

4Q17 - 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 fourth quarter 2017 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 2017

- During the fourth quarter, we continued facing several headwinds
- Despite the positive traction of our Value before Volume strategy in Colombia and the Rest of CLH region, during the quarter not only cement price levels in Colombia continued well below those of last year, but also national cement consumption in Colombia and Panama remained subdued.
- In addition, during the fourth quarter our results were negatively affected by an increase in fuel costs, which were 2 million dollars higher than those of

the fourth quarter 2016; and by certain non-recurring effects that impacted EBITDA by about 1 million dollars.

- These one-offs are mostly explained by higher than anticipated costs in our housing projects in Colombia, and a technical issue in our secondary crusher in our Costa Rica cement plant, as a result of past seismic activity.
- On a year-over-year basis, during the fourth quarter our consolidated net sales and EBITDA declined 5% and 15%, respectively, while our EBITDA margin contracted 2.8 percentage points.
- The decrease in our prices, mainly in Colombia, explains most of the decline in our EBITDA during the quarter. The price effect in Colombia alone accounted for 14 million dollars of EBITDA decline.
- The negative impacts from the increase in fuel costs, the higher distribution costs as a result of the closure of our Bucaramanga plant in Colombia, and the lower volumes in Colombia and Panama, were more than offset by cost containment initiatives throughout our operations, and by higher cement volumes in Costa Rica and the Rest of CLH.
- I am glad to say that during the fourth quarter we saw our EBITDA margins improve on a sequential basis by 2.2 percentage points after two consecutive quarters of declines. Additionally, the year over year erosion in our EBITDA margins is the smallest since 3Q16. We believe these could be indications that we are bottoming out with regards to downward adjustments in profitability.

SLIDE #4 – CONSOLIDATED VOLUMES AND PRICES

- During this quarter, while consolidated volumes for cement and ready mix decreased 2% on a year-over-year basis, mainly because of weaker demand for our products in Colombia and Panama, our aggregates volumes grew by 2% as a result of better demand dynamics in Costa Rica and Nicaragua.

- With respect to our consolidated prices in local currency terms, during the fourth quarter, our cement and ready-mix prices declined by 4%, while aggregates prices decreased 7%, on a year-over-year basis.
- On a sequential basis, also in local-currency terms, while our consolidated cement prices grew 1%, our ready-mix and aggregates prices declined by 4% and 7%, respectively.
- I am glad to say that this is the first quarter since the downward price adjustments from our competitors begun in Colombia in September 2016, that our consolidated cement prices increased compared to those of the previous quarter, mostly as a result of our value before volume efforts in Colombia, which I will explain later.

- **SLIDE #5 – FULL YEAR FINANCIAL RESULTS**

- For the full year, while our net sales declined 6% our EBITDA decreased 27%, resulting in an EBITDA margin erosion of 7.2 percentage points.
- These declines are mostly related to the challenging market conditions in Colombia, where lower cement prices and volumes during the year had a negative impact of 92 and 28 million dollars, respectively, out of the 114 million dollars decline in our EBITDA during the year.
- Additionally, in 2017 our EBITDA was negatively impacted by a series of non-recurring effects by 8 million dollars. These one-offs are mostly explained by a dispute over an electricity contract from 2015 in Colombia, a provision for bad-debt in Costa Rica, higher than anticipated costs in our housing projects in Colombia, and certain costs related to maintaining our Maceo plant. We don't expect to be impacted by these effects during 2018
- Even though we were able to fully offset the negative impact of the non-recurring effects which I just explained, and even partially cancel out the

impact of the decline in volumes in Colombia, through the successful execution of cost containment efforts, such as increasing the usage of alternative fuels, improving labor productivity, reducing costs along the supply chain, and optimizing our asset base in Colombia, these cost efforts didn't suffice to counter the material decline in prices in Colombia during the year.

- Going forward, we will continue executing our value before volume strategy in Colombia, which, if successful, and combined with a stronger demand in Colombia, and hopefully in Nicaragua, and Costa Rica, should help us increase the EBITDA in the short term.

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

- Cement consumption in Colombia continued to be negatively affected this quarter by the macro challenges the country is facing.
- According to our estimates, which include the decline in cement imports into the country, national cement consumption declined by 2.9% during the quarter, and by 2.7% during the year.
- In addition, adjusted by less working days, daily industry cement dispatches declined by 0.2% during the fourth quarter, and by 1.3% during the full year, on a year over year basis.
- It remains to be seen if the daily volumes during the fourth quarter, which are practically flat versus those of the same period in 2016, mark a change in consumption trends in the country.

- Regarding our quarterly volumes, our dispatches of cement and ready-mix declined by 8%, while those of aggregates decreased by 12%, on a year over year basis. For the full year, our cement, ready mix and aggregates volumes declined by 6%, 13% and 17%, compared to those of 2016.
- According to our calculations our market presence declined by around one percentage point during the full year, and by close to 1.4 percentage points during the fourth quarter.
- We estimate that the decline in our market presence in the fourth quarter is mostly explained by the price increase we executed in the month of October. However, it is relevant to mention that our market position began to increase during the month of December.
- I am glad to share with you that after four consecutive quarters of declines in our cement prices, in local currency terms, they increased by 2% during the fourth quarter, on a sequential basis.
- As a result of our value before volume strategy, our average local-currency cement prices as of December were around 3.5% higher than they were in June. Additionally, we have implemented a price increase, both for bagged and bulk cement, starting in January first. With this increase, our average local-currency cement prices in the month of January were around 6% higher than they were in June, and almost 3% higher than those of December. These increases, together with a more favorable exchange rate, translate into an increase in our cement prices of more than 10 dollars per tonne between June 2017 and the end of January 2018.
- In addition, we are committed to continue implementing our value before volume strategy in the country during the rest of 2018. Through this strategy, and our cost containment initiatives, we aim to at least offset the effects of input cost inflation this year, and gradually close the gap between our

current, and desired return on our employed capital, and generate value for our investors in a sustainable manner.

- Regarding our financial results in Colombia this quarter, while our net sales declined by 13%, our EBITDA decreased by 20%, resulting in a margin decline of 2.1 percentage points, compared to those of 4Q16.
- This deterioration in EBITDA margin relates mainly to lower cement prices, which accounted for 5.7 percentage points of the decline; and higher distribution costs due to the closure of our Bucaramanga plant, which accounted for 2.2 percentage points of margin erosion.
- These effects were partially offset by our cost containment efforts and lower costs from maintenance activities, which accounted for an improvement in EBITDA margin of 4 percentage points. These cost reductions are explained by our operational optimization efforts, record efficiency levels in the Ibagué cement plant, right-sizing efforts in Ready mix concrete operations, as well as by the closure of the Bucaramanga cement plant, and of some ready mix and aggregates facilities.
- Regarding our full year results in Colombia, our EBITDA declined 101 million dollars in 2017, resulting in an EBITDA margin erosion of 12.1 percentage points, to 19.9 percent.
- Despite our successful cost containment efforts, which helped us partially offset the negative impact of 28 million dollars in EBITDA that resulted from lower demand for our products in the country, the significant decline in EBITDA last year was mostly due to the 19% drop in our average local currency cement prices for the full year, which accounted for 92 million dollars of our EBITDA decline.

SLIDE #9 – COLOMBIA – 2018 EXPECTATIONS

- Looking forward, in light of the many uncertainties we perceive in Colombia for 2018, and considering the daily volume trends in recent months, we expect national cement consumption to be flattish this year compared to that of 2017.
- It is important to understand that even with a 0% change in national cement volumes this year, 2018 should be the turning point for demand of our products in the country. After yearly declines of 4.4% in 2016, and 2.7% in 2017, the slope of the demand curve appears to be softening.
- Our base scenario for a flattish market in 2018 considers:
 - High levels of political uncertainty hampering private consumption, at least during the first half of the year
 - A tough comparison base in social interest housing resulting from high execution levels of government sponsored projects during 2017
 - Lower levels of public investment as a result of the “*ley de garantías*” or warranties law, resulting in a 13% decline in the investment budget of the central government for transport infrastructure
 - A sluggish demand from industrial and commercial projects as a result of the deteriorated investor and consumer confidence... and...
 - Better demand conditions for middle income residential as a result of the downward adjustments in interest rates and mortgages, and better execution of already funded government subsidies
- For national cement consumption to outperform our base scenario in 2018, we would require a combination of some of the following factors:
 - Better economic conditions, fueled by higher oil prices
 - Higher levels of household consumption, once consumer confidence improves as political uncertainty disappears
 - Higher than anticipated rates of execution and more financial closures of 4G projects
 - A boost in government spending in Bogota

- Finally, I want to reiterate our expectations for a better mid-term outlook for the period 2019-2023, mostly expected to be fueled by infrastructure projects for over 10 Bln dollars, which have already been fully funded, and which include significant public works in Bogota.

SLIDE #10 – COLOMBIA – BOGOTA EXPECTATIONS

- In this regard, according to the Bogota mayor's office, there are 53 projects, with a total estimated investment of over 2 billion dollars, that are expected to start execution in 2018.
- This pipeline considers projects such improvements in the Carrera Séptima; enhancements in the “*Alsacia-Tinta*” and “*Ciudad de Cali*” avenues; construction of public schools, government office buildings, and hospitals; as well as infrastructure developments for water supply and sanitation.
- Also, in addition to the aforementioned pipeline, the central and local government have already secured 100% of the funding requirements for the Metro project, which, if executed, would be the most ambitious infrastructure development in the recent history of Colombia, with a total expected investment of around 4 Billion dollars.
- According to the official timeline, construction works for the metro project are expected to start during the second half of 2019, after the design and contracting stages are finished.

SLIDE #11 – [TITLE SLIDE] PANAMA

SLIDE #12 – PANAMA RESULTS HIGHLIGHTS

- Regarding Panama, our cement volumes grew by 3% during 2017; increasing by 9% during the January-June period, and then declining by 3% during the third and fourth quarters, on a year over year basis.
- The very strong first half of 2017 is explained by a favorable comparison base reflecting low levels of construction activity in the first two quarters of

2016, and the continuation of public works that increased consumption for our products during the third and fourth quarters of 2016, such as the second line of the Panama subway, *Minera* Panama, and the urban renovation of Colon City.

- However, during the second half of the year we observed demand from high income residential, and industrial-and-commercial projects weaken as a consequence of high inventories, mostly in Panama City. Additionally, demand from some infrastructure projects started to wind down as their construction process advanced, at the same time that the initiation of new public works was delayed, mostly as a result of the Odebrecht case, further impacting construction activity in the country.
- Additionally, I would like to mention that our cement market position weakened during the third and fourth quarters, as we maintained our prices intact while national cement consumption declined.
- As a result, whereas net sales increased by 4% during the year, our EBITDA decreased by 7%, against 2016 levels.
- Our margin decline of 4.6 percentage points during 2017 is mostly explained by a product-mix effect reflecting higher Ready-Mix and aggregates volumes; higher fuel costs; and an increase in our clinker factor resulting from the change in our limestone source.
- Regarding our 4Q17 results, while our net sales decreased by 4% our EBITDA declined 18%, on a year-over-year basis.
- Our margin decline of 6.8 percentage points during the quarter is mostly explained by: lower dispatches of our three core products; lower ready-mix and aggregates prices; and by the effects from higher fuel costs, and the increase in our clinker factor, which I just explained, and which impacted us during most of the year.

- Regarding prices, on a year over year basis:
 - Cement prices remained flat both during the year and during the fourth quarter
 - Ready mix prices remained flat during the year and declined by 2% during the quarter
 - And... aggregates prices declined by 4% and 8% during the full year and the fourth quarter, respectively
 - The decline in Ready mix and aggregates prices during the quarter, on a year over year basis, is mostly a result of a customer and product mix effect, reflecting higher sales of lower specification materials.

SLIDE #13 – PANAMA – 2018 EXPECTATIONS

- Regarding our outlook for this year, we expect demand for our products to remain subdued during the first half of 2018, as a result of a tough comparison base, and delays in the execution of new public works.
- However, we expect demand conditions to improve during the third and fourth quarters, once projects such as the fourth bridge over the canal, the Panama northern corridor, and the third line of the subway initiate construction works.
- The increase in demand during the second half of the year should at least compensate for the weaker conditions in the January – June period, resulting in a slight increase in national cement consumption, on a year over year basis.
- Our expectations for a stronger second half of 2018, fueled by public works, are supported by the healthy fiscal situation of the country, the increasing revenues from the Canal expansion linked to an increase in international trade, and the fact that 2018 is a pre-electoral year in Panama.

- Finally, we might face a more challenging competitive environment in 2018 if cement imports become more relevant in the country, since they would likely impact our capacity to pass through any significant input cost inflation. Therefore, there could be a slight additional pressure in our margins, unless we are able to accelerate our cost containment initiatives and operational efficiencies, and increase our usage of alternative fuels.

SLIDE #14 – [TITLE PAGE] – COSTA RICA

SLIDE #15 – COSTA RICA – RESULTS HIGHLIGHTS

- We are very pleased with our performance in Costa Rica this quarter.
- This is the third consecutive quarter in which daily national cement consumption grows, on a year-over-year basis. We are optimistic this could be an inflection point for the construction industry in the country after several quarters of sluggish demand for our products.
- Volumes for our three core products increased by double digits during the quarter, on a year-over-year basis.
- With regards to our local-currency prices, our cement, ready-mix, and aggregates prices declined by 2%, 5% and 43%, respectively, during the quarter, on a year-over-year basis.
- The year-over-year decline in cement prices is explained by tougher competitive dynamics, while those of ready-mix and aggregates are a result of a customer-mix effect reflecting higher sales of ready-mix to the *Oxigeno* project, and higher dispatches of low specification aggregates to a project.
- During 4Q17, our net sales and EBITDA grew by 10% and 9%, respectively, on a year-over-year basis. These significant increases are mostly explained by the higher dispatches to the *Oxigeno* project, and the decline in cement

imports into the country, that resulted in an increase of our domestic volumes during the quarter.

SLIDE #16 – COSTA RICA – 2018 EXPECTATIONS

- We remain cautiously optimistic about our operations in Costa Rica. Although we are encouraged by what we have seen in the market in recent months, and after the importer practically left the market, we expect the second half of the year to be more challenging, once a new competitor starts operating their new mill.
- Whereas better demand dynamics should allow us to continue with our value before volume strategy, and improve our profitability in upcoming quarters, the strategy of the new competitor remains to be seen.
- You should expect us to continue executing our value before volume strategy in the upcoming quarters in Costa Rica, especially in light of the current circumstances in the market. An example of this commitment is the fact that during the fourth quarter we announced prices increases that will come into effect in 1Q18.
- We expect industrial and commercial developments to remain as the main drivers of demand for our products in 2018. The Oxigeno project, together with construction works at public universities, and the development of hotels, warehouses and big box retailers should boost cement dispatches in the upcoming quarters.
- Additionally, if the GDP continues the upward trend, we think there could be an increase in demand from residential projects in 2018.
- Lastly, despite the significant delays in the execution of public works in 2017, we believe there could be a further contraction in demand from the infrastructure sector in 2018.

- As a result of the political uncertainty in light of the upcoming second round of the presidential elections in April, and as a result of the important fiscal deficit of the country, we estimate that among the list of infrastructure projects in the pipeline, the Northern beltway, and the Route 32 face better prospects of execution.

SLIDE #17 – [TITLE PAGE] REST OF CLH

SLIDE #18 – REST OF CLH – RESULTS HIGHLIGHTS

- We are very pleased with our performance in the Rest of CLH region, where we reached a new historic record in terms of net sales and EBITDA in 2017.
- During the fourth quarter, we saw our cement volumes increase in all our operations in this region, except for Nicaragua. This is the tenth consecutive quarter of cement volume growth in our rest of CLH operations, on a year-over-year basis.
- During this period, while our net sales increased by 6%, our EBITDA declined by 2%, resulting in a margin contraction of 2.3 percentage points, on a year-over-year basis.
- The EBITDA margin decline is explained by:
 - Much higher volumes of cement in El Salvador and Brazil
 - Lower ready-mix prices in Nicaragua resulting from a customer-mix effect, with higher dispatches to large ready-mix concrete road projects
 - And, a product-mix effect reflecting increases of over 100% in ready-mix and aggregates volumes in the region

SLIDE #19 – NICARAGUA Highlights

- In Nicaragua, during 2017 we were successful in advancing our construction solutions for concrete roads and participated in important industrial and commercial projects in the country.
- As a result, in 2017 while our cement volumes in Nicaragua grew 3%, our ready mix and aggregates volumes more than doubled, compared to those of 2016.
- However, after having grown sequentially, in terms of our cement volumes each year since the IPO, we expect the growth rate of cement consumption to slow down in 2018.
- We expect infrastructure projects to remain as the main driver of demand for our products this year. Cement dispatches for the construction of concrete roads such as Bluefields-United Nations and Mulukuku-Siuna, should remain strong.
- Additionally, Cement demand from hotels, supermarkets, and warehouses should also remain positive in the upcoming quarters.
- In contrast, we believe the full year consumption for the residential sector should be either flattish, or slightly negative, compared to that of 2017, as construction activity for new projects has slowed down in recent quarters.
- Finally, we maintain our cautious view on the Nicaraguan market as a result of the so-called NICA Act, which, if approved, would negatively impact the external accounts of the country, affecting government spending.
- Additionally, we are following up closely the conversations on trade conditions between the US and Nicaragua, that could potentially create an additional ripple effect on the Nicaraguan economy.

SLIDE #20 – Guatemala Highlights

- Regardless of the significant challenges in Guatemala during 2017, with two new competitors in the market, sluggish demand, and very low public investment, we are very pleased with the performance of our operations.
- As a result of the successful execution of our Value before Volume strategy, and despite a year over year decline in volumes of our three core products, we were able to maintain our EBITDA levels.
- Demand for our products in the country continues to rely heavily on private investment, mostly from industrial and commercial works. In this sense, after losing market share in 3Q17 because of lower consumption from two mining projects, we were able to strengthen our market position among small retailers during the fourth quarter.
- Cement consumption from public works remains stagnant and with very low levels of disbursements. We are confident that sooner or later there will be an upside potential once the government takes more action in addressing the significant infrastructure gaps of the country.
- Before discussing our Free Cash Flow generation, I want to share with you that after ten consecutive quarters of EBITDA losses, we have finally been able to turn around the results of our operations in Brazil. However, the contribution of this operations is practically negligible.

SLIDE #21 – [TITLE PAGE] – FCF

I would now like to discuss our free cash flow generation

SLIDE #22 – FCF GENERATION

- Despite a decline of 114 million dollars in EBITDA during 2017, our Free Cash Flow decreased only by 52 million dollars, mostly as a result of our Savings in strategic capex, which was 110 million dollars lower than in 2016

- Our average working capital for the January-December period year was minus 10 days, which is the lowest level of Working Capital investment for a full year in the history of CLH.
- In 4Q17, for the seventh consecutive quarter, our working capital investment remained in negative territory. Our average working capital was minus 14 days, which is similar to that of 4Q16.
- Furthermore, as per our 2017 objectives, during the fourth quarter we were able to achieve negative trade working capital in our operations in Colombia, Costa Rica, Nicaragua, Guatemala and El Salvador.
- Despite these significant achievements, both during the year and the fourth quarter, there was a negative contribution to Free Cash Flow from Working Capital variations. As we discussed in previous calls, this effect was to be expected after having achieved much higher variations in working capital investments during 2015 and 2016.
- Finally it is important to mention that during the fourth quarter we had a negative impact in our controlling interest net income as a result of an impairment of 45 million dollars, related to the book value of our operations in Brazil, as well as from the accounting provision of the 25 million dollars fine imposed by the Superintendent of Industry and commerce, which was paid early January, and which will negatively affect our Free Cash Flow generation in the first quarter 2018.
- **SLIDE #23 – [TITLE SLIDE] - GUIDANCE**
- Now I would like to discuss our guidance for 2018
- **SLIDE #24 – GUIDANCE**
- In 2018, we expect our consolidated cement volumes to remain flat, while our ready-mix and aggregates volumes are expected to grow by 2%, compared to those of 2017

- In Colombia we expect our cement, and aggregates volumes to remain flat, and our ready-mix volumes to grow by 1%, compared to those of 2017.
- In Panama, our growth expectations for our cement, ready-mix, and aggregates volumes are 1%, 7% and 8%, respectively, over 2017 levels.
- In Costa Rica, while we expect our cement, and aggregates volumes to grow by 3%, and 12%, respectively, we expect our ready-mix volumes to decline by 2%, from 2017 levels.
- We expect our cash taxes for 2018 to be around 75 Million dollars, 25 million dollars lower than in 2017.
- Regarding our capital expenditures, for 2018 we estimate maintenance capex to decrease by 1 million dollars, to 50 million dollars. Our strategic capex in 2018 is expected to reach only 5 million dollars, which is 25 million dollars lower than that of last year.
- While there are challenges and uncertainties ahead, in spite of the negative impact of the antitrust fine in Colombia, I strongly believe that we will improve our free cash flow generation in 2018, since we estimate we will be spending 51 million dollars less in CAPEX and Cash Taxes this year, and because we do not expect to be negatively impacted neither by Working Capital variations, nor by the non-recurrent effects, which I explained earlier.
- In 2018 we intend to continue using our Free Cash Flow to reduce our debt.
- In this regard, although we have significant maturities during the second half this year, we are not concerned about 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 make a decision 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.

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.

Operator...

[Final comments after Q&A]

Thank you very much.

In closing, I would like to thank you all for you 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.