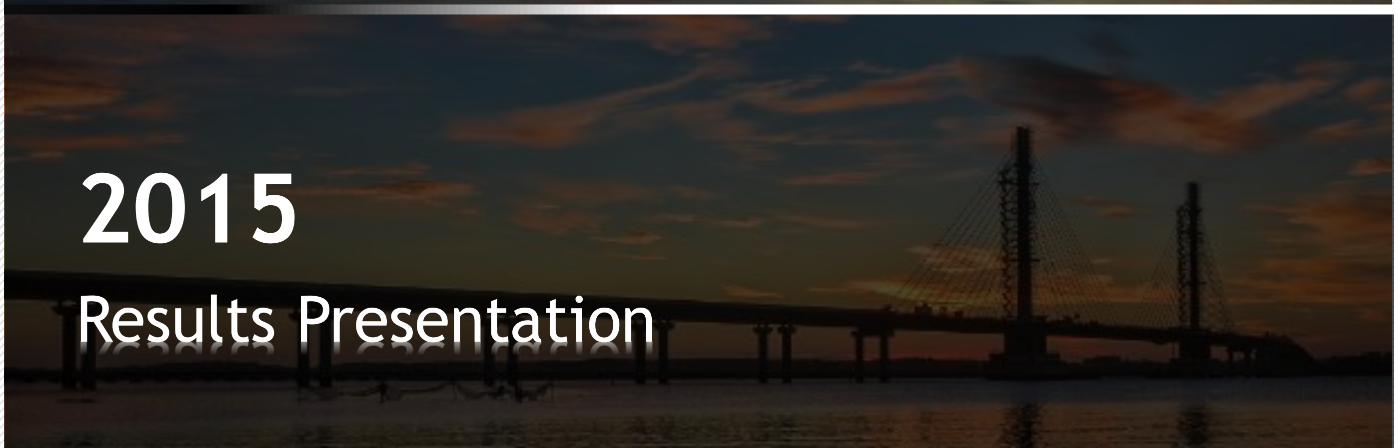
Building sustainable partnerships



# 2015

## Results Presentation

InterCement

# Disclamer

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# Overcome adversity. Improve efficiency and lower debt.

Results reflect developing economies contraction, specially Brazil.

InterCement fights adversity with initiatives to enhance efficiency and strengthen balance sheet, getting prepared for reversal of economic cycle.

Commercial dynamics rises average price by 6%, compensating lower volumes sold. Nevertheless adverse forex drives down sales by 4% to €2.5b.

21% EBITDA margin, kept as a reference in the industry.

EBITDA (€518 M) contracts 18%, reflecting atypical economic and market contexts. Excluding non recurrent effect, such as from restructuring, EBITDA would have reached 543M.

- **Argentina:** Record high EBITDA. Market dynamics and leader competitive advantages generate highest contribution to consolidated EBITDA;
- **Brazil:** Political / economical uncertainty leads to demand contraction. Increasing competition context – new capacity. InterCement fights back: adjusts commercial approach, adapts cement production structure, redefines concrete business and sells non-strategic assets, addressing 2016 challenges;
- **Paraguay:** Full year integrated production line benchmarks internal EBITDA margin;
- **Portugal:** Sales volume growth in the domestic market effect in EBITDA offset by non-recurrent impacts;
- **Egypt:** Volumes sold adjust as expected. Increased competition contracts price on 1st half; energy matrix optimization start-up.
- **Mozambique:** Reaffirmed leadership position offsets market decline and allows growth, mitigating local constraints and increases of costs pegged to the dollar;
- **South Africa:** EBITDA stability supported by commercial strategy focused on exploring new regions and customers.

€182 million Free Cash Flow reflects: working capital program, efficiency improvement measures, investment discipline and non-strategic assets sale in Paraguay and Brazil.

Net Debt reduction (€259 million; -10%) and improving debt profile allow stable Financial Results.

EBITDA contractions and Amortizations rise lead to €20 million Net losses[1].

[1] Attributable to Shareholders

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# 1. Operations Review

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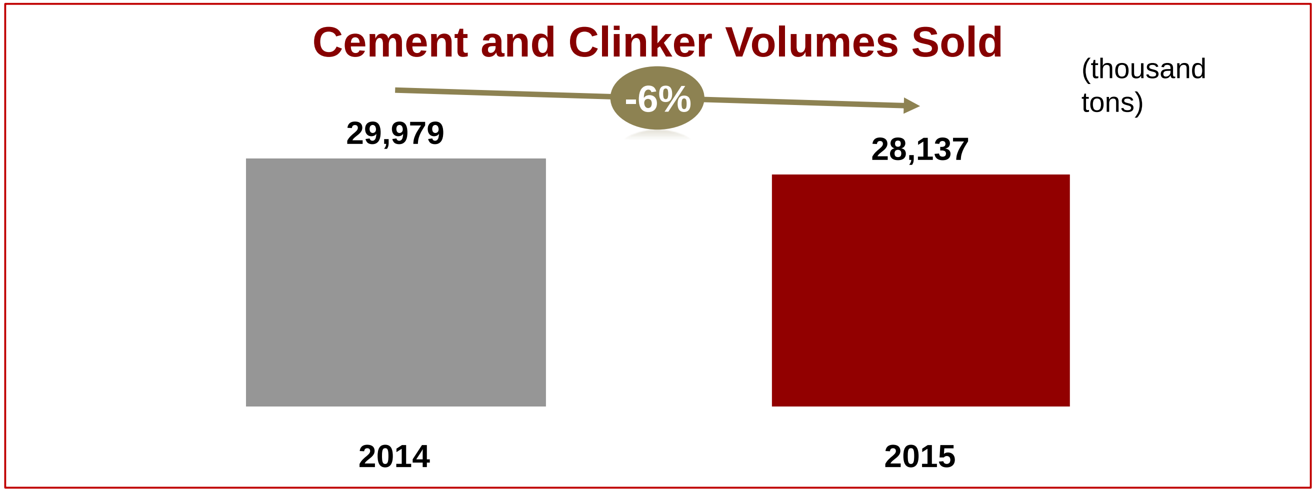
# Volumes: Argentina and others mitigate Brazil drop

Argentina record high sales, growing Mozambique and Portuguese internal sales insufficient to compensate slowdown Brazil, exports and expected adjustment in Egypt and South Africa.



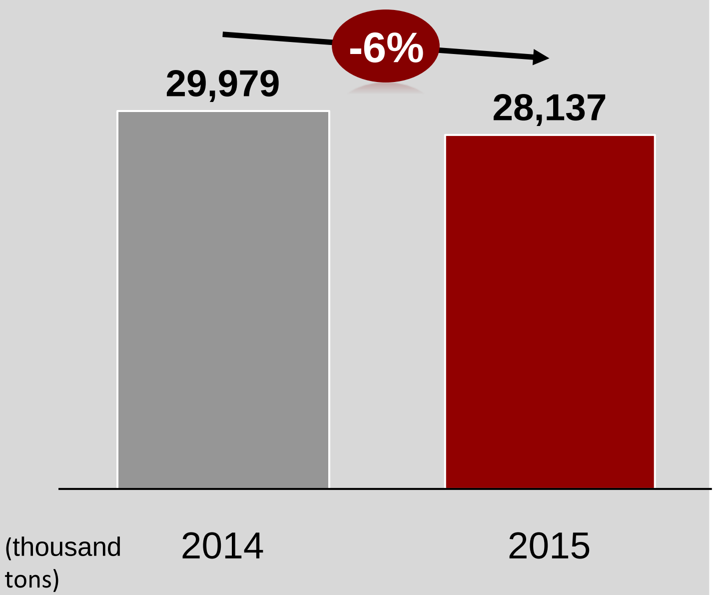

| Cement and Clinker Volumes Sold | | | | | | |
|---|---|---|---|---|---|---|
| (thousand tons) | Jan - Dec | | | 4th Quarter | | |
| | 2015 | 2014 | Var. % | 2015 | 2014 | Var. % |
| Brazil | 10,545 | 12,601 | -16.3 | 2,423 | 2,951 | -17.9 |
| Argentina | 6,572 | 6,178 | 6.4 | 1,646 | 1,670 | -1.4 |
| Paraguay | 398 | 422 | -5.7 | 96 | 129 | -25.6 |
| Portugal | 4,427 | 4,371 | 1.3 | 1,126 | 930 | 21.0 |
| Cape Verde | 167 | 182 | -8.2 | 38 | 43 | -10.7 |
| Egypt | 3,384 | 3,761 | -10.0 | 905 | 884 | 2.4 |
| Mozambique | 1,585 | 1,512 | 4.9 | 446 | 401 | 11.4 |
| South Africa | 1,438 | 1,502 | -4.3 | 369 | 344 | 7.3 |
| **Sub-Total** | **28,516** | **30,530** | **-6.6** | **7,049** | **7,352** | **-4.1** |
| Intra-Group Eliminations | -380 | -551 | -31.1 | -42 | -120 | -64.8 |
| **Consolidated Total** | **28,137** | **29,979** | **-6.1** | **7,007** | **7,231** | **-3.1** |

# Sales: price increase mitigates volume drop and forex

**Average Price:** increase mitigates volume decline and **forex impact.**
**Volumes:** Brazil contracts - economic slowdown and local supply increase. Egypt and South Africa adjust. Portuguese exports fade. Sales growth in other geographies – Argentina outstands.

YoY Change

**Cement and clinker Volumes Sold**




**Cement price contribution** +6.4 %

**Concrete Volumes** (m3) -13.9%

**Aggregates Volumes** (ton) -1.5%

**Forex -4.8%**

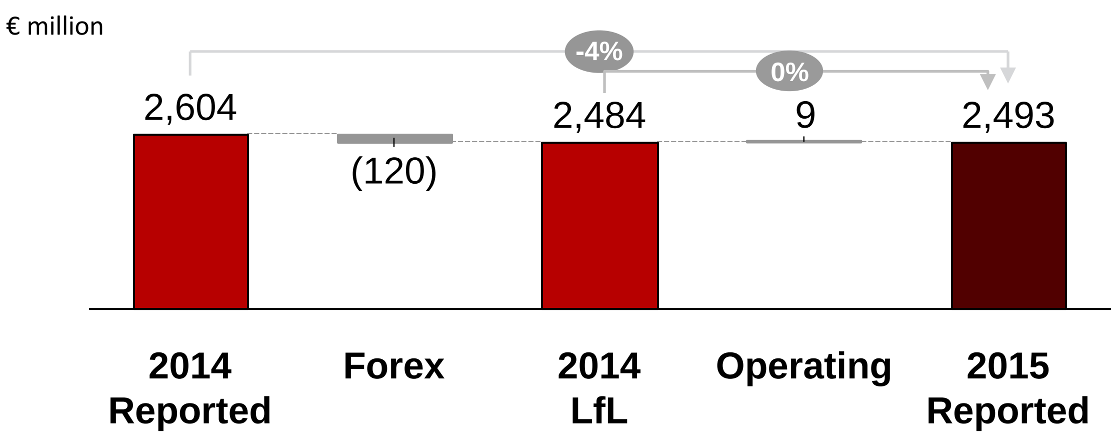
**Reported Sales change in €** -4.3%

# Stable ex forex Sales. Argentina and prices support.

## Stronger contribution from Argentina. Mozambique grows. Portugal recovers but exports fade. Brazil contracts. Egypt adjusts in competitive market. South Africa delivers as expected. Imports in Paraguay.

**Sales - BU opening**

| (€ million) | Jan - Dec 2015 | Jan - Dec 2014 | Jan - Dec Var. % | Jan - Dec Var. % LC | 4th Quarter 2015 | 4th Quarter 2014 | 4th Quarter Var. % | 4th Quarter Var. % LC |
|---|---|---|---|---|---|---|---|---|
| Brazil | 814.2 | 1,168.4 | -30.3 | -18.1 | 133.5 | 273.0 | -51.1 | -26.8 |
| Argentina | 763.7 | 545.4 | 40.0 | 32.0 | 200.4 | 160.6 | 24.7 | 22.2 |
| Paraguay | 53.5 | 56.2 | -4.8 | -8.5 | 12.7 | 17.5 | -27.6 | -27.4 |
| Portugal | 291.9 | 274.3 | 6.4 | 6.4 | 74.1 | 61.9 | 19.7 | 19.7 |
| Cape Verde | 26.1 | 27.0 | -3.4 | -3.4 | 5.9 | 6.3 | -6.0 | -6.0 |
| Egypt | 217.2 | 246.9 | -12.0 | -18.4 | 51.1 | 61.5 | -16.9 | -12.9 |
| Mozambique | 161.4 | 148.9 | 8.4 | 12.8 | 41.2 | 40.9 | 0.7 | 28.3 |
| South Africa | 130.7 | 126.1 | 3.7 | -0.2 | 32.5 | 31.5 | 3.4 | 5.5 |
| Trading / Shipping | 301.9 | 305.5 | -1.2 | -1.2 | 75.4 | 72.9 | 3.4 | 3.4 |
| Others | 45.8 | 48.7 | -5.9 | -5.9 | 9.0 | 10.5 | -14.6 | -14.6 |
| **Sub-Total** | **2,806.4** | **2,947.4** | **-4.8** | **-0.7** | **635.8** | **736.7** | **-13.7** | **-0.2** |
| Intra-Group Elimin. | -313.2 | -343.3 | **-8.8** | **-8.8** | -70.7 | -84.9 | **-16.8** | **-16.8** |
| **Consolidated Total** | **2,493.3** | **2,604.0** | **-4.3** | **0.4** | **565.1** | **651.8** | **-13.3** | **2.4** |




**Brazil:** economic slowdown and new entrants (in NE and South) increase competition and contract sales. BRL 15% depreciation penalizes.

**Argentina:** market momentum addressed with leading position gaining market share.

**Paraguay:** integrated production delivers while regional Guarani appreciation attracts imports.

**Portugal and Cape Verde**: internal market recovery mitigates exports drop. Postponed public works in Cape Verde.

**Egypt:** adjustment to expected sales level, local price decrease.

**Mozambique:** efficient commercial strategy recovers Sales.

**South Africa:** 2014 atypical clinker volumes sold penalizes comparison. Expanding commercial dynamics and forex enable Sales growth.

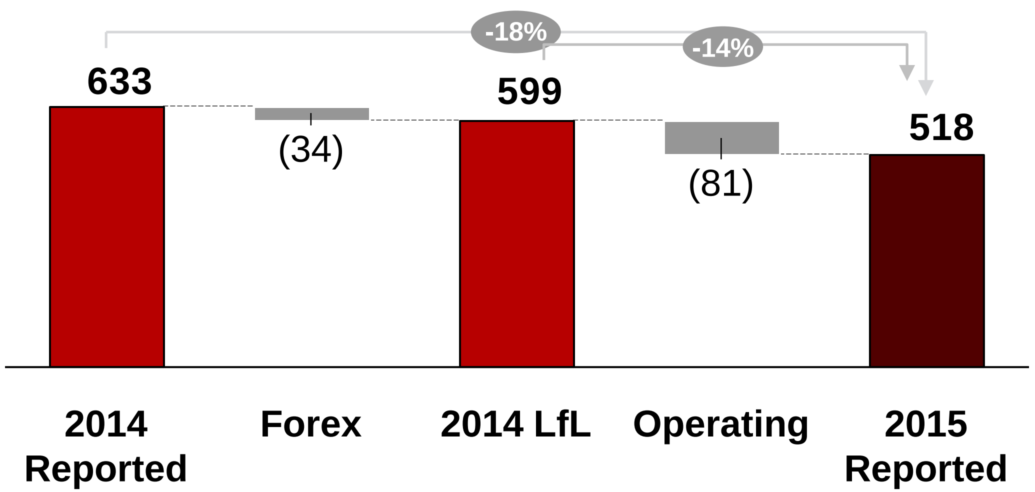
**Trading:** Sales impacted by slower exports - oil price dependent economies decrease imports.

# Atypical economic and market contexts contract EBITDA

**Adjustment package to address 2016**: operations redefinition; efficiency program - cost reduction, new products and logistics; co-processing; restructuring and non strategic assets sales.
**2015 reflected**: lower activity and fixed costs dilution; higher competition; challenging inflation; USD appreciation; restructuring and credit purchase non-recurring.

| EBITDA - BU opening | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | Jan - Dec | | | | 4th Quarter | | | |
| | 2015 | 2014 | Var. % | Var. % LC | 2015 | 2014 | Var. % | Var. % LC |
| Brazil | 173.2 | 323.9 | -46.5 | -37.2 | 49.1 | 91.6 | -46.4 | -24.4 |
| Argentina & Paraguay | 200.2 | 127.2 | 57.4 | 48.5 | 59.5 | 42.6 | 39.7 | 36.3 |
| Portugal & Cape Verde | 32.1 | 33.3 | -3.4 | -3.4 | -8.8 | 12.1 | n.m. | n.m. |
| Africa | 109.4 | 148.2 | -26.2 | -29.5 | 28.8 | 40.1 | -28.3 | -23.6 |
| Trading & Others | 2.8 | 0.0 | n.m. | n.m. | -0.2 | -1.6 | -87.8 | -87.8 |
| **Consolidated Total** | **517.7** | **632.6** | **-18.2** | **-13.5** | **128.3** | **184.9** | **-30.6** | **-18.2** |
| ***EBITDA margin*** | ***20.8%*** | ***24.3%*** | ***-3.5 p.p.*** | ***-3.3 p.p.*** | ***22.7%*** | ***28.4%*** | ***-5.7 p.p.*** | ***-5.7 p.p.*** |

€ million




**Brazil**: Lower Sales and lower fixed cost dilution, on adverse economic context impose austerity measures not yet fully impacting 2015. Restructuring, non recurrent, and depreciation of real (15%).

**Adjustment package:** new approach to clients and suppliers; optimization of costs and production structure; new concrete strategy; sale of non strategic assets.

**Argentina and Paraguay**: leading contributors to EBITDA. Increasing commercial and industrial efficiency responding to growing market. Mg up 3pp.

**Portugal and Cape Verde**: higher internal sales margin mitigate exports slowdown. Non-recurrent: restructuring and credit purchase.

**Egypt:** expected correction following exceptional 2014. Energy costs rise on a lower fixed cost dilution basis. Energy matrix optimization in progress, coal mill to be concluded in 2016.

**Mozambique:** USD pegged costs offset Sales recovery.

**South Africa:** higher cement level in sales mix offsets adjustment of sales.

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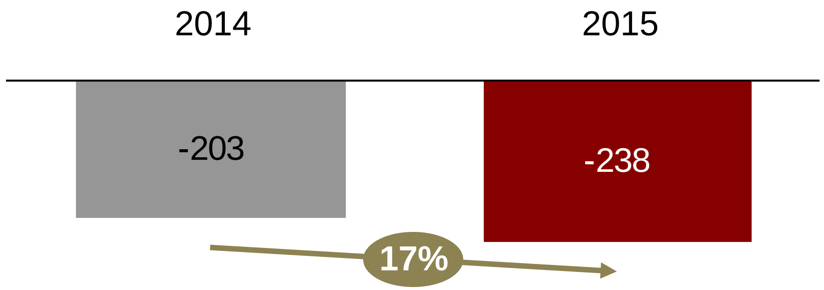
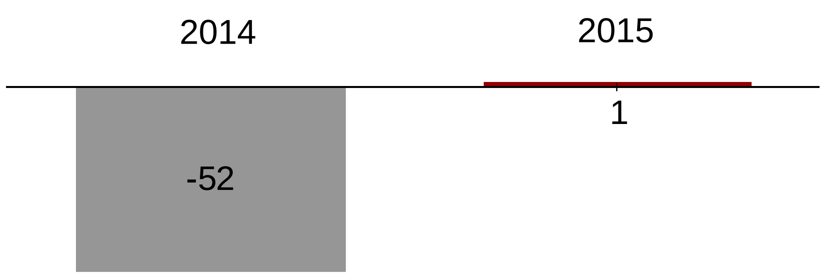
# Stable Financial Results and better Taxes

## Depreciation and Amortizations



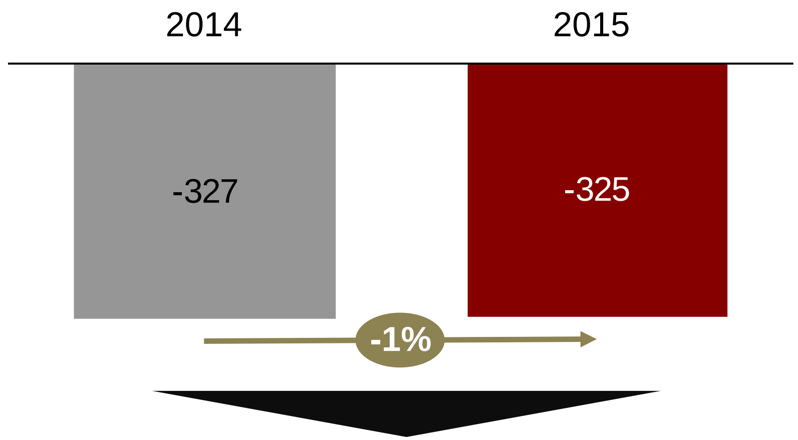

Impairments (€15M - ships and other) and 2014 CAPEX (Paraguay) justify increase.

## Income Taxes




Inverse trend, despite not benefitting from deferred tax losses at holding and financial companies, rising from interest and other financial expenses.

## Financial Results




Hedging policy at holding and financial companies level delivered favorably. Recent hedge instruments prevent losses of €125M.

Debt nominated in hard currency, at operations level, affected by depreciation.

€ million

YoY change

# Net Results mirrors 2015 operating contraction

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Operating cash flow (lower activity and non recurring), depreciation and amortization (impairments and 2014 capex) drive Net Results[1] to €-20M, despite stable Financial Results.

| Income Statement | | | | | | |
|---|---|---|---|---|---|---|
| (€ million) | Jan - Dec | | | 4th Quarter | | |
| | 2015 | 2014 | Var. % | 2015 | 2014 | Var. % |
| **Sales** | **2,493.3** | **2,604.0** | **-4.3** | **565.1** | **651.8** | **-13.3** |
| Net Operational Cash Costs | 1,975.5 | 1,971.4 | 0.2 | 436.8 | 466.9 | -6.4 |
| **Operational Cash Flow (EBITDA)** | **517.7** | **632.6** | **-18.2** | **128.3** | **184.9** | **-30.6** |
| Depreciations and amortisations | 238.3 | 203.1 | 17.3 | 77.1 | 58.7 | 31.3 |
| **Operating Income (EBIT)** | **279.4** | **429.6** | **-34.9** | **51.3** | **126.2** | **-59.4** |
| Financial Results | -324.6 | -327.5 | -0.9 | -140.1 | -63.2 | 121.5 |
| **Pre-tax Income** | **-45.2** | **102.1** | n.m. | **-88.8** | **63.0** | n.m. |
| Income Tax | -1.5 | 52.0 | n.m. | -16.2 | -0.2 | n.m. |
| **Net Results** | **-43.7** | **50.1** | **n.m.** | **-72.6** | **63.1** | **n.m.** |
| Attributable to: | | | | | | |
| Shareholders | -20.2 | 41.0 | n.m. | -69.5 | 51.4 | n.m. |
| Minority Interests | -23.4 | 9.1 | n.m. | -3.1 | 11.7 | n.m. |

[1] Attributable to Shareholders

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# Debt reduction. Balance Sheet reflects forex conversion.

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€5,911M Total Assets. Equity reflects forex depreciation impact on portfolio assets outside euro zone.

Net Debt down €259M (-10%) from 2014, standing at €2,243M.

| Consolidated Balance Sheet Summary | | | |
|---|---|---|---|
| (€ million) | Dec 31 2015 | Dec 31 2014 | Var. % |
| Assets | | | |
| Non-current Assets | 4,212 | 5,192 | -18.9 |
| Derivatives | 239 | 115 | 107.4 |
| Current Assets | | | |
| Cash and Equivalents | 791 | 892 | -11.3 |
| Derivatives | 25 | 13 | 84.1 |
| Other Current Assets | 645 | 756 | -14.7 |
| **Total Assets** | **5,911** | **6,968** | **-15.2** |
| Shareholders' Equity attributable to: | | | |
| Equity Holders | 1,049 | 1,405 | -25.4 |
| Minority Interests | 452 | 829 | -45.5 |
| **Total Shareholders' Equity** | **1,500** | **2,235** | **-32.9** |
| Liabilities | | | |
| Loans & Obligations under finance leases | 3,291 | 3,516 | -6.4 |
| Derivatives | 7 | 6 | 9.9 |
| Provisions & Employee benefits | 137 | 145 | -5.1 |
| Other Liabilities | 975 | 1,066 | -8.5 |
| **Total Liabilities** | **4,411** | **4,733** | **-6.8** |
| **Total Liabilities and Shareholders' Equity** | **5,911** | **6,968** | **-15.2** |

**Capital strengthening initiatives in progress**: (i) improving operating efficiency; (ii) increasing precision and discipline in working capital and capex; and (iii) disposal of non-strategic assets.

# €182M Free Cash Flow – up 60% yoy

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**Higher FCF, despite lower EBITDA:**

- Greater Working capital efficiency (+€52M) - cash cycle reduction in Brazil, Portugal and Egypt;
- Higher CAPEX discipline and austerity (+€90M): quick return investments are prioritized;
- Assets sale (+52M): Minority stake in Paraguay; concrete facilities and quarries in Brazil;

**Cash benefits** from promissory sale agreement (€56M – Other Investing Activities).

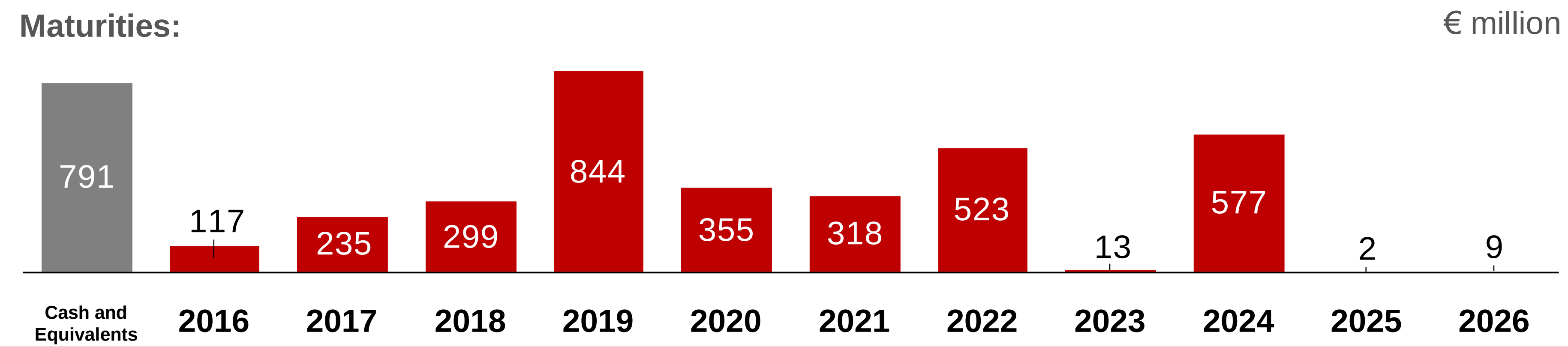
| | 2014 | 2015 | | | | |
|---|---|---|---|---|---|---|
| € million | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Adjusted EBITDA | 638 | 122 | 158 | 117 | 149 | 545 |
| Working Capital | -40 | -124 | 21 | 47 | 67 | 11 |
| Others | -18 | 2 | -7 | -4 | -50 | -59 |
| **Operating Activities** | **579** | **0** | **172** | **161** | **166** | **498** |
| Interests Paid | -234 | -58 | -25 | -90 | -49 | -222 |
| Income taxes Paid | -42 | -1 | -27 | -4 | -15 | -47 |
| **Cash Flow before investments** | **303** | **-59** | **120** | **67** | **102** | **229** |
| CAPEX | -199 | -48 | -28 | -33 | 0 | -109 |
| Assets Sales / Others | 9 | 8 | 2 | 1 | 50 | 61 |
| **Free Cash Flow to the company** | **113** | **-99** | **94** | **36** | **152** | **182** |
| Borrowings, financing and debentures | 1.412 | 112 | 36 | 59 | 30 | 237 |
| Repayment of borrowings, financ. and debent. | -1.886 | -38 | -141 | -137 | -95 | -411 |
| Dividends | -1 | 0 | -50 | 0 | 0 | -50 |
| Other investment activities | -117 | 40 | 20 | -89 | 86 | 57 |
| Changes in cash and cash equivalents | -479 | 14 | -42 | -131 | 173 | 15 |
| Exchange differences | 53 | 38 | -29 | -47 | -11 | -48 |
| Cash and cash equivalents, End of the Period | 802 | 854 | 783 | 605 | 768 | 768 |

# Debt Profile: no material commitments before 2019

Liquidity covers 3 years. Average debt maturity of more than 5 years.

€/USD hedge at holding and financial Cos avoid losses of €125M. Favorable refinancing in 2015.

## December 31, 2015

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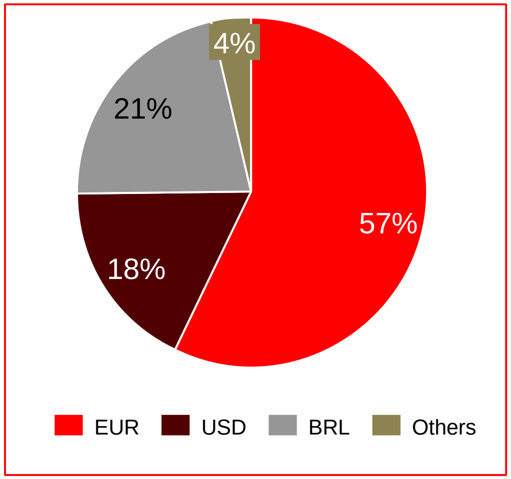


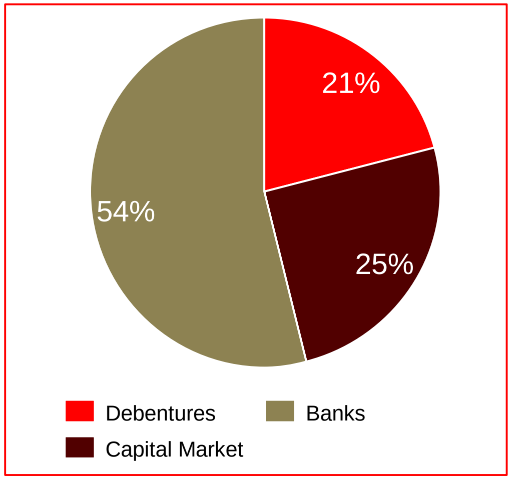


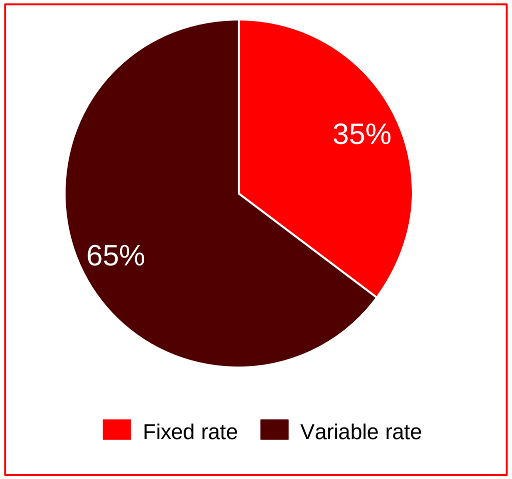


*Note: debt profile includes derivatives*

# InterCement Outlook: set up for future recovery

**Efficiency, discipline and agility -** New governance and 2015 initiatives challenge to keep and further grow EBITDA and Deleverage, so as to prepare InterCement for further economic cycle reversal.

**Brazil** – Short term challenges. Residential sector remains the main driver, while urgency of infrastructures has led local policy to concessions and privatization. Demand to slow in 2016 bringing InterCement sales down (7-10%). Stabilization foreseen for 2017. Initiatives to proceed: adjustment to market and efficiency of operations to contain EBITDA drop below 5% in LC.

**Argentina** – Surpassing forex adjustment, Argentina enters 2016 in economic optimistic mode. Sustained strong cement demand following a 10 year growth cycle. InterCement Sales and EBITDA contribution in €, to be offset by peso depreciation. Adjustments in local economy can deliver higher labor and energy costs.

**Paraguay** – Economy do stand out in region, despite commodity prices and "el niño" effect. Residential sector to drive cement demand. IntreCement commercial approach and fine-tune of integrated plant to deliver EDITDA growth above 30%.

**Portugal and Cape Verde** – Stable economics. Domestic cement sales to increase at a 5-7%. Exports still penalized with oil price constraints. Non recurrent items in 2015, will benefit comparison with 2016. Cape Verde to experience sales growth.

**Egypt** – Economy to progress and cement demand accordingly (strong residential and ambitious infrastructures plan to deliver). Industrial improvements and optimization of energy matrix at InterCement to deliver growth of circa 30% in EBITDA.

**Mozambique** – economic growth anticipated for coming years. Operational stability, recovery of demand and less attractive environment for exports to deliver EBITDA growth of over 8%.

**South Africa** – commercial policy focus to proceed along efficiency increase program and show results in 2017.

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