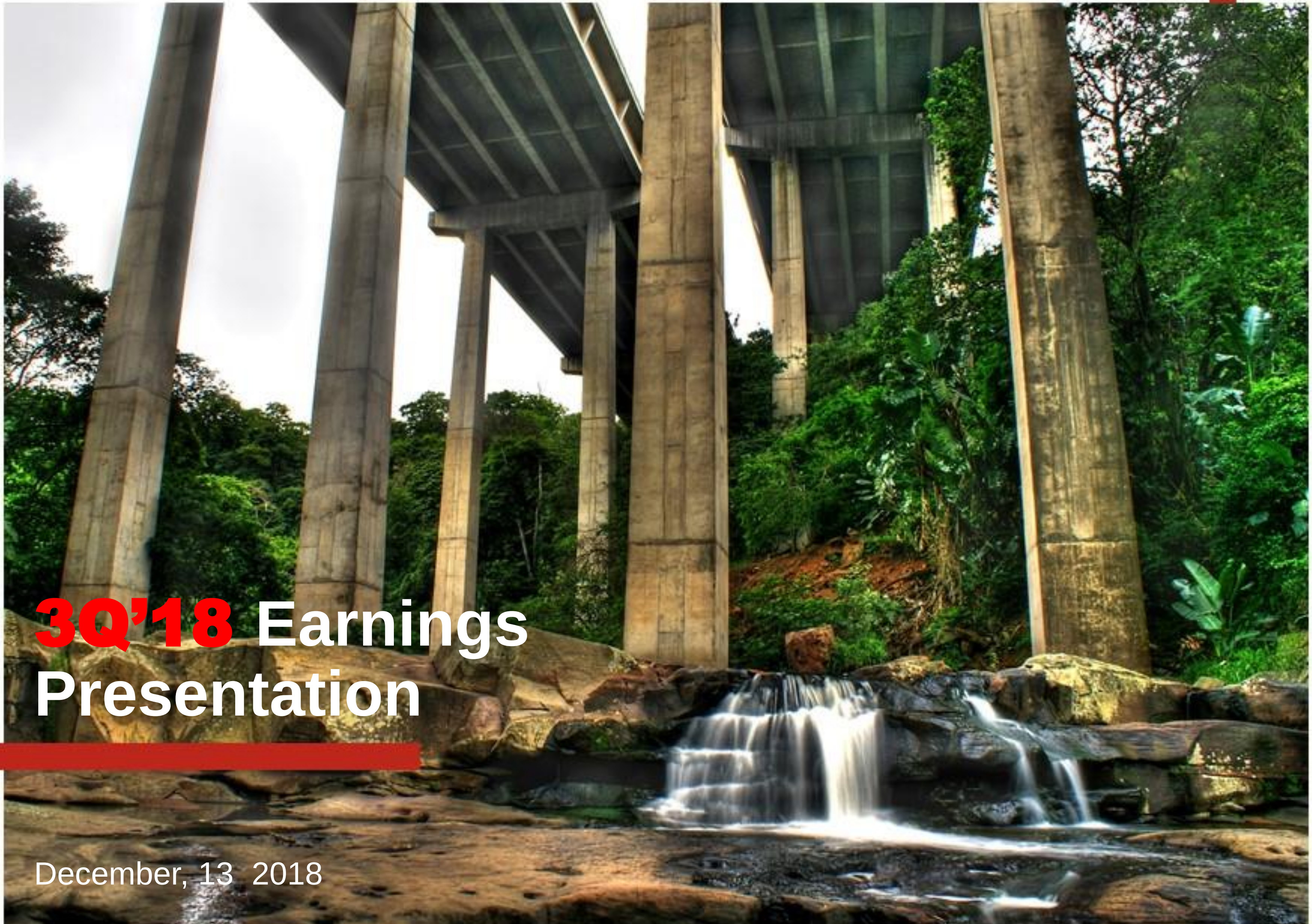

# 3Q'18 Earnings Presentation

December, 13 2018

InterCement

Building sustainable partnerships

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# Introductory notes

- InterCement firmly pursuance of Deleveraging and Liability Management initiatives evolved in 3Q18, preparing the company to sign the definitive agreement to sell its operations in Portugal and Cape Verde, as publicly announced on October, 26.

  For this reason and per requirement of IFRS5, as of September 30, Portugal and Cape Verde operations and assets are presented as “Discontinued Operations”. Accordingly, items regarding these operations are presented in segregated lines of the P&L (also restated for the comparative period) and the Balance Sheet.

- The International Accounting Standard Board (IASB) defined that since July 1, 2018 Argentina is considered a hyperinflationary economy and, consequently, entities that have the Argentine peso as its functional currency - such as Loma Negra CIASA, controlled by InterCement - must apply the provisions of IAS 29 in the preparation of its financial statements since that date. As described on note 2.1 of the Financial Statements publicly disclosed, due to practical reasons and local regulations in Argentina, InterCement is not including such effects in these consolidated financial statements.

# 1 OPERATIONS REVIEW

# Deleveraging initiatives evolved. Q3 FCF was neutral. Loma Negra addressed macro slowdown. FX offset better Brazil results.

## INTEGRAL BASIS *(continuing and discontinued operations)*

- FCF was neutral (€1.3M), backed by working capital divestments and the benefits from the execution of the Liability Management plan.
- Net Debt reached €1,780.2M, 16.8% up on Dec'17 and stable from Jun'18.
- LTM Adjusted EBITDA* stood at €340.8M.

## CONTINUING OPERATIONS

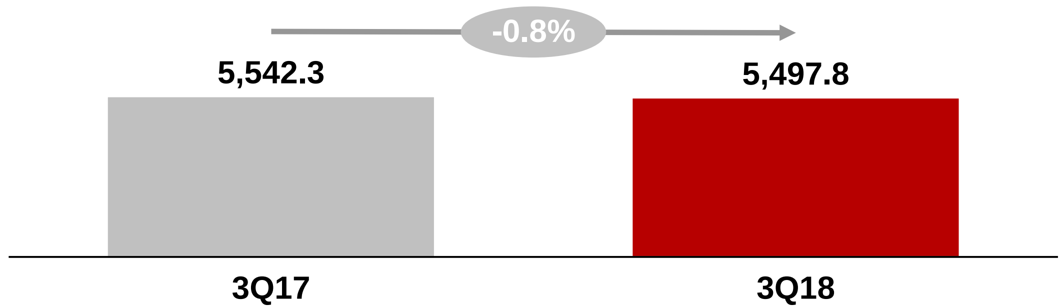
- Cement and Clinker volumes were kept close to 3Q17 (-0,8%), as Brazil, Egypt and Mozambique performances counterbalanced the Argentina, Paraguay and South Africa market constraints.
- Depreciations of the Argentinian Peso (39.1%) and Brazilian Real (17.4%) resulted in negative impacts on Sales (€115.5M) and EBITDA (€22.3M).
- Sales reached €373.1M, down 13.8% from 3Q17. Excluding forex impact, Sales would have increased 23.4%, as per the assertiveness of the commercial approach.
- EBITDA reached €84.0M, up 16.7% on 3Q17 on the back of the continuous strive for cash-flow generation. EBITDA margin advanced 5.9 p.p., vs 3Q17, to 22.5%.
- Adjusted EBITDA* was down 3.3% to €70.5M, as excluding €15M tax recovery in Brazil.
- Net Debt reached €1,670.9M, down 2.1% from Jun'18, thought up 14.0% from Dec'17. Announced assets sale is yet to impact Net Debt.

* Adjusted from non-recurrent effects, as used for financial covenants measurement.

# Volumes from <u>continuing operations</u> kept close to 3Q17. Brazil, Egypt and Mozambique counterbalanced other markets challenges.

**Brazil** volumes increased despite lower demand. **Egypt** volumes were up as Ameryah's premium brand outstood against local consumption contraction. **Mozambican** market grew.
**Argentina** adjusted to slower economics. **Paraguay** managed political resettlement moment.

**Cement and Clinker Volumes Sold**
(thousand tons)



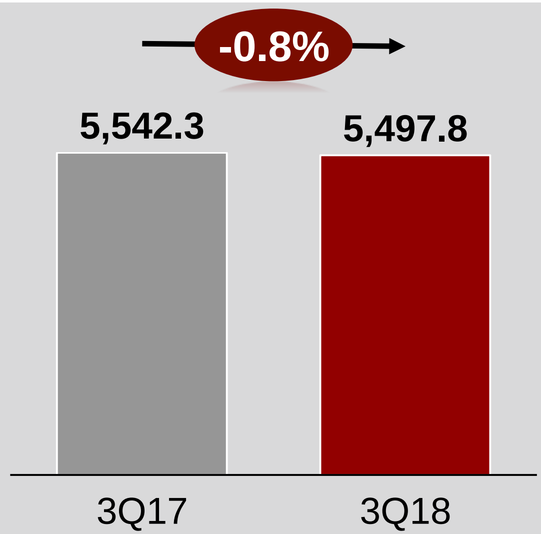

| Cement and Clinker Volumes Sold | | | | | | |
|---|---|---|---|---|---|---|
| thousand tons | 3Q18 | 3Q17 | Chg. | 9M'18 | 9M'17 | Chg. |
| Brazil | 2,127.8 | 2,082.6 | 2.2% | 5,905.9 | 5,893.3 | 0.2% |
| Argentina | 1,610.9 | 1,717.1 | -6.2% | 4,680.8 | 4,658.4 | 0.5% |
| Paraguay | 152.5 | 160.2 | -4.8% | 418.3 | 436.8 | -4.2% |
| Portugal [1] | 840.7 | 885.9 | -5.1% | 2,442.6 | 2,664.9 | -8.3% |
| Cape Verde [1] | 47.9 | 49.9 | -4.1% | 139.7 | 142.6 | -2.0% |
| Egypt | 787.6 | 771.6 | 2.1% | 2,255.4 | 2,150.8 | 4.9% |
| Mozambique | 320.6 | 311.9 | 2.8% | 896.2 | 827.9 | 8.2% |
| South Africa | 452.7 | 456.7 | -0.9% | 1,204.9 | 1,207.2 | -0.2% |
| **Sub-Total** | **6,340.8** | **6,435.9** | **-1.5%** | **17,943.7** | **17,981.8** | **-0.2%** |
| Intra-Group Eliminations | -50.2 | -57.6 | -13.0% | -165.8 | -143.7 | 15.4% |
| **Integral Basis** | **6,290.6** | **6,378.3** | **-1.4%** | **17,778** | **17,838** | **-0.3%** |
| **Discontinued operations** | **792.8** | **836.0** | **-5.2%** | **2,302.9** | **2,522.3** | **-8.7%** |
| **Continuing operations** | **5,497.8** | **5,542.3** | **-0.8%** | **15,475.0** | **15,315.8** | **1.0%** |

# Continuing operations revealed flatish Volumes and 22% price increase. Forex offset local currency growth.

Sales were down 13.8%, though up 23.4% ex-forex. Forex penalized Sales in € by €116M.
**Cement average price increased** in local currencies throughout the portfolio, absorbing cost inflation.
Construction dynamics prevailed in Argentina, rising **Concrete** contribution to Sales to record high levels.

YoY Change

**Cement and clinker Volumes Sold** (thousand tons)




**Cement price Contribution** (LMU) +22.1%

**Concrete Volumes** (m3) +19%

**Aggregates Volumes** (ton) -26%

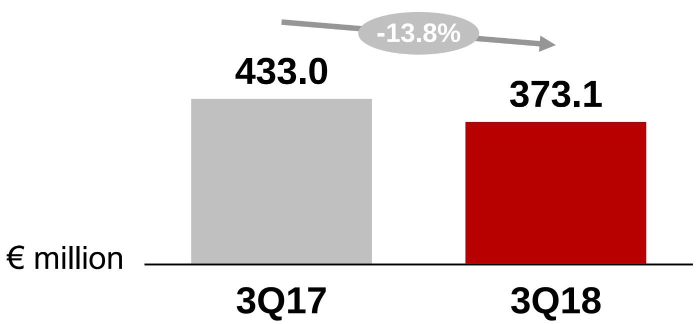
**Forex -26.7%**

**Reported Sales change in €** -13.8%

# Forex constrained continuing operations Sales, particularly in Brazil and Argentina. Egypt and Mozambique outstood.

**Prices across portfolio incorporated inflation and offset lower volumes**, as InterCement adressed market challenges and focused on higher margin clients.
**Egypt** unit outstood on a high competitive market.

| Sales - BU opening | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| million € | 3Q18 | 3Q17 | Chg. | YoY LC | 9M'18 | 9M'17 | Chg. | YoY LC |
| Brazil | 110.8 | 118.5 | -6.5% | 16.3% | 314.3 | 348.9 | -9.9% | 9.1% |
| Argentina | 143.4 | 189.7 | -24.4% | 46.6% | 474.4 | 550.2 | -13.8% | 41.7% |
| Paraguay | 16.5 | 16.7 | -1.3% | -0.6% | 44.3 | 47.4 | -6.4% | 0.5% |
| Portugal | 69.0 | 65.8 | 4.9% | 4.9% | 197.8 | 195.7 | 1.0% | 1.0% |
| Cape Verde | 8.3 | 8.1 | 1.4% | 1.4% | 23.4 | 22.8 | 2.8% | 2.8% |
| Egypt | 31.5 | 24.9 | 26.3% | 25.1% | 82.0 | 69.5 | 18.1% | 24.8% |
| Mozambique | 30.0 | 25.3 | 18.3% | 11.8% | 78.6 | 71.3 | 10.2% | 9.0% |
| South Africa | 35.8 | 37.9 | -5.6% | -0.2% | 102.2 | 104.7 | -2.4% | 1.4% |
| Trading / Shipping | 34.8 | 36.2 | -3.7% | -3.7% | 124.0 | 131.4 | -5.7% | -5.7% |
| Others | 4.3 | 12.6 | -65.8% | -65.8% | 14.9 | 35.2 | -57.7% | -57.7% |
| **Sub-Total** | **484.3** | **535.7** | **-9.6%** | **15.3%** | **1,456.0** | **1,577.1** | **-7.7%** | **12.8%** |
| Intra-Group Elimin | -41.6 | -50.2 | -17.2% | -17.2% | -147.2 | -170.7 | -13.8% | -13.8% |
| **Broad Perimeter** | **442.7** | **485.5** | **-8.8%** | **19.7%** | **1,308.8** | **1,406.4** | **-6.9%** | **16.8%** |
| **Discontinued op.** | **69.6** | **52.5** | **32.5%** | **0.0%** | **1,161.6** | **1,235.7** | **23.3%** | **0.0%** |
| **Continuing op.** | **373.1** | **433.0** | **-13.8%** | **23.4%** | **2,470.5** | **2,642.1** | **-10.6%** | **20.6%** |




**Brazil:** reinforced market approach allowed +2.2% in Volumes sold. SNIC estimated -3,5% consumption on the back of economic constraints and political instability pre elections. Commercial efforts led to a 16.3% growth in Sales in LC, while the -17.4% BRL depreciation led to a 6.5% Sales decrease in euro.

**Argentina:** slower cement demand together with less business days than in 3Q17, has resulted in lower cement Volumes sold. Loma Negra's robust market position allowed for price adjustments, leading +47% in Sales growth in LC. ARS depreciated 39.1% versus the Euro.

**Paraguay:** The improvement in market share partially offset the punctual cement demand slowdown on a political transition moment. Sales remained borderline stable in local currency (-0.6%).

**Egypt:** Sales increased 26% benefitting from commercial strategy (targeting premium brand's volumes and prices).

**Mozambique:** National economy continues to stall under the gas projects expectations. Sales (+18%) benefited from high single digit price increase.

**South Africa:** economy recession led to infrastructure delay and VAT tax increase affected consumption, directly penalizing cement demand in a strong competitive environment as per increasing imports in KZN.

**DISCONTINUED OPERATIONS - Portugal and Cape Verde:** Volumes Sold in domestic market continued to pave the recovery path with +6.5%. Exports remain focused on higher margin clients and geographies. Mild growth trend in Cape Verde



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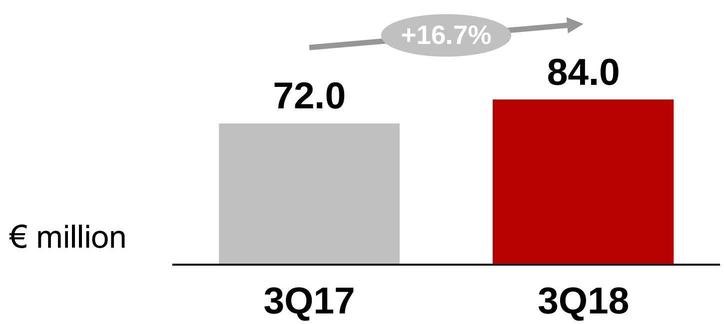
# Struggle for cash generation rises continuing operations EBITDA and margin.

**EBITDA rised to €84M , 16.7% up on 3Q17, 69.1% on an ex-forex. EBITDA margin grew 5.9 p.p.**
**Adjusted EBITDA of €71M, dropped 3.3% as disregarding Brazil tax credit recognition.**
Loma Negra's EBITDA margin went up to 28% on 3Q18.
LTM Adjusted EBITDA amounted to €340.8M

| EBITDA - BU opening | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| million € | 3Q18 | 3Q17 | Chg. | YoY LC | 9M'18 | 9M'17 | Chg. | YoY LC |
| Brazil | 20.5 | 4.2 | 391.6% | 520.4% | 25.9 | 16.6 | 55.5% | 88.3% |
| Argentina & Paraguay | 44.8 | 49.3 | -9.1% | 58.4% | 135.2 | 151.2 | -10.6% | 37.5% |
| Portugal & Cape Verde | 12.7 | 13.5 | -5.8% | -5.8% | 46.4 | 35.0 | 32.5% | 32.5% |
| Africa | 20.0 | 18.9 | 6.3% | 8.6% | 49.4 | 44.8 | 10.4% | 13.5% |
| Trading & Others | -1.3 | -0.3 | n.m. | n.m. | -7.2 | 0.9 | n.m. | n.m. |
| **Broad Perimeter** | 96.7 | 85.5 | 13.2% | 53.1% | 249.7 | 248.5 | 0.5% | 30.4% |
| **Discontinued op.** | 12.7 | 13.5 | -5.8% | | 46.4 | 35.0 | 32.5% | |
| **Continuing op.** | **84.0** | **72.0** | **16.7%** | **69.1%** | **203.2** | **213.5** | **-4.8%** | **30.0%** |
| ***EBITDA margin*** | ***22.5%*** | ***16.6%*** | **5.9 p.p.** | **4.8 p.p.** | ***18.1%*** | ***17.0%*** | **1.1 p.p.** | **2.0 p.p.** |




**Brazil:** EBITDA went up from €4.2 to €20.5M, regardless higher freight and energy costs challenges, as per the sales growth and the recognition in favor of the company of one of the on-going judicial tax disputes regarding PIS COFINS.

**Argentina and Paraguay:** EBITDA went up 58.4% in LC, benefiting from price increases addressing the continued peso depreciation and inflation effects on costs. Although EBITDA declined 9.1% in euro, EBITDA margin increase 4.1pp to 28.0%.

**Egypt:** EBITDA continued to recover, despite the kiln stoppages and the increase on clay tax, as supported by higher Sales and extra cost saving initiatives.

**Mozambique:** Management effort to lower SG&A was undermined by higher fixed (maintenance) and electricity costs. Nevertheless, EBITDA margin remained stable.

**South Africa:** Energy rationalization affected both cement consumption and productivity. Nevertheless, on the back of continuous efficiency pursuance, EBITDA margin was stable and amongst InterCement top tier.

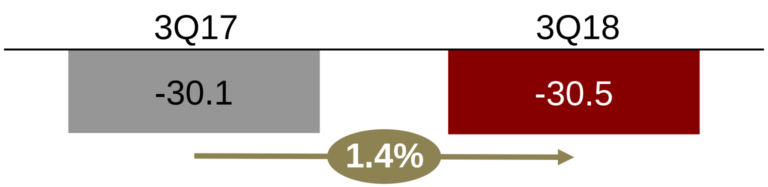
**DISCONTINUED OPERATIONS - Portugal and Cape Verde:** Portugal and Cape Verde EBITDA, compared negatively to 3Q17, though for the 9M rising significantly as per the combined effect of CO2 licenses sales and a Portuguese domestic marker recovery.

# 2 NET INCOME

# Continuing operations Financial Results were aggravated by FX effects, which offset Liability Management merits.

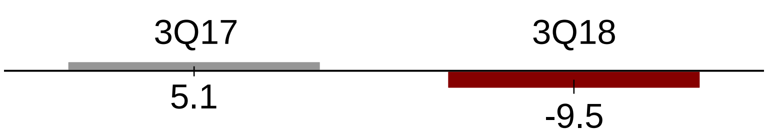
€ million    YoY change

## Depreciation and Amortizations



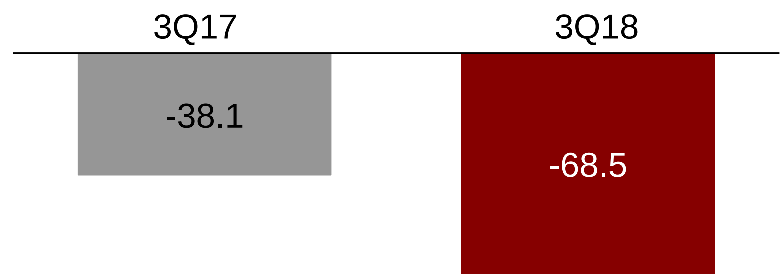

No impairments or significant assets difference were registered in either periods.

## Income Taxes




Income taxes increased as positive deferred taxes benefited 3Q17.

## Financial Results




Financial Results benefited from lower interest cost in the period (circa €20M), following the Liability Management execution impact on debt. On the other hand, exchange differences had a negative impact of €66M mostly following the ARS and BRL depreciation, whereas 3Q17 benefited from the positive exchange effect of the USD depreciation on debt.

# Continuing operations Net Loss derived from FX depreciation effect on Financial Results.

**Net Loss** amounted to €24.5M.

**On a 9M basis** Net Income recovered €51M. **Deprec. Amort and Impairments** favorable comparison, due to 2Q17 Brazil impairments (€200M), overcame lower **Financial Results,** as per 9M17 benefits from the USD depreciation following the derivatives unwinding in 2Q17.

| Income Statement | | | | | | |
|---|---|---|---|---|---|---|
| million € | 3Q18 | 3Q17 | Chg. | 9M'18 | 9M'17 | Chg. |
| **Sales** | **373.1** | **433.0** | **-13.8%** | **1,123.3** | **1,256.0** | **-10.6%** |
| Net Operational Cash Costs | 289.1 | 361.0 | -19.9% | 920.1 | 1,042.5 | -11.7% |
| **Operational Cash Flow (EBITDA)** | **84.0** | **72.0** | **16.7%** | **203.2** | **213.5** | **-4.8%** |
| Deprec. Amort. and Impairments | 30.5 | 30.1 | 1.4% | 103.6 | 295.6 | -64.9% |
| **Operating Income (EBIT)** (a) | **53.5** | **41.9** | **27.7%** | **99.6** | **-82.2** | **n.m.** |
| Financial Results (a) | -68.5 | -38.1 | 79.6% | -182.2 | -63.3 | 187.7% |
| **Pre-tax Income** | **-15.0** | **3.8** | **n.m.** | **-82.6** | **-145.5** | **-43.2%** |
| Income Tax | 9.5 | -5.1 | n.m. | 25.1 | 13.1 | 92.3% |
| **Net Inc. from Continuing Operations** | **-24.5** | **8.9** | **n.m.** | **-107.7** | **-158.5** | **-32.1%** |
| **Net Inc. from Discontinued Operat.** | **-0.8** | **-1.0** | **-17.4%** | **3.8** | **-5.7** | **n.m.** |
| **Total Net Income** | **-25.4** | **7.9** | **n.m.** | **-103.9** | **-164.2** | **-36.7%** |
| Attributable to: | | | | | | |
| Shareholders | -23.0 | 3.3 | n.m. | -97.5 | -132.3 | -26.3% |
| Non-controling interests | -2.4 | 4.6 | n.m. | -6.4 | -31.9 | -80.0% |

**IINTEGRAL BASIS** Net Income was negative by €25.4M



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# 3 FINANCING STRUCTURE

# Integral basis Balance Sheet sorted out items for sale. FX penalized. Liability Management Plan progressed.

Assets and Liabilities classified as held for sale were sorted out.
Cash, Loans and Obligations changes reflected the Deleveraging and Liability Management Plan prepayments and amortization following 2017 cash events.

| Consolidated Balance Sheet Summary | | | |
|---|---|---|---|
| million € | Set 30 '18 | Dec 31 '17 | Var. % |
| Assets | | | |
| Non-current Assets | 2,287.4 | 3,269.3 | -30.0 |
| Derivatives | 12.0 | 6.7 | 79.3 |
| Current Assets | | | |
| Cash, Equivalents and Securities | 261.6 | 1,199.8 | -78.2 |
| Derivatives | 1.4 | 3.9 | -64.6 |
| Other Current Assets | 423.6 | 493.8 | -14.2 |
| Assets classified as held for sale | 771.7 | 0.0 | n.m. |
| **Total Assets** | **3,757.6** | **4,973.5** | **-24.4** |
| Shareholders' Equity attributable to: | | | |
| Equity Holders | 569.1 | 841.0 | -32.3 |
| Non-controling interests | 337.2 | 462.5 | -27.1 |
| **Total Shareholders' Equity** | **906.2** | **1,303.5** | **-30.5** |
| Current Liabilities | | | |
| Loans & Obligations under finance leases | 315.8 | 573.3 | -44.9 |
| Provisions & Employee benefits | 0.0 | 0.8 | -95.1 |
| Other Current Liabilities | 294.7 | 534.1 | -44.8 |
| Non-current Liabilities | | | |
| Loans & Obligations under finance leases | 1,612.4 | 2,139.5 | -24.6 |
| Derivatives | 0.0 | 16.6 | -100.0 |
| Provisions & Employee benefits | 78.7 | 138.0 | -43.0 |
| Other Non-current Liabilities | 194.5 | 267.8 | -27.4 |
| Liabilities assoc. w/ Assets classified as held for sale | 355.2 | 0.0 | n.m. |
| **Total Liabilities** | **2,851.4** | **3,670.0** | **-22.3** |
| **Total Liabilities & Shareholders Equity** | **3,757.6** | **4,973.5** | **-24.4** |



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# Integral Basis FCF was slightly positive (€1.3M), comparing with negative €36.7M in 3Q17.

Change in WC started benefiting from 2H seasonality, which is expected to fully materialize in 4Q.
Interests paid dropped in 3Q on the merits of the Liability Management Plan.
CAPEX disciplined mode. 3Q investment disbursements related with L'Amalí II plant in Argentina were partially deferred to 2019, with no effect in the project execution.

| Free Cash Flow Generation Map (Integral Basis) | | | | |
|---|---|---|---|---|
| million € | 3Q18 | 3Q17 | 9M'18 | 9M'17 |
| Adjusted EBITDA | 83.0 | 86.5 | 239.7 | 257.3 |
| Change in Working Capital | 33.1 | 18.9 | -178.6 | -148.4 |
| Others | -20.3 | -6.4 | -28.4 | -16.9 |
| **Operating Activities** | **95.8** | **99.1** | **32.7** | **92.0** |
| Interests Paid & Derivatives Unwinding | -58.6 | -91.9 | -169.4 | 5.5 |
| Income taxes Paid | -6.0 | -16.8 | -27.9 | -36.0 |
| **Cash Flow before investments** | **31.2** | **-9.6** | **-164.5** | **61.5** |
| CAPEX | -30.4 | -27.7 | -136.0 | -116.9 |
| Assets Sales / Others | 0.5 | 0.6 | 4.0 | 4.4 |
| **Free Cash Flow to the company** | **1.3** | **-36.7** | **-296.6** | **-51.0** |
| Borrowings, financing and debentures | 26.7 | 182.0 | 47.7 | 289.3 |
| Repayment of borrowings, financ. and debent. | -18.1 | -217.8 | -579.6 | -485.4 |
| Other investment activities | -0.3 | -2.1 | 31.4 | 21.4 |
| Changes in cash and cash equivalents | 9.7 | -74.6 | -797.0 | -225.7 |
| Exchange differences | -28.5 | -17.8 | -57.9 | -40.7 |
| Cash and cash equivalents, End of the Period | 282.6 | 274.7 | 282.6 | 274.7 |

Cash and Equivalents on an integral basis on Sep 30: €282.6M
Cash and Equivalents for continuing operations on Sep 30, reached €243.7M.

# Continuing Operations Net Debt stood at €1,671M by Sep'18

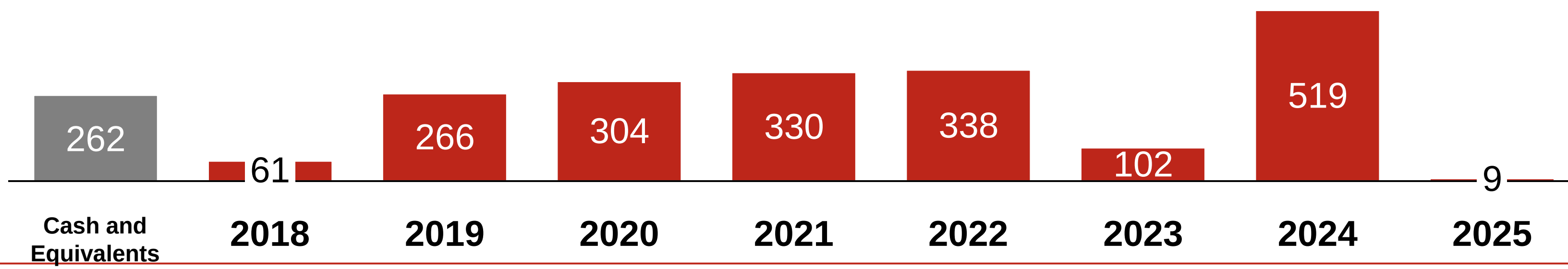
**Net Debt for continuing operations** was down 2.1% from Jun'18 and 29.3% y-o-y, though 14.0% above Dec'17

By Sep'18, average debt maturity was c. 3.07[1] years, and average cost of debt was of 5.3% in USD.

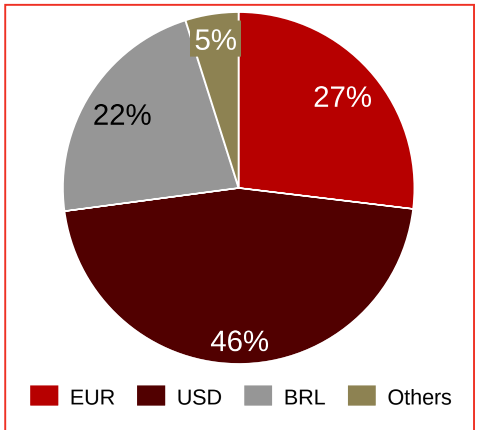
**September 30, 2018**

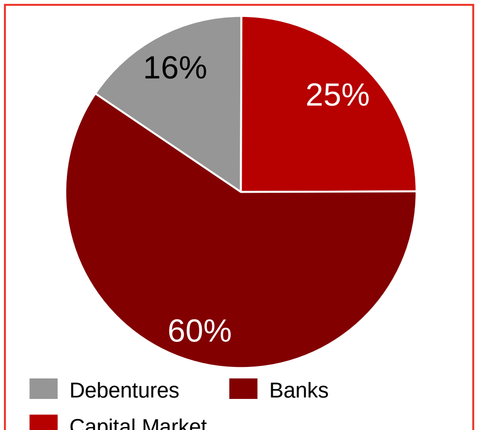
**Maturities[2]:**

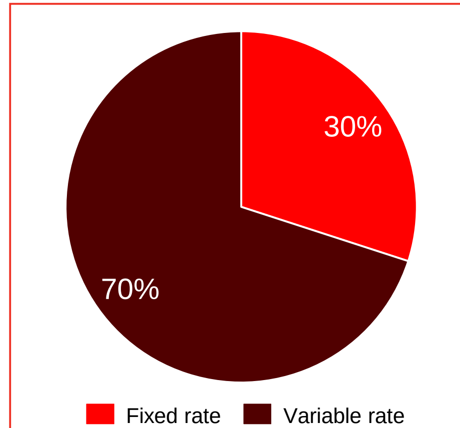
€ million




**Debt Profile**




**INTEGRAL BASISIS Net Debt** reached 1,780.2M, 16.8% up on Dec'17 and Stable from Jun'18.

(1) Monthly based criteria
(2) Does not consider derivatives and ICL's with the Portugal and Cape Verde Operations.



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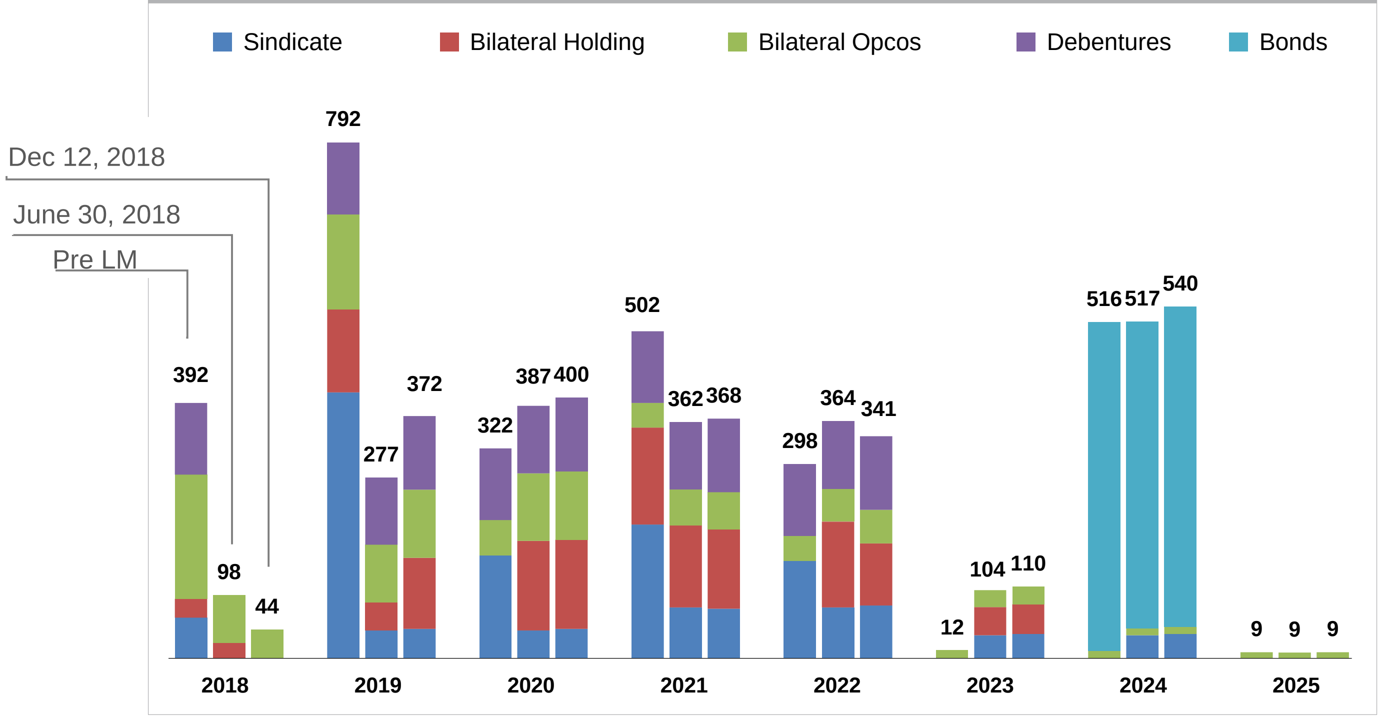
# Liability Management Progress

**Since Oct'17**, steps 1[(1)] and 2[(2)] of the Deleveraging and Liability Management Plan were completed.

Up to Sep'18, debt amortizations amounted to €580M, €325M in 1Q, €237M in 2Q and €18M in Q3. Of these, €299M and €136M corresponded to prepayments on 1Q and 2Q, respectively.

**Debt Profile previous to LM vs June 30 vs Dec 12** (€ in million)




**Furthermore, on October 26, InterCement signed a definitive agreement to sell its operations in Portugal and Cape Verde, completing one more step of the Liability Management plan.**

(1) Complete credit enhancement measures
(2) Paydown and balancing bank debt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# Investor Relations Contacts

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# THANK YOU

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