



2014

InterCement Annual Results Announcement



InterCement

Building
sustainable
partnerships

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Results

InterCement believes that optimising capital use and extracting its best possible performance, enhances the ability of cash generation through operational excellence and productivity.

Highlights

2014: Market position is strengthened, while the potential of Africa stands out on the portfolio.

Cement and clinker sales grow 6%, reaching a record volume in the new portfolio of 30 million tons. Strengthening of market position in Brazil, new operational capacity in Paraguay, growing contribution of operations in Africa and optimised flexibility through Trading activity reaffirm InterCement's position among international players. Unfavourable currency developments Argentine Peso (33%) South African Rand (11%) and Brazilian Real (8%), constrain perception of indicators' evolution.

Sales reached EUR 2,604 million, in line with the previous year's value (-0.8%). If we remove the exchange rate losses compared with 2013 (EUR 326 million), this indicator presents a growth in excess of 13% compared with the same period of the previous year.

EBITDA margin of 24.3%, one of the best among the international companies of the sector.

EBITDA rose to EUR 632.6 million. Using the average currency of 2014 for comparative purposes in the 2013 results, i.e. excluding the negative currency effect of EUR 79 million, EBITDA would have increased 4.1%, rather than the 7.9% decrease shown in the accounts.

Operations in Latin America, strengthen its position in the local market and introduce new measures to increase efficiency.

- Brazil – Strengthening of market position requires logistical efforts and operational interventions that, in a background of pressure from energy costs, penalize the margin and results.
- Argentina – reinforced market leadership allows consumer contraction to be mitigated. Depreciation of the local currency.
- Paraguay - New grinding mill and later start of integrated production with a new kiln, increase efficiency and increase sales, reinforcing the local competitive position.

The performance of assets in Africa - cement and clinker sales up 18%, 26% increase of EBITDA and 2 p.p. on its margin – illustrate the growing trend of the contribution of these operations to the consolidated results, reinforcing the potential of geographical diversification of the asset portfolio.

- Egypt - management of fuel and clinker stocks leverage competitive advantage, increasing sales (+18%) and strengthening local presence.
- Mozambique – restructuring of sales team, developing market intelligence and results of multidisciplinary project for increased efficiency have an impact, accelerating the reconquering of the market position.

- South Africa – penetration of new brand and marketing intelligence sales rise (+17%) and average price in competitive environment, providing an increased market share. Industrial efficiency and co-processing increase EBITDA.

Flexibility and Dynamism set InterCement apart.

- Portugal and Cape Verde - exports compensate for market contraction in Portugal. Cape Verde shows signs of recovery.
- Trading and others – increase of volume and expansion of activity to new countries and increased efficiency.

Advances in the balance sheet strengthening process: improvement in debt profile (maturity extension and currency hedging); return of the working capital program and investment discipline; introduction of operational improvements to increase return.

Net profit reaches EUR 50 million, reflects the improvement of financial results and taxes.

Last quarter presents cash generation of EUR 115 million, determining the release of EUR 91 million and performing positively vis-à-vis the previous year's performance.

Main Indicators			
	Jan - Dec		
	2014	2013	Var. %
Cement and Clinker Sales (thousand ton)	29,987.6	28,381.5	5.7
Turnover (million Euros)	2,604.0	2,624.4	-0.8
EBITDA (million Euros)	632.6	686.9	-7.9
EBITDA Margin (%)	24.3%	26.2%	-1.9 p.p.
Net Profit (million Euros)	50.1	160.5	-68.8
Free Cash Flow to the company	90.67	(25.80)	n.m.

Business Activity in 2014

	Unit	Brazil	Argentina	Paraguay	Portugal	C. Verde	Egypt	Mozambique	South Africa
Cement Activity									
Cement installed capacity	10 ⁶ ton	17.9	8.5	0.7	9.1	-	5.8	3.1	1.8
Cement and Clinker Sales	10 ³ ton	12,601	6,178	422	4,371	-	3,761	1,520	1,502
Overall Activity									
Sales	10 ⁶ euros	1,168.4	545.4	56.2	274.3	27.0	246.9	148.9	126.1
Employees (31 Dec.)	Units	3,020	2,970	105	863	101	508	600	385

1. Operational Performance

2014 was a year of strategic affirmation for InterCement as it returned to strengthen its market position in the countries in which it operates. The potential of the company's assets in Africa was evident, in particular through the increase of its weight in the contribution to consolidated EBITDA.

Sales grew 6% in 2014 as InterCement sold a record volume for its new portfolio of assets, 30 million tons of cement and clinker. Sales grew in all countries where it operates, with the exception of Argentina.

InterCement has reaffirmed its position among the biggest international cement companies by expanding its market position in Latin America due to the practical application of its client-focused strategy and the increased capacity in Paraguay, structuring its operations in Africa in order to respond to the growing demand and taking advantage of its trading flexibility, for an efficient management of geographically dispersed production capacity of the company.

While this expansion and development are evident in the field, its translation into the consolidated results in euros and, in particular, its comparison with the previous year, was penalised by the depreciation observed in 2014, mainly in the Argentine Peso (33%), South African Rand (11%) and Brazilian Real (8%).

Nevertheless, Sales in 2014 reached EUR 2,604 million, in line with the previous year's value (-0.8%). This indicator would show an increase of 13.3% compared with the same period of the previous year if we neutralize the exchange losses in relation to the 2013 financial year (EUR 326 million).

InterCement is again, with an EBITDA margin of 24.3%, a stand out company among the most profitable companies of the sector. However, despite the increase in the company's business and the growth of operational efficiency in diverse areas, the increase of energy prices and raw material costs would eventually cancel out the evolution of EBITDA margin (26.2% in 2013).

In absolute terms, EBITDA amounts to EUR 632.6 million. Using the base currency of 2014 in 2013 for comparative purposes, i.e. excluding the negative currency effect of EUR 79 million, EBITDA would have increased 4%, rather than the 8% decrease shown in the accounts.

An analysis by country shows that in the Latin America operations, InterCement strengthened its market position and prepared an increase of efficiency, while the performance of assets in Africa - cement and clinker sales up 18%, 25.7% increase of EBITDA and 2 p.p. rise of its margin, reinforces the growing trend of increased contribution of these operations to the consolidated results of the company and shows the potential of geographical diversification of the asset portfolio. Portugal, operational benchmarking, and the Trading activity stand out for the dynamism and flexibility that they provide to set InterCement apart.

Cement and Clinker Sales

In accumulated terms, there has been 6% growth in the sales of cement and clinker to 30 million tons. There was a growing contribution from sales in 2014 in all countries where InterCement operates, with the exception of Argentina.

In 2014, following its strategy to focus on the customer and taking advantage of national coverage that today exists in Brazil, InterCement sold 12.6 million tons in that country. The company, recording growth of sales of 1%, estimates it has increased its market share in a climate of slowing consumption - a trend more pronounced in the second half of the year, in the face of the national involvement in the football World Cup and the periods before and after the elections.

In Argentina, InterCement has reaffirmed its position as national leader showing a growth in market share. However, following a cycle of increasing consumption and after a record year of sales in the country in 2013, demand contracted 3.2% compared with the previous year. If this trend of contraction was evident to InterCement in the first half of the year, the last few months of the year showed signs of recovery.

Paraguay, benefiting from a full year of operation of its milling unit and, from the end of the year, from its fully integrated production line - with the entry into production of the new clinker kiln, responded with a strong commercial dynamic to the local demand, exceeding sales of the previous year by 50.6% and increasing its share of the local market.

In 2014 the domestic market in Portugal continued to shrink, which worsened as the year progressed. However, the use of export activity and the favourable contribution of the business in Cape Verde, made 8% growth of sales of this unit possible.

Trading, which is strategically dedicated to the optimisation of InterCement's production capacity and to capture opportunities in new markets, again heavily increased its activity in 2014, reaching growth of sales of 19.7% - which essentially went to South America and Africa.

InterCement's operations in Africa showed quite uniform sales growth (over 17% in all countries). Egypt recorded 17.8% growth of sales, reaching 3.7 million tons sold. The stock management strategy ensured a privileged position in the market in the first half, keeping a high pace of growth in the second half of the year after stabilisation of the competition. Both Mozambique and South Africa's market were affected by the inflow of imported cement, but InterCement's operations in both countries managed to increase market share. The restructuring of sales team in Mozambique, developing market intelligence and greater production capacity (full year of operation of the two mills that came into operation in 2013), coupled with an operational improvement in the second half also drove growth of 17.0% of sales compared with the previous year. Lastly, in South Africa, sales growth was 17.3% consolidating the success of the business strategy and implantation of the new brand.

In consolidated terms, and regarding the sales of other products of InterCement, the 6.1% reduction of the quantity of concrete sold is to be highlighted (caused by lower demand for major projects in Brazil), and also certain stability in sales of aggregates and mortars.

CEMENT AND CLINKER SALES - Country			
(Thousand tons)	Jan - Dec		
	2014	2013	Change %
Brazil	12,601	12,533	0.5
Argentina	6,178	6,383	-3.2
Paraguay	422	280	50.6
Portugal	4,371	4,053	7.9
Cape Verde	182	176	3.7
Egypt	3,761	3,192	17.8
Mozambique	1,520	1,299	17.0
South Africa	1,502	1,281	17.3
Sub-Total	30,539	29,197	4.6
Intra-Group Eliminations	-551	-815	-32.4
Consolidated Total	29,988	28,382	5.7

OTHERS ACTIVITIES SALES			
	Jan - Dec		
	2014	2013	Change%
Concrete Sales (thousand m ³)	4,542	4,836	-6.1
Aggregates Sales (thousand tons)	8,219	8,255	-0.4
Mortar Sales (thousand tons)	238	240	-1.0
Tons Transported (thousand tons)	5,259	5,751	-8.6

Sales

Sales reached EUR 2,604 million in 2014, in line with the previous year's value (-0.8%). This indicator shows an increase of 13.3% compared with the same period of the previous year if we neutralize the exchange losses in relation to 2013 (EUR 326 million).

In Brazil the customer focus in Brazil translated into a combative commercial trend set apart by the level of partnership and service provided, which allowed the price and sales to grow slightly in an unfavourable macroeconomic climate. The appreciation of the euro eventually negated this local performance resulting in a reduction of this indicator in 5.7% compared to 2013.

Likewise, the Sales of the Argentina and Paraguay business unit would not reflect the local performance in the consolidation into euros, despite the contention of the correction of consumption in Argentina and the exponential increase of activity in Paraguay, due to the impact of the depreciation of the Argentine peso against the euro.

Portugal registered a slight shrinkage as a result of decreased activity in the domestic market. Cape Verde again grew sustained by growth both in sales and price. The Trading activity also excelled, exceeding the revenue of 2013 by about 10%.

InterCement's performance in Africa was a clear highlight, with Sales growing 16.5%. Egypt and South Africa have shown progress in their competitive position, particularly the 37% increase in annual terms of

this indicator in the case of Egypt and the improvement achieved in Q4. The significant sales growth in Mozambique offset the dilution of the average sale price (under pressure from imports and new competitors in the market), resulting in the increase of about 5% in revenue generated compared with 2013.

SALES - Country			
(Million Euros)	Jan - Dec		
	2014	2013	Change %
Brazil	1,168.4	1,238.7	-5.7
Argentina	545.4	613.1	-11.1
Paraguay	56.2	38.1	47.2
Portugal	274.3	283.5	-3.2
Cape Verde	27.0	24.0	12.6
Egypt	246.9	180.8	36.6
Mozambique	148.9	141.9	5.0
South Africa	126.1	125.2	0.7
Trading / Shipping	305.5	276.9	10.3
Others	48.7	34.6	40.7
Sub-Total	2,947.4	2,956.8	-0.3
Intra-Group Eliminations	-343.3	-332.4	n.m.
Consolidated Total	2,604.0	2,624.4	-0.8

EBITDA

InterCement is again, with an EBITDA margin of 24.3%, a stand out company of 2014 among the most profitable companies of the sector. However, despite the solid growth of operational efficiency and the increase of the company's activity, the increase of energy prices and raw material costs would eventually cancel out the evolution of EBITDA margin, which had achieved 26.2% in 2013.

In absolute terms, EBITDA rose to EUR 632.6 million. Using the base currency of 2014 for comparative purposes in the 2013 results, i.e. excluding the negative currency effect of EUR 79 million, EBITDA would have increased 4%, rather than the 8% decrease shown in the accounts.

The highlight presented by the increased return from operations in Africa (EUR 148 million), which showed an increase in EBITDA of 26% compared to 2013, reflects a trend that is envisaged to increase, of the increased share of the consolidated EBITDA of InterCement. This clearly indicates the asset potential in this region in which the company has been investing. Nevertheless, South America continues to lead the portfolio of assets. It should be noted that Brazil's contribution is already less pronounced, representing for the first time less than half the EBITDA generated.

Brazil recorded an EBITDA of EUR 324 million in 2014, in a context influenced by the election year and by strong pressure on costs, especially in terms of energy. Moreover, the analysis of its evolutionary performance vis-à-vis 2013 turns out to be altered by the conversion of its contribution to euros, registering a loss of about EUR 33.5 million due to depreciation of the real.

The Argentina and Paraguay business unit unveiled EBITDA of EUR 127 million, equivalent to growth of 2.4%. On the one hand, the EBITDA of this BU benefits from the doubling of the contribution from Paraguay for the purpose of comparison with the previous year (via increased activity and efficiency of the new

industrial units) and the anti-trust fine in Argentina in 2013 (EUR 25 million), while on the other it sees the contribution of its local performance to the consolidation into euros impaired by the depreciation of the Argentine Peso (EUR 39 million).

The Portugal and Cape Verde business unit benefitted from the increased contribution from Cape Verde and from the strong dynamism in the export activity - which, by the volume achieved, and despite providing a lesser profit margin than sales in the domestic market in Portugal, managed to offset the contraction in that market. Thus, the EBITDA of this business unit was EUR 33.3 million, although showing a reduction of 5.8% from 2013, justified by lower sales of CO2 allowances.

The performance of InterCement's operations in Africa clearly stood out in 2014. Egypt registered a substantial increase of EBITDA, sustained by the increase of Sales in parallel with improved operational performance, offsetting the increased cost with local fuels. In Mozambique, EBITDA was constrained by operational problems in the first half and by pressure on the sale price generated by local imports. Lastly, a successful sales campaign and the optimisation of variable costs formed the base for the increase of EBITDA in South Africa.

Finally, it is worth mentioning the increased Trading activity, which is a clear sign of the growing flexibility and commercial reach of InterCement's operations that make this company the world's fifth largest cement trader.

InterCement continues its development in a constant search to increase productivity and efficiency. The various activities it develops in this field include the expansion of co-processing as part of the adjustment of its energy matrix, with a directly positive contribution to the EBITDA of the company.

The start of this process in South Africa and Mozambique means that the company now co-processes in all countries where it produces cement. InterCement is currently co-processing at 21 plants (out of 25) and in 25 kilns (out of a total of 30). It reached, for the first time, daily rates in excess of 50% at some of its units. The total volume of waste co-processed increased 4.3%, allowing 250,000 t of fossil fuels to be saved (growth of 15,000 t from 2013). This fosters a positive impact of EUR 28 million on EBITDA.

EBITDA			
(Million Euros)	Jan - Dec		
	2014	2013	Change %
Brazil	323.9	411.2	-21.2
Argentina e Paraguay	127.2	124.2	2.4
Portugal e Cape Verde	33.3	35.3	-5.8
Africa	148.2	118.0	25.7
Trading / Shipping and Others	0.0	-1.8	n.m.
Consolidated	632.6	686.9	-7.9
EBITDA Margin	24.3%	26.2%	-1.9 p.p.

Brazil

The Brazilian economy is expected to have registered growth of about 1% in 2014. The national involvement in the football World Cup followed by a period of uncertainty surrounding the electoral process justifies the investment and consumption slowdown observed in the second half. Economic sentiment reflected a contraction of this market after a cycle of high cement consumption, which registered average growth of 7.8% per annum between 2004 and 2013. This slowdown is estimated at around 2%.

Although the geographical diversification strategy of assets highlights the potential return of the other portfolio operations of InterCement, Brazil is still the major contributor to consolidated EBITDA, due to its local sales volume of 12.6 million tons.

The customer focus, which was taken up by InterCement as a strategic pillar, sets the company apart, allowing it to, counter-cyclically, increase sales by 0.5% in a clear sign of its reaffirmation in this market.

In parallel, the development of the level of services provided under the commercial dynamism fostered by the company, made an increase in average price of cement possible, although still below the inflation rate observed.

In concrete and mortar operations, InterCement registered sales in 2014 of 2.4 million m³ and 0.2 million tons, respectively. The aggregates activity grew slightly, 1% from the same period of 2013.

The strengthening of the national foothold of InterCement and the firm intention to ensure a continuous supply of cement to its base customers, required a major logistical effort accompanied by operational interventions to adjust the products made available. In 2014 energy costs also increased, not only by virtue of the withdrawal of subsidies but also by the impact of the devaluation of the Brazilian real on the import of fossil fuels.

In this climate, the Brazil business unit recorded an EBITDA of EUR 324 million, a reduction of 21% compared to 2013, a comparison influenced in EUR 33.5 million by the depreciation of the Brazilian real.

Investments in 2014 amounted to EUR 128 million euros, with emphasis on the following projects: capacity increase of the Apiaí cable car system, waste burning system in Candiota and the capacity increase project - Caxitu greenfield and Cezarina brownfield (new clinker production line).

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	17.9	17.9	-0.2%
Cement and Clinker Sales	10 ³ ton	12,601	12,533	0.6%
Concrete Sales	10 ³ m ³	2,394	2,760	-13.3%
Aggregates Sales	10 ³ ton	2,420	2,396	1.0%
Mortar Sales	10 ³ ton	183	196	-6.6%
Sales	10 ⁶ euros	1,168.4	1,238.7	-5.7%
Operational Cash Flow (EBITDA)	10 ⁶ euros	323.9	411.2	-21.2%
EBITDA Margin	%	27.7%	33.2%	-5.5 p.p.
Employees (31 Dec.)	Units	3,020	3,055	-1.1%
Operating Investments	10 ⁶ euros	127.9	224.5	-43.0%

Argentina and Paraguay

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	9.2	8.9	3.4%
Cement and Clinker Sales	10 ³ ton	6,600	6,664	-1.0%
Sales	10 ⁶ euros	601.5	651.3	-7.6%
Operational Cash Flow (EBITDA)	10 ⁶ euros	127.2	124.2	2.4%
EBITDA Margin	%	21.1%	19.1%	2.1 p.p.
Employees (31 Dec.)	Units	3,075	3,048	0.9%
Operating Investments	10 ⁶ euros	46.8	72.4	-35.4%

Argentina and Paraguay achieved an EBITDA in 2014 of EUR 127 million, ensuring this BU remained the second largest contributor to consolidated EBITDA of the company. In the comparison with 2013 we must first bear in mind the increase in the contribution to this business unit from the activity in Paraguay, which would eventually drive an increase in its EBITDA margin of about 6 p.p. as a result of increased efficiency. This comparison should also favourably take into account the extraordinary costs incurred in 2013 (anti-trust fine in the amount of EUR 25 million) and, unfavourably, the 33% devaluation impact of the Argentine Peso (about EUR 39 million).

An important slice of InterCement's investments in 2014 was allocated to Paraguay, to the project to complete the integrated cement production plant. The investment allocated in 2014 to the Argentina and Paraguay business unit stood at EUR 47 million, covering in Paraguay coal grinding, grinding of the raw mixture and the kiln for this integrated plant and in Argentina it was mainly used as maintenance investments.

Argentina

Argentina's economy registered in 2014 its first fall in growth in more than a decade with GDP shrinking about 1% from 2013. The start of the year, marked by widespread exchange rate instability and turbulence in the financial markets due to the local debt restructuring, contributed to a reduction in consumption and investment.

The cement market, which registered average growth of 7.7% over the last 10 years, after recording record sales in 2013 and growth of 12%, had already given signs of the prospect of adjustment, which eventually came true in 2014. However, and despite the above-referred climate, the market once again showed its resilience as it limited this contraction to 3.5%, which is possible in view of the trend to channel investment to Argentina's residential construction sector as the usual safe haven in a climate of marked inflation.

InterCement, strategically oriented to focus on the customer, reaffirmed its position as national leader and increased its market share. The impact of the market contraction would be mitigated by these means and a recovery in the last quarter would even be registered, driven by this local trend, ensuring 2014 ended with cement and clinker sales of 6.2 million tons.

Despite the fact that the economic context impacted on the different businesses of this unit, we must refer to the measures to increase efficiency that have been having an effect, such as the reduction of incorporated clinker and increased energy efficiency through co-processing.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	8.5	8.5	0.3%
Cement and Clinker Sales	10 ³ ton	6,178	6,383	-3.2%
Concrete Sales	10 ³ m ³	706	726	-2.7%
Aggregates Sales	10 ³ ton	1,059	1,112	-4.8%
Ferrosur Sales	10 ³ ton	5,259	5,751	-8.6%
Sales	10 ⁶ euros	545.4	613.1	-11.1%
Employees (31 Dec.)	Units	2,970	2,968	0.1%

Paraguay

After a year of outstanding economic growth among the countries of Latin America, the Paraguayan economy should have grown roughly 4% in 2014, showing a progressively more competitive and attractive Paraguay for foreign investment.

The cement market maintained its pace of expansion, growing 14% from the previous year and surpassing the 1 million ton mark in consumption.

2014 was the first year InterCement could benefit from a full year's use of its grinding unit. At the end of 2014 the new kiln was also completed, which provided this unit with an integrated cement production capacity of 680,000 tons/year. The local industrial capacity allied with the versatility and agility of InterCement, resorting to its production capacity in other countries where and whenever necessary, enabled local demand to be promptly and continuously met.

The company increased its sales in this country by 50.6%, showing resilience in a climate particularly pressurized by imports that eventually led to a decline in the local price.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	0.7	0.4	70.0%
Cement and Clinker Sales	10 ³ ton	422	280	50.6%
Sales	10 ⁶ euros	56.2	38.1	47.2%
Employees (31 Dec.)	Units	105	80	31.3%

Portugal and Cape Verde

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	9.1	9.1	-0.3%
Cement and Clinker Sales	10 ³ ton	4,554	4,229	7.7%
Sales	10 ⁶ euros	301.3	307.5	-2.0%
Operational Cash Flow (EBITDA)	10 ⁶ euros	33.3	35.3	-5.8%
EBITDA Margin	%	11.0%	11.5%	-0.5 p.p.
Employees (31 Dec.)	Units	964	973	-0.9%
Operating Investments	10 ⁶ euros	6.4	3.3	93.7%

Despite the increased activity of the Portugal and Cape Verde business unit, the impact of the heavyweight drop of cement sales in the Portuguese domestic market and the decrease of revenue from the sale of CO₂ permits compared to 2013 (less EUR 2 million) are the reasons for the 5.8% decrease in EBITDA.

The scenario of containment in terms of net operational investments remained in place, which totalled EUR 6 million, with emphasis on the co-processing project for MSW burning at the Alhandra plant.

Portugal

The Portuguese economy reversed the contraction trend of the previous 3 years in 2014, recording GDP growth of around 1% and consolidating a trajectory of overall GDP recovery.

The construction sector, which is sensitive to the cutting back of private investment and budgetary constraints on the State's accounts, remained standoffish, penalising cement consumption in the domestic market. Positive signals were observed although the evolution of construction still remained unfavourable, and the degree of market downturn, though still in two digits, was rather less than had occurred in 2013.

InterCement's cement sales in Portugal followed the market trend, declining 12% from the previous year to record a total of around 1.3 million tons. To compensate for this, the exports of cement and clinker again beat records, growing 20% in the year, the equivalent of more than 3 million tons sold, primarily to countries in Africa and South America. Exports, despite having lower prices when compared to prices in the domestic market, have helped to leverage the production of cement and clinker, increasing the rate of capacity utilisation of clinker.

Concrete in 2014 reversed the decline trend registered in 2013, as sales increased 9.4% to 1.064 million m³. EBITDA grew for aggregates and mortars fuelled by higher mortar sales (24% higher than 2013) and operational optimization in aggregates (sales fell 2% from the previous year).

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	9.1	9.1	-0.3%
Cement and Clinker Sales	10 ³ ton	4,371	4,053	7.9%
Concrete Sales	10 ³ m ³	1,064	973	9.4%
Aggregates Sales	10 ³ ton	4,103	4,199	-2.3%
Mortar Sales	10 ³ ton	56	45	23.7%
Sales	10 ⁶ euros	274.3	283.5	-3.2%
Employees (31 Dec.)	Units	863	868	-0.6%

Cape Verde

2014 in Cape Verde was marked by an increase in cement consumption, reversing the trend that had existed. InterCement's sales exceeded the performance of the market growing about 3.7% for a total of 182,000 tons sold, incorporating a price increase of more than 3%. Similarly, the increased number of major works, mainly linked to the tourism sector and the public investment programme, led to sales of concrete and aggregates increasing by more than 60%.

	Unit	2014	2013	Change
Cement Sales	10 ³ ton	182	176	3.7%
Concrete Sales	10 ³ m ³	17	10	66.3%
Aggregates Sales	10 ³ ton	64	39	63.7%
Sales	10 ⁶ euros	27.0	24.0	12.6%
Employees (31 Dec.)	Units	101	105	-3.8%

Africa

The development of InterCement's operations in Africa clearly stood out in 2014, revealing the potential of its growing weight in the portfolio of assets by presenting EBITDA growth of 26%.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	10.7	10.1	6.3%
Cement and Clinker Sales	10 ³ ton	6,783	5,772	17.5%
Sales	10 ⁶ euros	521.9	447.8	16.5%
Operational Cash Flow (EBITDA)	10 ⁶ euros	148.2	118.0	25.7%
EBITDA Margin	%	28.4%	26.3%	2.1 p.p.
Employees (31 Dec.)	Units	1,493	1,580	-5.5%
Operating Investments	10 ⁶ euros	21.5	46.0	-53.3%

The recent development of InterCement's operations in Africa, reflect the local markets' potential allied with the management practices being introduced in these countries. All the markets where the company operates recorded growth, further fostered by the operational improvements introduced through the systems for sharing best practices and the implementation of measures to achieve the levels presented as benchmarks, which have been taking effect in the various regions.

The increased commercial dynamism in all countries, responding to the strategic call for customer focus, introducing levels of response to demand and the provision of innovative services, combined with the benefits of the management of stock and the energy matrix in Egypt, operating improvements in South Africa and initiatives of the Mutirão project in Mozambique, have all contributed, among others, to the 25% increase in EBITDA registered, raising it to EUR 148 million.

This increase is all the more relevant if the 2 p.p. increase of EBITDA margin associated with it is taken into consideration: 28.4%.

Net operating investment fell more than 50% compared to 2013, down to EUR 21 million. This investment covered the installation of the new coal mill and the more intensive implementation of co-processing in Egypt, the installation of the cement mill at Dondo and the electricity substation in Mozambique, and maintenance investments in South Africa.

Egypt

Egypt's economy maintained growth above 2% in 2014, benefitting from greater political stability, economic reforms and investment recovery.

The improved economic context led to a growth in cement consumption greater than 2.5%, to a total of 51 million tons consumed.

On the other hand, the adjustments in energy policy would cause increases in the energy bill for the cement industry.

InterCement's business in Egypt performed positively in 2014. In anticipation of the restrictions and corrections applied to the supply of fuel, in particular the withdrawal of subsidies for natural gas, primarily used as the fuel to then, the company strategically decided to stockpile both fuels and clinker. The scenario the company had envisaged became reality and the company, unlike some of its competitors, managed to

assure the normal functioning of operations responding to its natural demand and expanding its customer base.

The stockpiling option coupled with the commercial dynamism of InterCement resulted in increased market share, with sales growth of 18% as a result of the competitive advantage presented.

InterCement, following up on the measures to increase local operational efficiency, as evidently shown by the EBITDA margin registered in 2014, also moved to optimise clinker consumption. In parallel, considering the new local energy policy, InterCement continued to adjust its energy matrix – which in addition to the ongoing installation of a new coal mill also comprises the more intensive use of co-processing. InterCement did in fact register record co-processing statistics for this unit, in 2014, mitigating the increase of about 20% in local energy costs.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	5.8	5.5	5.9%
Cement and Clinker Sales	10 ³ ton	3,761	3,196	17.7%
Concrete Sales	10 ³ m ³	17	15	9.1%
Sales	10 ⁶ euros	246.9	180.8	36.6%
Employees (31 Dec.)	Units	508	516	-1.6%

Mozambique

Latest estimates indicate that Mozambique's GDP has grown around 8% in 2014. The country continues to register robust macroeconomic performance based on increased coal production, the implementation of infrastructure projects and budgetary expansion.

The cement market maintained its recent trend, growing in 2 digits, and surpassing the GDP growth of the Mozambican economy, with estimated growth of 14%. The especially competitive climate as a result of imports would eventually apply pressure to the local price.

The year of InterCement was marked by the beginning of an operational improvement project called "*Mutirão Industrial*", with the goal of leveraging key points of industrial performance and raising the unit to the operational benchmarking levels of the company. At the end of the year, with the challenge of regular supply of limestone to the kiln, improvements in productivity and efficiency could already be seen with the production of cement and clinker surpassing the previous year by 35% and 28%, respectively, supplemented by reductions observed in the consumption of fuel and electricity.

The restructuring of the commercial team and the development of market intelligence in this business unit - which benefitted for the first time from a full year of activity of the two new mills installed in 2013, and an industrial response immediately improved by the impact of the actions implemented under the *Mutirão Industrial* project, raised local cement sales by 17% to the record total of 1.5 million tons. This process was engaged in reconquering the local market share.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	3.1	2.9	7.2%
Cement and Clinker Sales	10 ³ ton	1,520	1,299	17.0%
Concrete Sales	10 ³ m ³	157	172	-8.7%
Sales	10 ⁶ euros	148.9	141.9	5.0%
employees (31 Dec.)	Units	600	643	-6.7%

South Africa

The prospects for development of the South African economy proved to be positive with growth of about 1.5%, in line with the expansion that has been observed since 2008.

According to the latest estimates, the cement market in 2014 should have registered growth of less than 2%. An increase of competitiveness was observed due to the sharp increase in imports and the entry of new players.

InterCement, implementing a new commercial dynamism and exploring the new brand introduced in 2013, increased its sales by approximately 17%, to about 1.5 million tons, showing a clear recovery of its market share while at the same time imposing an average price increase of about 3%.

The commercial performance was complemented with operational improvements, translating into clinker production 25.6% higher than the previous year with lower thermal consumption and the start-up of the co-processing activity.

	Unit	2014	2013	Change
Cement installed capacity	10 ⁶ ton	1.8	1.7	5.7%
Cement and Clinker Sales	10 ³ ton	1,502	1,281	17.3%
Concrete Sales	10 ³ m ³	188	180	4.3%
Aggregates Sales	10 ³ ton	573	509	12.5%
Sales	10 ⁶ euros	126.1	125.2	0.7%
employees (31 Dec.)	Units	385	421	-8.6%

2. Amortization and Provisions

Amortization and impairments totalled EUR 203 million which, compared with EUR 199 million in 2013, were influenced by the impact of currency conversion to the euro. Currency exchange in 2013, amortization and impairments increased by around EUR 19 million.

3. Net Financial Expenses

The net financial expenses of InterCement of 2014 were negative EUR 327 million, compared to the negative EUR 300 million recorded in 2013.

To this contributed the increase of net interest expenses, around EUR 18 million, as a result of the increase of interest rates in South America and the effect on rates by increasing the maturity of financial debts in EUR and USD, resulting from the restructuring that took place in the year, and which is also responsible for an increase of associated charges by about EUR 16 million.

On the other hand, it is worth mentioning the favourable evolution of negative exchange rate differences, by about EUR 11 million. To this evolution contributed the contracting in the third quarter of the year of financial instruments to cover the euro from exchange rate exposure to the USD, which allowed losses of about EUR 100 million euros to be avoided, and thus significantly reduced the risk to the financial results of exposure to exchange rate volatility.

4. Taxes

Income taxes decreased around EUR 25 million to EUR 52 million, on the back of the registration in 2013, in Austrian subsidiary, of a circa EUR 64 million tax credit. Disregarded this impact the income tax would come in line with the 2013 figures. Income taxes are still not influenced by the registering of deferred taxes corresponding to the negative results of the holdings and financial societies holding debt.

5. Net Income

Net income amounted to EUR 50 million. The component attributable to shareholders presented a decrease of EUR 130 million euros, to stand at EUR 41 million, essentially due to the exchange rates impact in the operational results conversion to euros, on top of the variations of net financial expenses and taxes, for the reasons set out above.

INCOME STATEMENT			
(Million Euros)	Jan - Dec		
	2014	2013	Change%
Sales	2,604.0	2,624.4	-0.8
Net Operational Cash Costs	1,971.4	1,937.5	1.8
EBITDA	632.6	686.9	-7.9
Amortisations and Provisions	203.1	199.3	1.9
Operating Income (EBIT)	429.6	487.6	-11.9
Financial Results	-327.5	-300.1	9.1
Pre-tax Income	102.1	187.5	-45.6
Income Tax	52.0	27.0	92.5
Net Income	50.1	160.5	-68.8
Attributable to:			
Shareholders	41.0	170.9	-76.0
Minority Interests	9.1	-10.4	n.m.

6. Balance sheet

The total assets of InterCement at 31 December 2014 were EUR 6,968 million, which represents a decrease of 3.1% compared to the values at the end of 2013. This comes mainly from the reduction of the non typical level of Cash by December 31, 2013 resulting from the capital increase in late that year - which funds were aimed at financial debt amortization.

Net financial debt, which increased slightly from EUR 2,458 million to EUR 2,502 million, evolved favourably by about EUR 182 million in the last quarter of the year, largely impacted by the strong cash generation during this period (around EUR 115 million).

The average maturity of financial debt increased to around 6.1 years, as a result of refinancing operations carried out in the year. Of particular note in this regard, and which also represents the capacity of diversification of financing sources, is the issue by the subsidiary Cimpor BV of 10-year Senior Notes amounting to USD 750 million.

Net operating investments amounted to around EUR 204 million in 2014, about EUR 138 million less than in 2013, in line with the financial consolidation effort being followed. The most significant projects involved the continued expansion of the Caxitu and Cezarina units, in Brazil, and the installation of the kiln in Paraguay to complete the integrated line there. Other investments included the installation of the cement mill in Dondo and the electricity substation of the unit in Mozambique, while in other countries the resources were intended primarily for the maintenance of existing assets.

CONSOLIDATED BALANCE SHEET SUMMARY			
(Million Euros)	31 Dec 2014	31 Dec 2013	Change%
Assets			
Non-current Assets	5,307	5,155	2.9
Current Assets			
Cash and Equivalents	802	1,228	-34.7
Other Current Assets	859	811	6.0
Total Assets	6,968	7,194	-3.1
Shareholders' Equity attributable to:			
Equity Holders	1,456	1,348	8.0
Minority Interests	829	911	-8.9
Total Shareholders' Equity	2,285	2,259	1.1
Liabilities			
Loans	3,613	3,821	-5.4
Provisions	145	143	1.5
Other Liabilities	924	971	-4.8
Total Liabilities	4,682	4,934	-5.1
Total Liabilities and Shareholders' Equity	6,968	7,194	-3.1

7. Free Cash Flow

The Free Cash Flow of InterCement in 2014 was EUR 91 million, showing a clear freeing up of cash as opposed to the EUR 26 million requirements of 2013.

In addition to the seasonal factor, which by its nature drives marked cash generation in the second half, a positive trend of cash flow generation of about EUR 115 million was observed in the fourth quarter.

The programme of efficiency improvement in the generation of working capital proved to be particularly significant. In fact, excluding the item of payments to CAPEX suppliers, the benefits of the new methodologies applied to the management of working capital offset the funding needs arising from the increased activity of InterCement, so no additional investment was required.

The amounts presented in the above-referred suppliers item arise from the finalisation of all the five production units under construction in 2013, a fact which also justifies why the value displayed under CAPEX for this period registered a reduction of approximately 40% in 2014.

InterCement concluded a cycle of heavy investment in 2013, and it is now in a comfortable position for its slowdown guided by the investment discipline inherent to the deleveraging objectives of the company.

Accordingly, a contraction of EBITDA occurred, mitigated by efficiency of the management of working capital and a reduction of CAPEX and taxes paid (since a special settlement under a beneficial scheme in Portugal occurred in 2013) and which all combined to release the registered cash funds.

€ million	2013			2014		
	1H	2H	FY	1H	2H	FY
Adjusted EBITDA	332	410	742	278	355	633
Working Capital ⁽¹⁾	-191	73	-118	-118	78	-40
Others	-20	-10	-30	2	-15	-13
Operating Activities	121	473	594	163	417	579
Interests Paid	-114	-113	-227	-104	-130	-234
Income taxes Paid	-27	-79	-106	-13	-29	-42
Cash Flow before investments	-20	281	260	45	258	303
CAPEX	-179	-152	-331	-102	-97	-199
Assets Sales / Others	-10	55	45	-27	13	-13
Free Cash Flow to the company	-209	183	-26	-84	175	91
Borrowings, financing and debentures	220	253	473	813	599	1,412
Repayment of borrowings, financ. and debent.	-200	-243	-443	-1,208	-678	-1,886
Capital Increases	0	534	534	0	0	0
Dividends	-7	-10	-17	-2	-8	-10
Other financing activities	0	-100	-100	-85	0	-85
Changes in cash and cash equivalents	-196	618	421	-566	87	-479
Exchange differences	-56	-128	-184	17	36	53
Cash and cash equivalents, End of the Period	737	1,228	1,228	679	802	802

⁽¹⁾ 2014 Working capital includes payments to 2013 CAPEX suppliers.

Outlook

InterCement is focused on developing its portfolio of assets, recently enriched with the acquisition of Cimpor back in 2012.

In a continuous process of integration, the company shares best practices between the various areas and countries in which it operates through the use of management tools, which consolidate the identified synergies by optimizing the enhancement of assets for increased efficiency.

The potential of InterCement's position in Brazil, where it has extended its nationwide coverage, associated with a strategy focused on sustainable partnerships with its customers has strengthened its share of this market. This has laid the foundations for commercial and industrial opportunities where the potential, in the medium and long term, is evident given the gaps that exist in both infrastructures and also in the residential sector. Similarly, the company is the local market leader in Argentina, where it has reinforced its initiatives to increase operational efficiency.

The transposition of the best practices to InterCement's operations in Africa has driven the growth of its contribution to consolidated EBITDA, a trend that will continue to make itself felt in the performance of the company. The pace of this affirmation will depend, also, on the foreign exchange developments of the local currencies against the euro, the consolidation currency of InterCement.

The trading activity, taking advantage of market opportunities and the availability of production capacity in some countries, mainly Portugal, has developed its export capacity not only as a strategic instrument for identifying new customers, particularly along the African coast, but also as a means of making the schedule of investments to increase capacity more flexible, since it can meet demand in regions where the company operates.

InterCement envisages a scenario of consolidated sales growth for the next three years. There may be adjustments in some local economies, especially in Brazil and Argentina. It also envisages a price recovery trend that may be more significant on the African continent.

Production costs should follow general inflation trends. The company gives priority to increase energy efficiency, whether by investments aimed at making greater use of co-processing or by making the fuel sources to be used more flexible.

The project to increase efficiency in the management of the working capital fund is worth highlighting, aligned with the operational income, described above, which may define EBITDA in 2015. In the process of continuous improvement, this project should provide a reduction in days of operational net income next year, which will cancel out the increased working capital requirements arising from the growth of activity.

The level of investment in 2014 (EUR 204 million), now exiting a cycle of high investment that culminated with the record investment amount observed in 2013 – the year in which InterCement moved forward with expansion projects in five production units, has now begun approaching the planned cruise speed for the forthcoming years, in line with the company's investment plan of EUR 440 million from 2015 to 2017. The investment is aimed at operations expansion and modernisation projects, with particular focus on advancing the activity of co-processing and using alternative raw materials for cement production.

Thus, in view of the EBITDA, CAPEX and Working Capital trends associated with the perspectives of disbursements for interest and taxes approaching the values observed in 2014, InterCement envisages an increase of Free Cash Flow in 2015 on the value achieved in 2014.

Brazil

Brazil faces a new economic cycle based on medium and long-term sustainable growth. It is faced with fiscal rebalancing due to tax increases and the reduction of public spending, creating conditions for the reduction of inflation and interest rates. The introduction of these economic measures should generate growth and real income gains.

On the other hand, reduced consumption may be mitigated by investments aimed at meeting the housing and infrastructure needs of Brazil. The country has bottlenecks in its transportation infrastructure, and investments are required in urban mobility, energy and sanitation. In the housing area, the historic deficit, recently estimated at 6 to 7 million homes, will continue to be addressed through public and private investment, in programmes like the "My house, My life" plan. Thus, in the short term, cement consumption is projected to remain stable with a growth forecast of about 3% per year from 2016.

The water issue is also a factor of concern for the Brazilian economy. The country is experiencing its most severe drought of the last 100 years. The continuation of this situation may require the implementation of water supply and electricity restrictions, as well as the increased cost of their consumption, impacting on the performance of the Brazilian economy.

About 50% of the electricity consumed by InterCement in Brazil is provided by hydroelectric power plants in which the company is a shareholder. So, in a climate of power generation reduction, InterCement keeps its supplies at cost price. The supply of the other 50% is secured by 10-year contracts with other distributors, with the energy prices annually revised based on the adjusted CPI.

InterCement, prepared to face the effects of increased competitiveness, will continue to strengthen the focus on partnerships with customers and initiatives to increase operational efficiency, especially in capturing synergies and the exchange of best practices between its various international operations. InterCement will ensure the supply to customers and the best level of service of the industry in order to maintain its market share. It can also rely on the ability to import cement from Portugal to ensure greater flexibility and adequacy of its product supply in the Brazilian market.

Argentina

The economic trend envisaged for 2015 in Argentina is similar to that registered in 2014, with positive signs already indicated in the second half. This scenario reflects the prospect of lower inflation and the introduction of a set of economic correction measures positively associated with the election period. There is also the expectation of the improvement of the price of commodities exported by Argentina and the imports of oil, both of which are vital to economic recovery.

Cement consumption, after a period of favourable growth and the record level registered in 2013, when growth exceeded 12%, was expected to be corrected in 2014, and which should extend in a more contained manner to 2015.

This expectation is based on the fact that, despite the economic downturn, the real estate sector should continue to attract private investments and therefore contribute to the demand for cement, to the extent that real estate is seen as a financial reserve, especially in a context of high inflation. Consumption in 2015 could also benefit from the electoral process.

Increased local competitiveness will force InterCement to conduct its business with extra effort to increase efficiency, since it will not adopt a price increase above inflation.

In a new cycle of economic recovery that is expected for the medium-term, the construction services and cement consumption should grow to recover investment deficits in several areas of the infrastructure sector, as the result of a long period of financial contingencies that have taken per capita consumption of cement to a level lower than the average of countries with the same income level. In the building materials sector, InterCement aims to reassert its position as leader of the cement market, continually improving the level of service to customers and deepening its partnerships with different stakeholders, thus differentiating the company among its peers. InterCement, seeking to strengthen its finances to support investments that will be needed when economic growth recovers, will keep its various initiatives to improve operational productivity and efficiency, which embody investments in co-processing projects. These measures will, jointly, maximise the operating income.

Paraguay

Although it is a small market, compared with its neighbours Argentina and Brazil, the country is going through a good economic cycle. The economy may also be benefitted by low oil prices, the country's main import. It is also expected that the country will maintain GDP growth at the average of recent years, which levers investments in infrastructure and in housing, allowing the construction sector and, consequently, cement consumption to grow at even higher rates. It is estimated that the recent dynamism of the construction sector will stand out among the various areas of the economy in Paraguay, assuming an increasing weight in its contribution to the GDP. The attractiveness of the Paraguayan market may be reflected in increased competitiveness by means of imports. Moreover, the scenario forecast by InterCement envisages the consumption of cement in the domestic market increasing at a rate higher than GDP, in a context in which the growth of local supply will lead to a level of confidence in construction that will stimulate demand that has been suppressed to now due to the shortage of cement supply in the local market.

InterCement expects that cement sales growth will exceed the increase of local consumption, due to favourable economic dynamics and market leading management practices.

Hence, InterCement envisages, assuming the full use of its integrated cement production capacity in 2015, increased profitability - doubling the EBITDA margin - and a significant gain in the business unit's contribution to the consolidated accounts of the company.

InterCement, confident in the economic progress of Paraguay, has made the commitment since the beginning of its operations to respond to and accompany the growth of local demand for cement, with a plant designed so that its production capacity could be doubled through the assessment of new investments.

Egypt

In a scenario of national stability, the Egyptian economy, leveraged by household consumption, tourism and the manufacturing and construction sectors, shows signs of acceleration, as reflected by the GDP growth registered in the last quarter of 2014. The cement market accompanies that growth through the opportunities presented by the demographic profile and the local infrastructure needs.

The prospects of economic reform and increased investment in the country allow InterCement to forecast major demand for cement and it is preparing for this on two fronts: evaluation of the expansion of production capacity and increased energy efficiency. On this second front, InterCement, aligned with the national policies for the energy sector, has been adjusting its energy matrix to a system of greater efficiency and flexibility with the construction of a new coal mill. It has also been burning waste (co-processing), expecting to achieve 30% replacement of conventional fossil fuels.

2014 was a year of exceptional performance by the Egypt business unit, with direct impact on increasing the company's EBITDA margin. InterCement benefitted from the policy to stockpile fuel and clinker and new commercial dynamism, setting InterCement apart from its peers.

Portugal

The economic expectations for 2015 are the acceleration of GDP.

The forecast for 2015 is the reverse of the trend of contraction presented by the home market in recent years and cement sales growth will come through exports. The Portugal plants are the benchmarking for efficiency and production exported to other countries. This exporting activity is strategic for the company's best allocation of capacity, for the flexibility brought to the investment chronogram and the assistance on the identification of opportunities to enter new markets, in particular on the African coast.

Cape Verde

The forecast is that demand in Cape Verde will continue to evolve positively in 2015, especially stimulated by the pre-election period.

InterCement will continue its plan for the improvement of local operations, confirming its position as market leader and keeping up with the growth of demand in this country.

Mozambique

Mozambique is particularly promising. It has registered economic growth in recent years that is among the world's highest. This trend should, according to the IMF, continue with GDP growth forecast at 7.5% accompanied by inflation of 5%. The dynamic Mozambican economy continues to be driven by mining activities and construction fed, in particular, by the great lack of infrastructure that will drive this sector of the economy in the short, medium and long-term.

InterCement in Mozambique will continue to be the only company present virtually all over the country and the only one to locally manufacture its own clinker. This competitive advantage will tend to be maintained in the near future, although the growth of competition from imported cement is also expected. To accompany the development of Mozambique, InterCement has the project to install a new kiln. This increase of clinker production capacity will supply not only the existing mills in the country, but also the increase in demand expected in the northern region.

The expectations of development of the activity in Mozambique in 2015 will also rely on the dynamism from the initial results of the actions provided for in the *Mutirão Industrial* project (focused on operations). In this project, internal experts of the industrial, commercial and logistics areas liaised to develop a plan to increase local efficiency. The first results began to have an impact from the second half of the year, with greater operational stability and reduced costs, in addition to the recovery of market share. The second stage of the project will continue in 2015, called *Mutirão Pessoas* – aiming at developing the potential of the staff in Mozambique. These initiatives, together with the development of the local market, can generate an increase in the EBITDA margin from this unit.

South Africa

It is estimated that South Africa's GDP has grown around 1.5% in 2014. This performance was due to the instability of the international economic climate and the volatility of the rand (local currency), in addition to energy supply interruptions and strikes in several sectors.

There are positive signs regarding the prospects of economic growth in the short-term, in the perspective of the fall in oil prices and the increase of domestic demand, which will be fuelled in a post-election context by the implementation of a one trillion rand national programme for the development of infrastructures.

The construction sector, as well as cement consumption, should overcome the stagnation observed since 2008 and show the first signs of growth, driven by increased demand in the residential and agriculture sectors. Nonetheless, the cement industry will still have to address increases in production costs and competitive pressure from new market entrants, in addition to imported cement.

In this competitive environment InterCement has been strengthening its market share by using its commercial policy and intelligence and with the implementation of a new cement brand.

InterCement is focused on increasing efficiency, profitability and the creation of value in building sustainable partnerships with its stakeholders. It recently appointed a new management team responsible for strengthening its market position and increasing technical competitiveness, creating a platform that encourages performance and productivity improvement.

In this context, the forecast for InterCement in South Africa is that it will increase its contribution to consolidated EBITDA.



InterCement