



Building  
sustainable  
partnerships



# InterCement Presentation

September 2014

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## **Claudio Palaia** – InterCement CFO

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- Bachelor's degree in Business Administration (FGV) / MBA (The Wharton School of the University of Pennsylvania )
  - Worked at different companies in the Camargo Corrêa Group since 2000 and in InterCement since 2005. Before becoming CFO of the Company, Mr. Palaia had been responsible for the concrete unit of Loma Negra from 2005 until 2008 and for the concrete unit in Brazil from 2008 until 2011. Currently, he is a board member of Alpargatas and CPFL Energia
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## **Filipa Mendes**

### InterCement IR and External Communication Director

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- Degree in Business Administration (Universidade Católica - Lisboa)
  - KPMG Senior at Banking and Insurance Department (1993-1996). Joint Cimpor – Cimentos de Portugal, SGPS, S.A. in 1996 for Investor Relations and further on to Strategic Development Department. Presently, Mrs. Mendes is InterCement Participações, S.A. Head of External Communication, Cimpor – Cimentos de Portugal, SGPS, S.A. Company Secretary and Investor Relations Officer.
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## **Marcelo Arantes**

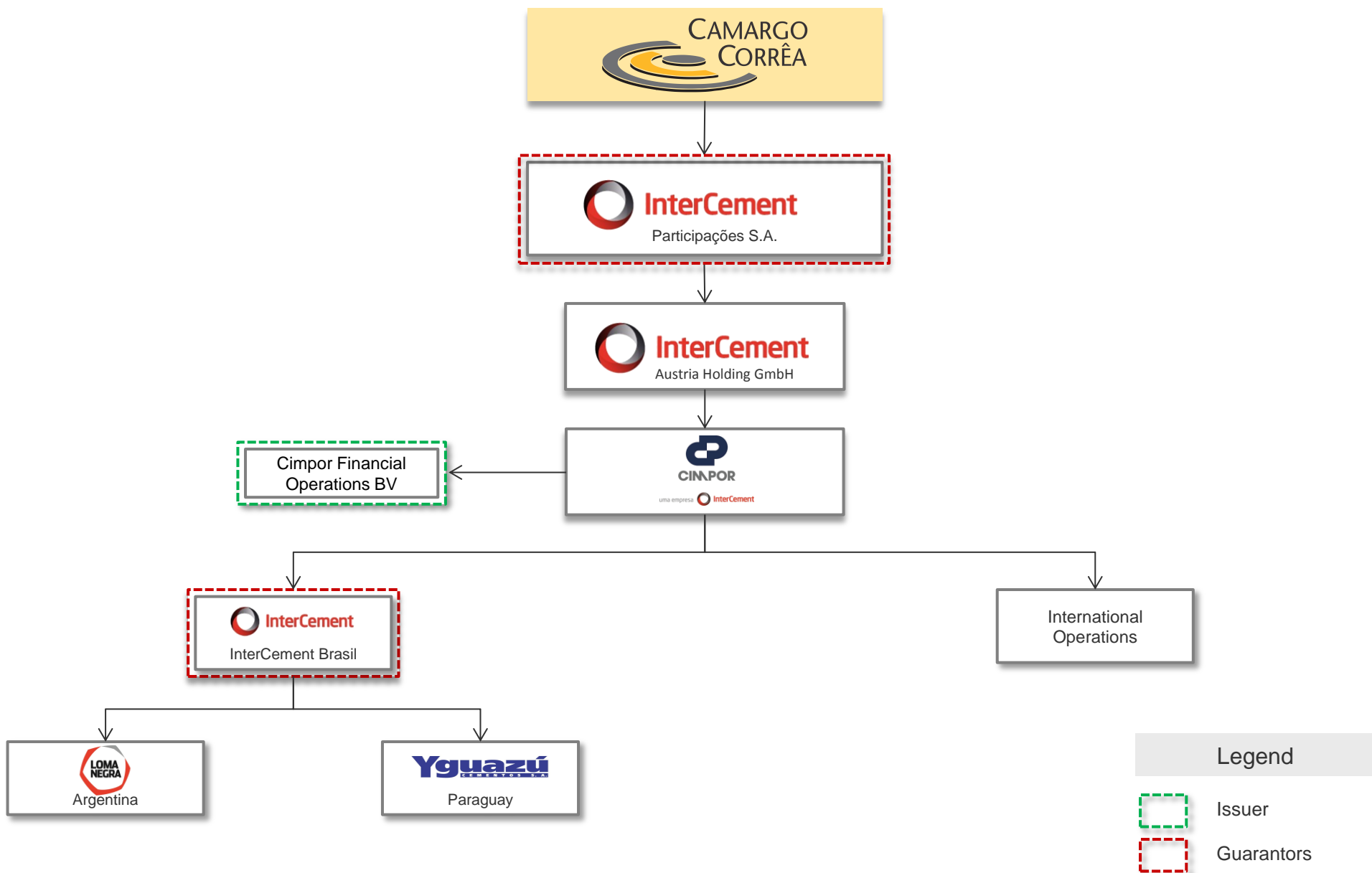
### InterCement Corporate Finance Director

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- Bachelor's degree in Business Administration (FGV)
  - Worked at the finance department of Camargo Correa Group since 2005 and is in InterCement since 2011. Prior to joining Camargo Corrêa Mr. Arantes has worked at BNP Paribas Asset Management, Banco Safra and Sadia. Currently, he works as Corporate Finance Director in InterCement.
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Issuer	Cimpor Financial Operations BV
Guarantors	InterCement Brasil S.A. and InterCement Participações S.A.
Offering Structure	US\$ Senior Unsecured Notes under Rules 144A / Reg S
Offering Size	USD 750M
Maturity	10 years
Coupon Payment	5,75% (Semi-annually, 30/360 basis)
Expected Ratings	BB / BB (S&P / Fitch)
Use of Proceeds	Refinance existing indebtedness and for general corporate purposes
Issue Denominations	U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
Listing / Governing Law	Singapore Exchange / New York Law
Global Coordinators and Joint Bookrunners	 <b>Bradesco</b> BBI     <b>Itaú</b> BBA

Simplified Corporate Structure







# 01. A Leading Player with Strong Sponsorship from one of Brazil's Largest Conglomerates

- 01 A Leading Player with Strong Sponsorship from one of Brazil's Largest Conglomerates
- 02 Top 8 International Player with Superior Profitability
- 03 Diversified Presence with Leading Position
- 04 Constant Focus on Efficiency and Disciplined Business Strategy
- 05 Strong Financial Performance
- 06 A view over H1'14

*InterCement is a private company, owned by Camargo Corrêa, and a leading player in the cement market in all of the countries where it is present.*

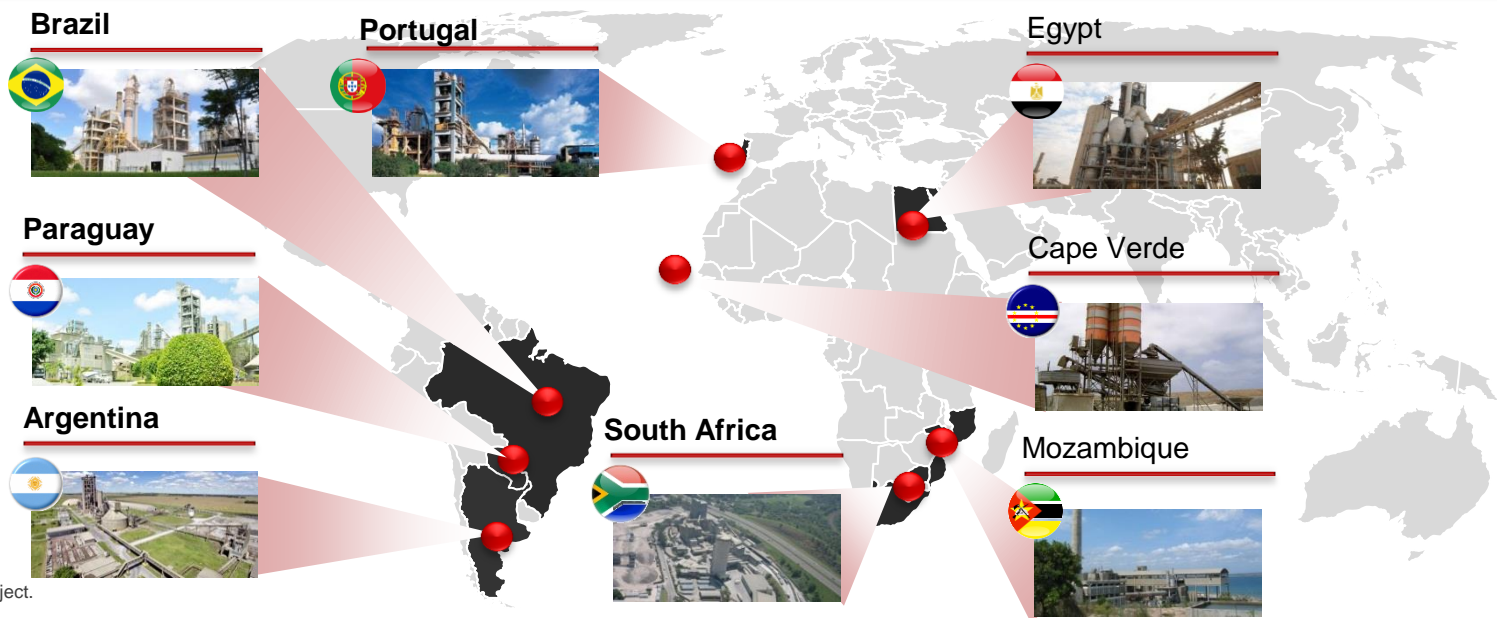
## Overview

- Extensive geographic footprint: 3 Continents, 9 countries<sup>(1)</sup>
- Strong market presence in Brazil, Argentina, Paraguay, Portugal, Egypt, Mozambique, South Africa and Cape Verde
- 40 Cement Facilities: 22 Integrated, 17 Grinding Mills, 1 Blending Facility
- Superior EBITDA Margin
- Sponsorship from Camargo Corrêa

## Main Figures

In € mm	Jun-2014 LTM
Volume (in ton)	30,7 mm <sup>(2)</sup>
Net Revenue	€2,568
EBITDA	€685
EBITDA Margin	26.7%

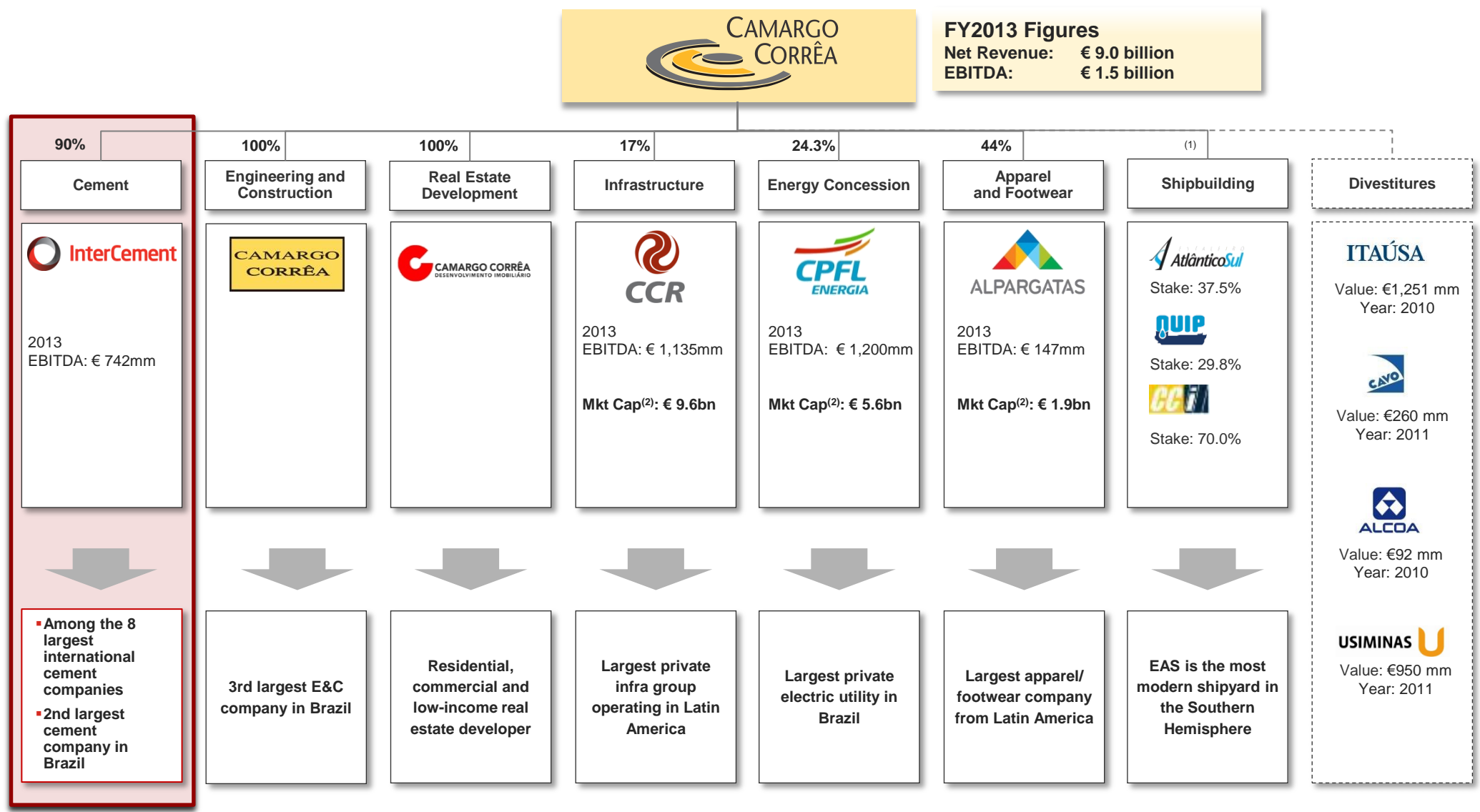
## Global Footprint



(1) Includes a greenfield project.  
(2) Total volume in FY 2013.



*Founded in 1939, Camargo Corrêa is one of the largest privately owned conglomerates in Brazil, comprised of a diversified portfolio of high quality assets.*



Wholly owned / controlled subsidiaries  
(1) Source: Company  
(2) Source: Bloomberg as of June 24, 2014

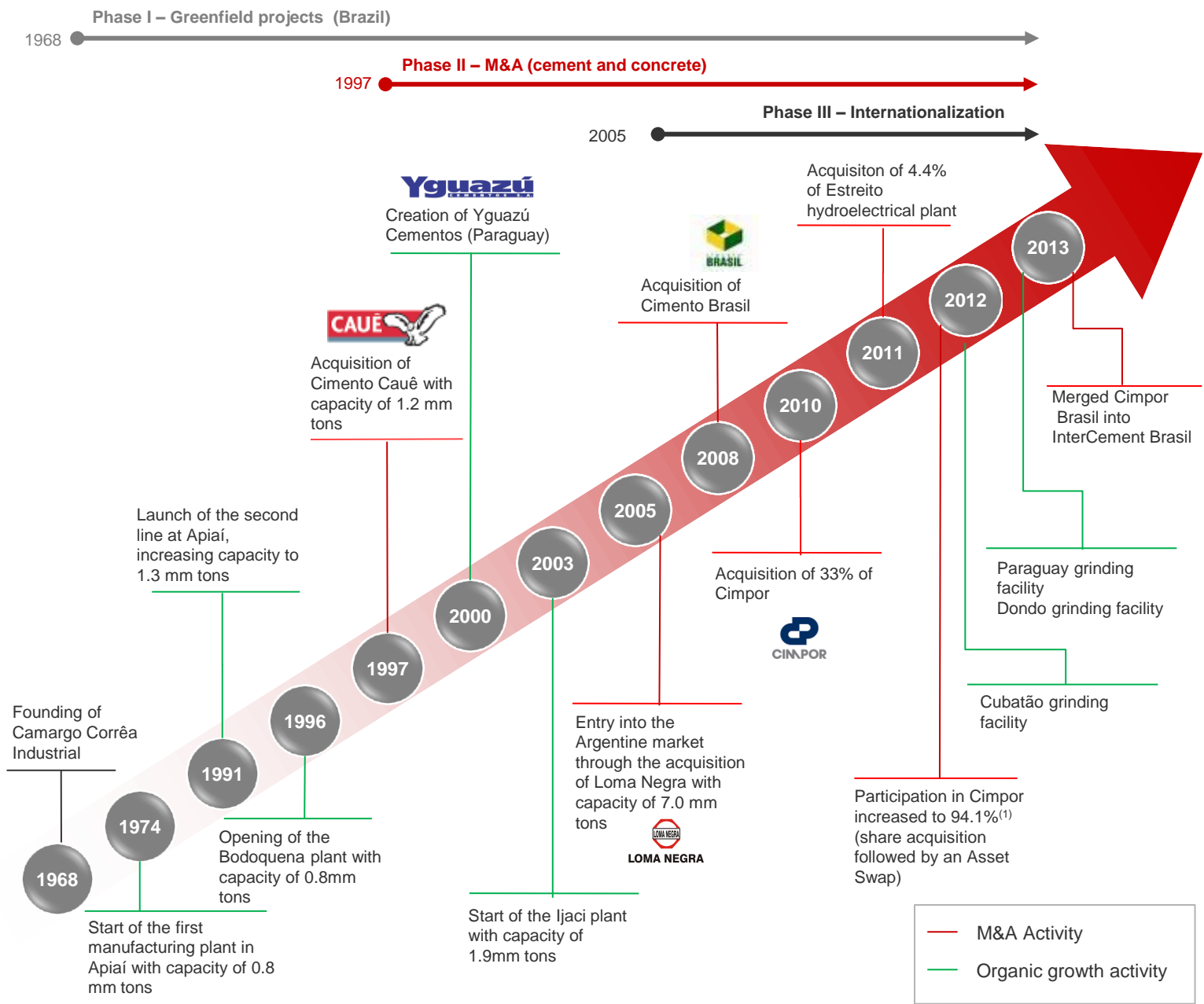




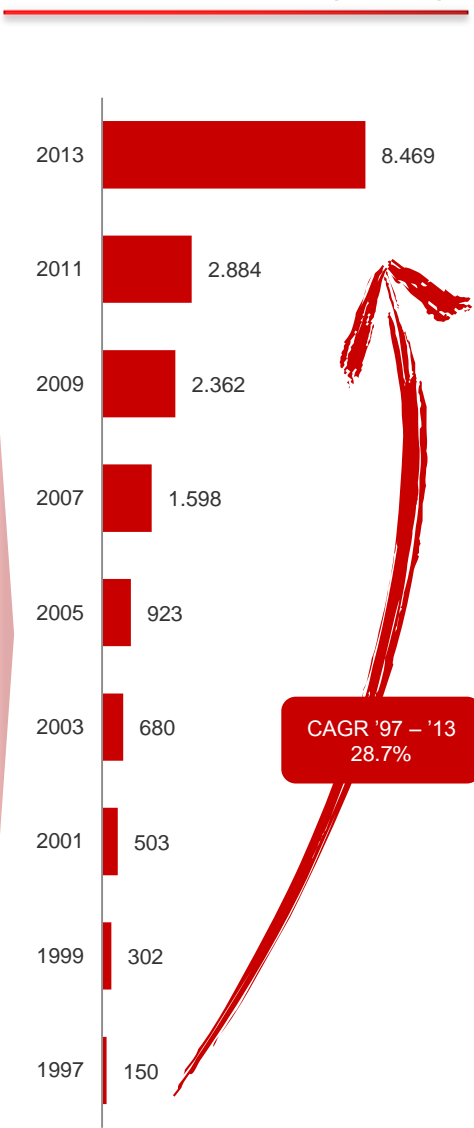
## 02. Top 8 International Player with Superior Profitability

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*InterCement is a large company with robust M&A experience and superior growth rates.*



Net Revenue Evolution (R\$ mm)<sup>(2)</sup>



Source: Company's filings

(1) Includes Camargo Corrêa Cimentos Luxembourg S.a.r.l (in which we do not own any ownership interests) stake of 28.2%

(2) Net Revenue converted at a rate of R\$3.226 per €1.000 as of December 31, 2013

## *InterCement navigated the cycle of consolidation in the cement industry*

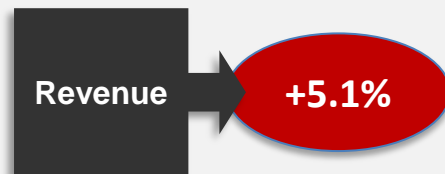
- Becoming a leading international player with unparalleled exposure to fast growing economies
- Moving from #35 in 2007, to #8 in 2013 in both cement sales and EBITDA

## *InterCement performance outstands among the largest publicly traded peers*

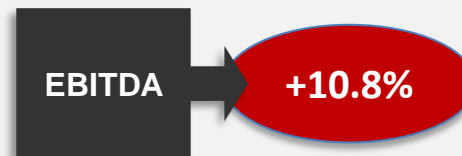
Quality of acquired or built assets combined with the organizations capabilities, deliver.

- In 2013 InterCement posted the highest Ebitda margin: 28.3%
- Had this portfolio existed since 2007 InterCement would have presented outstanding CAGRs:

**The largest revenue increase<sup>2</sup>:**



**The sole EBITDA increase**



**The sole Ebitda margin increase**



1. Excluding China  
2. 2007-2013 CAGR





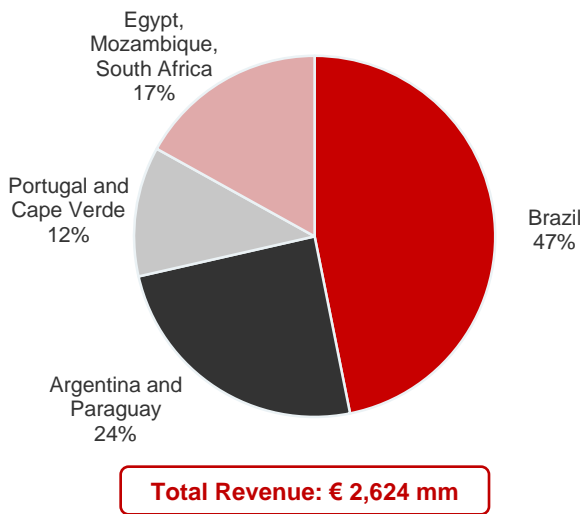
## 03. Diversified Presence with Leading Position

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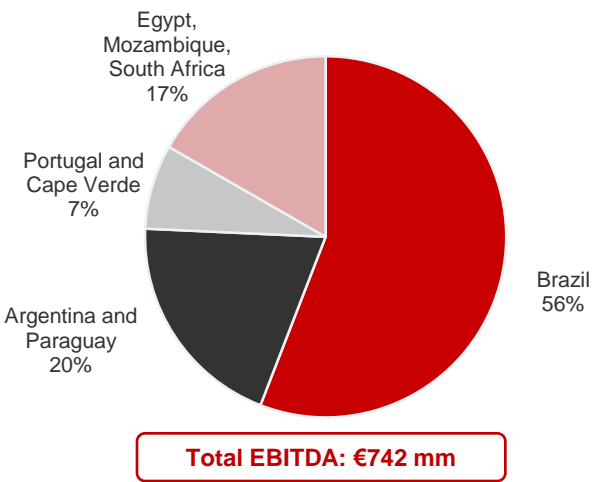


## Financial Breakdown (FY2013)

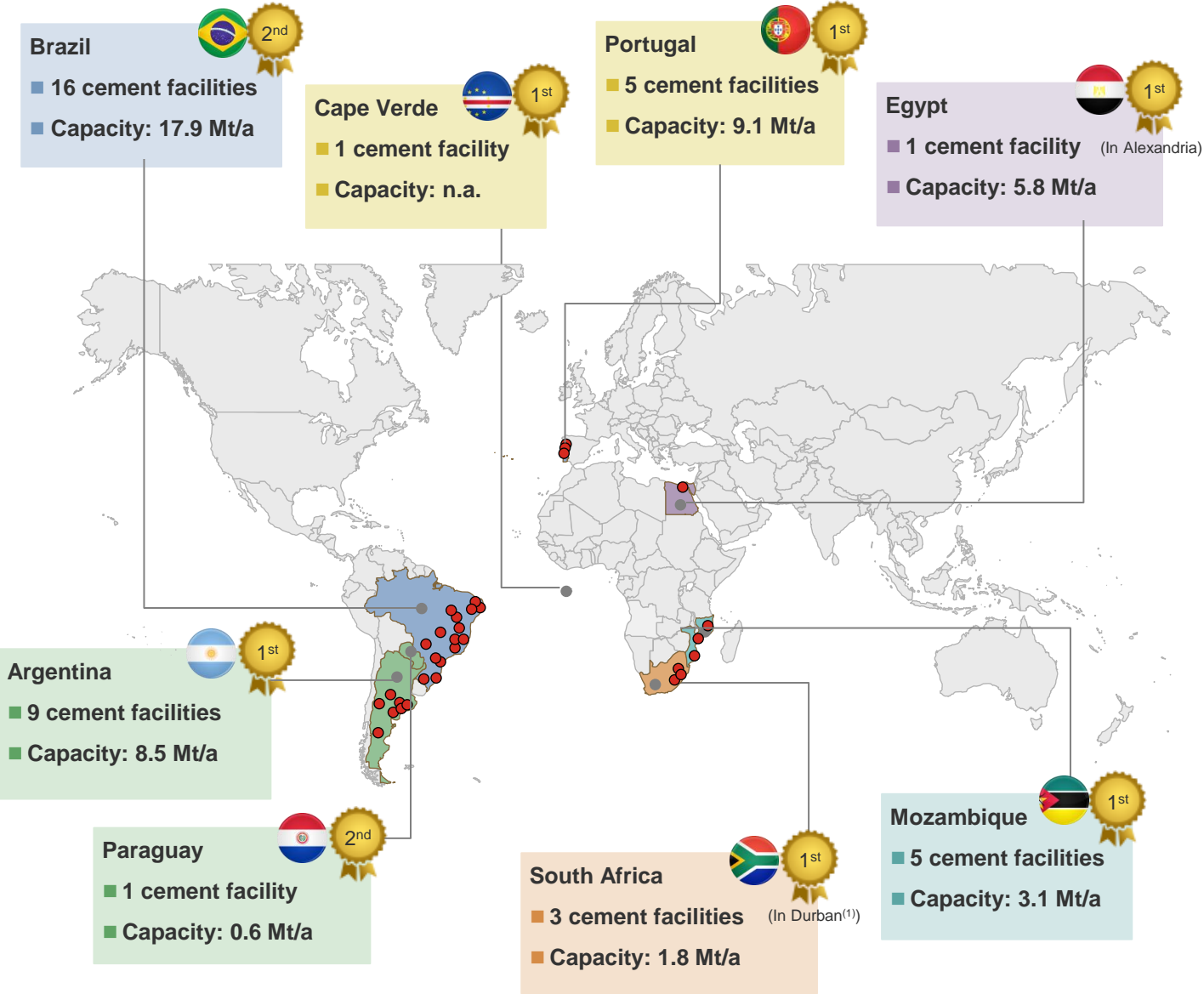
### Revenue Breakdown



### Adjusted EBITDA Breakdown



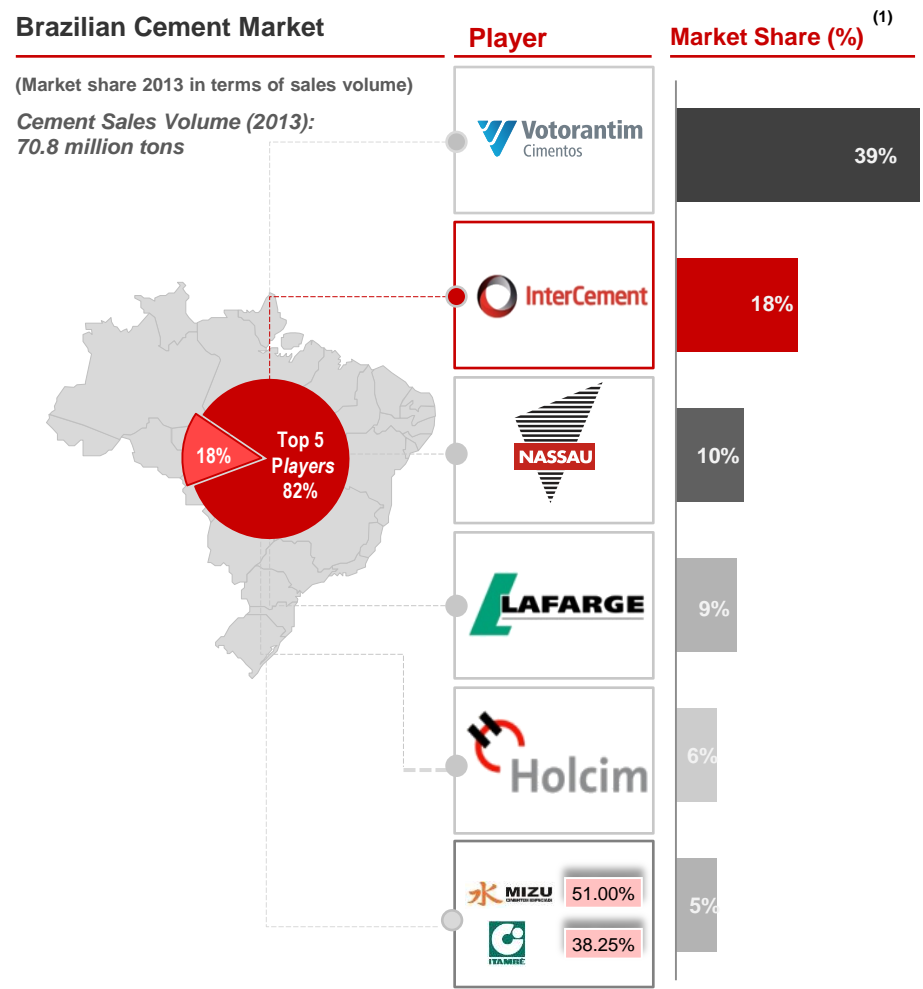
## Installed Cement Production Capacity by Country



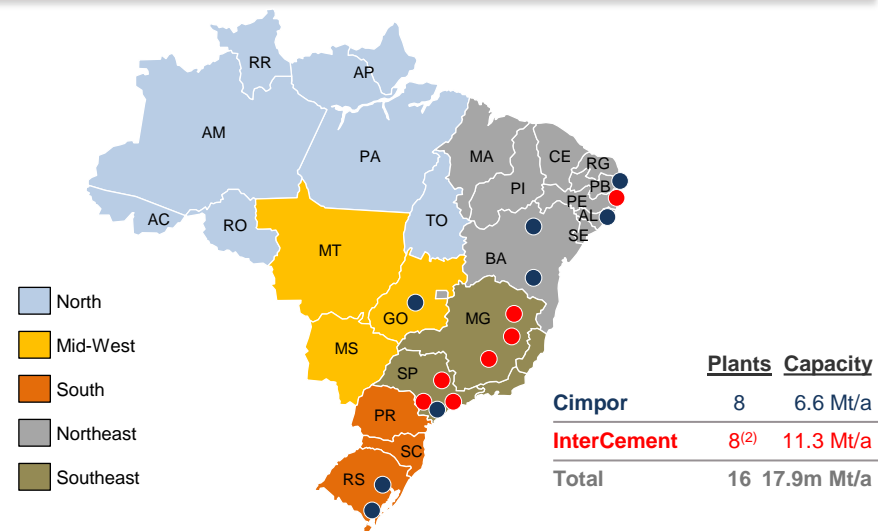
(1) Largest city in the South African province of KwaZulu-Natal with the busiest port in South Africa and Africa

Acquisition of Cimpor Reinforced InterCement’s Position in the attractive Brazilian Market.

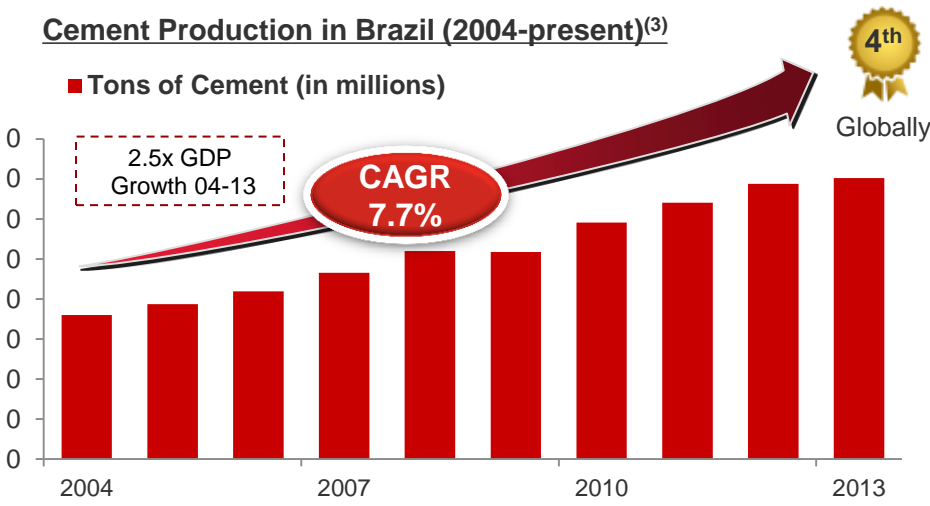
InterCement has become the #2 Cement Player (1)...



... With a Deep and Broad National Footprint



... In a Stable, Fast-Growing Industry

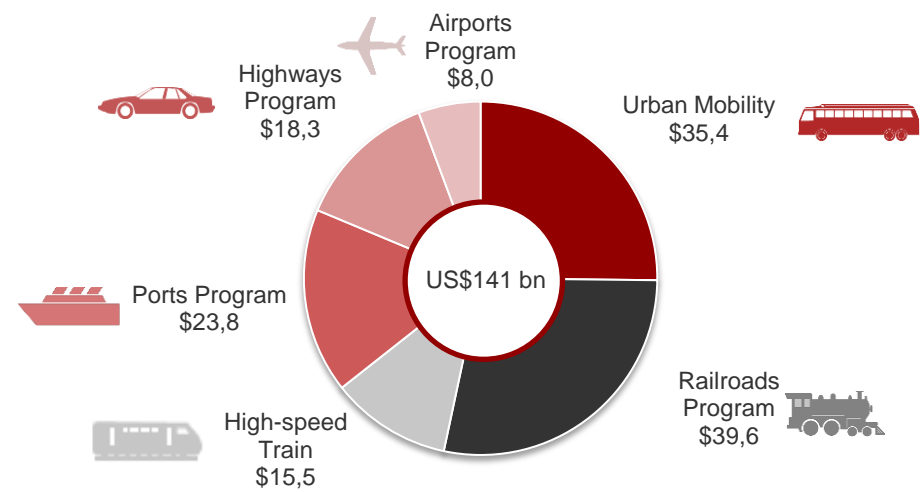


(1) Estimated Market Share as of Dec 2013; SNIC  
(2) Includes grinding mills  
(3) Source: Sindicato da Indústria Nacional de Cimento – SNIC

*Housing deficit and infrastructure debottlenecking to drive higher cement consumption.*

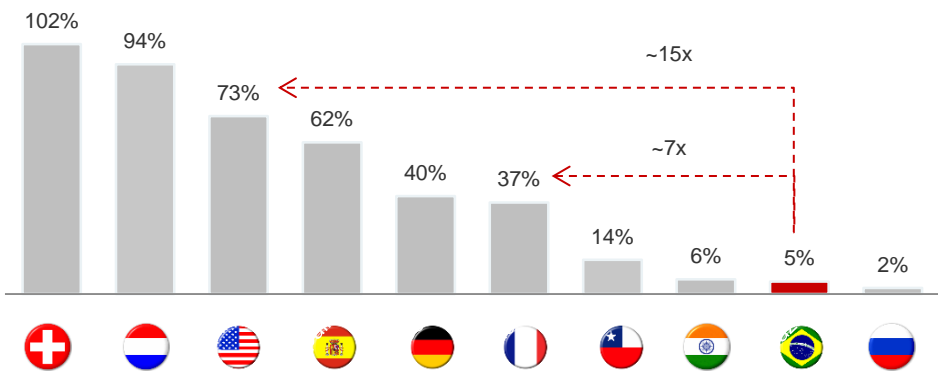
## Huge Expected Infrastructure Investments

Expected Investment Volume by Segment Over Next 5 Years (US\$ bn)



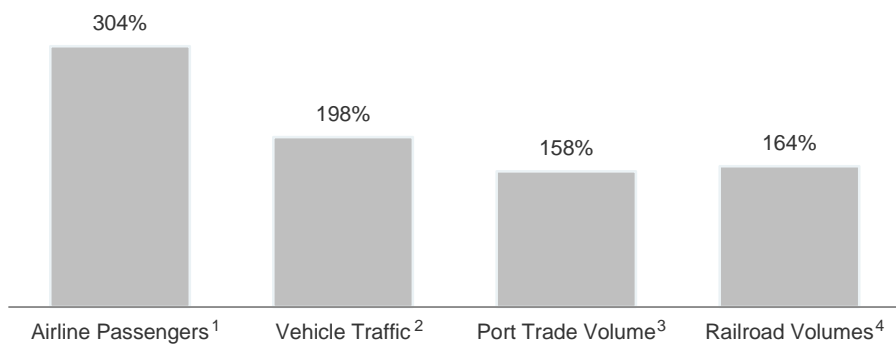
## Still Low Housing Financing in Brazil

Housing Financing (as a % of GDP)



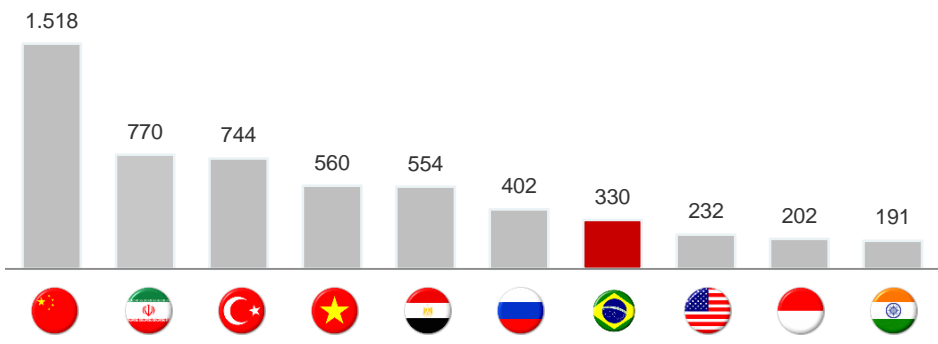
## Infrastructure Volume Growth by Mode of Transport

2003 – 2012: % of Volume Growth



## Room to grow per capita consumption of cement













Cement Consumption per capita (kt cement/Mi population)



Source: FGV, IBGE, Brazilian Central Bank, World Bank, Brazilian Finance Ministry.

1. Growth of passengers per year  
2. Growth of number of vehicles per km per year  
3. Growth of cargo handling  
4. Growth of railroad volumes

Note: BRL/USD exchange rate: 2.30.

Country	Market Size (mm tons)	Market Growth (CAGR '03 – '13)	Position in the Market 2013	
 <b>Argentina</b>	<b>10.5</b>	<b>7.8%</b>		<ul style="list-style-type: none"> <li>▪ Robust, resilient market</li> <li>▪ 4 players</li> <li>▪ <b>InterCement:</b> logistical competitive advantage</li> </ul>
 <b>Paraguay</b>	<b>1.4</b>	<b>8.8%</b>		<ul style="list-style-type: none"> <li>▪ Booming market. Economic growth cycle supports demand growth.</li> <li>▪ Duopolistic market</li> <li>▪ <b>InterCement:</b> new grinding in 2012. Integrated line to be completed by 2014.</li> </ul>
 <b>Egypt</b>	<b>54.2</b>	<b>7.4%</b>	 <i>On Alexandria Region</i>	<ul style="list-style-type: none"> <li>▪ Resilient market</li> <li>▪ Low urbanization rate (43%)</li> <li>▪ <b>InterCement:</b> local competitive advantages</li> </ul>
 <b>Mozambique</b>	<b>1.7</b>	<b>9.2%</b>		<ul style="list-style-type: none"> <li>▪ One of the fastest-growing economies</li> <li>▪ Strong potencial. Low per capita consumption.</li> <li>▪ <b>InterCement:</b> sole local integrated producer</li> </ul>
 <b>South Africa</b>	<b>11.8</b>	<b>1.5%</b>	 <i>On Durban Region</i>	<ul style="list-style-type: none"> <li>▪ Strong potencial. Recent recovery signs.</li> <li>▪ <b>InterCement:</b> commercial and operational strategy delivers.</li> </ul>
 <b>Portugal</b>	<b>3.0</b>	<b>-10.6%</b>		<ul style="list-style-type: none"> <li>▪ Export platform to Northwest Africa and Latin America</li> <li>▪ Duopolistic market</li> <li>▪ <b>InterCement:</b> highest productivity level</li> </ul>





## 04. Constant Focus on Efficiency and Disciplined Business Strategy

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## Intercement Management System

- Continuous improvement and benchmarking: reduce costs and increase efficiency
- Standardized targets and processes replicated in every facility
- Disseminating strategy procedures

## Energy and Emissions Management

- 50% of electric energy consumed in Brazil supplied by own hydro plants
- 11.3% usage of alternative fuels. In 2013 benchmark plant reached 35% substitution
- Focus on reducing clinker content
- High availability of limestone reserves

## Engineering Expertise

- In-house team with 35 professionals
- Proven track record in greenfield and brownfield projects internationally
- Expertise in procurement

## Customer Orientation

- Leadership position provides us with deep knowledge of markets and customers
- Highly efficient logistics network
- Innovative road map strategy to new services to customers

## Trading Capabilities

- 5<sup>th</sup> largest cement/clinker trader in the world (2013)
- World leader in “big bag” sales
- Highly efficient shipping operation (through owned or third-party ships)

## Efficient Execution

- Key priorities:
  - Further Integrating Cimpor
  - Achieving additional production and operation synergies
  - Disciplined execution of the Capex plan, matching deleveraging plan
  - Implementing best practices among geographies / plants

## Investment Strategy

- Disciplined financial approach
  - Based on long term funding from the get-go
  - Provide time to capture synergies and reduce leverage to strengthen balance sheet
- Target attractive returns and strong cash flow generation
  - Opportunities to reduce operating costs and strengthen footprint
- International geographic diversification focusing on leading positions



**Focus on Deleveraging**





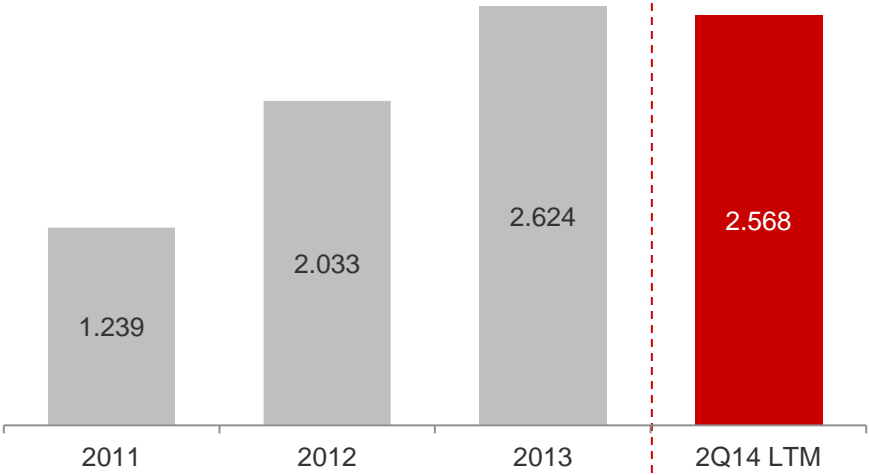
## 05. Strong Financial Performance

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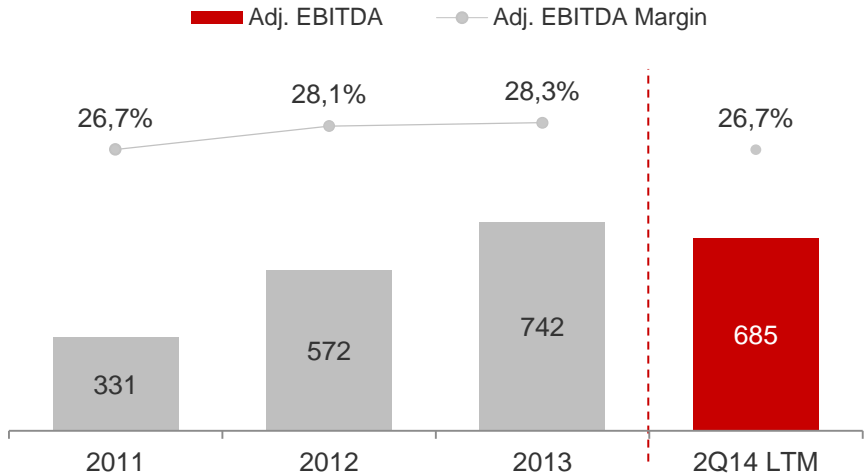
## Historical Net Revenue

(€ million)



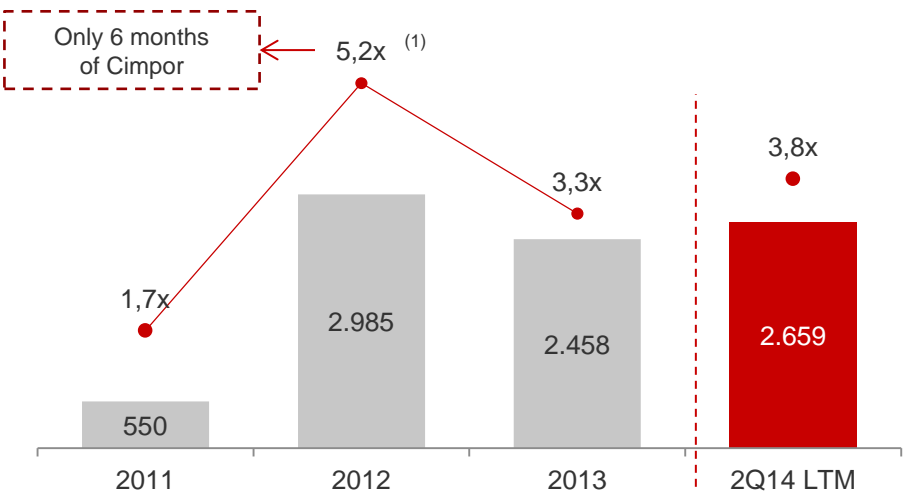
## Historical Adjusted EBITDA and Adjusted EBITDA Margin

(€ million)

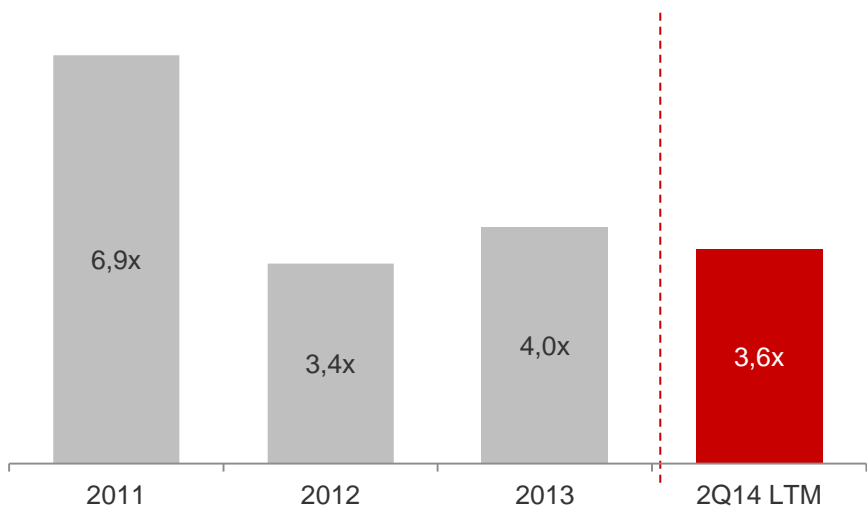


## Historical Net Debt (Net Debt / Adj. EBITDA)

(€ million)



## Net Interest Coverage Ratio

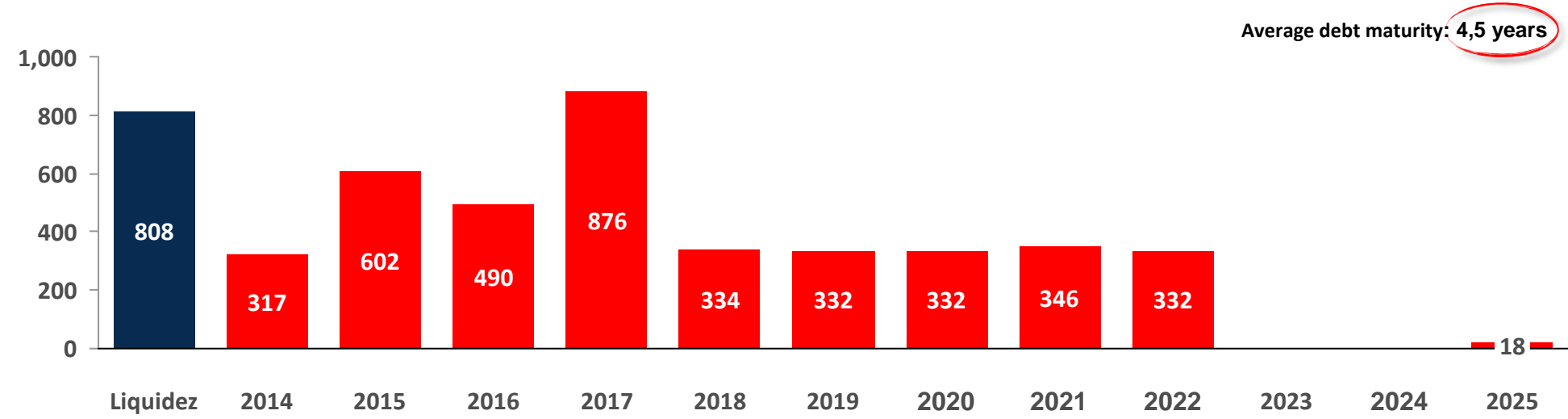


(1) Does not consider pro forma with Cimpor.

*Debt refinanced in amount over €1.8 billion with extended maturities and lower average cost*

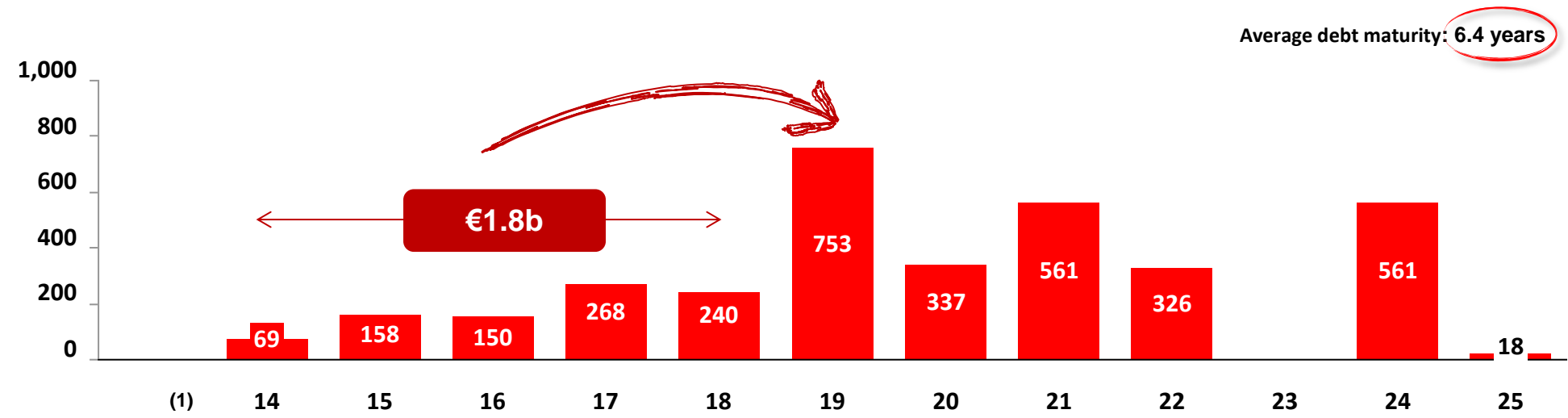
Debt Maturity On June, 30<sup>th</sup> 2013

(€ million)



Debt Maturity On August, 30<sup>th</sup> 2014

(€ million)



(1) Not disclosed as Financial Satatements as at August 31, 2014 have not been published,



## 06. A view over H1'14

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**InterCement reinforces market position: cement volume grows 11%, keeping EBITDA margin at 22,4%**

**Record high cement sales volume of 15M tons**

**Turnover reaches €1.243M and EBITDA €278M**, impacted respectively by €273M and €64M adverse forex effect

**Depreciation of Brazilian real (15%), Argentinian peso (37%) e South African rand (17%)**, penalizes Turnover (-4,3%) and EBITDA (-3,6% or -15,8% excluding 2013 non recurring items) vs H1'13.

**Higher activity and improving operations:**

- **Brazil – Stronger market position required logistic and operational efforts.**
- **Argentina** - macroeconomic constraints mitigation. Paraguay – new mill strengthens market share
- **Egypt - Record EBITDA in Q2.** Energy and clinker inventories leverage competitive advantage.
- Mozambique and South Africa– aggressive commercial approach and operating improvements deliver.
- Trading - Increase in exports counter market downturn in Portugal.

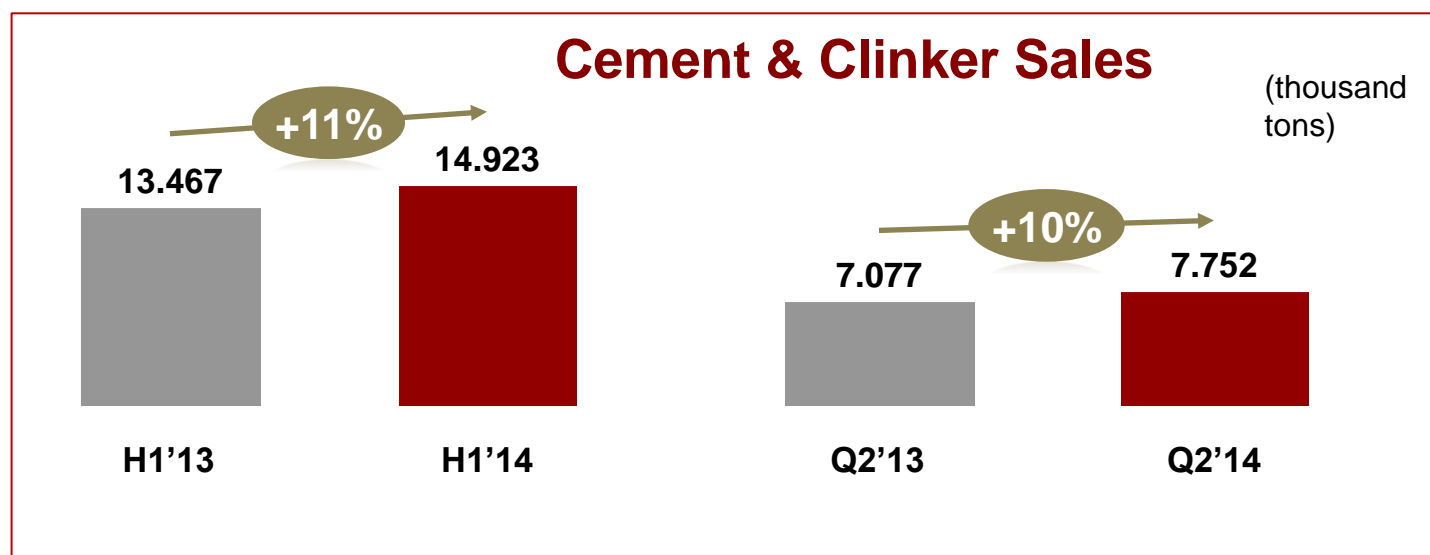
**Improved financial results and better tax rate**

**Q2 Net Profit reaches €10M**, improving by €37M yoy on H1 and containing loss to €4M.

**Favorable trend in Free Cash Flow.** Q2 delivers €23M. H1'14 €141M increase on H1'13.

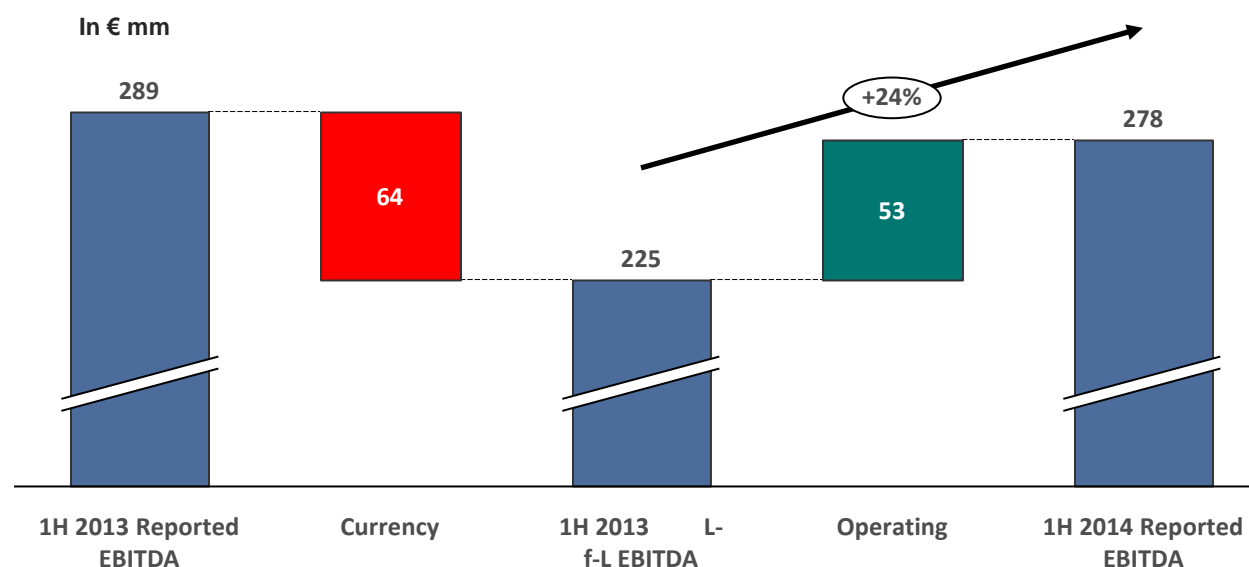


*Robust volume increase in all geographies, except Argentina.  
 Focused commercial strategy and efficiency initiatives expand market penetration.  
 10% price increase in local currency*



Cement and Clinker Sales - BU opening						
(thousand tons)	1 <sup>st</sup> Half			2 <sup>nd</sup> Quarter		
	2014	2013	Var. %	2014	2013	Var. %
Brazil	6,241	5,897	5.8	3,131.9	3,009.2	4.1
Argentina	2,879	2,985	-3.6	1,450.8	1,535.9	-5.5
Paraguay	168	136	23.8	73.2	70.7	3.6
Portugal	2,335	1,954	19.5	1,250.3	1,061.0	17.8
Cape Verde	92	89	3.5	48.6	48.4	0.6
Egypt	2,094	1,617	29.5	1,100.0	797.9	37.9
Mozambique	653	557	17.3	357.7	292.3	22.4
South Africa	706	572	23.5	411.3	322.7	27.5
<b>Sub-Total</b>	<b>15,168</b>	<b>13,806</b>	<b>9.9</b>	<b>7,823.8</b>	<b>7,138.1</b>	<b>9.6</b>
Intra-Group Eliminations	-244	-339	s.s.	-71.6	-60.6	s.s.
<b>Consolidated Total</b>	<b>14,923</b>	<b>13,467</b>	<b>10.8</b>	<b>7,752.2</b>	<b>7,077.4</b>	<b>9.5</b>

*Africa reveals EBITDA increase of 36% in local currency*  
*Brazil improves logistics and operations to address demand*  
*Forex adverse impact of €64M*



(€ million)	EBITDA							
	1 <sup>st</sup> Half				2 <sup>nd</sup> Quarter			
	2014	2013	Var. %	Var. % LC	2014	2013	Var. %	Var. % LC
Brazil	143.1	190.9	-25.0	-11.6	78.4	105.6	-25.7	-16.9
Argentina & Paraguay	53.9	45.5	18.7	86.4	23.8	8.6	176.5	341.5
Portugal & Cape Verde	9.5	-0.3	s.s.	s.s.	4.8	-0.1	s.s.	s.s.
Africa	70.2	57.4	22.3	35.8	43.9	31.2	40.7	54.2
Trading & Others	1.4	-5.0	n.m.	n.m.	0.9	-5.5	n.m.	n.m.
<b>Consolidated Total</b>	<b>278.1</b>	<b>288.5</b>	<b>-3.6</b>	<b>18.6</b>	<b>151.8</b>	<b>139.8</b>	<b>8.6</b>	<b>28.4</b>
<b>EBITDA margin</b>	<b>22.4%</b>	<b>22.2%</b>	<b>0.2 p.p.</b>	<b>0.4 p.p.</b>	<b>23.4%</b>	<b>21.1%</b>	<b>2.3 p.p.</b>	<b>2.2 p.p.</b>

## H1'14:

- *EBITDA affected by forex and seasonal effect.*
- *Working capital increases reflects 2013 commitments with capex suppliers.*
- *Interest and tax decreases.*
- *Capex discipline.*

	2013			2014
€ million	FY	1H	2H	1H
ajusted EBITDA	742	332	410	278
Working Capital	-118	-191	73	-118
Others	-30	-20	-10	2
<b>Operating Activities</b>	<b>594</b>	<b>121</b>	<b>473</b>	<b>163</b>
Interests Paid	-227	-114	-113	-104
Income taxes Paid	-106	-27	-79	-13
<b>Cash Flow before investments</b>	<b>260</b>	<b>-20</b>	<b>281</b>	<b>45</b>
CAPEX	-331	-179	-152	-102
Assest Sales / Others	45	-10	55	-27
<b>Free Cash Flow to the company</b>	<b>-26</b>	<b>-209</b>	<b>183</b>	<b>-84</b>
Borrowings, financing and debentures	473	220	253	813
Repayment of borrowings, financ. and debent.	-443	-200	-243	-1208
Capital Increases	534	0	534	0
Dividends	-17	-7	-10	-2
Other financing activities	-100	0	-100	-85
Changes in cash and cash equivalents	421	-196	618	-566
Exchange differences	-184	-56	-128	17
Cash and cash equivalents, End of the Period	1228	737	1228	679





**1**

**Strong sponsorship from one of Brazil's largest conglomerates**



**2**

**Top 8 International Player with Superior Profitability**



**3**

**Diversified Presence With Leading Market Position in High Growth Markets**



**4**

**Continuous Focus on Efficiency and Disciplined Business Strategy**



**5**

**Strong Financial Performance**

**... in a Deleveraging Mode**

# THANK YOU



**InterCement**

Building  
sustainable  
partnerships

