481	201,246	(63,925)	63,863	-	159,591	1,609,256
Furniture and equipment	319,465	25,312	(1,254)	6,814	-	40,501	390,838
Accumulated depreciation	(6,327,203)	-	97,992	-	(932,651)	(1,358,262)	(8,520,124)
Net carrying amount	10,119,846	508,544	(7,132)	272,930	(932,651)	1,073,787	11,035,324
Lands	1,920,783	14,432	(1,601)	93	-	162,264	2,095,971
Investments projects in process	708,451	283,626	-	(273,023)	-	50,562	769,616
	$ 12,749,080	**$ 806,602**	**$ (8,733)**	**$ -**	**$ (932,651)**	**$ 1,286,613**	**$ 13,900,911**

As of December 31, 2017, construction in progress is mainly due to the modification of the "oven 6" in the cement plant of Rapid City, South Dakota for $ 593,387, to the installation of the system for alternative fuels in the Chihuahua Chih., plant and to the crushing system in Cd. Juárez, Chih. for $ 79,365.

In Mexico, the Company has capitalized $ 61,602, corresponding to borrowing costs in the construction of the cement plant in Samalayuca, Chihuahua. At December 31, 2017, 2016 and 2015, the net book value is $ 10,872, $ 13,288 and $ 15,704, 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, 2017, 2016 and 2015 is as follows:

Cumulative amount of	Investment for the acquisition of qualifying assets	Financing cost capitalized	Percentage depreciation	Annualized capitalization rates
Construction in progress 2017	$ 889,150	$ 29,503	3% -5%	5.51%
Construction in progress 2016	$ 446,380	$ -	3% -5%	2.66%
Construction in progress 2015	$ 283,626	$ 4,227	3% -5%	2.66%

The depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $ 1,424,378, $ 1,124,507 and $ 932,651, respectively.

Machinery and equipment includes strategic spare parts of $ 312,529, $ 302,687 and $ 233,366 as of December 31, 2017, 2016 and 2015, respectively.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

13. Business combinations

a) Subsidiaries established to operate all the acquired assets:

Entity name	Principal activity	Date of acquisition	Consideration transferred		Consideration transferred	
GCC Sun City Materials, LLC.	Sale of ready-mix concrete, aggregates and construction material	November 18, 2016	US$	63,331	$	1,278,640
GCC Permian, LLC.	Sale of cement	November 18, 2016		242,826		4,902,609
			US$	**306,157**	**$**	**6,181,249**

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 $ 137,700 were excluded from the consideration transferred and were recognized as an expense in the period, under "other expenses" in the consolidated statement of profit.

b) Assets acquired and liabilities recognized at the date of acquisition:

	GCC Sun City Materials, LLC.		GCC Permian, LLC.		Total		Total (Pesos)	
Current assets								
Inventories	US$	8,703	US$	4,562	US$	13,265	$	267,817
Non-current assets								
Property, plant and equipment		57,681		97,828		155,509		3,139,696
Non-compete agreement		-		18,845		18,845		380,477
Customer relations		-		41,613		41,613		840,157
Operation permits		428		581		1,009		20,372
		58,109		158,867		216,976		4,380,702
Total assets		**66,812**		**163,429**		**230,241**		**4,648,519**
Non-current liabilities								
Assets retirement obligation		7,462		-		7,462		150,656
Total liabilities		**7,462**		**-**		**7,462**		**150,656**
Net-asset by business combination	**US$**	**59,350**	**US$**	**163,429**	**US$**	**222,779**	**$**	**4,497,863**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

c) Goodwill arising on acquisition:

		GCC Sun City Materials, LLC.		GCC Permian, LLC.		Total		Total
Consideration transferred	US$	63,331	US$	242,826	US$	306,157	$	6,181,249
Less: fair value of identifiable net assets acquired		59,350		163,429		222,779		4,497,863
Goodwill arising on acquisition	US$	3,981	US$	79,397	US$	83,378	$	1,683,386

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 2017 and 2016 includes US$ 18,280 and US$ 404, respectively, attributable to the additional business generated from GCC Permian, LLC and US$ (2,718) and US$ 1,376, respectively, from GCC Sun City Materials, LLC.

Revenue for 2017 and 2016 includes US$ 108,326 and US$ 7,712, respectively, related to GCC Permian, LLC and US$ 58,720 and US$ 5,822, respectively, related to GCC Sun City Materials, LLC.

If business combinations had been made as of January 1, 2016, the Company's revenue from continuing operations would have been $ 16,262, while the result of the year of continuing operations would have been $ 1,402.

e) 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 $ 56,286 (US$ 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	$	1,683,386
Deferred effect of the provision for environmental restoration		(56,286)
Adjusted goodwill	**$**	**1,627,100**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

14. Goodwill

As of December 31, 2017, 2016 and 2015, this line item is as follows:

	2017	2016	2015
Beginning balance	$ 8,341,936	$ 5,534,419	$ 4,733,273
Impairment loss	(304,715)	-	-
Business combination	-	1,627,100	-
Translation effect	(370,654)	1,180,417	801,146
Ending balance	**$ 7,666,567**	**$ 8,341,936**	**$ 5,534,419**

The main Cash Generating Units that generate goodwill and their book values as of December 31, 2017, 2016 and 2015 are described as follows:

	2017	2016	2015
Concrete division (USA)	$ 5,162,822	$ 5,718,552	$ 4,724,456
Cement and energy division (USA)	2,503,745	2,623,384	809,963
	$ 7,666,567	**$ 8,341,936**	**$ 5,534,419**

<u>Assessment of goodwill impairment</u>

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 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:

- 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

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

As of December 31, 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 $ 294,764 and an effect in other comprehensive results for an amount of $ 9,951, for a total of US$ 15,400, see Notes 23 and 28.b.

Below are the discount and perpetuity growth rates corresponding to the United States of America market used for the periods ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Discount rate	8.7%	8.7%	8.8%
Perpetuity growth rate	2.2%	2.4%	2.6%

At December 31, 2017, 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		Cash generating unit	
		+ 1%	- 1%	+ 1%	- 1%
Concrete division USA	146,129	69,588	250,610	204,671	103,115
Cement and energy division USA	1,270,582	1,008,266	1,617,457	1,406,950	1,170,363

15. Intangible assets

At December 31, 2017, this item is as follows:

	Useful life	December 31, 2016	Investments	Amortization	Translation effect	December 31, 2017
Non-compete agreements	5	$ 515,065	$ (3,342)	$ -	$ (23,584)	$ 488,139
Customer relations	20	863,042	-	-	(39,312)	823,730
Installation expenses		33,584	179	-	(1,524)	32,239
Leasehold improvements		84,003	-	-	(3,828)	80,175
Software licenses	5	416,302	1,172	-	(10,431)	407,043
Mining rights		50,189	1,559	-	(507)	51,241
Accumulated amortization		(545,008)	-	(133,625)	(1,096)	(679,729)
		$ 1,417,177	**$ (432)**	**$ (133,625)**	**$ (80,282)**	**$ 1,202,838**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

At December 31, 2016, this item is as follows:

	Useful life	December 31, 2015	Investments and amortization	Business combination	Translation effect	December 31, 2016
Non-compete agreements	5	$ 103,234	$ -	$ 380,477	$ 31,354	$ 515,065
Customer relations	20	346	-	840,157	22,539	863,042
Installation expenses		16,260	13,867	-	3,457	33,584
Leasehold improvements		40,408	34,998	-	8,597	84,003
Software licenses	5	376,654	(321)	-	39,969	416,302
Mining rights		24,834	21,720	-	3,635	50,189
Accumulated amortization		(425,139)	(38,971)	-	(80,898)	(545,008)
		$ 136,597	**$ 31,293**	**$ 1,220,634**	**$ 28,653**	**$ 1,417,177**

At December 31, 2015, this item is as follows:

	Useful life	December 31, 2014	Investments	Amortization	Translation effect	December 31, 2015
Non-compete agreements	5	$ 88,304	$ -	$ -	$ 14,930	$ 103,234
Customer relations	20	346	-	-	-	346
Installation expenses		13,908	-	-	2,352	16,260
Leasehold improvements		34,456	125	-	5,827	40,408
Software licenses	5	324,811	23,605	-	28,238	376,654
Mining rights		22,239	-	-	2,595	24,834
Accumulated amortization		(347,545)	-	(31,943)	(45,651)	(425,139)
		$ 136,519	**$ 23,730**	**$ (31,943)**	**$ 8,291**	**$ 136,597**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

16. Other assets

As of December 31, 2017, 2016 and 2015, this item consists of the following:

		2017		2016		2015
Guarantee deposits	$	29,592	$	26,046	$	24,700
Long-term accounts and notes receivable		66,158		56,717		34,322
Operation permits and others		11,103		10,905		9,143
Restricted cash		592		620		515
	$	**107,445**	**$**	**94,288**	**$**	**68,680**

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.

17. Employee benefits

Short-term benefits

Short-term employee benefits as of December 31, 2017, 2016 and 2015 are as follows:

		2017		2016		2015
Salaries and wages payable	$	355,099	$	357,611	$	252,928
Vacations and vacation premium		102,339		90,355		56,963
Social security contributions and other taxes		30,779		29,324		17,844
Other benefits		14,901		14,985		4,489
	$	**503,118**	**$**	**492,275**	**$**	**332,224**

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, 2017, 2016 and 2015 are as follows:

Net cost of the year		2017		2016		2015
Mexico	$	22,193	$	32,329	$	30,801
United States of America		54,210		56,282		48,911
	$	**76,403**	**$**	**88,611**	**$**	**79,712**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

The employee benefit obligation as of December 31, 2017, 2016 and 2015, is as follows:

Employee benefit obligation	**2017**	**2016**	**2015**
Mexico	$ 259,302	$ 258,427	$ 266,897
United States of America	533,596	512,577	382,932
	$ 792,898	**$ 771,004**	**$ 649,829**

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	$ 18,839	$ 240,623	$ 259,462	$ 1,046,244
Service cost	1,753	1,344	3,097	35,442
Interest cost	1,376	17,720	19,096	18,768
Net cost of the period	$ 3,129	$ 19,064	$ 22,193	$ 54,210
Actuarial remeasurement	(688)	12,219	11,531	116,416
Benefits paid	(2,734)	(30,045)	(32,779)	(29,999)
Translation effect	-	-	-	(47,676)
	$ (3,422)	$ (17,826)	$ (21,248)	$ 38,741
DBO present value as of December 31, 2017	$ 18,576	$ 241,861	$ 260,407	$ 1,139,195
Fair value of plan assets	(1,105)	-	(1,105)	(605,599)
Net liability in balance	**$ 17,441**	**$ 241,861**	**$ 259,302**	**$ 533,596**

Plan assets (PA) are recognized at fair value; as of December 31, 2017, the changes to these assets are as follows:

2017	**Mexico**	**USA**
PA fair value as of January 1, 2017	$ (1,035)	$ (533,667)
Contributions	-	(55,803)
Benefits paid	-	29,999
Expected return on assets	(70)	(70,447)
Exchange gain	-	24,319
PA fair value as of December 31, 2017	**$ (1,105)**	**$ (605,599)**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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	$ 18,889	$ 248,961	$ 267,850	$ 800,690
Service cost	1,411	13,076	14,487	37,345
Interest cost	1,248	16,594	17,842	18,937
Net cost of the period	$ 2,659	$ 29,670	$ 32,329	$ 56,282
Actuarial remeasurement	268	(8,361)	(8,093)	47,898
Benefits paid	(2,977)	(29,647)	(32,624)	(22,654)
Translation effect	-	-	-	164,028
	$ (2,709)	$ (38,008)	$ (40,717)	$ 189,272
DBO present value as of December 31, 2016	$ 18,839	$ 240,623	$ 259,462	$ 1,046,244
Fair value of plan assets	(1,035)	-	(1,035)	(533,667)
Net liability in balance	**$ 17,804**	**$ 240,623**	**$ 258,427**	**$ 512,577**

Plan assets (PA) are recognized at fair value; as of December 31, 2016, the changes to these assets are as follows:

2016	Mexico	USA
PA fair value as of January 1, 2016	$ (953)	$ (417,758)
Contributions	-	(31,645)
Benefits paid	-	22,654
Expected return on assets	(82)	(21,349)
Exchange gain	-	(85,569)
PA fair value as of December 31, 2016	**$ (1,035)**	**$ (533,667)**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

Balances as of December 31, 2015, are as follows:

Defined benefit obligation (DBO)	Seniority premium	Pension plan	Total Mexico	Pension plan USA
DBO present value as of January 1, 2015	$ 17,534	$ 233,692	$ 251,226	$ 685,042
Service cost	1,337	12,946	14,283	34,138
Interest cost	1,156	15,362	16,518	14,773
Net cost of the period	$ 2,493	$ 28,308	$ 30,801	$ 48,911
Actuarial remeasurement	3,219	6,719	9,938	(34,474)
Benefits paid	(4,357)	(19,758)	(24,115)	(14,746)
Translation effect	-	-	-	115,957
	$ (1,138)	$ (13,039)	$ (14,177)	$ 66,737
DBO present value as of December 31, 2015	18,889	248,961	267,850	800,690
Fair value of plan assets	(953)	-	(953)	(417,758)
Net liability in balance	**$ 17,936**	**$ 248,961**	**$ 266,897**	**$ 382,932**

Plan assets (PA) are recognized at fair value; as of December 31, 2015, the changes to these assets are as follows:

2015	Mexico	USA
PA fair value as of January 1, 2015	$ (889)	$ (357,750)
Contributions	-	(15,038)
Benefits paid	-	14,746
Expected return on assets	(64)	774
Exchange gain	-	(60,490)
PA fair value as of December 31, 2015	**$ (953)**	**$ (417,758)**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

The fair value of pension plan assets of the Company's USA subsidiaries as of December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Cash equivalents	$ 67,560	$ 21,166	$ 11,477
Equity exchange traded funds			
USA companies	221,591	-	-
International companies	116,979	-	-
Fixed income exchange traded funds			
Corporate bonds	168,820	-	-
USA government bonds	17,412	-	-
Other exchange traded funds	13,237	-	-
Common shares:			
USA companies	-	275,935	218,110
International companies	-	62,547	49,469
Level 1	**$ 605,599**	**$ 359,648**	**$ 279,056**
Debt securities:			
Common funds:	$ -	$ 72,042	$ 32,813
USA government bonds	-	59,955	81,094
Corporate bonds	-	37,814	23,057
Foreign obligations	-	4,208	1,738
Level 2	**$ -**	**$ 174,019**	**$ 138,702**
Total	**$ 605,599**	**$ 533,667**	**$ 417,758**

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.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

The most significant assumptions selected in the determination of net cost of the period are as follows:

Actual rates	2017	2016	2015
Mexico			
Discount rates	7.50%	7.50 %	6.75 %
Salary increase rate	4.25%	4.50 %	4.50 %
United States of America			
Discount rates	3.90%	4.24 %	4.00 %
Salary increase rate	5.63%	4.00 %	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	$ 260,191	$ 1,159,310
+ 1% Discount rate	(24,403)	168,664
- 1% Discount rate	28,621	(215,314)

The expected payments related to the corresponding obligations for subsequent years are as follows:

	Mexico	USA
2018	$ 7,830	$ 33,835
2019	12,022	34,429
2020	33,496	37,298
2021	5,561	50,515
2022	15,225	44,579
2023 – 2027	185,168	332,940
	$ 259,302	**$ 533,596**

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, 2017, 2016 and 2015 amounted to $ 44,462 (US$ 2,256), $ 38,476 (US$ 1,885) and $ 32,375 (US$ 1,883), respectively.

Incentive Bonus Plan

The Company has an incentive bonus plan. At December 31, 2017, 2016 and 2015, the Company has accrued, $ 91,337 (US$4,616), $ 102,519 (US$4,945) and $ 65,471 (US$ 3,805) 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.

18. 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 2016 and 2015.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

Gearing ratio

The gearing ratio for the reporting period is as follows:

		2017		2016		2015
Financial debt (i)	$	13,512,350	$	14,297,309	$	7,528,999
Cash and banks		4,608,972		3,396,868		2,522,835
Net debt	$	8,903,378	$	10,900,441	$	5,006,164
Stockholders' equity (ii)	$	18,381,093	$	18,057,329	$	14,731,525
Net debt to equity ratio		**48%**		**60%**		**34%**

(i) Debt is defined as long and short term loans, as describe in Notes 4.v. and 18.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 affect its operation, since it arose from the Business Acquisition in 2016 (see Note 13) and that it will result in increases in its net operating results and in its cash flows.

Financial instruments category

		2017		2016		2015
Financial assets:						
Cash and held-to-maturity investments	$	4,608,972	$	3,396,868	$	2,522,835
Loans and accounts receivable		1,807,276	$	1,518,792		1,194,643
Financial liabilities at amortized cost:						
Payables and financial debt	$	13,512,350	$	14,297,309	$	7,528,999

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:

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

- Market risks
- Credit Risk
- Liquidity Risk

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, 2017, 2016 and 2015, 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 62% 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

The Company 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, 2017, 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$ 4.43 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, 2017, 2016 and 2015, for the items in the consolidated financial statements.

		2017		2016		2015
Financial assets	US$	17,053	US$	13,562	US$	10,535
Financial liabilities		(720,361)		(733,443)		(478,573)
Liability, net position	**US$**	**(703,308)**	**US$**	**(719,881)**	**US$**	**(468,038)**

As mentioned in Note 4.w, 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, 2017, 2016 and 2015:

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

Sensitivity analysis:	Results	Equity (1)
2017		
Mexican peso appreciation 10%	$ 28,265	$ 1,351,236
Mexican peso depreciation 10%	(28,265)	(1,351,236)
2016		
Mexican peso appreciation 10%	$ 43,878	$ 1,429,731
Mexican peso depreciation 10%	(43,878)	(1,429,731)
2015		
Mexican peso appreciation 10%	$ 36,701	$ 752,900
Mexican peso depreciation 10%	(36,701)	(752,900)

(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 as previously mentioned.

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, 2017, 2016 and 2015, 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 to the same reporting date is as follows:

	2017	2016	2015
Cash and cash equivalents	$ 4,608,972	$ 3,396,868	$ 2,522,835
Accounts receivable	1,807,276	1,518,792	1,194,643
Other receivables	849,731	815,798	653,650

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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,		
	2017	2016	2015
A rating institutions	$ 1,194,625	$ 1,852,021	$ 1,716,735
AA- rating institutions	52,821	313,930	-
A+ rating institutions	34,499	11,549	24,933
A- rating institutions	2,282,331	-	-
AA rating institutions	-	43,564	29,820
MXAAA rating institutions	252,559	40,362	48,906
MXA+ rating institutions	26,327	22,838	17,217
MXAA rating institutions	576,829	-	56,217
MXAA- rating institutions	-	938,895	606,067
MXAA+ rating institutions	70,305	63,185	-
MXBBB rating institutions	100,136	-	-
Not applicable	18,540	110,524	22,940
	$ 4,608,972	**$ 3,396,868**	**$ 2,522,835**

Trade accounts receivable

Below is an analysis of the aging of trade accounts receivable as of December 31, 2017, 2016 and 2015:

		Maturity:					
Year	**Unmatured**	**1–30 days**	**31– 60 days**	**61- 90 days**	**91- 120 days**	**Over 121 days**	**Total**
2017	$ 1,190,320	$ 412,047	$ 214,407	$ 74,420	$ 46,797	$ 139,404	$ 2,077,395
2016	$ 921,928	$ 375,582	$ 161,140	$ 66,241	$ 37,214	$ 208,975	$ 1,771,080
2015	$ 811,316	$ 259,082	$ 101,316	$ 68,420	$ 41,703	$ 114,710	$ 1,396,547

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.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

The contractual maturities of financial debt instruments as of December 31, 2017, are shown in the following table:

Line item	Contractual maturities: 1-3 months		3 months to 1 year		1-5 years		Over 5 year		Total	
Financial debt	$	34,627	$	304,715	$	7,908,026	$	5,537,789	$	13,785,157
Interest	$	121,927	$	661,613	$	2,384,534	$	416,395	$	3,584,469

As of December 31, 2017, 2016 and 2015, the Company had access to financing facilities for $ 296,801 (US$ 15,000) in process of formalization, $ 310,971 (US$ 15,000) and $ 258,097 (US$ 15,000), respectively, which were undrawn at the end of these years. Additionally, at December 31, 2017, 2016 and 2015, the Company had letters of credit in the United States Division for $ 184,016 (US$9,300), $ 215,607 (US$ 10,400) and $ 178,947 (US$ 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 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.

Their book values and their fair values as of December 31, 2017, 2016 and 2015 are as follows:

Financial liabilities recognized at amortized cost:

	Carrying amount		Fair value	
December 31, 2017	$	13,785,157	$	14,063,358
December 31, 2016	$	14,523,133	$	14,951,324
December 31, 2015	$	7,753,423	$	7,986,026

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

b) Debt and long-term financial debt

(i) As of December 31, 2017, 2016 and 2015, the financial debt is as follows:

As of December 31, 2017				**Maturities**	
Loans	**Currencies**	**Interest rates**	**Amounts**	**Current portion of long-term debt**	**Long-term debt**
International bond					
7 years	U.S. Dollar	5.250%	$ 5,144,542	$ -	$ 5,144,542
Unsecured Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	3,398,366	-	3,398,366
Tranche "B" 5 years	U.S. Dollar	LIBOR + 2.50% (margin range: 3.75% - 2.00%)	1,541,384	332,417	1,208,967
Guaranteed Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	2,515,370	-	2,515,370
Tranche "B" 5 years	U.S. Dollar	LIBOR + 2.50% (margin range: 3.75% - 2.00%)	1,142,458	-	1,142,458
Other					
Other	U.S. Dollar	Various	43,037	6,926	36,111
Issuance costs			(272,807)	-	(272,807)
			$ 13,512,350	**$ 339,343**	**$ 13,173,007**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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%	$ 5,390,163	$ -	$ 5,390,163
Unsecured Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	3,560,618	-	3,560,618
Tranche "B" 5 years	U.S. Dollar	LIBOR + 4.50%	1,687,536	72,560	1,614,976
Guaranteed Credit					
Tranche "A" 7 years	U.S. Dollar	LIBOR + 4.75%	2,635,465	-	2,635,465
Tranche "B" 5 years	U.S. Dollar	LIBOR + 4.50%	1,197,004	-	1,197,004
Other					
Other	U.S. Dollar	Various	52,347	7,256	45,091
Issuance costs			(225,824)	-	(225,824)
			$ 14,297,309	**$ 79,816**	**$ 14,217,493**

As of December 31, 2015				Maturities	
Loans	**Currencies**	**Interest rates**	**Amounts**	**Current portion of long-term debt**	**Long-term debt**
International bond					
7 years	U.S. Dollar	8.125%	$ 4,473,690	$ -	$ 4,473,690
Syndicated loan					
Several Banks 5 years	U.S. Dollar	LIBOR + 2.50% (margin range: 2.50% - 1.75%)	2,807,757	98,765	2,708,992
Several Banks 5 years	Mexican Peso	TIIE + 2.50% (Margin range: 2.50% - 1.75%)	471,976	16,708	455,268
Issuance costs			(224,424)	-	(224,424)
			$ 7,528,999	**$ 115,473**	**$ 7,413,526**

(ii) In June 2017, the Company concluded the issue of Senior Unsecured Notes for a total amount of US$ 260 million, 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 GCC had in effect with a coupon of 8.125% and a maturity on February 8, 2020.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

(iii) 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.

(iv) 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, 2017, the Company has complied with these conditions. The financial reasons required and / or permitted by the contracts for the period ended December 31, 2017 are as follows:

	2017	Required / Permitted
Net leverage (1)	1.86	3.75
Interest coverage (2)	6.45	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, 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 both loans and the shares thereof were pledged as collateral. This commitment will be released when the international bond is settled or refinanced without guarantees.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

c) Reconciliation of obligations derived from financing activities:

	January 1, 2017	Disposals	Accrued interest	Payments made	Translation effect	December 31, 2017
International bond 2013	$ 5,390,163	$ -	$ -	$ (4,713,020)	$ (677,143)	$ -
International bond 2017	-	4,653,298	7,818	-	491,244	5,152,360
Unsecured Credit						
Tranche "A" 7 years	3,560,618	-	9,914	-	(162,252)	3,408,280
Tranche "B" 5 years	1,687,536	-	3,041	(65,412)	(80,740)	1,544,425
Guaranteed Credit						
Tranche "A" 7 years	2,635,465	-	7,277	-	(120,095)	2,522,647
Tranche "B" 5 years	1,197,004	-	3,742	-	(54,546)	1,146,200
Other						
Other	52,347	-	1,435	(6,626)	(2,684)	44,472
	$ 14,523,133	**$ 4,653,298**	**$ 33,227**	**$ (4,785,058)**	**$ (606,216)**	**$ 13,818,384**

Accrued interest payable derived from the financial debt is presented in taxes and accumulated expenses in the statement of financial position for 2017 and 2016, amounting to $ 33,227 and $ 228,479, respectively.

19. 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, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Taxes payable	$ 706,371	$ 651,462	$ 398,646
Other accounts payable	153,524	164,262	229,065
Interest payable	33,227	228,722	146,522
	$ 893,122	**$ 1,044,446**	**$ 774,233**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

b) Provisions

	2017	2016	2015
Beginning balance	$ 106,787	$ 99,230	$ 70,272
Increase during the year	142,331	140,752	155,114
Payments made	(149,137)	(136,131)	(128,098)
Translation effect	(908)	2,936	1,942
Ending balance	**$ 99,073**	**$ 106,787**	**$ 99,230**

c) Restoration provisions

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, 2017, 2016 and 2015, Mexico division has recognized a provision of $ 19,614, $ 15,598 and $ 11,673, respectively, for such restoration activities.

Movements in the provision for restoration are as follows:

	Balance as of January 1, 2017	Arising (decrease) during the period	Interest cost	Translation effect	Balance as of December 31, 2017
Restoration provision	$ 177,454	$ 7,599	$ 1,559	$ (7,672)	$ 178,940

	Balance as of January 1, 2016	Arising (decrease) during the period	Interest cost	Business combination	Translation effect	Balance as of December 31, 2016
Restoration provision	$ 74,761	$ (67,882)	$ 5,090	$ 150,656	$ 14,829	$ 177,454

	Balance as of January 1, 2015	Arising (decrease) during the period	Interest cost	Translation effect	Balance as of December 31, 2015
Restoration provision	$ 57,188	$ 3,541	$ 4,391	$ 9,641	$ 74,761

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

20. Income taxes

The Company in Mexico is subject to ISR whose rate for 2017, 2016 and 2015 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 2017, 2016 and 2015 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	2017	2016	2015
Mexico	30%	30%	30%
United States of America	38%	38%	38%

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, 2017, 2016 and 2015, income tax charged to results is as follows:

	2017	2016	2015
Current ISR	$ (181,457)	$ (160,430)	$ (146,832)
Deferred tax adjustments attributable to changes in tax rates and laws in the USA	231,385	-	-
Deferred ISR	(281,423)	(147,764)	(22,822)
Total income taxes	**$ (231,495)**	**$ (308,194)**	**$ (169,654)**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

b) Deferred taxes in the consolidated statements of financial position

The main items comprising the deferred income taxes are:

Mexico	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Deferred tax assets:			
Provisions and allowances	$ 200,618	$ 466,272	$ 282,233
Customer advances and other	5,320	38,328	39,520
Tax loss carry forwards	1,970,049	2,465,452	2,181,934
	2,175,987	2,970,052	2,503,687
Deferred tax liabilities:			
Property, plant and equipment	(1,749,404)	(1,630,440)	(1,534,811)
Inventories	(22,817)	(15,814)	(14,792)
Prepaid expenses and other	(162,748)	(85,870)	(90,247)
	(1,934,969)	(1,732,124)	(1,639,850)
Deferred income tax asset	**$ 241,018**	**$ 1,237,928**	**$ 863,837**

USA	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Deferred tax asset:			
Provisions and allowances	$ 459,521	$ 637,248	$ 455,612
Tax loss carry forwards	850,495	1,566,949	1,384,510
	1,310,016	2,204,197	1,840,122
Deferred tax liability:			
Property, plant and equipment	(2,212,976)	(3,345,705)	(2,627,640)
Prepaid expenses	(45,627)	(45,086)	(31,526)
	(2,258,603)	(3,390,791)	(2,659,166)
Deferred income tax liability	**$ (948,587)**	**$ (1,186,594)**	**$ (819,044)**

Switzerland	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Deferred tax liability:			
Accounts receivable	(53,239)	(209,594)	(98,740)
Deferred income tax liability	**(53,239)**	**(209,594)**	**(98,740)**
Total deferred income tax liability	**$ (1,001,826)**	**$ (1,396,188)**	**$ (917,784)**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

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, 2017		December 31, 2016		December 31, 2015
Income before income tax	$	1,772,130	$	1,592,384	$	1,085,145
Statutory rate		30%		30%		30%
Statutory income taxes		(531,639)		(477,715)		(325,544)
Other items:						
Non-deductible expenses		(22,878)		(14,619)		(11,108)
Adjustment for inflation		(83,134)		(51,730)		(25,340)
Reduction of deferred tax assets		(365,000)		(107,539)		2,918
Effect of deferred tax balance due to change in the income tax rate from 35% to 21% (effective as of January 1, 2018) in U.S.A.		425,915		-		-
Effects of inflation and other items		189,232		169,139		63,448
Effect of different tax rates in effect in foreign companies		156,009		174,270		125,972
Tax benefit		300,144		169,521		155,890
Income taxes	**$**	**(231,495)**	**$**	**(308,194)**	**$**	**(169,654)**

d) As of December 31, 2017, the Company's tax loss carryforwards, are as follows:

	Mexico				United States of America			
Year of loss		**Amount restated as of December 31, 2017**		**Effect on deferred income tax**		**Amount as of December 31, 2017**		**Effect on deferred income tax**
2018	$	394	$	118	$	-	$	-
2019		261,464		78,439		-		-
2020		951,535		285,461		970,206		203,743
2021		1,729,755		518,927		1,023,885		215,016
2022		20,616		6,185		1,270,147		266,731
2023		561,983		168,595		888,118		186,505
2024		2,019,636		605,891		47,327		9,939
2025		3,405,196		1,021,559		-		-
2026		349,279		104,784		-		-
2027		246,745		74,024		-		-
	$	9,546,603	$	2,863,983	$	4,199,683	$	881,934
USA state tax loss		-		-		-		131,802
Unrecognized deferred taxes		(2,979,775)		(893,934)		(777,336)		(163,241)
Recognized deferred tax asset		6,566,828		1,970,049		3,442,347		850,495

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

e) Tax consolidation

The income tax liability as of December 31, 2017 related to the effects of benefits and tax deconsolidation will be paid in the following years:

Year		Amount
2018	$	229,727
2019		196,922
2020		382,989
	$	**809,638**

The balance of accrued expenses and taxes other than income taxes as of December 31, 2017 as shown in the consolidated statements of financial position include $ 229,727 corresponding to the liability of income tax to be paid during 2018. The remaining amount of $ 579,911 is presented in long-term liabilities.

21. Stockholders' equity

a) As December 31, 2017, 2016 and 2015, common stock is variable and its fixed minimum capital with no right to withdrawal is $ 134,960, represented by 337,400,000 common registered shares with no par value and is summarized as follows:

	Shares		Amount
Authorized and issued capital	337,400,000	$	134,960
Shares repurchased	(4,864,492)		(487)
	332,535,508	**$**	**134,473**

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), 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).

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 27, 2017, a payment of dividends was declared for $ 205,906 ($0.62 pesos per share) and the creation of a repurchase fund for treasury shares for $ 700,000.

e) In an ordinary general meeting of the shareholders held on April 29, 2016, a payment of dividends was declared for $ 171,588 ($0.51 pesos per share).

f) In an ordinary general meeting of the shareholders held on April 30, 2015, a payment of dividends was declared for $ 142,990 ($0.43 pesos per share).

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

g) The balance of the cumulative translation adjustment of foreign subsidiaries as of December 31, 2017, 2016 and 2015 is as follows:

		2017		2016		2015
Initial balance	$	3,612,658	$	1,375,323	$	961,850
Conversion effect of the year		(1,180,601)		3,379,223		1,148,815
Net investment coverage in foreign operations		125,795		(1,631,268)		(1,050,488)
Income taxes		(37,739)		489,380		315,146
Final balance of effect for conversion of foreign operations	$	2,520,113	$	3,612,658	$	1,375,323

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, 2017, 2016 and 2015 is as follows:

		2017		2016		2015
Beginning balance of remeasurement gains and losses	$	(161,216)	$	(133,353)	$	(150,528)
Remeasurement gains and losses of the period		127,947		(39,805)		24,536
Deferred income tax		(38,384)		11,942		(7,361)
Ending balance	$	(71,653)	$	(161,216)	$	(133,353)
Cumulative amount (g) + (h)	**$**	**2,448,460**	**$**	**3,451,442**	**$**	**1,241,970**

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	$	4,819
Other accounts receivable		2,987
TOTAL ASSETS	**$**	**7,806**
Retained earnings		7,806
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**7,806**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

22. Cost of sales and operating expenses by nature

a) Cost of sales

An analysis of cost of sales as of December 31, 2017, 2016 and 2015, is as follows:

	2017	2016	2015
Employee benefits	$ 3,152,071	$ 2,665,496	$ 2,286,660
Raw materials cost	2,960,173	2,519,370	1,904,257
Energy cost	2,065,128	1,794,109	1,683,140
Distribution expenses	211,549	97,364	123,783
Depreciation and amortization	1,220,126	898,010	758,014
Maintenance expenses	1,027,481	844,883	795,514
Overhead expenses	1,960,361	1,404,553	1,522,724
	$ 12,596,889	**$ 10,223,785**	**$ 9,074,092**

b) General, administrative and selling expenses

An analysis of operating expenses as of December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Employee benefits	$ 627,463	$ 568,051	$ 494,193
Depreciation and amortization	337,877	265,468	206,580
Professional services	123,533	160,591	51,461
Other expenses	549,420	411,934	477,760
Advertising	4,697	4,873	5,178
	$ 1,642,990	**$ 1,410,917**	**$ 1,235,172**

c) Employee benefit expenses

Employee benefit expenses as of December 31, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Salaries and wages	$ 2,203,070	$ 1,819,265	$ 1,528,272
Employee benefits from retirement	124,303	121,794	125,313
Social security contributions	301,706	234,756	206,825
Social welfare	331,103	290,172	234,194
Social prevision and other benefits	819,352	767,560	686,249
	$ 3,779,534	**$ 3,233,547**	**$ 2,780,853**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

23. Other expenses

Other operating expenses as of December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Charitable contributions	$ 13,562	$ 15,400	$ 10,075
Impairment loss on goodwill	294,764	-	-
Business combination	1,607	137,700	-
Restoration provision cancellation	-	(57,600)	-
Loss on sale of fixed assets	-	23,301	-
Restructuring costs	-	-	15,217
	$ 309,933	**$ 118,801**	**$ 25,292**

As of December 31, 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 $ 294,764 (US$ 15,400), see Note 28.b.

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 $ 137,700.

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 $ 57,600.

During 2015, the Company undertook a restructuring of the Information Technology area, for which it recognized in "other expenses" the costs of restructuring for $ 15,217, corresponding to personnel costs due to the termination of the employment relationship.

24. Financial expenses

Financial expenses as of December 31, 2017, 2016 and 2015, are as follows:

	2017	2016	2015
Debt interest expenses	$ 832,210	$ 590,362	$ 503,496
Cancellation and amortization of debt issuance costs	218,712	112,191	92,664
Other financial expenses	29,027	27,216	45,109
	$ 1,079,949	**$ 729,769**	**$ 641,269**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

25. Segment information

The Company is a Mexican entity 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%.

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, 2017, 2016 and 2015, is as follows:

	2017			
	Mexico	**United States of America**	**Eliminations and other adjustments**	**Consolidated**
Net sales:				
External customers	$ 4,151,881	$ 13,183,077	$ -	$ 17,334,958
Intercompany sales	811,217	272,929	(1,084,146)	-
	4,963,098	13,456,006	(1,084,146)	17,334,958
Operating income before other expenses	1,187,468	1,907,611	-	3,095,079
Income before income taxes	629,954	1,142,176	-	1,772,130
Depreciation and amortization	363,533	1,194,470	-	1,558,003
Financial income	45,450	21,553	-	67,003
Financial expenses	1,102,528	(22,579)	-	1,079,949
Exchange income, net	(32,194)	(7,112)	-	(39,306)
Goodwill	-	7,666,567	-	7,666,567
Property, plant and equipment, net	4,444,810	14,083,201	-	18,528,011
Total assets	**$ 8,682,197**	**$ 29,068,656**	**$ -**	**$ 37,750,853**
Total liabilities	**$ 2,419,771**	**$ 16,949,989**	**$ -**	**$ 19,369,760**
Non cash expenditures	**$ 46,544**	**$ 174,921**	**$ -**	**$ 221,465**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

2016

	Mexico	United States of America	Eliminations and other adjustments	Consolidated
Net sales:				
External customers	$ 3,689,594	$ 10,307,197	$ -	$ 13,996,791
Intercompany sales	419,115	165,327	(584,442)	-
	4,108,709	10,472,524	(584,442)	13,996,791
Operating income before other Expenses	807,284	1,554,805	-	2,362,089
Income before income taxes	643,566	948,818	-	1,592,384
Depreciation and amortization	347,578	815,900	-	1,163,478
Financial income	23,599	10,644	-	34,243
Financial expenses	728,308	1,461	-	729,769
Exchange income, net	1,920	22,683	-	24,603
Goodwill	-	8,341,936	-	8,341,936
Property, plant and equipment, net	4,509,348	14,667,527	-	19,176,875
Total assets	**$ 9,457,994**	**$ 29,193,906**	**$ -**	**$ 38,651,900**
Total liabilities	**$ 2,680,170**	**$ 17,914,401**	**$ -**	**$ 20,594,571**
Non cash expenditures	**$ 93,260**	**$ 289,216**	**$ -**	**$ 382,476**

2015

	Mexico	United States of America	Eliminations and other adjustments	Consolidated
Net sales:				
External customers	$ 3,434,870	$ 8,548,908	$ -	$ 11,983,778
Intercompany sales	409,545	179,767	(589,312)	-
	3,844,415	8,728,675	(589,312)	11,983,778
Operating income before other Expenses	533,972	1,140,542	-	1,674,514
(Loss) income before income taxes	722,022	363,123	-	1,085,145
Depreciation and amortization	365,385	599,209	-	964,594
Financial income	17,062	9,958	-	27,020
Financial expenses	622,970	18,299	-	641,269
Exchange income, net	27,041	10,354	-	37,395
			-	
Goodwill	-	5,534,419	-	5,534,419
Property, plant and equipment, net	4,506,205	9,394,706	-	13,900,911
Total assets	**$ 8,574,740**	**$ 18,400,042**	**$ -**	**$ 26,974,782**
Total liabilities	**$ 2,422,702**	**$ 9,820,555**	**$ -**	**$ 12,243,257**
Non cash expenditures	**$ 43,766**	**$ 47,414**	**$ -**	**$ 91,180**

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

Net sales information by country and by product for the years ended as of December 31, 2017, 2016 and 2015, is presented in the following table:

2017					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 2,962,917	$ 1,347,231	$ 263,003	$ (421,270)	$ 4,151,881
United States of America	9,434,510	3,848,504	1,627,816	(1,727,753)	13,183,077
	$ 12,397,427	**$ 5,195,735**	**$ 1,890,819**	**$ (2,149,023)**	**$ 17,334,958**

2016					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 2,583,551	$ 1,180,407	$ 586,940	$ (661,304)	$ 3,689,594
United States of America	6,938,023	3,719,979	1,011,538	(1,362,343)	10,307,197
	$ 9,521,574	**$ 4,900,386**	**$ 1,598,478**	**$ (2,023,647)**	**$ 13,996,791**

2015					
Country	**Cement**	**Concrete**	**Other**	**Eliminations**	**Consolidated**
Mexico	$ 2,130,594	$ 1,174,449	$ 746,885	$ (617,058)	$ 3,434,870
United States of America	5,920,742	2,823,584	1,060,815	(1,256,233)	8,548,908
	$ 8,051,336	**$ 3,998,033**	**$ 1,807,700**	**$ (1,873,291)**	**$ 11,983,778**

The column "Other" includes mainly aggregates, concrete blocks, prefabricated products, developed land, coal and other materials for construction.

26. Commitments and contingencies

a) In order to guarantee the ecological restoration of the zone in case of closing the GCCRG Tijeras plant, pursuant to the requirements of the State of New Mexico, the Company has bonds for $ 1,451 (US$ 70) for the office of the United States Forest Service and a Certificate of deposit $ 17,974 (US$ 867) 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 $ 58,317 (US$ 2,813) in the event of failure to conduct GCCRG fulfilling their obligations.

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
2018	$ 302,403
2019	238,132
2020	190,684
2021	121,165
2022	64,729
Subsequent years	38,000
	$ 955,113

The rental expense as of December 31, 2017, 2016 and 2015 amounted to $ 409,921, $ 349,469 and $ 267,916, 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 10, 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.

In addition, GCC obtained a preventive measures resolution from the Mexican courts, to prevent CIMSA from enforcing any award issued under the arbitration until all the outstanding annulment resources are resolved.

GCC will exercise its contractual rights to recover on due time any damages and expenses caused by the Arbitration Final Resolution from CCS. As per the Bolivian Law, the enforcement of the Final Award is suspended until all the outstanding annulment resources are resolved from the Constitutional Tribunal from Bolivia, the highest legal authority in the country.

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.

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 annual payment of services will be $ 51,931, for the first two years and may decrease if the operating hours used by the Company and its subsidiaries and related parties, decrease.

The amount of paid services recognized in the consolidated financial statements of profit for the year ended December 31, 2017, 2016 and 2015 is disclosed in Note 8.

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

27. Operations that do not generate cash flows

During the years ended December 31, 2017, 2016 and 2015, 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:

	2017	2016	2015
Acquisition of property, plant and equipment	$ 221,465	$ 382,476	$ 91,180

28. Subsequent events

a) With respect to the Contingency indicated in Note 26 on January 11, 2018, the Supreme Court of Justice of Bolivia, issued a decree ratifying the annulment of the Partial Award of Responsibility dated September 2013 which derives from the Award on Damages; therefore, having completed the annulment procedure of the First Award, the file of said annulment has been submitted to the formerly President of the Arbitration Court in Madrid, Spain. As consequence of the annulment of the Award of Responsibility, the judgment of the Award on Damages for USD$36.1 million against the Company and thus, we are awaiting ratification from the appropriate Bolivian authorities in this regards.

b) On January 30, 2018, the Board of Directors authorized the disposal of certain assets of the concrete division in the United States of America's in accordance with its strategic growth plans in that geographic segment. As mentioned in Note 23, the Company recognized an impairment loss of $ 294,764 (US $ 15,400), derived from the measurement at fair value of such assets.

29. Authorization to issue the consolidated financial statements

On March 19, 2018, 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.

FERNANDO RUIZ SAHAGÚN

Contador Público

INFORME DEL COMITÉ DE AUDITORIA Y PRÁCTICAS SOCIETARIAS

Ciudad De México
Corporativo [illegible]
Vasco de Quiroga 2121
4° 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 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 auditoria 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 politicas 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
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**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 auditoría 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

FRS

-3-

FERNANDO RUIZ SAHAGÚN
Contador Público

INFORME DEL COMITÉ DE AUDITORIA Y PRÁCTICAS SOCIETARIAS

CIUDAD DE MÉXICO
Corporativo Pirámide
Vasco de Quiroga 2121
4° Piso, Peña Blanca Santa Fe
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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 2015.

A partir de la Asamblea de Accionistas del 30 de abril de 2015 en la que fui designado, los miembros del Comité celebramos 5 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 2015 de la Sociedad.

2. El Comité aprobó el desarrollo de las pruebas de los sistemas de control interno, el cual fue presentado por los Auditores.

3. Presentación al Consejo de la opinión del Informe del Director General, incluyendo los Estados Financieros Dictaminados por el ejercicio 2015.

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 auditoría del ejercicio fiscal 2015.

Los aspectos más relevantes fueron:

a. Presentación de los integrantes del Comité de Auditoría y de Prácticas Societarias para el ejercicio 2015 - 2016.

b. Los principales aspectos del refinanciamiento de la deuda actual de GCC, la cual tuvo una excelente respuesta por parte de los Bancos.

c. La conclusión de importantes proyectos de movilidad urbana en Cd. Juárez, Chih., el proyecto de energía eólica en la región norte de Estados Unidos y el proyecto de conexión carretero en la Cd. De Chihuahua.

d. Se autorizó por el Comité la coparticipación en la empresa Madata IT para que preste los servicios de tecnología, incluyendo a GCC.

e. La presentación del Proyecto de Administración de Riesgos Empresariales (ERM).

II. Adicionalmente, se cumplió con lo señalado en el artículo 43 de la Ley del Mercado de Valores en cuanto a lo siguiente:

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 2015, y el Plan de Auditoria presentado por la referida firma.

2. El Comité se cercioró que la Firma de Auditores Externos de Deloitte cumplía 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 2015, 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 2015, y el presupuesto para el ejercicio 2016, 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. El cumplimiento a las políticas de designación y retribución para el Presidente del Consejo y para el Director General, y de los Directivos

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Relevantes y su compensación; así como el desempeño de los mismos haciéndose la propuesta al Consejo de Administración.

7. No se presentó dispensa alguna para aprovechar oportunidades de negocio por parte de algún Consejero, Directivo Relevante o persona con poder de mando.

Atentamente

Fernando Ruiz Sahagún
Presidente del Comité de
Auditoria y Prácticas Societarias

Chihuahua, Chih., a 29 de marzo de 2016

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-3-