

1Q18 - TALKING POINTS

SLIDE #1 – [TITLE PAGE] COVER PAGE

JAIME MUGUIRO:

Good morning, everyone. Thank you for your continued support of CLH and for joining us for our first quarter 2018 call and webcast.

As usual, our initial discussion of the results will be in English. These remarks as well as the results presentation are being transmitted live in our webcast at www.cemexlatam.com.

Afterwards, I will be more than happy to take your questions. For the benefit of the person asking, I will answer the question in the language in which it is asked, either English or Spanish.

And now let me discuss our results.

SLIDE #2 – [TITLE PAGE] LEGAL DISCLAIMER

SLIDE #3 – FINANCIAL RESULTS SUMMARY

- During the first quarter, we continued facing several headwinds.
- Our net sales declined 8 percent mainly due to lower volumes and a difficult comparison base for cement prices in Colombia. Additionally, fewer business days on a year-over-year basis because of Easter holidays, affected our overall sales in about 9 million dollars.
- EBITDA declined 29 percent in this period mainly impacted by our results in Colombia and Panama. Weak industry volumes in these countries, a difficult comparison base for prices in Colombia, as well as a negative product-mix

effect in cement and a major kiln maintenance in Panama, affected our results compared to those of the same quarter last year.

- The EBITDA decline also reflects a high comparison base, as the first quarter 2017 EBITDA was the highest quarterly EBITDA of last year.

SLIDE #4 – CONSOLIDATED VOLUMES AND PRICES

- Consolidated volumes during the quarter for cement, ready-mix and aggregates decreased by 9, 11 and 5 percent, respectively, compared to those of the same quarter last year. Adjusting for fewer working days during the quarter, volumes for cement, ready-mix and aggregates, decreased by 7, 9 and 2 percent, respectively.
- Favorable cement volumes in Costa Rica, were more than offset by declines in Colombia, Panama and rest of CLH. In our ready-mix business, volume improvements in Costa Rica and Guatemala, were more than offset by lower volumes in Colombia and Panama.
- Consolidated prices of our three core products increased on a sequential basis both in local-currency and in U.S. dollar terms, during the quarter. Sequential prices for cement, ready-mix and aggregates in local-currency increased by 4, 3 and 1 percent, respectively, while in U.S. dollars increased by 6, 7 and 4 percent, respectively.
- Our cement prices increased on a sequential basis in Colombia, Costa Rica and Brazil, because of our price increase implemented in these countries during the quarter. Sequential cement prices also increased in Nicaragua, mainly due to customer-mix with a higher proportion of bagged-cement sales.
- With regards to cement prices, compared to those of the same quarter last year, despite the sequential price increases I just mentioned, our cement

prices in local-currency were below than those of last year, mainly due to a difficult comparison base in Colombia.

- Nevertheless, because of the cement price decline during the second quarter of last year in Colombia, as well as the cement price increases we have implemented afterwards, first quarter 2018 cement prices in Colombia were 10 U.S. dollars per ton higher than the April-to-December-2017 average price.

- **SLIDE #5 – EBITDA VARIATION 1Q18**

- Our EBITDA declined 27 million dollars, that is 29 percent, during the quarter on a year-over-year basis, mainly due to lower volumes and prices.
- Lower volumes during the quarter decreased EBITDA by 17 million dollars. Colombia, Rest of CLH and Panama, accounted for 11, 3 and 2 million dollars, respectively.
- Overall, the consolidated EBITDA impact of fewer working days due to Easter holidays was 2 million dollars.
- Despite the sequential price improvement in our three core products during the quarter, we had a negative price impact of 8 million dollars compared to that of the same quarter last year. Lower prices in Colombia accounted for 6 million dollars, while lower prices in ready-mix and a product-mix effect in Panama, accounted for an additional 6 million. These impacts were partially offset by price improvements in the Rest of CLH and in Costa Rica.
- Our EBITDA margin declined by 6.3 percentage points on a year-over-year basis. From this decline, 1 percentage point relates to lower volumes, 1.3 to lower prices, 1.6 to higher costs—due to a 5 percent increase in our consolidated energy bill, as well as to maintenances made this quarter not made last year in Panama, Costa Rica and Guatemala—and 1 percentage

point to higher distribution costs in Colombia, due to a bridge that collapsed in the Ibagué-Bogotá highway that increased our travel time and distance.

SLIDE #6 – REGIONAL HIGHLIGHTS – [TITLE PAGE]

- Now, let me review the main operating and financial results in our markets

SLIDE #7 – RESULTS HIGHLIGHTS COLOMBIA [TITLE PAGE]

SLIDE #8 – COLOMBIA – RESULTS HIGHLIGHTS

- The uncertainty around upcoming presidential elections affected the economy during the quarter. Despite the expected improvement in GDP growth this year—after four consecutive years of lower sequential growth—the upward trajectory of oil prices, as well as historic low interest rates, construction activity continued declining during the first quarter of 2018.
- We estimate that during the first quarter, national cement consumption, including imports, declined by 8 percent, or by 5 percent when adjusted for fewer working days. Regarding cement imports, I am encouraged to tell you that based on our observations, there were no significant cement imports to the Colombian market during the quarter.
- Our cement, ready-mix and aggregates volumes declined by 11, 16 and 16 percent, respectively, during the quarter on a year-over-year basis. Adjusting for fewer working days during the quarter, our cement, ready-mix and aggregates volumes declined by 9, 14 and 13 percent, respectively, in this period.
- Our focus on pricing strategy led to a slight underperformance of our cement volumes versus the industry during the quarter. According to internal calculations, during the quarter our market position declined by around 1 percentage point year-over-year, and remained stable sequentially.

- Regarding pricing, our cement prices continued their upward trajectory shown in the fourth quarter of 2017. Our cement prices increased by 3 percent in local-currency and by 10 percent in U.S. dollars terms, during the quarter on a sequential basis.
- As I just commented, the comparative base for cement prices is better going forward, because of the cement price decline we suffered during the second quarter of last year, and because of the cement price increases we have implemented afterwards. In this regard, first quarter 2018 cement prices are already about 10 U.S. dollars per ton higher than the April-to-December-2017 average cement price.
- Regarding our financial results in Colombia during the quarter, net sales declined by 12 percent due to lower volumes and prices on a year-over-year basis.
- In this period, our EBITDA declined by 13 million dollars, or 34 percent, while the EBITDA margin declined by 6.1 percentage points. From this margin decline, lower sales accounted for 4 percentage points and increased distribution costs due to a bridge that collapsed in the Ibagué-Bogotá highway, that increased our travel times and distances, accounted for 2 percentage points. Please note that 2.5 percentage points of the margin erosion, relates to lower prices, impact which should revert starting next quarter.
- Price recovery is essential to improving our EBITDA in the short term, more so in the current weak demand environment. Going forward, we are committed to continue implementing our value before-volume-strategy responsibly. In this regard, we recently communicated to our distribution segment customers a bagged-cement price increase of about 5% effective this week.

SLIDE #9 – COLOMBIA – Residential Sector

- With regards to the residential sector, cement dispatches for housing projects remained weak during the quarter.
- Despite low-income-new-home sales reaching historic highs year-to-date February, housing starts in this segment decreased by about 12 percent in this period, on a year-over-year basis. We expected a tough comparison base in this segment for this year due to the high level of activity during 2017, supported by government sponsored programs.
- In the middle- and high-income segment, new-home sales and starts continued declining year-to-date February on a year-over-year basis. However, housing starts in this segment increased double-digits in this period compared to those of November-December 2017. We expect an improvement in the middle-income segment during the second half of the year, supported by better execution of already funded government subsidies.
- The residential segment should improve in coming months supported by lower interest rates, as mortgage rates have decreased more than 300 basis points since December 2016, and by the recent improvements in the intention-to-buy-a-home indicator—which is now back up to the 5-year average—as well as by the upward trend in consumer confidence.
- We expect industry cement demand to this sector to increase 1 percent during this year.

SLIDE #10 – COLOMBIA – Infrastructure Sector

- In the infrastructure sector, we observed low levels of public investment during the first quarter due to the “*ley de garantías*” or electoral guarantees law, which ends its enforcement in coming months after the elections.
- Volumes to this sector during the quarter were supported by the start of the cement-intensive phase of two relevant projects in Bogotá, the *PTAR Salitre*

water plant and the *CETIC* Hospital. These 2 projects will continue supporting our volumes during this year.

- Ready-mix consumption from 4G projects is advancing slowly. Our estimate for industry-total ready-mix consumption in 2018 is about 430 thousand cubic meters, of which we expect to supply 150 thousand cubic meters. While what we expect to supply this year is higher than that of 2017, the amount is still small and disappointing.
- In terms of industry cement demand, we expect the infrastructure sector to remain flat during 2018.

Industrial and commercial (no slide)

- Regarding industrial-and-commercial activity, we expect cement volumes to this sector to decrease by 5 percent in 2018, due to the recent decline in construction permits.
- Considering the slow start of the year for the construction industry, we now estimate that our cement volume during 2018 could be in a range from 0 to declining 2 percent.
- Finally, I want to reiterate our expectations for a better mid-term outlook for Colombia during the 2019-2023 period. This outlook is supported by already funded infrastructure projects for over 10 billion dollars and that include significant public works in Bogotá, where we have a strong presence. Additionally, we estimate that 4G's total-industry ready-mix consumption will be 4.6 million cubic meters in this period.

SLIDE #11 – [TITLE SLIDE] PANAMA

SLIDE #12 – PANAMA RESULTS HIGHLIGHTS

- In Panama, our estimations indicate that industry volumes during the quarter declined by 9 percent, or by 7 percent when adjusted for fewer working days.

- I anticipated in our last quarterly call a weak first half of 2018 mainly due to a high base of comparison—as our cement volumes increased 9 percent during the first half of last year—and to high inventories in apartment and office buildings in Panama City, as well as to delays in the approval and execution of infrastructure projects.
- Our cement volumes declined by 18 percent, or by 17 percent when adjusted for fewer working days. We estimate that our market position during the quarter declined by 4.5 percentage points on a year-over-year basis. From this decline, 3.5 percentage points were due to a temporary volume loss from clients who imported cement.
- Regarding prices, our cement prices remained stable during the quarter both on a year-over-year and on a sequential basis. On the other hand, our ready-mix prices declined by 6 percent year-over-year and by 2 percent sequentially, as we pursue higher participation in this business.
- During the quarter, our net sales declined by 12 percent on a year-over-year basis, mainly due to lower volumes, lower prices in ready-mix, as well as an adverse product-mix effect with higher proportion of clinker sales.
- EBITDA in this period declined by 10.6 million dollars, or 33 percent. Lower sales accounted for 8 million dollars, while increased costs related to a major maintenance made to kiln number 1—which we did not perform last year—accounted for 2.7 million dollars.
- Our EBITDA margin decreased by 11.2 percentage points during the quarter. Lower sales accounted for about 7 percentage points, and increased maintenance costs for about 4 percentage points.

SLIDE #13 – PANAMA – 2018 EXPECTATIONS

- Demand for our products may remain subdued during the second quarter due to a tough comparison base—as our volumes increased 9 percent during the first half of last year—and because of the effect of the National-Union-of-Construction-Workers strike, which started on April 18 and as of today continued to have a negative impact to our dispatches.
- However, we expect improved demand conditions during the second half of the year, as already contracted projects such as the Panama northern corridor, the ITSE college, the Transismica Road rehabilitation, as well as the Chorrera-San Carlos road expansion, intensify cement consumption.
- Our expectations for a stronger second half of 2018 are fueled by increased activity in public works, supported by the country’s healthy fiscal situation, the increasing revenues from the Canal expansion, as well as 2019 presidential elections.
- Finally, we might continue facing challenging competitive dynamics in 2018 if cement imports become more relevant in the country.
- Regarding the outlook for this year, we now expect our cement volume to be from 0 to declining 4-percent in 2018. The outcome will depend on how the construction-workers strike continues to develop and how quickly our contracted infrastructure projects begin their deployment.

SLIDE #14 – [TITLE PAGE] – COSTA RICA

SLIDE #15 – COSTA RICA – RESULTS HIGHLIGHTS

- We are pleased with our volume and price performance in Costa Rica this quarter.
- Our estimates indicate that industry cement demand declined slightly in this period on a daily basis, perhaps due to the uncertainty around the first and

second round of presidential elections, held in February fourth and April first, respectively.

- However, our cement, ready-mix and aggregates volumes increased by 5, 11 and 31 percent, respectively, during the quarter. Adjusting for fewer working days, our cement, ready-mix and aggregates volumes increased by 10, 17 and 38 percent, respectively.
- We improved our market presence on a year-over-year basis due to our participation in big projects like *Oxígeno*. Additionally, based on our observations, there were no imports into the country during the quarter.
- Regarding our prices, both cement and ready-mix prices increased by 2 percent on a sequential basis. In this regard, the improvement in cement reflects our price increase implemented during the quarter, while the improvement in ready-mix, reflects higher sales of our value-added-products, as well as the positive effect of services-and-surcharges.
- During the quarter, our net sales declined by 5 percent, mainly due to lower exports to our operations in Nicaragua and El Salvador compared to those of the same quarter last year.
- Our EBITDA and EBITDA margin during the quarter in Costa Rica declined by 2.6 million and by 5.6 percentage points, respectively, on a year-over-year basis. Regarding the margin decline, 4.4 percentage points are related to increased costs due to an 18 percent increase in energy, as well as a mill maintenance done in March—while done in April last year—, and 3 percentage points are related to a provision for bad-debt, partially offset by improved cement prices.

SLIDE #16 – COSTA RICA – 2018 EXPECTATIONS

- We remain optimistic about our operations in Costa Rica and are encouraged by what we have seen in the market so far this year, and with the election process behind us.
- For the rest of 2018, demand for our products should be supported by the execution of already contracted projects like a wholesale market in the North Pacific part of the country, and the new building for the Parliament. In the infrastructure sector, already contracted maintenance works for highways should provide volume support.
- Additionally, we expect a slight demand increase from residential projects this year.
- Considering our project pipeline, as well as the expected entrance of new mill capacity during the second half of the year, we expect our cement volumes to increase from 2 to 4 percent during 2018.

SLIDE #17 – [TITLE PAGE] REST OF CLH

SLIDE #18 – REST OF CLH – RESULTS HIGHLIGHTS

- In the Rest of CLH, cement volumes decreased by 4 percent, or by 3 percent adjusting for fewer working days. This decline came after 10 consecutive quarters of quarterly volume growth on a year-over-year basis.
- In cement, we observed delays in already contracted highway projects in Nicaragua, partially offset by higher volumes in Brazil. In the ready-mix business, volumes increased by 20 percent, or by 28 percent adjusting for fewer working days, mainly due to improved service from our operation in Guatemala.
- Cement prices in local-currency terms increased by 4 percent year-over-year, and by 2 percent sequentially, mainly due to customer-mix in

Nicaragua, with an increased percentage of volumes sold to the distribution segment, as well as improved prices in Brazil. Cement prices in U.S. dollar terms increased 1 percent, both on a year-over-year and sequential basis.

- During this period, our net sales decreased by 1 percent, while our EBITDA and EBITDA margin declined by 0.6 million dollars and by 3 percentage points, respectively. The margin decline is mainly explained by an 8 percent increase in energy costs and lower volumes in Nicaragua, as well as higher distribution costs in Guatemala as we increased client coverage in the distribution segment, partially compensated by improved prices in Nicaragua and Brazil.

SLIDE #19 – NICARAGUA Highlights

- In Nicaragua, our cement volumes during the quarter declined by 11 percent, or by 9 percent adjusting for fewer working days. This decline is mainly due to delays in the execution of already contracted concrete roads.
- We expect infrastructure and tourism projects to be the main drivers of demand for our products this year.
- In the infrastructure sector, already contracted projects are expected to start during the second half of the year, despite the rainy season. Cement dispatches for concrete roads construction such as Bluefields-United Nations, Mulukuku-Siuna and Malacatoya-El Papayal, as well as the Masaya water plant, should increase going forward.
- In the industrial-and-commercial sector, cement demand from the Chinadenga hospital, a new distribution center, as well as tourism-related projects, should drive volumes in coming quarters.
- Finally, we are preoccupied about the recent social unrest in Nicaragua, which unfortunately have led to violence and is hampering construction activity in the country.

SLIDE #20 – Guatemala Highlights

- During the quarter, our cement volumes in Guatemala declined by 7 percent, or by 2 percent adjusting for fewer working days. In the case of our ready-mix business, volumes achieved record-high levels.
- Increased cement volumes to retailers and to our ready-mix operations, are gradually compensating lost volumes from two mining projects that shut-down during the second quarter of 2017.
- The industrial-and-commercial sector was supported by office buildings and shopping centers in Guatemala City, while the informal-residential sector by the high level of remittances.
- In our cement business, we are executing a disintermediation strategy and directly reaching more retailers where we have distribution capabilities, while in the ready-mix business, we are improving service and client coverage in Guatemala City.
- Before discussing our free cash flow, I'm pleased to share with you that we have successfully launched Cemex GO in Colombia. Cemex GO is our digital value proposition by which our customers would order, track-and-trace deliveries, make payments, as well as manage invoices-and-queries, digitally, quickly and seamlessly. So far, we have successfully onboarded 54% of our targeted customer base in Colombia.
- We will continue launching Cemex GO in the rest of CLH during the rest of the year. We are confident that Cemex GO will give us a competitive advantage as we will be able to deliver a superior customer experience, while we reduce our cost to serve.

SLIDE #21 – [TITLE PAGE] – FCF

I would now like to discuss our free cash flow generation

SLIDE #22 – FCF GENERATION

- Our free cash flow after strategic capex during the quarter was negative 31 million dollars, compared to 1 million dollars during the same period last year.
- Lower financial expense, capex and taxes, were more than offset by the decline in EBITDA, a higher negative working capital variation, as well as the fine imposed by the Colombian Superintendent of Industry and Commerce.
- Financial expense was 15 million dollars, 2 million lower than that of the same period last year.
- Total capex during the quarter was 18 million dollars lower than that of the same period last year.
- With regards to working capital, this was the eight-consecutive quarter that we had a negative working capital balance. However, our average working capital days during the quarter were minus 4, compared to minus 11 in the same period last year. Lower negative days, as well as the higher negative variation during the quarter, were mainly due to spare parts needs in preparation to upcoming major maintenance in Colombia, as well as a temporary increase in the accounts-receivable balance in Colombia and Panama, because of the Easter holidays.
- Taxes paid during the quarter were 12 million dollars, 10 million less than those in the same period last year.
- The other cash items line reflects the 25-million-dollar payment related to the fine imposed by the Colombian Superintendent of Industry and Commerce.
- Net debt increased 21 million dollars versus the fourth quarter of 2017, to 903 million, due to the negative free cash flow during the quarter. However,

our net debt decreased 22 million dollars compared to that of the same quarter last year.

- Because of lower EBITDA and negative free cash flow during the quarter, our leverage increased to 3.2 times, 0.4 times higher than that of the fourth quarter of 2017.

- **SLIDE #23 – [TITLE SLIDE] - GUIDANCE**

- Now I would like to discuss our guidance for 2018

SLIDE #24 – GUIDANCE

- We now estimate that our consolidated 2018 cement volume will be from 0 to declining 2 percent. With regards to both, ready-mix and aggregates, we expect our volumes in a range from 0 to increasing 2 percent.
- We expect cash taxes for 2018 to be about 75 million dollars, 25 million dollars less than those in 2017.
- Regarding our capital expenditures, for 2018 we estimate 50 million dollars in maintenance capex and 5 million dollars in strategic capex. Our total capex estimate for 2018 is about 25 million dollars lower than that of 2017.
- With respect to working capital, we expect to recover most of the investment made in the quarter during the rest of the year, leveraging among other things, the recovery of about 20 million dollars that we temporarily invested in our housing projects in Colombia, and which will be completed before year-end.
- For the rest-of-this-year, our EBITDA should improve driven by higher prices in Colombia, increased demand in Panama in the second half of the year, better volumes and prices in Costa Rica, as well as the start of highway projects in Nicaragua. Nevertheless, the construction-workers-union strike in

Panama and the protests in Nicaragua, could impact our second quarter results.

- Going forward, we expect to generate positive free cash flow due to lower taxes and capex, and the recovery of the working-capital invested so far. We are committed to continue paying debt, and reducing leverage to reach our mid-term target of 1.6 times net debt to EBITDA.
- With regards to our debt, although we have significant maturities during the second half of this year, we are confident with our refinancing prospects. We are currently analyzing different scenarios to extend the average life of our debt and will inform you as soon as we decide on the best way to proceed.

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[TITLE SLIDE] – LEGAL DISCLAIMER

Now, I would like to remind you that any forward-looking statements we make today are based on our current knowledge of the markets in which we operate and could change in the future due to a variety of factors beyond our control. Unless the context otherwise requires it, all references to prices means our prices for our products.

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[TITLE SLIDE – Q&A]

And now I will be happy to take your questions. As I mentioned earlier, for the benefit of the person making a question, I will be answering in the language asked, either English or Spanish.

Pasaremos ahora a la sesión de preguntas y respuestas. Para el beneficio de la persona que hace la pregunta, se responderá en el mismo idioma en que se plantee, ya sea en inglés o español.

Operator...

[Final comments after Q&A]

Thank you very much.

In closing, I would like to thank you all for your time and attention. We look forward to your continued participation in CEMEX Latam Holdings. Please feel free to contact us directly or visit our website www.cemexlatam.com at any time.