2Q18 - 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 second 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

- I'd like to begin by clarifying that in this quarterly report, due to the sale of our cement-distribution business in Brazil, the results of this operation were reclassified for the first six-month periods of 2017 and 2018, and are now reflected as discontinued operations in our income statement.

- During the quarter, our results were heavily affected by two external factors that I mentioned during the previous call as risks for our results.

- First, in Panama, the construction-workers strike that started in mid-April lasted for 30 days and was the longest nation-wide-construction strike in the recent history of the country. Second, the protests in Nicaragua that started in mid-April, escalated and are having a material impact in economic activity and construction, practically halting private investment in the country.

- Our consolidated net sales during the quarter declined by 8 percent, on a year-over-year basis, mainly due to lower volumes in Panama, Nicaragua and Colombia, partially offset by higher prices in Colombia, as well as higher sales in Costa Rica, Guatemala and El Salvador.

- EBITDA during the quarter declined by 19 percent, that is, 15 million dollars, mainly due to lower contributions from Panama and Nicaragua, partially offset by better results in Costa Rica and El Salvador.

- Our EBITDA margin during the quarter declined by 3 percentage points on a year-over-year basis, reaching 22 percent. Lower volumes and higher variable costs, explain this margin reduction accounting for about 1.5 percentage points each. The main driver of higher variable costs was a 7 percent increase in our consolidated-energy bill.

SLIDE #4 – CONSOLIDATED VOLUMES AND PRICES

- Consolidated volumes during the quarter for cement, ready-mix and aggregates decreased by 8, 14 and 12 percent, respectively, compared to those of the same quarter of last year. Adjusting for additional working days, during the quarter, volumes for cement, ready-mix and aggregates, decreased by 11, 17 and 15 percent, respectively.

- Favorable cement volumes in Costa Rica, Guatemala and El Salvador, were more than offset by declines in Panama, Colombia and Nicaragua. In our ready-mix business, volume improvements in Costa Rica and Guatemala were more than offset by lower volumes in Panama, Colombia and Nicaragua.

- Consolidated cement prices during the quarter, on a sequential basis, remained stable in local-currency terms, and declined by 1 percent in dollar terms. This slight decline was mainly due to a 1.5 percent depreciation of the Colombian peso in this period. Consolidated-cement prices increased 2 and 3 percent in local currency and in dollar terms, respectively, on a year-over-year basis, driven by higher prices in Colombia and Costa Rica.

- In Colombia, despite the slight sequential currency depreciation during the second quarter, cement prices were 8 dollars higher than those in the same quarter of last year. Also, second quarter cement prices are close to 10 dollars higher than those in the second half of 2017.

- In our ready-mix business, consolidated prices during the quarter, on a year-over-year basis, declined by 1 percent in dollar terms. Favorable prices in Colombia were more than offset by lower prices in Panama, which were affected by difficult competitive dynamics and a product-mix effect with a lower share of special concretes.

SLIDE #5 – EBITDA VARIATION 6M18

- Our EBITDA, during the first six months of the year, declined by 42 million dollars, or 25 percent, out of which lower volumes accounted for 38 million dollars. The volume effect in Colombia, Panama, and Rest of CLH was 20, 14 and 7 million dollars, respectively.

- Regarding the effect of prices in this six-month period, improved pricing in Costa Rica and Rest of CLH were more than offset by a negative price effect in Panama, which was mainly due to a product-mix effect with higher share of clinker sales relative to cement, as well as lower ready-mix prices.

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

- With regards to Colombia, uncertainty around the June presidential elections, as well as the persistent weakness in construction activity, affected cement consumption during the first semester. We estimate that daily national cement consumption, including imports, declined by 3 percent during the first semester and by 1.5 percent during the second quarter.

- Our cement, ready-mix and aggregates volumes declined by 9, 11 and 13 percent, respectively, during the quarter on a year-over-year basis. Adjusting for additional working days, quarterly volumes for these products declined by 12, 14 and 15 percent, respectively.

- Our focus on pricing led to an underperformance of our cement volumes versus those of the industry during the quarter. According to internal calculations, our market position during the quarter declined by approximately 3 percentage points, compared to that of December 2017. In this regard, although we previously announced a bulk-cement-price increase for this month, we will delay its execution for later this year to protect our market position. We expect to have better opportunities for price increases in coming months as industry prices should reflect higher fuel-and-freight costs in the country.

- Our cement prices during the quarter continued their upward trajectory since July of last year. Since then, we have implemented 4 prices increases in bagged cement, and 1 price increase in bulk cement. Our prices, point-to-point, July 2017 to June 2018, were 8 and 11 percent higher in local currency and in dollar terms, respectively. As already commented, our average second quarter 2018 cement prices were 8 dollars higher than those in the same quarter of 2017, and are 9.5 dollars higher than those in the second half of last year.

- Regarding our financial results in Colombia, net sales during the quarter declined by 5 percent, on a year-over-year basis due to lower volumes, partially offset by higher prices.

- During this period, our EBITDA declined by 1 million dollars, or 4 percent, while EBITDA margin increased by 0.1 percentage point to 16.8 percent. Our margin improved during the quarter despite lower volumes, higher-freight costs, as well as higher-cement-maintenance costs. During the quarter, we performed major maintenance works to line number 1 at Ibague cement plant, and additional maintenance works at Cúcuta cement plant, both of which accounted for 3.4 million dollars and were not performed last year. These increased costs were more than compensated by higher prices, and a one-off effect that impacted negatively our results during the same period of 2017.

- As part of our cost-containment efforts, we recently mothballed our Clemencia grinding-mill. We are now using this facility as a distribution terminal, dispatching cement that we are bringing from our Ibagué cement-plant. Lower variable-and-fixed costs will more than offset higher distribution costs required to reach this market.

SLIDE #9 – COLOMBIA – Residential Sector

- Regarding the residential sector, we estimate that cement dispatches for housing projects declined in the mid-single digits during the first semester.

- Total housing sales year-to-date May decreased 12 percent, on a year-over-year basis. However, this indicator showed signs of improvement on a sequential basis. In this regard, total housing sales year-to-date May compared to those in the August-to-December-2017 period, increased in the mid-single digits. Low and middle-income-housing sales increased by 13 and 1 percent, respectively, while high-income sales continued to decline sharply.

- In the low-income segment, we are also encouraged by the double-digit increase in housing permits year-to-date May, along with the healthy levels of housing stock. In contrast, the high-income segment may remain sluggish until the available housing stock in this segment declines.

- Considering all this, and with the elections behind us, we expect the residential sector to stabilize in the second half of the year, supported by low interest rates, the recent improvement in the intention-to-buy-a-home indicator, as well as by the upward trend in consumer confidence.

SLIDE #10 – COLOMBIA – Infrastructure Sector

- In the infrastructure sector, we observed improved performance during the quarter for both, industry and for CLH. Our volumes to this sector were supported by two relevant projects in Bogotá, the *PTAR Salitre* water-treatment plant and the *CETIC* Hospital. Additionally, we increased dispatches to three 4G projects, *Autopista Mar 1, Autopista al Rio Magdalena 2 and Buscaramanga-Barranca-Yondó.*

- During the rest of the year, our volumes should continue to be supported by these projects and others in our pipeline. Some of the projects about to start are the Pereira-City airport expansion, the BRT-system expansion in Cali, as well as a group of 210 schools, which are projects with secured funds from the national educational-infrastructure-financing fund.

- Regarding 4G projects, we estimate they will demand 430 thousand cubic meters in total for this year, out of which we were awarded the supply of 135 thousand.

- For the rest of this year, we expect the infrastructure sector to increase in the low-single digits.

<u>Industrial and commercial **(no slide)**</u>

- In the industrial-and-commercial sector, based on construction permits, the commercial-and-hotels segment is showing signs of stabilization after the very sharp declines seen last year, while the offices and warehouses segments are anticipated to continue weak. During the second half of the year, we expect cement volumes to this sector to decrease in the mid-single digits.

- Considering all of the above, we now estimate our full year 2018 cement volumes to decline in a range from 7 to 9 percent.

- Going forward, we are encouraged by the recent improvement in economic indicators, and by the general optimism in the country after the presidential elections in mid-June. Retail sales year-to-date May, increased close to 6%, while consumer confidence during May continued to be positive and reached the highest level since July 2015. GDP is expected to grow by 2.7 percent this year, supported by the upward trajectory of oil prices, historic low interest rates and exports dynamism.

- Finally, the incoming president, Mr. Duque, has been vocal about the relevance of infrastructure and social housing for economic development. Such support gives us the hope that finally, the funded infrastructure projects for over 10 billion dollars that we have commented in the past, might begin to unfold in 2019 onwards.

SLIDE #11 – [TITLE SLIDE] PANAMA

SLIDE #12 – PANAMA RESULTS HIGHLIGHTS

- In Panama, our estimates indicate that industry volumes during the quarter declined by 23 percent, mainly due to the strike, which impacted heavily across all sectors, but particularly the infrastructure sector. Although the strike was already developing by the time of our previous call, it lasted longer than expected.

- Due to our higher share in infrastructure projects, our cement and ready-mix volumes during the second quarter declined by 26 and 36 percent, respectively. From the 26 percent cement-volume decline, about 16 percentage points was due to the strike, and the rest to subdued construction activity. In this regard, once the strike finished in mid-May, we continued to see weak demand for our products. Only in June, we estimate that cement consumption in the country declined by 14 percent compared to that of June of last year.

- Regarding market dynamics, we estimate that we improved our market position sequentially, and we observed no significant imports during the second quarter.

- With respect to prices, our cement prices remained stable during the quarter, both year-over-year and sequentially. On the other hand, our ready-mix prices declined by 4 percent sequentially, mainly due to difficult competitive dynamics and a product-mix effect with lower participation of special concretes during the quarter.

- During the quarter, our net sales declined by 30 percent on a year-over-year basis, mainly due to lower volumes and lower ready-mix prices.

- EBITDA and EBITDA margin during the quarter declined by 12.5 million and 8.9 percentage points, respectively. The margin decline was mainly driven by lower volumes.

SLIDE #13 – PANAMA – 2018 EXPECTATIONS

- For the rest of this year, ongoing infrastructure projects should provide volume support, particularly the Panama Northern Corridor, the *Transismica* Road rehabilitation, the 2nd line of the subway, as well as the Tocumen-airport expansion. Ongoing projects related to transportation are top priority for the government to prepare for the upcoming Pope's visit to Panama this coming January.

- Additionally, the government recently awarded two very relevant infrastructure projects. First, the fourth bridge over the canal, with a potential investment of 1.4 billion dollars. Second, the *Corredor de las Playas* with a potential investment of 540 million dollars. Both projects might start later during the year and would demand our products in 2019 and onwards. These positive expectations for the infrastructure sector, supported by the country's healthy fiscal situation, should partially offset the weakness in the residential and commercial sectors.

- The weakness in the two latter sectors is mainly due to excess inventory, particularly in the middle and high-income housing segments, as well as in malls, offices and hotels. In contrast, the low-income segment has healthy levels of inventories and better prospects going forward.

- Considering all of the above, and particularly the very long strike, we now expect our cement volume in the country to decline from 13 to 15 percent during 2018.

SLIDE #14 – [TITLE PAGE] – COSTA RICA

SLIDE #15 – COSTA RICA – RESULTS HIGHLIGHTS

- We are pleased with our performance in Costa Rica during the first semester.

- Our cement and ready-mix volumes, during the second quarter, increased by 18 and 29 percent, respectively. Adjusting for additional working days, the increases were 12 and 23 percent, respectively.

- Industry estimates indicate that cement demand declined by mid-single digits during the first semester, mainly due to a high comparison base with two large projects in the same period of 2017.

- We estimate that our market presence improved during the quarter due to the participation in big projects, like the new building for the Parliament and *Oxígeno*, as well as to our value-added offers for the industrial segment. Additionally, based on our observations, there were no imports into the country during the first half of the year.

- Regarding pricing of our products, quarterly cement and ready-mix prices increased by 2 and 3 percent, respectively, on a sequential basis. In this regard, the improvement in cement reflects our price increase made in February, while the improvement in ready-mix reflects a favorable project-mix, as well as the positive impact of incremental services and surcharges.

- During the quarter, our net sales increased by 10 percent, mainly due to higher prices, as well as higher cement and ready-mix volumes.

- Our EBITDA, during the quarter, increased by 6 percent while the EBITDA margin declined by 1.5 percentage points. The negative margin variation was mainly due to a 22 percent increase in energy costs, and to clinker sales made during the quarter, which more than offset the favorable impact of higher volumes and prices.

SLIDE #16 – COSTA RICA – 2018 EXPECTATIONS

- For the rest of 2018, demand for our products should be supported by the continuation of ongoing 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, the new president, Mr. Carlos Alvarado, has stated that transport-infrastructure development in the country is one of his two top priorities. We expect two relevant road projects to start late this year, *Ruta 32 Cruce a Río Frío- Limón* and *Ruta 1 Cañas Limonal.*

- Considering our project pipeline, and that Elementia just commissioned their new grinding mill, we expect our cement volumes to increase from 3 to 5 percent during 2018.

SLIDE #17 – [TITLE PAGE] REST OF CLH

SLIDE #18 – REST OF CLH – RESULTS HIGHLIGHTS

- In the Rest of CLH, cement and ready-mix volumes decreased by 5 and 11 percent, respectively, affected by volume declines in Nicaragua, which more than offset volume growth in Guatemala and El Salvador.

- Cement prices in local-currency terms increased by 1 percent year-over-year and remained flat sequentially. Cement prices in U.S.-dollar terms declined by 2 percent, on a year-over-year basis, and by 1 percent sequentially, because of the slight depreciation of the Nicaraguan Córdoba.

- During this period, our net sales and EBITDA decreased by 8 and 18 percent, respectively, while EBITDA margin declined by 4 percentage points. This margin decline was mostly because of lower volumes and higher energy costs in Nicaragua, as well as higher distribution costs in Guatemala resulting from increased-customer coverage in the distribution segment.

SLIDE #19 – NICARAGUA Highlights

- In Nicaragua, our cement volumes during the quarter declined by 22 percent, because of the political unrest that started in mid-April and has intensified since then.

- This crisis has led to generalized uncertainty and most private investment has been halted, affecting particularly the tourism and commercial sectors.

In the construction sector, projects funded by the private sector have been suspended. In contrast, the government has the intention to continue already-funded-infrastructure projects.

- For this reason, we expect to continue our cement dispatches for concrete roads such as United Nations - Sector San Francisco, Malacatoya - El Papayal, as well as Puerto Sandino - La Paz. Nevertheless, works for infrastructure projects located in conflict zones, like the United Nations-Bluefields road or the Masaya water treatment plant, have been suspended.

- In the residential and the industrial-and-commercial sectors, most projects have been suspended until the situation in the country improves.

- We expect our volumes to remain subdued until the crisis ends, and we are taking cost-reduction measures to partially reduce the impact on our results.

SLIDE #20 – Guatemala Highlights

- We are pleased with our results in Guatemala during the quarter. Our cement and ready-mix volumes increased by 6 and 46 percent, respectively, reaching quarterly-record levels in both businesses.

- Increased cement volumes to retailers and to our ready-mix operations, more than compensated lost volumes from two mining projects that ended during the second quarter of 2017.

- The residential and the industrial-and-commercial sectors were the main drivers of demand during the quarter, mainly due to vertical-housing projects and shopping malls in Guatemala City.

- 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 an update of the implementation of Cemex Go, our digital value proposition by which our customers can order, track and trace deliveries, make payments, as well as manage invoices and queries, digitally, quickly and seamlessly.

- In Colombia, after only 4 months of launching Cemex Go, we have onboarded 100 percent of our targeted customer base, and we are receiving so far more than 40 percent of the purchase orders, and about 20 percent of payments, through our digital solution. We are encouraged by the positive reaction from our customers.

- Regarding the rest of our operations, this month we launched Cemex GO in Panama, Costa Rica and El Salvador, and later this year we will launch it in Guatemala.

- We believe that Cemex GO will give us a competitive advantage as we will be able to deliver a superior customer experience, at the same time that we find ways to reduce our cost to serve.

SLIDE #21 – [TITLE PAGE] – FCF

Now 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 reached 46 million dollars, compared to 29 million dollars in the same period of last year.

- Lower financial expenses, capex and taxes, more than offset the decline in EBITDA and the lower reversal in working capital investment.

- Financial expenses reached 14 million dollars, about 1 million lower than those in the same period of last year.

- Total capex during the quarter was 9 million dollars, 16 million lower on a year-over-year basis.

- During the quarter, we continued with negative-average-working-capital days and we recovered 23 million dollars of working capital investment.

- Taxes paid during the quarter were 13 million dollars, 30 million less than those in the same period of last year.

- Free cash flow during the quarter was mainly used to reduce debt. Net debt decreased by 47 million dollars in this period, reaching 856 million. Thanks to this debt reduction is that the net-debt-to-EBITDA ratio, remained stable at 3.2 times, despite the lower EBITDA.

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

- Now I would like to discuss our guidance for 2018

  SLIDE #24 – GUIDANCE

- Considering our year-to-date performance, as well as the uncertainty in Nicaragua, we now estimate our consolidated cement volumes to decline from 8 to 10 percent, while both our ready-mix and aggregates volumes to decline by 5 to 7 percent during 2018.

- We expect cash taxes for the full year to reach about 75 million dollars, a 25 million dollars reduction from last year's level.

- Regarding our capital expenditures, for 2018 we estimate 50 million dollars in maintenance capex and 5 million dollars in strategic capex. Our total capex for 2018 is expected to be about 25 million dollars lower than that of 2017.

- With respect to working capital, we expect to reverse the year-to-date investment of 10 million dollars during the second half of the year, leveraging, among other things, the recovery of about 20 million dollars that we temporarily invested in our social-housing projects in Colombia, which will be completed before year end.

- For the second half of this-year, our EBITDA should stabilize, driven by expected higher prices in Colombia and Costa Rica, improved volumes in Panama, as well as lower maintenance costs. The political unrest in Nicaragua will continue materially dragging the Rest of CLH results until it is resolved.

- During the rest of this year, we expect to continue generating free cash flow and, as announced in May, we expect to receive 30 million dollars related to the sale of our cement-distribution business in Brazil. Free cash flow and the proceeds from this asset sale will be used to pay down debt.

- With regards to our debt, last month we announced the refinancing of 130 million dollars of outstanding debt with a CEMEX subsidiary. The maturity of this loan was extended from September 2018 to June 2020, and its cost was reduced by 165 basis points, from 3-month LIBOR plus 450 basis points to 6-month LIBOR plus 250 basis points.

- In December there is another upcoming maturity, of 194 million dollars, of intercompany debt with a CEMEX subsidiary. We are currently analyzing the best option to refinance this debt.

[RETURN TO SLIDE #2]

[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.

[RETURN TO SLIDE #1 - COVER PAGE]

[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 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.