4Q19 - TALKING POINTS

SLIDE #1 – COVER PAGE

JESUS GONZALEZ:

Good day, everyone. Thank you for joining us for our fourth quarter 2019 call and webcast.

I will be happy to take your questions after my initial remarks.

SLIDE #2 – LEGAL DISCLAIMER

SLIDE #3 – FINANCIAL RESULTS SUMMARY

- In 2019 we observed a solid improvement in cement demand and price dynamics in Colombia, while market conditions remained very challenging in Panama, Costa Rica and Nicaragua.

- Our consolidated net sales during the quarter declined by 6 percent in local-currency terms, or by 9 percent in U.S.-dollar terms. For the full year, our net sales declined by 5 percent in local-currency terms, or by 11 percent in U.S.-dollar terms.

- In Colombia and El Salvador, our full-year sales increased by 7 and 11 percent, respectively, in local-currency terms. In Colombia, improved sales were driven by increased volumes in our 3 core products, as well as higher prices in cement and aggregates.

- Our EBITDA during the quarter declined by 5 and 6 percent in local currency and U.S.-dollar terms, respectively. For the full year, our EBITDA declined by 15 percent in local-currency terms, or by 20 percent in U.S.-dollar terms.

- In Colombia, our full-year EBITDA increased by 3 percent in local-currency terms, despite increased maintenance, energy and logistics costs. However, this translated into a decline in U.S.-dollar terms due to the 11-percent appreciation of the U.S. dollar versus the Colombian peso.

- Our consolidated EBITDA margin during the quarter improved by 0.7 percentage points on a year-over-year basis, to 22.3 percent. This margin improvement was mainly due to SG&A savings related to our Stronger-CEMEX plan and lower fixed costs, partially offset by lower volumes and prices, as well as increased distribution costs.

- In this challenging environment, we remained focused on the variables under our control:
    - We increased service levels to our customers, improving our Net Promoter Score from 54 in 2018 to 59 in 2019.
    - We achieved recurring savings for 20 million dollars during 2019 under our Stronger-CEMEX plan. Savings relate mainly to SG&A and supply-chain improvements, as well as to our low-cost-sourcing initiative.
    - We increased our prices in Colombia while recovering our market position. Our cement prices improved by 11 percent from December 2018 to December 2019, in local-currency terms.
    - We completed 2 alternative-fuel-substitution projects. In Costa Rica, we will increase the substitution rate to 35 percent by processing tires in our kiln, while in Panama we will increase the substitution rate to 20 percent, by processing waste oil from ships in our kiln.
    - In Panama, we switched from coal to pet coke taking advantage of lower international prices and, signed an electric-power-supply

contract that should save us 2 million dollars per year starting in 2020.

  - We optimized our ready-mix business across our countries, reducing costs and focusing on locations with growth potential. For example, EBITDA from our ready-mix business in Panama improved by 8 million dollars during 2019, despite lower volumes.
  - We managed our working capital efficiently; working capital during 2019 reached a record level of negative 12 average days
  - We signed two clinker-supply agreements, one as supplier in Panama and the other one as buyer in Guatemala.
  - We sold fixed assets, receiving 23 million dollars.
  - We refinanced a significant portion of our debt with CEMEX, our parent company, improving our debt-maturity profile. Also, we reduced our debt by 92 million dollars, or by 11 percent, during 2019.

- With respect to the new-clinker-supply agreement in Panama. During November 2019 a subsidiary of our parent company, CEMEX, sold its 25-percent share capital held in Panama's Cementos Interoceanicos to a subsidiary of Cementos Progreso from Guatemala. The holders of the majority stake also sold their position to this buyer. As a precedent condition for this transaction, the buyer required the intermediation of CEMEX with CLH, so that CLH accepted the early termination of the previous clinker-supply agreement and entered into a new agreement with the buyer, which guaranteed supply of up to 2.4 million tons of clinker and certain commercial conditions, during a 10-year period. CLH accepted those terms and, as part of the overall transaction, the buyer paid 32 million dollars to CEMEX, amount which CEMEX then paid to CLH in compensation for the acceptance of the above-mentioned contract. Furthermore, during this year CLH might receive up to 20 million dollars in additional compensation through CEMEX, if the buyer achieves certain performance metrics in the following months.

- The fixed assets sold during 2019 for 23 million dollars include some assets in Panama—among them an idle-cement mill and 3 ready-mix plants—sold for 15 million dollars to a subsidiary of Cementos Progreso during the fourth quarter, within the context of the above-mentioned transaction.

SLIDE #4 – CONSOLIDATED VOLUMES AND PRICES

- During the quarter, our consolidated gray cement, ready-mix and aggregates volumes declined by 3, 13 and 10 percent, respectively, on a year-over-year basis. Increased cement volumes in Colombia and El Salvador were not enough to offset the declines in the rest of our operations.

- During the full year, our consolidated gray cement volumes remained flat, while our ready-mix and aggregates volumes declined by 8 and 9 percent, respectively. In the cement business, increased volumes in Colombia and El Salvador were offset by lower volumes in Panama, Costa Rica and Nicaragua.

- Consolidated prices during the quarter for both cement and aggregates improved by 1 percent, while ready-mix prices declined by 4 percent, in local-currency terms and on a year-over-year basis. Sequentially, our quarterly cement prices improved by 1 percent in local-currency terms, driven by the price increases implemented in Colombia during the quarter.

- Our quarterly cement prices in Colombia and Nicaragua increased by 10 and 2 percent, respectively, in local-currency terms and on a year-over-year basis. These improvements were partially offset by lower prices in other operations, mainly in Panama and Costa Rica.

SLIDE #5 – EBITDA VARIATION 2019

- Our EBITDA decline during 2019 was mainly due to lower volumes, increased variable and distribution costs, and the appreciation of the U.S.

dollar. These impacts were partially offset by a positive price effect and SG&A savings from our Stronger-CEMEX-plan initiatives.

- Regarding the increase in variable costs, the main impacts were seen in Colombia, where we faced higher energy and purchased-clinker costs; and in Guatemala, where purchased-clinker costs increased. Also, please note that during 2019 we had 4.3 million dollars in additional maintenance-related operational expenses, compared with those of 2018.

- Most of the negative foreign-exchange effect was due to the 11-percent appreciation of the U.S. dollar versus the Colombian peso during 2019.

SLIDE #6 – NET DEBT REDUCTION

- Despite the EBITDA reduction during the full year, we were able to significantly reduce net debt using our free cash flow.

- Our Free Cash Flow, excluding the compensation received in Panama and the proceeds from fixed-asset sales, reached 37 million dollars during 2019.

- Our net debt was reduced by 92 million dollars, or 11 percent, during 2019.

SLIDE #7 – REGIONAL HIGHLIGHTS

- Now, I will discuss the main operating and financial results in our markets.

SLIDE #8 – COLOMBIA SECTION

SLIDE #9 – COLOMBIA – RESULTS HIGHLIGHTS

- We are pleased with the national cement demand in Colombia, which turned back to positive during 2019 after 3 years of declines, driven by increased activity in the infrastructure and the self-construction sectors. National cement demand during the fourth quarter and full year increased by 5 and 4 percent, respectively.

- Additionally, we are very pleased with our cement volume and price performance:
    - Our cement volumes during the quarter and full year increased by 4 and 9 percent, respectively.
    - We continued implementing cement-price increases during the quarter, despite the entry of a new competitor to the market. Our quarterly prices increased by 3 percent sequentially, and by 10 percent year-over-year, in local-currency terms. Additionally, we implemented a price increase of around 4 percent for bagged cement effective January and announced a 4-percent increase for bulk cement, effective this month.

- Regarding our financial results, net sales during the quarter increased by 7 percent in local currency and by 2 percent in U.S.-dollar terms. This improvement was due to improved prices in our 3 core products and higher cement volumes. For the full year, net sales increased by 7 percent in local currency and declined by 4 percent in U.S.-dollar terms.

- Our EBITDA during the quarter improved in local currency and U.S.-dollar terms by 41 and 38 percent, respectively. Our quarterly EBITDA reached 32 million dollars, its highest level since the first quarter of 2017. Our full year EBITDA increased by 3 percent in local currency and declined by 6 percent in U.S.-dollar terms.

- Quarterly EBITDA margin reached 24.6 percent, a 6.5-percentage-point year-over-year improvement. Higher prices accounted for an increase of 5 percentage points while both SG&A savings and lower corporate expenses accounted for 4.5 percentage points. These margin gains were partially offset by increased variable-and-fixed costs, which in total accounted for a decline of 3 percentage points, as well as higher distribution costs which accounted for a 0.7-percentage-points drop.

SLIDE #10 – COLOMBIA – RESIDENTIAL

- Regarding the residential sector, we estimate that national cement dispatches to this sector increased in the low-single digits during both the quarter and the full year, driven by the self-construction and social housing segments.

- Improved volumes to the self-construction segment during the quarter and full year were fueled by the economic recovery, increased remittances and potentially, by the effect of Venezuelan immigration to the country.

- In the social-housing segment, performance indicators have been encouraging. Housing permits, launches and sales, improved in the double-digits during the last 6 months. We are optimistic on this segment going forward due to the low levels of inventory and the government measures to support subsidy programs.

- The mid- to high-income housing segment continued to adjust downward during the quarter. However, we expect a moderate recovery going forward supported by low interest rates, increased access to credit and higher real wages. Additionally, the 2-percent-sales tax for homes worth more than 300 thousand dollars was recently eliminated.

- During 2020, we expect national cement volumes to the residential sector to continue increasing in the low-single digits, supported by the self-construction and social-housing segments.

SLIDE #11 – COLOMBIA – INFRASTRUCTURE

- Infrastructure was the best-performing sector during 2019. We estimate that national cement volumes to this sector increased in the double digits during the quarter and full year, supported mainly by 4G projects.

- We estimate that total demand from these projects reached 770 thousand cubic meters of ready-mix, a 90 percent increase compared with those of 2018. We expect ready-mix demand from this program to increase more than 50 percent this year. Peak volumes from 4G projects should be reached during 2021, at around 1.3 to 1.4 million cubic meters of ready-mix.

- We are dispatching our products to several 4G projects, including “Autopista Mar 1”, “Neiva-Girardot”, “Pasto-Rumichaca”, “Puerta de Hierro” and “Autopista Mar 2”. We estimate that our cement and ready-mix volume participation on the 4G program reached around 40 percent during 2019, and we expect to maintain that level of participation this year.

- Our volumes to the infrastructure sector were also supported by projects in Bogotá such as the “Salitre” water-treatment plant and the “CETIC” Hospital, among other projects across the country.

- During 2020, we expect national cement volumes to the infrastructure sector to increase in the mid-single digits.

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

- In the industrial-and-commercial sector, we estimate that national cement volumes remained relatively stable during the quarter, at higher levels than those in first half of 2019.

- We expect better dynamics in this sector during 2020 supported by investments in the oil segment, increased industrial production and high business confidence. Additionally, the corporate-income tax was lowered to 32 percent this year, from 33 percent in 2019.

- Because of all of this, we expect national cement demand to increase in the low-single digits during 2020. However, considering the presence of a new competitor during the full year, we expect our cement volumes to decline from 4 to 6 percent during this period. Please note that we expect to partially compensate the lower-volumes impact with cost efficiencies and improved prices.

SLIDE #12 – PANAMA SECTION

SLIDE #13 – PANAMA RESULTS HIGHLIGHTS

- In Panama, cement demand was weak during 2019. We estimate that national cement demand declined by 20 percent during the quarter and by 12 percent during the full year.

- Cement demand continued to be affected by high inventories in apartments and offices, as well as by the deceleration of the economy. In the infrastructure sector, cement consumption from the “Corredor de las playas” project was slower than expected, and the Fourth Bridge over the Canal had redesigns that delayed construction. Projects such as the new windfarm, the Northern Corridor highway, and the “Via Transistmica”, did provide volume support during the quarter.

- Regarding cement imports, we estimate that their market participation stabilized at around 9 percent during the fourth quarter, similar to that of the same period of 2018.

- Our cement volumes during the quarter and the full year declined by 20 and 15 percent, respectively, on a year-over-year basis. Our cement prices during the quarter declined by 3 percent sequentially, due to challenging competitive dynamics in a weak demand environment.

- Our sales during the quarter and the full year declined by 27 and 18 percent, respectively. Our EBITDA during the quarter and the full year declined by 23 and 26 percent, respectively.

- During the quarter, our EBITDA margin reached 27.1 percent, improving by 1.5 percentage points on a year-over-year basis. Lower variable, fixed and SG&A costs, were partially offset by lower sales and increased freight costs.

SLIDE #14 – PANAMA – 2020 EXPECTATIONS

- Going forward, we expect a moderation in the rate of decline in cement demand, driven by infrastructure projects and the social-housing segment.
    - In the infrastructure sector, the "Corredor de las Playas" highway and the Fourth Bridge over the canal should gradually ramp-up volumes. Additionally, projects for a total of 4 billion dollars are expected to start. These projects include the third line of the metro, the new-electric-transmission line, the metro-line-one extension, among others.
    - In the residential sector, the new law now provides interest-rate subsidies to homes with prices up to 180 thousand dollars, value previously capped at 120 thousand dollars. This measure should boost demand in this sector.

- During 2020, we expect national cement volumes to decline in the mid- to high- single digits due to potential delays in the execution of the pipeline of infrastructure projects. However, we expect our cement volumes to decline from 11 to 13 percent during this period, due to the divestment of certain ready-mix assets to Cementos Progreso, and to challenging competitive dynamics. Our ready-mix volumes on a pro-forma basis, adjusting for divested ready-mix plants, are expected to decline from 1 to 3 percent this year.

SLIDE #15 – COSTA RICA SECTION

SLIDE #16 – COSTA RICA – RESULTS HIGHLIGHTS

- In Costa Rica, cement demand was also weak during 2019. We estimate that national cement demand declined by 14 and 12 percent during the fourth quarter and full year, respectively.

- Cement demand was affected by uncertainty related to the implementation of the fiscal reform, as well as by the slow execution of infrastructure projects.

- Our cement volumes during the quarter and the full year declined by 13 and 21 percent, respectively. Our full year performance reflects a high base of comparison in 2018, as the new competitor commissioned its cement-grinding mill in July of 2018 and ramped-up volumes gradually.

- During the quarter, our volumes were supported by infrastructure projects such as “Circunvalación Norte”, “Rio Virilla” bridge and the “Garantías Sociales” bridge.

- Regarding cement pricing, our quarterly prices in local-currency terms declined by 7 percent year-over-year and by 2 percent sequentially, reflecting challenging competitive dynamics.

- Our net sales during the quarter declined by 20 and 24 percent in U.S. dollar and local-currency terms, respectively, due to lower volumes and prices. For the full year, our net sales declined by 27 and 26 percent in U.S. dollar and local-currency terms, respectively.

- Our EBITDA during the quarter and the full year declined by 22 and 33 percent, respectively, in U.S.-dollar terms.

- The EBITDA margin during the quarter declined by 1 percentage point, to 30.5 percent, reflecting SG&A efficiencies which were more than offset by lower sales and increased freight costs.

SLIDE #17 – COSTA RICA – 2020 EXPECTATIONS

- For 2020, we expect a gradual stabilization in national cement demand, driven by anticipated reactivation of private construction activity, and the current pipeline of infrastructure projects. Among the most relevant infrastructure projects are: “Ruta 1: Cañas-Limonal”, “Ruta 1: Limonal-Barranca”, “Ruta 32: San Jose-Rio Frio” and the extension of “Ruta 27”.

- In light of all this, we expect our cement volumes to decline from 3 to 5 percent during 2020, in line with national demand.

SLIDE #18 – REST OF CLH SECTION

SLIDE #19 – REST OF CLH – RESULTS HIGHLIGHTS

- In the Rest of CLH, our cement volumes during the quarter and full year declined by 8 and 6 percent, respectively. During the quarter, increased cement volumes in El Salvador were more than offset by lower volumes mainly in Nicaragua.

- Quarterly cement prices in local-currency terms declined by 1 percent, both year-over-year and sequentially. Cement prices in U.S.-dollar terms declined by 3 percent during the quarter on a year-over-year basis.

- For the full year, our cement, ready-mix and aggregates prices improved by 1, 6 and 19 percent, respectively.

- Net sales during the quarter in U.S.-dollar and local-currency terms declined by 11 and 9 percent, respectively. For the full year, net sales in U.S. dollar and local-currency terms declined by 9 and 6 percent, respectively.

- EBITDA during the quarter and the full year declined by 25 and 21 percent, respectively, in U.S.-dollar terms. During the quarter and the full year, our EBITDA was impacted mainly by lower volumes and increased electricity costs in Nicaragua, as well as increased purchased-clinker costs and third party-cement purchases in Guatemala. EBITDA margin declined by 4.9 percentage points during the quarter on a year-over-year basis.

SLIDE #20 – NICARAGUA

- In Nicaragua, national cement demand was weak during 2019 impacted by the socio-political crisis.

- Our cement volumes during the quarter and the full year declined by 20 and 16 percent, respectively, in line with the industry. However, our quarterly cement volumes improved by 6 percent sequentially, due to the reactivation of some highway projects and a hospital.

- For 2020, we expect our cement volumes to decline in the mid-teens, in line with the industry, due to the low visibility in government's ability to execute infrastructure projects.

SLIDE #21 – GUATEMALA

- In Guatemala, national cement demand improved in the mid-single digits during 2019. Our cement volumes remained flat during this period and declined by 3 percent during the quarter.

- Our cement volume underperformed during the quarter due to a lower-market participation from our ready-mix business, as we focused on the most-profitable projects, as well as to increased imports.

- Private investment in the residential and industrial-and-commercial sectors were the main drivers of demand during 2019, supported by vertical housing and industrial projects in Guatemala City.

- Going forward in 2020, we expect our cement volumes to grow in the low-single digits, in line with the industry. There is general optimism in Guatemala with Alejandro Giammattei, the new pro-business president, which could translate into a boost in private investment in coming months.

SLIDE #22 – OTHER INFORMATION

SLIDE #23 – FCF GENERATION

- Now I would like to discuss our free cash flow generation.

- We are pleased with our free cash flow generation, which reached 44 million dollars during the quarter and 93 million dollars during the full year. Our free cash flow during the quarter was boosted by the 32-million-dollar compensation related to the new supply agreement in Panama, as well as by the 15-million-dollars related to fixed-asset sales.

- Our financial expenses were reduced by 9 million dollars during the full year, driven by our debt-reduction efforts.

- We are pleased with our working capital management. Our average working capital days during the quarter were reduced to negative 23, a quarterly record.

- Taxes paid during the full year were 52 million dollars, compared with 58 million dollars during 2018.

- The other income and expenses line, resulted in an income of 14 million dollars during 2019, compared with an expense of 31 million during 2018. Please consider that during 2018 we paid the 25-million-dollar fine in Colombia. Additionally, this line includes fixed-asset sales, which were 23 million dollars during 2019, compared with 5 million during 2018.

SLIDE #24 – INCOME STATEMENT

- Our Controlling Interest Net Income was negative 3 million dollars during the quarter and positive 4 million dollars during the full year.

- During the quarter, the net-income reduction versus that of last year was due to lower Operating Earnings Before Other Expenses, a negative effect in Other Expenses, net, and higher taxes. These effects were partially offset by lower Financial Expenses and a positive effect in Other Income and Expenses, net.

- The Other-Expenses-Net line was negative 1 million dollars during the quarter, compared with positive 4 million during the same period of last year. Please note that during the same quarter of last year, this line benefited from the reversal of some provisions.

- The Other-Financial-Income-and-Expenses-Net line, was positive 6 million dollars during the quarter, compared with negative 14 million dollars during the same period of last year. The positive impact during the fourth quarter of 2019 was due to a favorable foreign-exchange effect on the financial balances, mainly from the U.S.-dollar depreciation versus the Colombian peso from September to December 2019.

SLIDE #25 – DEBT PROFILE

- Our free cash flow generated during 2019 was mainly used to pay debt. We reduced our net debt by 92 million dollars during the year, reaching 736 million as of December.

- The net-debt-to-EBITDA ratio improved to 3.7 times in December, from 3.8 times in September. This improvement was due to our debt-reduction efforts during the quarter, despite lower EBITDA.

- With regards to our debt-maturity profile, during December 2019 we refinanced the loans with our parent company which matured in 2020. Now, our debt-maturity profile is more manageable, and we do not have material maturities until December 2022.

SLIDE #26 – GUIDANCE

- Now, I would like to discuss our 2020 guidance.

- We expect our consolidated cement volumes to decline from 4 to 6 percent during 2019.

- We estimate to pay 50 million dollars in cash taxes for the full year.

- Our total capital expenditures are expected to reach 50 million dollars, 45 million dollars in maintenance and 5 million in strategic.

- With respect to our cement operations, we expect to spend 11 million dollars in maintenance-related operational expenses during 2020, compared with 14 million dollars during 2019.

- As I mentioned at the beginning of my remarks, we will continue to focus on the variables we control under this challenging environment.

SLIDE #27 – CLIMATE CHANGE STRATEGY

- We are pleased to announce that CDP—a not-for-profit organization that runs a global disclosure system for companies to manage their environmental impact—raised its rating of CLH from B in 2018 to A in 2019, in recognition of CLH’s advances in its climate-protection efforts.

- We have been working to maximize all technical levers available in the cement sector to reduce our carbon footprint, which include.
    - Investing in energy efficiency
    - Using alternative fuels, where we reached a 13-percent-substitution rate in 2019 and resulted in savings of about 2.5 million dollars

  - Expanding our use of renewable energy. Last year, 64 percent of our power consumption in cement came from renewable energy
  - Decreasing our clinker factor through alternative cementitious materials. The clinker factor in our cement production reached 73 percent in 2019, from 79 in 1990.
  - Offsetting emissions from our vehicle fleet by planting and maintaining trees

- As a result of these and other efforts, in 2019 we reduced net CO2 emissions per cementitious product by more than 20 percent, from 1990 levels. This reduction is equivalent to the emissions generated by 100,000 cars.

- We aim to be open and transparent in measuring our progress and to be strong advocate for the urgent need to make climate-change mitigation a top priority.

SLIDE #28 – LEGAL DISCLAIMER

- Before we go into our Q&A session, 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. In addition, unless the context indicates otherwise, all references to pricing initiatives, price increases or decreases, refer to prices for our products.

SLIDE #29 – COVER PAGE

- And now I will be happy to take your questions. 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 at any time.