2014

Annual Report

InterCement

Building sustainable partnerships

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José Édison
Chairman of the Board of Directors of InterCement

> "To reach our goals, we need to optimize capital and keep profitability."

Message from the Board of Directors

In 2014 we consistently progressed with the identification of key steps to ensure our growth and 2023 Vision achievement: to be among the ten largest and the five most profitable international companies of the sector. Though we've already reached the first goal in advance, we're continuously challenged to reaffirm this position.

We have concluded our strategic map, which clearly guide us on four goal dimensions to be achieved – ensure results, build partnerships, improve process and develop people and culture – while assuming three-fold mindset: prioritize safety, evaluate risks and promote innovation and sustainability. In 2014 we focused on action plans and targets, clearly defined within this framework.

Conversely, we improved our financial structure as diversifying the type of creditors, extending the average maturity of financial instruments, while also adjusting local financing to our operations world-wide.

To reach our goals, we need to optimize capital and keep profitability. This requires organized processes to achieve better results. For instance, to use renewable sources on a more competitive thermal energy matrix, as well as to ensure the availability of strategic raw materials, to keep employees and stakeholders committed and aligned to build a single culture and to proceed with the business internationalization.

We gave special attention to the company governance, with employee training and dissemination of risk and crisis management policies, InterCement Code of Conduct and anti-corruption practices. We consolidated our targets ethically and with transparency in the relationship with our stakeholders.

We prioritized the consolidation of the new post-integration culture, encouraging leadership by example, focus on results, productivity, meritocracy, customer relationship excellence, innovation, transparency in professional relations, institutional relations with communities and environment strengthening among other aspects.

We aligned our actions with our commitment with the principles of the UN Global Compact, based on fundamental and internationally accepted values in the areas of human rights, labor, environment and fight against corruption. In our daily activities, we seek to take into account the interests and concerns of our stakeholders: customers, employees, communities where we operate, shareholders, public bodies and non-governmental organizations.

These relations inspire our tagline *Building Sustainable Partnerships*, which supports our Vision, and that will be our great differentiation in the medium and long terms. In 2014, we promoted a series of workshops with our customers, suppliers, employees, and the surrounding communities, for long-lasting relations that produce long-term benefits for both sides. We also developed partnerships with institutes and universities of international reputation, such as University of São Paulo (USP), *Instituto de Pesquisa Tecnológica* (IPT) and *Instituto Superior Técnico* (IST) (Portugal), for research that will reinforce our differentiation in the market. This strategy will be adopted considering and evaluating the risks associated and the safety.

Different projects are in development phase to increase customer productivity. Customer Factory, for example, is a project that will help eliminate infrastructure bottlenecks. We created a Corporate Committee of Social Responsibility, to support and reinforce our initiatives in the communities, based on the idea that social investment projects should also generate direct business value and create shared value. We focused on emblematic projects, whose common purpose is to leverage local development. We are working with partners on the development of local suppliers in Pedro Leopoldo (MG), as well as Mozambique and South Africa.

2014 was a year of progress to our company, we got more focused on Clients and Productivity, offered a broader product portfolio, and expanded operations footprint in different locations, becoming more prepared to face market volatility.

We celebrated the 40th anniversary of our first cement plant, but our experience goes beyond this age, considering that Cimpor, created 38 years ago, incorporated factories in Portugal which are more than 120 years old, such as Cimentos Tejo (Alhandra). Leveraged on our accumulated knowledge and great commitment of our employees, we are ready to face the challenges ahead of us to firmly progress towards our goals achievement.

Ricardo Lima
CEO

“ Building sustainable partnerships have been at the centre of our attentions in 2014. ”

Message from the CEO

The dispersal of our activity over different countries allowed us to be more prepared in 2014 to withstand market volatility. It gives us a competitive advantage, which was important for ensuring the year's performance, when InterCement's net income amounted to EUR 2.6 billion, a fall of 0.8% compared to the previous year. EBITDA of EUR 6285 million, was 7.1% below the previous year's result and net profit reached EUR 41 million. These numbers do not demonstrate the expansion of our business activity, as a result of the impact of the depreciation of some currencies (Brazilian real, Argentine peso and South African rand) in relation to the euro, the currency in which we present our consolidated accounts.

Building sustainable partnerships have been at the centre of our attentions in 2014. The proximity to client, supplier and the community, the concern with matching the needs of our stakeholders with our performance, prove to be a great advantage that we have been able to show and this was important in the construction of this year's results.

We achieved a lot of success in Brazil with our core business strategies, which still today accounts for approximately 50% of our EBITDA, with gains in market share, especially in the first half. We have a double challenge in the country: internally, to advance with the optimisation of processes, the demand for productivity, efficiency and competitive costs, maturing the process of integration and synergy following the assets swap with Cimpor, externally, to address a market that is no longer growing so rapidly.

The year began in Argentina with a sharp devaluation of the peso. There was a slight drop in sales compared to the previous year, which was already expected vis-à-vis the cycle of sharp growth in demand that we have seen in recent years. Loma Negra, leader of the national market with a share over 45%, is a flagship company. It has a recognised brand that stands out for its quality, customer service, provision of services and the development of new products. Business in the industrial area remained steady, guaranteeing controlled costs and technical indicators aligned with best practices.

The trading activity and, in particular, exports from Portugal, continued to be a clear success. At a time when the domestic market of Portugal still underwent a sharp fall, in the order of 11% over the past year as a result of local economic adversity, exports rose 19%, from 2,648,819 tons in 2013 to 3,153,800 tons in 2014, and confirming InterCement as the fifth largest cement trader of the industry. In fact, entry into new markets, especially in Africa, has allowed us to record best ever export figures. Algeria was a stand out sales destination. The very good operational efficiency of Portugal should be noted, with high standards of productivity and costs competitiveness, surpassing its co-processing benchmarks.

Paraguay had an outstanding year. We only operated, until October, the grinding facility opened in 2013, using imported clinker. In that month we inaugurated the kiln of the new integrated plant, which is performing as expected for the initial phase. The production of its own clinker makes the country one of major potential on our portfolio and we expect to more than triple the results in 2015, with the entry into operation of the integrated plant. This plant started its activities with a full capacity thanks to the pre-marketing work carried out in recent years with the support of the trading area.

In Egypt, anticipating the disturbances in fuel supply, we stockpiled mazote and clinker, which allowed our operations not to suffer from interruptions due to the energy crisis that affected the country. We were able to expand our sales to non-habitual customers. Fuel supply flexibility remains an issue of particular importance in Egypt. Measures in this field, besides the beginning of co-processing, are ongoing. It should also be referred here that the entire team in Egypt is heavily involved in the use of our management tools, which also led to the country winning our internal management excellence award. The use of these tools has enabled the implementation of operational practices that are a reference throughout the world.

Mozambique is the country that has grown at the highest rates among all the countries in which we operate, with positive growth of 17% in 2014. We launched the *Mutirão* project, aware of the enormous potential of our business in this country. Under this project,

Ricardo Lima
CEO

“I also highlight the topic of safety... reinforcing even more the belief that “we do it safely or not at all”.”

Message from the CEO

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and logistics areas have liaised to develop a plan of action aiming at improving our local performance. The first results began to have an impact from the second half of the year. with greater operational stability and reduced costs.

Of note in South Africa was the strengthening of market intelligence, with the search for new niches and operating regions. We grew 17%, in line with the market and in a particularly competitive economic climate, preserving our share within historical levels. In operational terms, reference should be made to the beginning of the activity of co-processing, like in Egypt.

The main challenge of 2015 is to deal with the macroeconomic adversity present throughout the world. We will use the advantage of our geographical dispersion and the increasingly structured way that we manage our operations to guarantee the level of performance we have set ourselves. We have several internal projects that will allow us to maintain world-class operations. We shall prioritize productivity, with challenging goals aligned to both internal and external benchmarks, undertaking the structured work to improve processes and exchange best practices. We are supporters of the best management system tools (IMS - InterCement Management System) because they allow us to tackle any challenge. We have the support of a significant innovation culture, strengthened in 2014 with the global launch of Click Lab, a portal for ideas where employees can comment and contribute with suggestions and projects. We created Neogera, a company intended to accelerate small business that can play an important role in the future.

We will continue to improve our financing structure, following the policy of reducing and leveraging debt and the redesigning the debt profile. Among the stand out projects in this field we will be especially committed to that to increase the efficiency in management of the working capital fund, the results of which are already evident in Q4 2014.

I also highlight the topic of safety, because we face the major challenge of improving our occupational safety indicators, reinforcing even more the belief that “we do it safely or not at all”. Safety is a value. It forms part of InterCement Attitude, and must be the centre of our attention. The topic forms part of the Culture project that is under construction and will be one of our priorities in 2015, strengthening participatory leadership, teamwork, the respect for people, recognising our multi-culturalism, so that we may continue to grow in our way of being.

Overview

InterCement

InterCement is positioned among the ten largest cement producers in the world, runs operations in three continents (South America, Africa and Europe) and eight countries. It has 40 cement plants and mills and an installed capacity of more than 47 million tons/year. It is the market leader in Portugal, Argentina, Mozambique and Cape Verde, deputy leader in Brazil and in Paraguay, and it holds a market leading position in South Africa and in Egypt.

Our history begans in 1974, when the first cement plant was inaugurated in Brazil, the Portland Eldorado, in the town of Apiaí, São Paulo state. Since then, InterCement has been marked by the continuous development, through the construction of new units, but also because of the successful integration of acquisitions, such as Cauê in Brazil in 1997, Loma Negra , Argentina, in 2005 and Cimpor (2010-2012).

InterCement ended 2014 with sales of 30 million tons of cement and clinker, which is 6% higher than the results of the previous year. It also achieved in 2014 a net income of EUR 2.6 billion, a negative variation of 0.8% compared to 2013, and ended the year with a workforce of 8768.

InterCement´s operations are guided by a long-term vision, establishing the target for 2023, remaining among the ten largest international cement companies and achieving a position among the five most solid and profitable.

Overview of InterCement:

Broad geographical presence:

3 continents,

8 countries

Strong market presence presence in Brazil, Argentina, Paraguay, Portugal, Egypt, Mozambique, South Africa and Cape Verde.

40 cement units:

23 integrated plants and **17** mills

8,768 employees

30 million tons sold

Mission, Vision, Values

Vision

Stand out for its customers through the level of collaboration and services provided, remaining always among the sector's ten largest companies and in the top-five soundest and most profitable international companies of the industry.

Mission

Grow and develop together with customers, employees, suppliers, shareholders and communities, steered by innovation, sustainability and operational excellence.

Values

Respect for people and the environment – Act always correctly and fairly towards shareholders, employees, customers, suppliers, governments, communities and society at large Act responsibly in relation to the environment.

Operate responsibly – Respect that established in the legislation of the countries and regions where we operate; live up to the values defined here; act in an upright manner and according to universal standards of good human coexistence, without discrimination of race, sex, creed, religion, title, function or another.

Transparency – Provide clear and comprehensive information about the activities, achievements, policies and performance, in a systematic and accessible manner.

Focus on results – Always seek to maximize performance in order to ensure business continuity, the investments made, the return for shareholders and the right conditions for employees.

Quality and innovation – Ensure customers obtain the highest possible quality in the execution of services or the supply of products and continuously invest in the improvement of business activities and employees.

Business environment

The cement industry is distributed to almost every country in the world, and we see the operations of local firms and large international groups. Estimates are that worldwide more than 5,500 cement plants operates and that global production was around 4.2 billion tons in 2014, just over the 4 billion tons produced in 2013, according to data of the Global Cement Report. It's a market that transacts about USD 250 billion a year, without considering China, which accounts for more than half of world production and consumption and where basically only national companies operate.

Brazil, the main market of InterCement´s, had estimated production of 69.8 million tons in 2014, making it the world's fifth largest producer, after China, India, USA and Iran. Brazil is well placed relative to other major economies, allowing it to grow above the world average of 73% in the period between 2005 and 2013. The high growth level of 94%, led Brazilian production to improve from 13th to 5th position.

The global market which is directly dependent on the performance of local economies, presented variations in 2014 in accordance with the performance of those markets: lower growth in China, India and Iran, high sales in the USA and virtually stagnant in Europe and in Brazil.

InterCement is positioned among the ten largest cement companies with international operations. It is the second largest cement manufacturer of Brazil. It is the market leader in Portugal, Argentina, Mozambique and Cape Verde, while in Paraguay it is ranked second in the market. In Egypt and South Africa it is the market leader of the regions in which it operates, in Alexandria and Durban, respectively.

Markets Where InterCement Operates

TRADING

Characteristics:
- **Fifth** largest trader in the world, significant exports to Africa and Latin America;
- Optimisation of resources;
- Investment timing flexibility ;
- Prospecting new markets.

PARAGUAY

Market size (M. ton): **1.4**
Growth (GAGR 2003-2013): **8.8%**
InterCement ranking: **2nd**
Characteristics:
- Growing market;
- Economic growth cycle supports increased demand;
- 2 competitors;
- InterCement: integrated plant completed in 2014.

ARGENTINA

Market size (M. ton): **10.5**
Growth (GAGR 2003-2013): **7.8%**
InterCement ranking: **1st**
Characteristics:
- Sound and resilient market;
- 4 competitors;
- InterCement: logistics advantage.

BRAZIL

Market size (M. ton): **70.8**
Growth (GAGR 2003-2013): **7.7%**
InterCement ranking: **2nd**
Characteristics:
- world's **5th** largest market;
- Need for infrastructure and construction of housing;
- 6 competitors with multi-regional presence – 19 in total;
- InterCement: operating in the country's key regions.

PORTUGAL & CAPE VERDE

Market size (M. ton): **3**
Growth (GAGR 2003-2013): **-10.6%**
InterCement ranking: **1st**
Characteristics:
- Exports compensate for contraction of the internal market;
- 2 competitors;
- InterCement: highest level of productivity.

SOUTH AFRICA

Market size (M. ton): **11.8**
Growth (GAGR 2003-2013): **1.5%**
InterCement ranking: **1st** in the Durban region
Characteristics:
- Strong growth;
- Signs of recent recovery;
- InterCement: commercial and operational strategy.

EGYPT

Market size (M. ton): **54.2**
Growth (GAGR 2003-2013): **7.4%**
InterCement ranking: **1st** in the Alexandria region
Characteristics:
- Resilient market;
- Low urban development rate (43%);
- InterCement: local competitive advantages.

MOZAMBIQUE

Market size (M. ton): **1.7**
Growth (GAGR 2003-2013): **9.2%**
InterCement ranking: **1st**
Characteristics:
- One of the fastest growing economies;
- Strong potential, low per capita consumption;
- InterCement: sole integrated local producer.

Highlights
Main indicators

FINANCIAL	2013	2014	Change (%)
Sales (EUR million)	2,624,4	2,604,0	-0.8%
EBITDA (EUR million)	686,9	632,6	-7.9%
EBITDA Margin (%)	26.2%	24.3%	-1.9pp
Net profit (EUR million)	160.5	50.1	-68.8%
Investment (EUR million)	342	204	-40.4%
Sales per employee (EUR thousand)	296	304	0.4%
EBITDA per employee (EUR thousand)	77	72	-6.8%

OPERATIONAL	2013	2014	Change (%)
Cement and clinker sales (million tons)	28.4	30.0	5.7%
Concrete sales (million m^3)	4.8	4.5	-6.1%
Volume of aggregates (million tons)	8,3	8,2	-0.4%
Tons transported by rail (million tons)	5,7	5,3	-8.6%
Employees (at end of period)	8,875	8,768	-1.2%

Strategy

Strategy

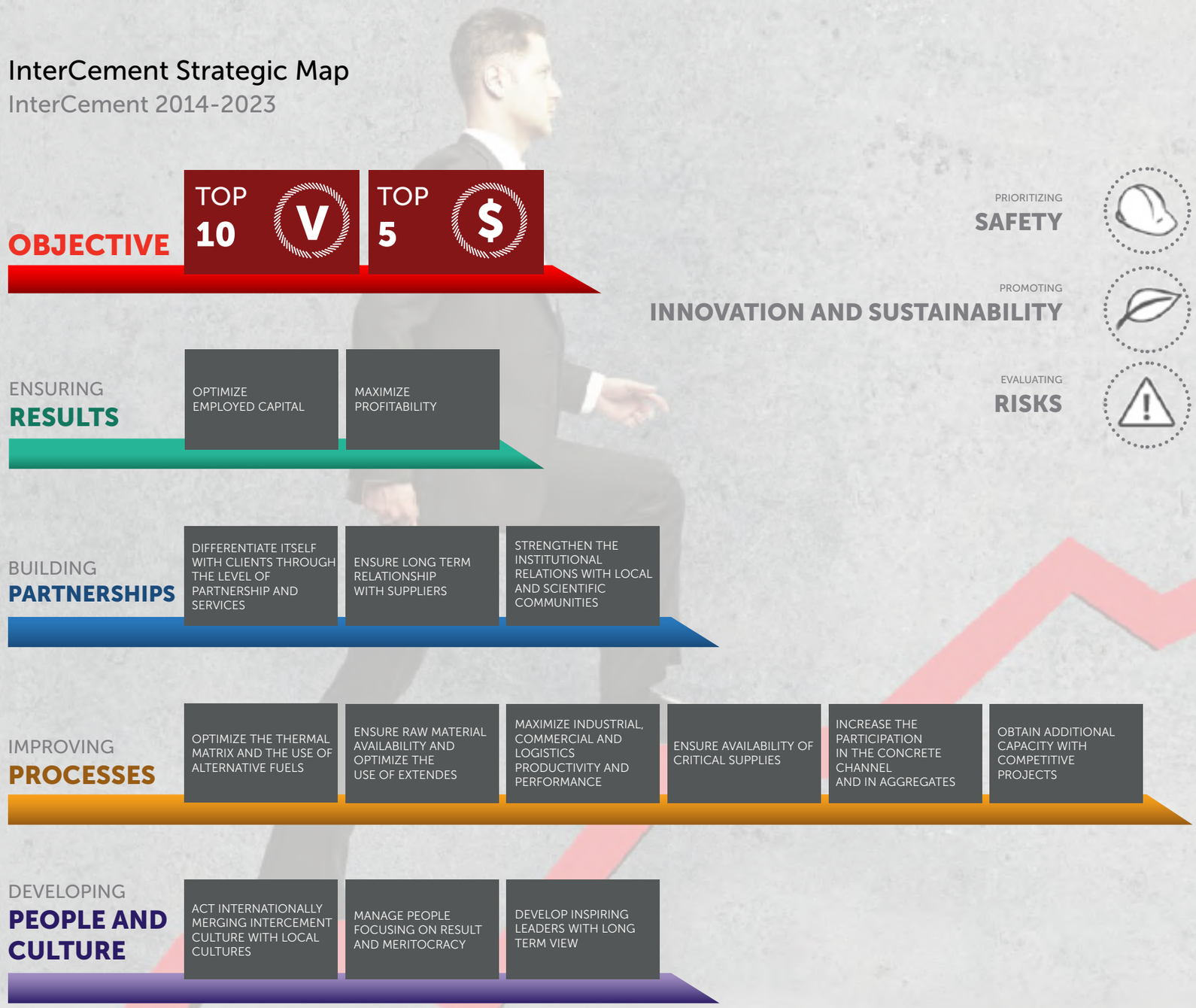
A strategic map designed collaboratively and involving different instances of the company, guides and sets targets that permeate through InterCement towards the greater objective set out in the 2023 Vision: always be among the ten largest and the five most profitable international companies of the sector.

The strategic map was divided into four components, which are pillars on which the targets are established: Results, Partnerships, Processes and People and Culture. Three cross-cutting aspects were established, which are essential values of InterCement. Everything must be done always respecting these three fundamental items: Risks, Innovation and Sustainability, and Safety.

Each component has strategic goals that derive from a 2014-2023 Action Plan and have indicators and targets that allow InterCement to keep track of whether the strategy is being effectively implemented. Managers, defined from among the senior management, are in charge of managing compliance with the targets of each component - ensuring compliance in the short term and taking action for their fulfilment in the medium and long-term.

The Action Plan is the result of a participatory process that involved more than 200 employees. Overall strategic topics were defined during the process - such as thermal energy, trading, additives, products and services, concrete and aggregates with an environmental impact. These topics allow InterCement to stand out from its competitors and achieve the 2023 Vision. Potential new countries and investments of around EUR 440 million in the period between 2015 and 2017 were also assessed, which will ensure that the targets are achieved.

The goals of each component are detailed in this report.



Financing

Following the integration process of the new Cimpor's assets, in 2012, a new financing policy began to be implemented, adjusted to the new profile of the company and its development ambitions. The guidelines of this policy are to reduce leveraging and debt and to redesign the debt profile – which comprises the decrease in foreign exchange exposure and looking for an adjustment in funding sourcing in the currency in which revenue is generated in each country, where appropriate, as a means of InterCement hedging.

The process of reducing leveraging and debt comprises the prudent selection of investments, various projects to increase efficiency and a specific programme to increase the management efficiency of the working capital fund. These initiatives will be further bolstered by the disposal of non-operating assets of the company.

In relation to the new financing profile and from a perspective of adjustment to the borrowing requirements of the operational activity and its development, two operations in 2014 should be highlighted for extending the average maturity of debt and reducing liquidity pressure:

i. a new syndicated loan of 900 million dollars;

ii. a bond issue maturing in 2024 (Senior Unsecured Notes Due 2024), in July 2014 in the amount of USD 750 million with an interest rate of 5,75%.

The implementation of the above initiatives fostered a dispersal of the sources of financing – which in addition to the banks, today includes debentures and capital markets - and an extension of the average maturity of debt from 4,5 in 2013 to 6.1 years, at the end of 2014.

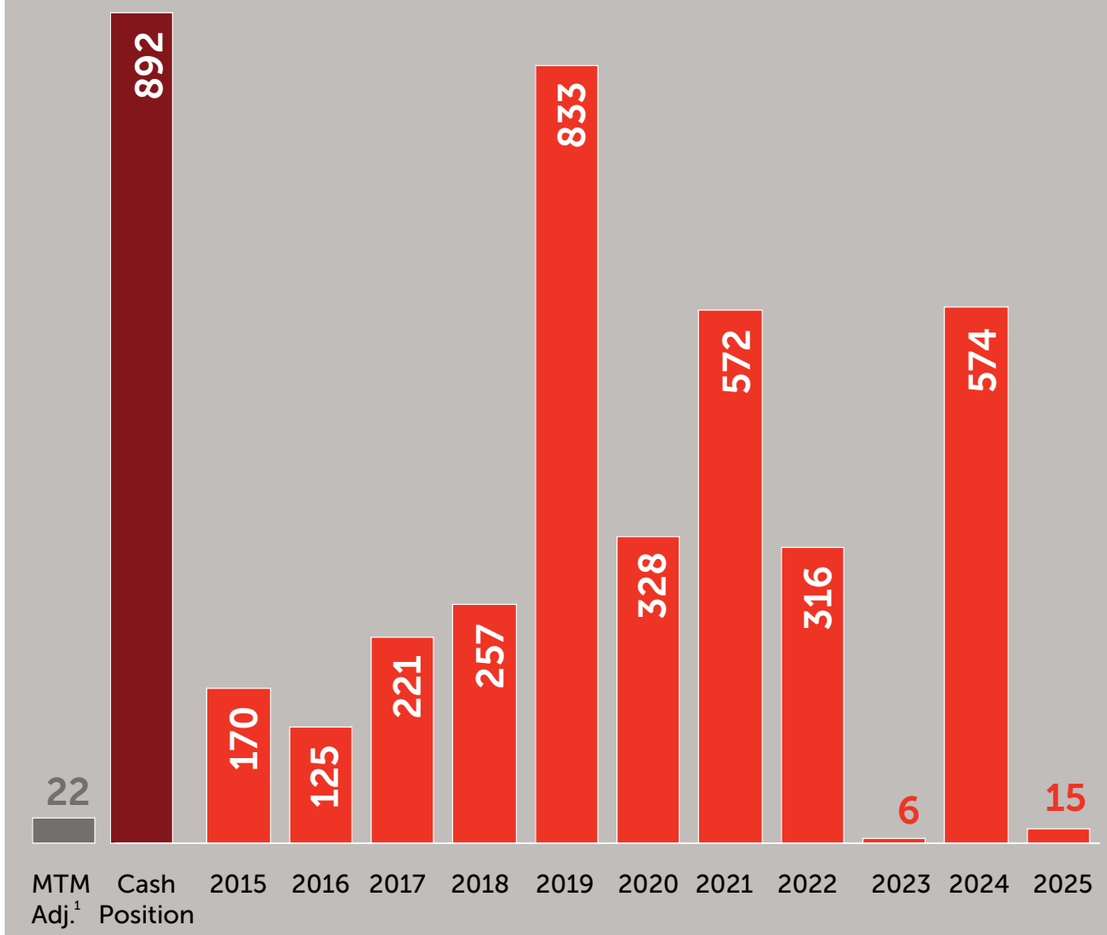
In terms of hedging, substantial hedging (about 70%) of the exposure in dollars occurred in Q3 of 2014, which provided greater stability in the reporting of financial results by adherence to the company's consolidation currency, the euro.

Net financial debt, increased slightly from 2,458 million to 2,502 million. In the fourth quarter, it had a favorably developed to around EUR 182 million, which contributed to the strong cash generation during this period (around EUR 115 million).

In the context of InterCement's responsibilities towards its creditors, it should be noted that the indicator of indebtedness (net financial debt/EBITDA), was in harmony with the contractually established covenants.

Under the sphere of InterCement Participações, S.A., is nonetheless maintained the rating for InterCement Brasil, S.A. (currently at "BB") which, together with InterCement Participações, S.A., is the guarantor for the issurance of Senior Unsecured Notes Due 2024 by Cimpor Financial Operations BV, which is rated "BB" by S&P.

Maturities Schedules
(Million euros)



Notes:
Debt maturity: herein presented is duly adjusted with the correspondent derivatives (detail disclosure on note 25.4 to Financial Statements);

MTM Portfolio Adjustments[(1)]: €22M reflect interest and trading (detail disclosure on note 25.4 to Financial Statements).

Governance

Controlled risks

Risk assessment is a cross-cutting evaluation of all the shares of InterCement so that the strategic objectives of the company are achieved, overcoming adversities associated with the complexity of the business environment and cultural diversity. It is one of the three cross-cutting topics defined in the strategic chart – the other two are the priority given to safety, innovation and sustainability. The corporate policies of risk management and crisis management have been widely disseminated in the countries of operation.

The vision is to manage risks and maintain reliable control systems which allow for the focus on the pursuit of the goals, taking advantage of the business opportunities and ensuring the continuity of the company. This is why tools are kept that help identify, establish parameters, assess and propose contingency plans or plans to mitigate the factors which could have an adverse impact on the results. The risk management seeks to establish a harmonious balance between risk and cost/investment, maximizing opportunities and minimizing adverse effects.

There was a refinement of the risk matrix in 2014, through the reassessment of the most relevant risk factors in all operations, sorting them into two major groups: business and operation.

The business risks were identified, assessed and prioritized by the Executive Board and employees of the business units. They comprise factors that impact, in some manner, on five components that can affect the results: reduction of EBITDA, market share, indebtedness, reputation and image, and continuity of operations. The operating risks encompass controls to ensure that the activities are not jeopardised by failures of equipment or processes.

A plan of action was established for each risk and managers identified for adopting monitoring measures and mitigating action, which includes the participation of a member of the Executive Board or senior management and directors of the business units. The process included the development of a methodology that defines tolerance and limits the risk, as a means of defending the business. Risk management is coordinated by the area of risk management and audit and it has a structure in each business unit represented by those responsible for the internal audit process. Other instruments were refined and/or developed to monitor risk factors. These principal instruments were the process of compliance, the adoption of the methodology of continuous auditing and the implementation of a telephone line called the Ethics Line.

Ethics and integrity

With the Anti-Corruption Law which came into force in Brazil in 2014, there was text adjustment of the Code of Conduct, with wide internal dissemination of the document content. The text contains the principles of InterCement culture that reflect the standards of behavior expected of all who work in the company group.

The wide dissemination of the document was made by training employees, for which professionals from audit, legal and management went to all the factories and offices. These briefings were followed by an online test, to make sure and assess understanding.

To identify the relationship maintained with government, suppliers and society as well as business processes that may represent risk of corruption, all managers of the business units in Brazil were interviewed. With this appointment, processes and areas were identified for a more structured monitoring. Such actions were also developed in Argentina and Mozambique.

In 2014, to reinforce this system it began operating a new Ethics Committee, Conduct and Compliance, which is coordinated by the Board of Directors. There are five professionals responsible for assessing these aspects and decisions related to compliance with the Code of Conduct.

Corporate Governance

InterCement maintains a robust and active governance model, able to support the accelerated growth in recent years and to ensure the Mission, Vision and Values of the company are met. It seeks to maintain best practices that convert principles into objective recommendations, aligning interests with the end purpose of preserving and optimizing the value of the organisation, facilitating its access to capital and contributing to its longevity.

The Executive Committee has the main responsibility in the overall conduction of business. The panel consists in six members: the Chairman of the Board of Directors, the CEO, the Vice-Presidents of Organizational Development, Engineering and Technology, Business Support and Finance.

The work of the Executive Committee is supported in each country by management committees, responsible for ensuring that the procedures follow the corporate policies and the guidelines are taken into consideration in the decision-making process. In 2014, the units of Africa began to be directed by a Vice-Chairman, created to give more agility in making operational decisions and in identifying and capturing potential management synergies. The Egypt and South Africa units will have, from 2015, General Directors of local origin. In terms of corporate finance, the responsibility for operations in Europe and Africa were also given to a CFO specialised in these regions. There are also corporate areas in Brazil and in Portugal responsible for the main overall guidelines.

Considering that a company has a social responsibility inherent on its business operations, InterCement adopts a governance structure specifically set to make the management of Corporate Social Responsibility. The Corporate Committee includes representatives of shareholders and top executives. Frequently, the group meets to ensure the program is aligned to the strategy and new goals are sets. The corporate forum is supported by local committees in each country where it operates. These committees are also composed by the chief executives of their respective countries and, in some cases, external advisors.

Results

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

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 243%, 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 79% 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	%
Cement and Clinker Sales (thousand ton)	29,988	28,382	57
Sales (million Euros)	2,604.0	2,624.4	-0.8
EBITDA (million Euros)	632.6	6869	-79
EBITDA Margin (%)	243%	26.2%	-19 p.p
Net Profit (million Euros)	50.1	1605	-68.8
Free Cash Flow to the company (million Euros)	907	(25.8)	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	179	85	07	9.1	-	5.8	3.1	1.8
Cement and Clinker Sales	10^3 ton	12,601	6,178	422	4,371	-	3761	1,520	1,502
Overall Activity									
Sales	10^6 euros	1,168.4	545.4	559	2743	27.0	2469	1489	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 133% 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 243%, 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%, 257% 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 reversed as the year progressed. However, the use of export activity

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 197% - 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 173% 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 m³)	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)	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 133% 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 165%. 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 - Business Unit

(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 335 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 333 million, although showing a reduction of 5.8% from 2013, justified by lower sales of CO_2 allowences.

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 43%, 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 and Cape Verde	333	353	-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 05% 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 335 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	179	179	-0.2%
Cement and Clinker Sales	10^3 ton	12,601	12,533	0.6%
Concrete Sales	10^3 m^3	2,394	2760	-133%
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	1,2387	-57%
Operational Cash Flow (EBITDA)	10^6 euros	3239	411.2	-21.2%
EBITDA Margin	%	277%	33.2%	-55 p.p.
Employees (31 Dec.)	Units	3,020	3,055	-1.1%
Operating Investments	10^6 euros	1279	2245	-43.0%

“The customer focus, which was taken up by InterCement as a strategic pillar.”

Argentina and Paraguay

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.

	Unit	2014	2013	Change
Cement installed capacity	10^6 ton	9.2	89	3.4%
Cement and Clinker Sales	10^3 ton	6,600	6,664	-1.0%
Sales	10^6 euros	6015	6513	-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	09%
Operating Investments	10^6 euros	46.8	72.4	-35.4%

"An important slice of InterCement's investments in 2014 was allocated to Paraguay."

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 35%, 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	85	85	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%

"InterCement reaffirmed its position as national leader."

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	313%

"The company increased its sales in this country by 50.6%."

Portugal and Cape Verde

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 CO_2 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.

	Unit	2014	2013	Change
Cement installed capacity	10^6 ton	9.1	9.1	-03%
Cement and Clinker Sales	10^3 ton	4,554	4,229	77%
Sales	10^6 euros	3013	3075	-2.0%
Operational Cash Flow (EBITDA)	10^6 euros	333	353	-5.8%
EBITDA Margin	%	11.0%	115%	-05 p.p.
Employees (31 Dec.)	Units	964	973	-09%
Operating Investments	10^6 euros	6.4	33	937%

“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 13 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	-03%
Cement and Clinker Sales	10^3 ton	4,371	4,053	79%
Concrete Sales	10^3 m^3	1,064	973	9.4%
Aggregates Sales	10^3 ton	4,103	4,199	-23%
Mortar Sales	10^3 ton	56	45	237%
Sales	10^6 euros	2743	2835	-3.2%
Employees (31 Dec.)	Units	863	868	-0.6%

"The exports of cement and clinker again beat records."

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 37% 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	37%
Concrete Sales	10^3 m^3	17	10	663%
Aggregates Sales	10^3 ton	64	39	637%
Sales	10^6 euros	27.0	24.0	12.6%
Employees (31 Dec.)	Units	101	105	-3.8%

"2014 in Cape Verde was marked by an increase in cement consumption."

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%.

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.

	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	4.6.0	-53.3%

"The increased commercial dynamism in all countries."

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 25%, 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	55	59%
Cement and Clinker Sales	10^3 ton	3761	3,196	177%
Concrete Sales	10^3 m^3	17	15	9.1%
Sales	10^6 euros	2469	180.8	36.6%
Employees (31 Dec.)	Units	508	516	-1.6%

"Increased market share, with sales growth of 18%."

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 15 million tons. This process was engaged in reconquering the local market share.

	Unit	2014	2013	Change
Cement installed capacity	10^6 ton	3.1	29	7.2%
Cement and Clinker Sales	10^3 ton	1,520	1,299	17.0%
Concrete Sales	10^3 m^3	157	172	-87%
Sales	10^6 euros	1489	1419	5.0%
employees (31 Dec.)	Units	600	643	-67%

"The year of InterCement was marked by the beginning of an operational improvement project called "*Mutirão Industrial*".

South Africa

The prospects for development of the South African economy proved to be positive with growth of about 15%, 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 15 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	17	57%
Cement and Clinker Sales	10^3 ton	1,502	1,281	173%
Concrete Sales	10^3 m^3	188	180	43%
Aggregates Sales	10^3 ton	573	509	125%
Sales	10^6 euros	126.1	125.2	07%
employees (31 Dec.)	units	385	421	-8.6%

"InterCement increased its sales by approximately 17%, to about 1.5 million tons."

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 descrease of EUR 130 million euros, to stand at EUR 41 million, essencially 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	1,9375	1.8
EBITDA	632.6	686.9	-7.9
Amortisations and Provisions	203.1	1993	19
Operating Income (EBIT)	429.6	487.6	-11.9
Financial Results	-3275	-300.1	9.1
Pre-tax Income	102.1	187.5	-45.6
Income Tax	52.0	27.0	925
Net Income	50.1	160.5	-68.8
Attributable to:			
Shareholders	41.0	1709	-76.0
Minority Interests	9.1	-10.4	n.m.

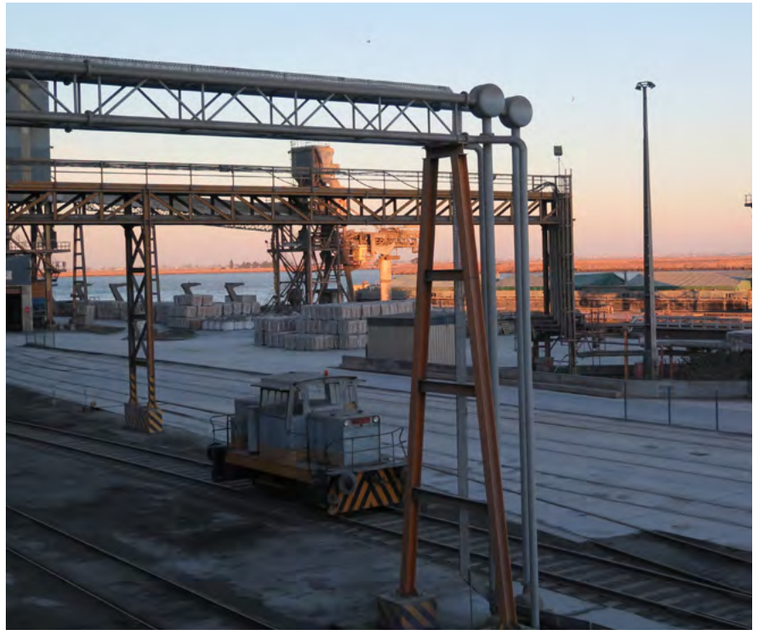
6. BALANCE SHEET

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 tipical 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 W 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	29
Current Assets			
Cash and Equivalents [1]	892	1,278	-30.2
Other Current Assets	769	760	1.2
Total Assets	**6,968**	**7,194**	**-3.1**
Shareholders' Equity attributable to:			
Equity Holders	1,405	1,348	4.2
Minority Interests	829	911	-89
Total Shareholders' Equity	**2,235**	**2,259**	**-1.1**
Liabilities			
Loans	3,613	3,821	-5.4
Provisions	145	143	15
Other Liabilities	975	971	0.4
Total Liabilities	**4,733**	**4,934**	**-4.1**
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.

[1] Criteria modification from the previously published results version. Securities are now considered under cash equivalents.

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.

	2013			2014		
	1H	2H	FY	1H	2H	FY
Adjusted EBITDA	332	410	742	282	355	638
Working Capital [2]	-191	73	-118	-118	78	-40
Others	-20	-10	-30	-2	-16	-18
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

[2] 2014 Working capital includes payments to 2013 CAPEX suppliers.

Note: 2014 Adjusted EBITDA values are now corrected against Others (operating activities) following an oversight in the previously published results version. The value of the Operating Activities has remained unchanged, as well as the remaining table.

Partnerships

Partnerships

"Building sustainable partnerships", the tag line of the company since 2013 and one of its four strategic components, gave rise to the Partnerships Project. The main objective of that project is differentiation between the company's different relationship audiences. The project focuses on the compatibility and complementarity of the goals of the company and its partners - customers, suppliers and the community - aiming to create lasting relationships which translate into long-term benefits for both parties.

The project was developed from interviews and workshops with a group of partners to identify priorities and systematize some initiatives, with the presentation of ideas and projects aligned with the strategic objectives and perceptions of customers, suppliers and the surrounding communities. The Executive Committee then subsequently approved projects that are currently being implemented and will be developed over the next few years.

Customers

The premises for InterCement are to stand out among customers through the level of service and partnership and build a consolidated relationship with customers through actions such as product development, training plans, consulting, among others.

The strategic paths for the company to develop win-win partnerships with its customers are represented in 11 fields. These include aspects such as the demand for the delivery of productivity that is measurable for the customer, design of prices and customer segmentation according to the performance, as well as sharing significant strategic market information for the best development of the business. The projects were structured in 2014 and will be in implementation from 2015.

One of the most emblematic is the Customer's Plant, which consists of a diagnosis and analysis of constraints in the infrastructure of the plants to meet demand, trying to identify the adjustments necessary to improve the level of service offered, in order to optimize the length of stay of vehicles, expedite customer service and make the product available. The initial focus was on Brazil, where all the plants in the country were mapped to identify improvements that should be introduced to provide a tailor-made service for the different customer profiles.

Suppliers

The guideline for any relationship conducted by the company shall be to ensure long-term relationships with suppliers, guided by the search for an adequate cost-benefit ratio, by technical and financial reliability and transparency in the conducting of negotiations, and also seeking to influence suppliers to adopt a socio-environmentally responsible posture.

The understanding of the guideline of what it means to create a sustainable relationship with suppliers was obtained from interviews with different companies that provide products or services to InterCement. The interviews allowed the ambitions and needs of those partners to be conveyed. Various areas were identified from these interviews to develop win-win partnerships in the future.

Several projects were identified in the process that are capable of achieving the goal of ensuring a long-term relationship with suppliers. Two such initiatives in particular should be highlighted:

The first is the creation of a Logistics Forum that includes the value chain - customers, suppliers, users and service providers. This initiative will create a structured process of dialogue with the logistics chain and significant advances in the performance of the entire operation.

Another project is **Partner**, a formatted recognition programme to encourage productivity and innovation, in addition to fostering sustainability practices, safety and social responsibility. Various parameters were established to audit these developments and periodic evaluations will be made. An event is planned for the end of 2015 to publicly acknowledge the most relevant results.

Communities

Establish institutional relations, marked by respect for the laws and for transparency inducing the development of the quality of life of the communities where the company is located, as well as the fostering of scientific and technical development through partnerships that create long-term value, makes part of InterCement´s agenda.

In addition to the various channels of relationship the company already had, under the Partner project interviews were conducted

with different target groups of the community and a discussion group of opinion-makers. This provided the understanding of the meaning of building a sustainable relationship with the community and identifying the areas for the establishment of a win-win partnership between the community and the manufacturing plants. The issues included the integration of various business chain agents – for example researchers, suppliers and customers in shared causes, the alignment of social and environmental actions proposed for the community with the company's strategy and the public agenda, and the ability to transfer power, expertise and generate income for the local community, among others.

In the company's relationship with the communities, in all operations, it has created and upkept the Community Development Committees (CDC) which are composed of local community leaders, regardless of whether they are representatives of formal authority, NGOs or other significant actors, and the representatives of the company. The goal of this group is to ensure that the defined projects have representation in that community, and also that the community's representatives are involved.

All countries have Committees to Encourage Volunteering and Interaction with the Community (Civic) and Ideal Voluntary Action Groups (GAIVS) to support these initiatives.

This structure develops and implements infrastructure projects related to social themes defined by the Corporate Social Responsibility Strategy Committee together with the Instituto Camargo Corrêa. Adjusted to local conditions, the projects look for developing the potential of each community and help them overcome their challenges with actions to support childhood and adolescence. The main themes are to improve early childhood, child and adolescent rights, basic education, income generation and preparation for the job market.

The community development priority also made the company launch new innovation methods to identify project opportunities for shared value generation. The result was the Social Innovation Program – "Cobuilding, the Social Innovation Engine", which takes the private social investment of InterCement to a new level, contributing to the construction of sustainable partnerships. Priority was given within this broad initiative to emblematic projects to be developed in 2014 and over the next few years.

Co. BUILDING The Social Innovation Engine

Development of Local Suppliers - the project which combines income creation initiatives to the value chain of the company combines the binding of actions to the strategy and revenue generation. In Brazil, in partnership with Sebrae, small suppliers are being trained in the region of Pedro Leopoldo, Minas Gerais, with the goal of ensuring the improvement of their processes, and the excellence and expansion of operations. This is just the pilot of a model that will encompass the entire company and will later be adapted to other countries. The project is aimed at micro and small enterprises with annual sales of less than BRL 3.6 million. In 2014 the project had 60 participants.

Similarly, training projects were implemented to develop the chain of small producers of concrete artefacts in Matola, Mozambique. The local survey identified 191 producers, 70% of which had one to four employees and used manual equipment. The pilot project, started in September and with a duration between 12 and 18 months, aims to build the capacity of 30 entrepreneurs in fields such as management, production standards, marketing and uniting for bulk purchases and sales.

The Khulanathi project in South Africa, follows the same path. It is an initiative aimed at small and medium-sized enterprises that are customers of InterCement. It aims to develop the chain of small producers of cement artefacts thus generating shared value.

Open Doors 2.0 – Visits to productive units, as part of the strategy of stakeholder engagement. This initiative comprises a fundamental activity for the community to understand the dynamics of production, its problems and the efforts made to ensure sustainable management of the environment and the values guiding the day-to-day operations. 3716 visits occurred in total.

Baby's Week – a pilot project developed in Brazil with the slogan "All together for early childhood". The Baby Week project has been implemented since 2013 and it aims to bring the communities closer to the InterCement units in that country. The goal is to contribute to the strengthening of public policies aimed at early childhood (up to 6 years of age). All initiatives are performed through a partnership with Fundação Maria Cecília Souto Vidigal and are implemented by the NGO Bem-Vindo. The focus in 2014 was to place babies (0 to 3 years) at the centre of attention of the communities and government agencies. The initiatives took place between 26 May and 1 June, in 15 municipalities where InterCement's units are installed in Brazil. More than 10,000 people benefitted from the initiatives. Moreover, in seven cities there was a voluntary initiative, featuring 278 volunteers and 44 partners.

Processes

Priority topic of the strategic chart - the improvement of processes is essential to ensure the company's competitiveness in the international market and it has been the focus of special attention by the teams in all the industrial units. The action plans comprise six priorities, which have projects at different stages of implementation.

The rate of consumption of the planet's resources cannot stay above the rate at which nature can regenerate. Moreover, the capacity of the planet to absorb the waste generated by all of us is gradually running out. The recovery, reuse and recycling of industrial by-products or waste in order to reduce consumption of virgin raw materials and fuels are accepted industrial practices followed all over the world, as long as the adequate management criteria of the waste hierarchy are respected. It is therefore crucial that industries become increasingly innovative in this segment.

In the cement industry there is a tendency towards the adoption of the principles of industrial ecology, which consists of using the by-products from other industries as raw materials and fuels, thus avoiding waste.

This strategy represents considerable effort for InterCement regarding innovation and adaptation to the new markets of raw materials and alternative fuels for the production of clinker and cement production additives. It also entails the creation of solid and lasting industrial partnerships. This investment in industrial ecology enables InterCement to provide a relevant service to society through the treatment and recovery of waste in a safe and effective manner.

Co-processing

The optimization of the thermal matrix and the use of alternative fuels is taken as one of the most pressing strategic priorities of InterCement. The implementation of the co-processing programme in this regard is to be highlighted. This technology consists of replacing fossil fuels for waste - such as tyres, waste from end-of-life vehicles and household waste. This process provides clear benefits for contemporary society through the complete elimination of such materials in safe conditions, as well as other positive impacts from an environmental point of view (lower consumption of natural resources, reduction of atmospheric emissions arising from the use of petroleum-based fuels or coal) and economic perspective (promoting the circular economy).

Workshops called Coprocessing Days were conducted in all countries in 2014, in order to plot out the long-term strategy to promote the discussion and exchange of ideas for the expansion of the use of waste and biomass as an energy source, evaluating the environmental options and costs.

Various initiatives underline the progress of this activity in the company. These include the investments in Egypt to make the plant ready for co-processing. The activity is being performed in South Africa using old tyres. In Brazil, an important partnership was celebrated between the Ijaci unit (MG) and a Spanish waste treatment company. The co-processing activity also began in Mozambique this year.

Additives

Ensure the availability of raw materials with a focus on planning and management strategy of the supply chain of own or third parties mineral reserves aims to ensure the competitive position of the company in relation to the perpetuity of current operations and their expansion.

InterCement, aligned with the commitment to sustainability, aims to reduce the consumption of natural raw materials used in the manufacturing process and identify alternative sources of raw materials and additives. Today, we increasingly use alternative raw materials for a variety of reasons. These alternative raw materials permit a reduction in the quantity of virgin natural resources used. They can be used as correctives in the clinker production process and as additives in the manufacture of certain types of blended cement, substituting clinker, natural gypsum and the natural pozzalanas. They can also, in certain cases, represent a good alternative in terms of cost-benefit compared to conventional raw materials.

InterCement set priorities by business unit and identified alternatives in studies in 2014 that included, for example, the use of oil shale and the product development from slag.

In addition to the actions comprehended by the current technical knowledge of the sector, InterCement also invests in research and development projects that will, in the future, go beyond the current limits of this process.

INDUSTRIAL ECOLOGY

InterCement promotes the efficient use of resources, benefitting its carbon footprint, inspired on the intelligent functioning of ecosystems and symbioses that are established in the wild. The company, playing a central role in the industrial ecosystem, uses and co-processes by-products and waste from other productive sectors, as both raw materials and alternative fuels. We have established a number of partnerships with companies from different sectors (oil, footwear, steel, electricity production, tobacco, ornamental rocks, sugarcane, livestock, among others) with the purpose of maintaining regularity in the supply and channelling of these materials/by-products from other industries and, at the same time, solving the problem of generated waste that would otherwise be discarded in an environmentally suitable manner.

Our main product (cement) can be recycled in the form of "artificial aggregates" or reused once embedded in concrete, at the end of its useful life. The reuse or recycling of concrete directly contributes to the lower use of virgin aggregates and less waste disposed of in landfills.

InterCement thus acts in harmony with its sustainability policy, giving priority to reducing the consumption of natural resources and using renewable energy sources. This action is not just restricted to manufacturing, but extending to the entire value chain.

In this context, we regard our industry that consumes huge amounts of materials and energy as an opportunity to establish win-win relationships with other production processes, promoting industrial ecology.

Productivity

InterCement believes that maximize industrial, commercial and logistics productivity and performance with the optimization of resources, establishing action plans that support continuous improvement in all processes, it is essential for the sustainability of the business.

This raises the topic of the challenge of producing more with less resources and putting into practice improvement plans for the production units. It involves the whole range of variables involved, from labour productivity to the pricing of the product. Every aspect werw analyzed, had a defined action plan and set goals for implementation especially in 2015 and 2016.

One initiative this year was the revamping and simplification of the management system, updating some of the tools of InterCement Management System (IMS) - for example the matrix management and implementation of PDCA (Plan, Do, Check, Act). The goal is to help all business units to improve their results, from a strategic, tactical and operational perspective.

A Business Intelligence (BI) platform was prepared, which includes 100% of the company's management information. Training manuals and programmes for employees were also prepared, with the aim of improving productivity. In the IT area, there was also the unification of the data centre – previously supported on various structures. The system was centred in Portugal, giving flexibility, agility and cost optimization. Another front was the creation of a performance improvement plan, which involves increasing the productivity of labour of every country, through training, capacity building and improving the profile of employees.

A management highlight was the Egypt business unit, which received the IMS award, for efficiency in the practical application of the PDCA tool.

Sourcing

One of the priorities of InterCement is to establish and implement the sourcing strategy for critical supplies, ensuring availability and the best cost/benefit ratio.

Detailed plans were established based on the matrix of critical supplies, to ensure supply and availability, particularly for energy consumption: fuel oil, natural gas, electricity, coal and petcoke. These plans considered the supply risk - based on overall demand, concentration of suppliers, relative demand and origin of consumption – and the impact on variable cost and on the process to determine that criterion. Since it is an energy-intensive activity, identifying new suppliers and also consumption that guarantees operational stability is in constant development.

At the centre of the projects with a positive impact on the business value chain is InterCement's policy of responsible use of fuels and alternative raw materials, such as biomass and other fuels with lower emission factors, the use of electrical energy from renewable sources, promoting new types of composite cement with a reduced carbon footprint and raising the awareness of suppliers.

The "Building Partnerships" and "Improving Processes" projects are underway, among others. They comprise not only the carbon footprint but also aspects of a social nature.

Legal Pulverization: Work with the pulverization chain (i.e. scrap production of charcoal) in order to make it aligned to the principles of InterCement and, at the same time, contribute to ensuring the supply of an important alternative fuel source.

The Forest Trust (TFT) - Global NGO specialising in sustainable forest products – the project sought to map the supply chain of pulverized coal focused in Minas Gerais, Mato Grosso do Sul and São Paulo.

Concrete and aggregates

InterCement believes that its competitiveness requires that it broaden the representativeness of the concrete channel, reaching the participation established in an appropriate period of time.

Intensive workshops were held with all stakeholders, called Concrete Day, to set up long-term plans in all countries to achieve more attractive profit margins for the integration of cement and concrete, which also implies ensuring the relevant participation in aggregates. The action plans established a long-term strategy -10 years - and involved benchmarking studies.

The idea was to align the strategy for concretes and aggregates to the strategy for the channel, according to the reality of each region and country, in order to improve productivity.

Additional capacity

InterCement has established the goal of proposing and delivering engineering solutions that permit the increase of the capacity of existing plants as well as the installation of new plants with the best possible cost-benefit. In this way it ensures that investment recommendations reflect the best available strategy to maximize the generation of sustainable value.

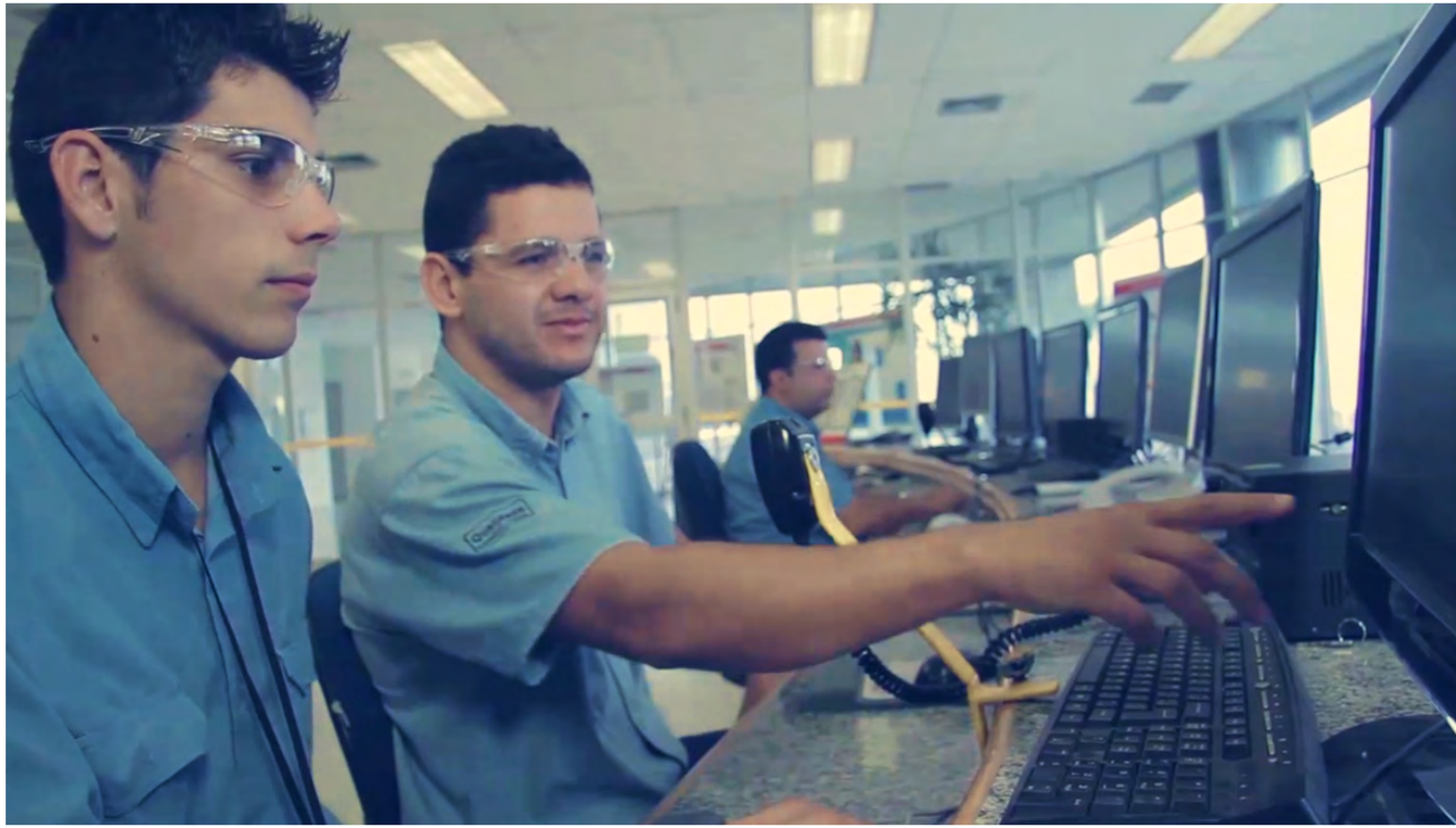
A component of this strategic dimension has been to systemize controls to apply a check list to ensure the execution of expansion projects within the time limits set out in the approved budget and in accordance with the established performance index (available capacity versus planned capacity).

The installation of the kiln to begin operation of the integrated plant in Paraguay was completed in 2014. This plant began operating in October and it provided the expected performance. Other strategic works developed follow the model that ensures efficiency in the capital invested.

MUTIRÃO INDUSTRIAL

Professionals from various countries were mobilised for the *Mutirão* Project, an initiative to improve the performance of the industrial units of Mozambique in order to efficiently meet the increasing demand of this country that registers one of the most significant GDP growth rates in the world - around 10% per annum.

The work of the team involved 70 people and sought to promote excellence in key indicators of industrial performance (like grinding the raw mixture, tower, kiln, cement grinding and bagging), as well as in the areas of maintenance, logistics and supplies, marketing and occupational safety. The positive results of the project at the end of the year were confirmed, such as the 13% increase in cement production.

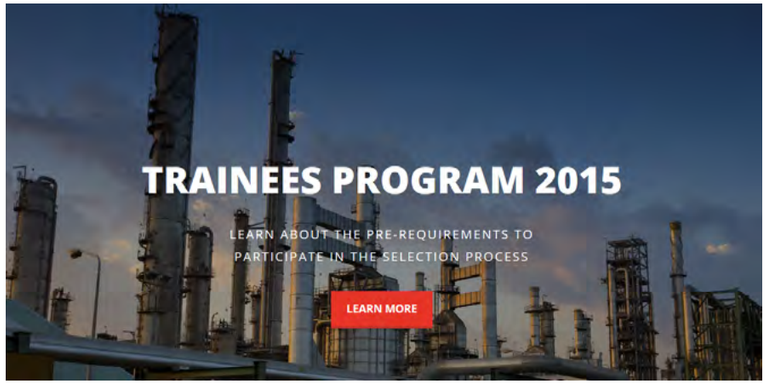


People and Culture

The construction of a unique culture in a global company, formed from the union of different operations is a challenge that InterCement seeks to meet through the strategic component of developing people and culture. This process began in 2013 and gained more body in 2014, with the view that culture is the driver of behaviour, a way of being and doing business to achieve the long-term strategy of the company. This challenge sought to actively incorporate the 8768people who work for the company at 31 December 2014.

During the progress of the consolidation process of the new culture five support dimensions were enhanced: Internationalization, Leadership, People Management, Performance Management and External Orientation and Innovation. In late 2014 it begun been developed the project called InterCement Attitudes, a breakthrough in the development and deployment of the five dimensions, linking ten essential attitudes for InterCement professionals. This project will be further developed and put into practice in 2015.

International culture



InterCement believes that adapting to the context of operating internationally ensuring the respect and appreciation of local particularities and, at the same time, maintaining its essential characteristics such as optimism, flexibility and responsiveness are essential conditions for the strategy of an international company.

For example, the main initiative of the internationalisation component in 2014 was the trainee programme, which selected 13 young graduates who competed among 7,000 participants from five countries for one of the vacancies to work in the company's units in South America, in Africa or in Europe. The programme, with a duration of 24 months, envisages a two-month initial training period followed by the responsibility of development of projects in specific areas of business.

InterCement still has the youth and agility of its management team as one of its competitive advantages, which has allowed it to make successive adjustments to the changes of scenario and in a cohesive, capable and efficient manner, at a progressively faster pace.

People management

The promotion of an environment of development and meritocracy valuing the best performing people, and management of the consequences of poor performance forms part of the management strategy of InterCement. Moreover, we believe that the focus on the results, with a robust, simplified and structured management system from the main value levers of the business guarantees long-term competitiveness.

In people management, the reformatting of the People's Committee with a revision of the tools, including the assessment of potential, with the aim of enlarging the meritocracy and expertise management. These committees have been set up in all countries bringing greater assertiveness to the process.

Without losing the opportunities for oxygenation of the structure, attracting collaborators, InterCement fosters the development of the people within the company. In this area, this process included the appointment of three new directors to the structure of the Brazil unit, for the Industrial, Organisational Development and Concrete areas. The nominees have an average age of 35 years and 12 years of experience with the company, two of them formed part of trainee programmes.

The aim in the Performance component was to clarify the goals that people must achieve and the reward tools for achieving the established goals. Two fields were worked: how clear the responsibilities and performance indicators of each area are and how easy it is to view the delivered results.

Leaders' development

InterCement's strategy to develop inspiring leaders and with a long-term vision is to promote a more consultative leadership model adapted to the cultural issues of each country, with leaders able to take assertive decisions in good time and form, through a participatory process.

In the Leadership area, a process of transformation of the entire senior management was initiated by them undergoing an initial phase of evaluation of potential. This identified development opportunities, followed by feedback and a self-reflection of the need for change. After this stage, individual development plans were built, guided by the InterCement Leader profile.

The focus in training was the technical training of employees. The capacity building was taught by internal staff and experts in the subjects, divided into specific modules with theoretical and practical content.

Safety

Safety

Safety at work is one of the key issues in the cement industry. It is reinforced on the strategic chart of InterCement as a basic condition that must guide all actions of employees. The topic is a challenge and it performed negatively in 2014, with the registration of six deaths of workers contracted to third parties.

The occurrences led to a review of all occupational health and safety programmes, structure and management teams. The 100% Safety Campaign reinforced the slogan "We do it safely or not at all", based on four pillars:

This is a long-term action that aims to consolidate the application of safety tools and procedures in all units worldwide, with the challenge of taking procedures to different local cultures and realities.

Innovation and Sustainability

Innovation

The IntercCement innovation projects are intrinsically linked to sustainability and focus on delivering results for the business. There is a constant search for new products, services and processes, as well as reducing the environmental footprint, always believing that it is possible to identify new trade-offs to allow improvement of the three pillars of sustainability:

InterCement believes that innovation cannot be left to chance, and it therefore invests in the teams and processes that support this topic. New value propositions, incremental innovation and effort in the implementation are issues that are answered as components of our comprehensive innovation methodology.

CLICK CHALLENGES

The development of new value propositions, whether a new business platform, a new product line or a new channel, requires a broad and structured discussion involving internal and external collaborators who apply structured tools for generating ideas and their grouping together to create new solutions. Various challenges were launched that were answered with several proposals.

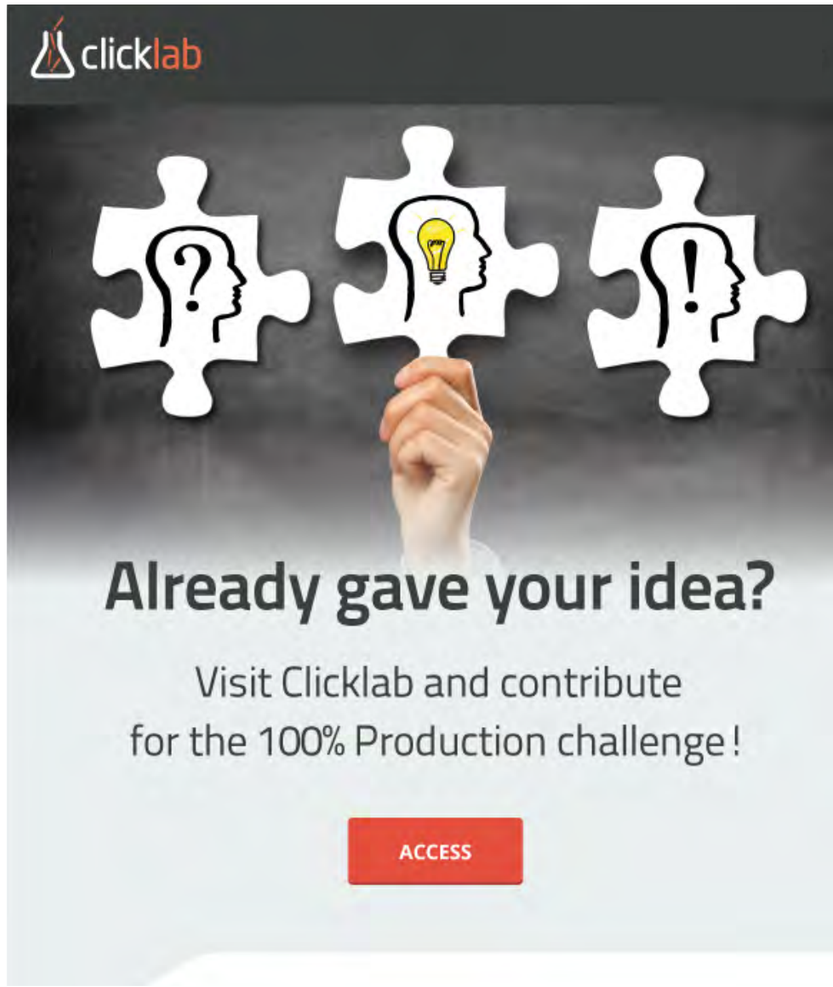
The Service to Customers challenge was launched, aligned with the customer-focused strategy, and which generated 35 value propositions grouped into three fronts. The proposals were then placed on an evolutionary chart according to their level of complexity, maturity of the organization and potential results.

One of the stand out projects born from radical challenges was that which identified the potential of using biomass as thermal energy. The project culminated in a comprehensive research programme, in partnership with the Brazilian Agricultural Research Corporation (Embrapa). Experimental crops were grown in 2014 and tests were made in the kiln. Other agribusiness wastes have been identified according to the location of each of our production units in Brazil.

Click Lab

Incremental innovation initiatives rely on the support of an interactive innovation platform called Click Lab. This portal allows employees to submit ideas that are commented on and improved by the participation of staff from around the world. A distinguishing feature is the immediate translation of all content to the different languages of the countries of operation, which facilitates participation. There is a scoring system and participants earn points as they interact - by submitting a proposal, commenting on the idea of a colleague or propose an enhancement. There are additional points if the idea is approved, and later put into practice. These points can be exchanged for prizes, such as books and electrical or electronic appliances.

Challenges are made to stimulate the emergence of ideas. The stand out challenge of 2014 was 100% Production, the first challenge of global reach and with the translation tool, with the objective of improving the productivity of the plants. The challenge was set in August. It received lots of traffic in the search for solutions to achieve more efficient production in order to increase the productivity of the entire cement manufacturing process, from the extraction of raw materials to the shipment of the product. At the local level, when employees participated in their geographical areas of operation, there were 755 participants who generated 300 ideas, 1,508 comments and 5,201 votes.

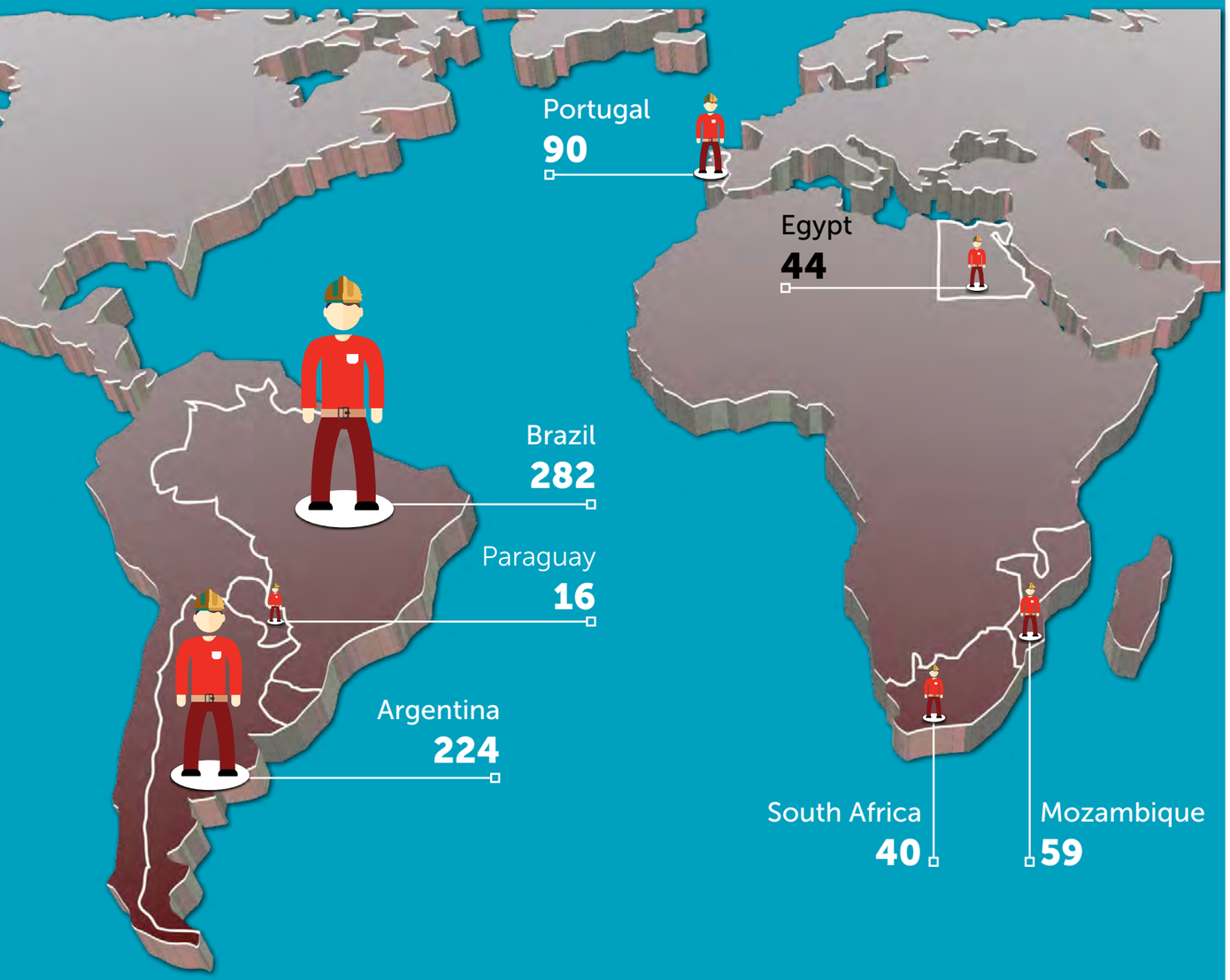


CLICK LAB NUMBERS

455 ideas submitted

1,293 People involved

€ 1 million in financial gains



Click & Go

Prepare a new value proposition is just one part of the path. Often, implementation is much more complex and difficult than the generation of ideas. In order to overcome this barrier InterCement has launched Click & Go, comprising a series of resources (people, process, partners) that seek to minimise the implementation difficulties.

InterCement associated a business accelerator to this initiative. The two partners together guide small initiatives until they have the strength to walk alone.

The figure of person responsible for developing a value proposition from its inception to an operational model at a pilot stage was created to support this programme.

Also in 2014, InterCement created NeoGera, a company with the specific goal of encompassing all investments in innovation.

Sustainability

InterCement believes and invests in the markets in which it is present and is proud to participate in their development as an important agent of the industrial sector. However, it understands that all participants of the global community need to reflect and act to preserve the environment and the social structures of which they form part. We have been observing increasing stress on natural resources and the social fabric worldwide. Companies have become increasingly relevant due to their size, financial strength and transnational presence. Companies should also provide part of the solution to this problem. InterCement is committed to doing its part. Therefore, it has had a structure trained in Sustainability for several years now, which has a defined strategy and undertakes relevant action, assuming positions in accordance with the Global Compact of the United Nations (UN) and the World Business Council for Sustainable Development (WBCSD) through the mobilisation of the sector in the Cement Sustainability Initiative (CSI).

The company believes that it is only possible to move ever closer to a sustainable operation by discovering new ways to operate, which is why innovation is an important element of this quest.

Relevant social projects are coordinated in all countries in which we operate, under the social work framework of sustainability, whether through a network of partners or voluntary involvement.

The environmental aspects of sustainability also receive special attention due to the nature of the company's business, because we have the scale, knowledge and determination needed to take a leading role in this field. All eyes are focused on measures to minimise the impact of our activity on the environment, with the use of advanced production technologies, process control and risk management.

MATERIALITY & STAKEHOLDER ENGAGEMENT

There are individuals or groups of people that may have an impact on the ability of the company to operate, such as employees, trade unions, governments, NGOs or the academic world. These stakeholders may also be individuals or groups directly affected by the activity of InterCement, such as communities, suppliers, customers and final consumers. These stakeholders may have more global or more local action.

On the one hand, WBCSD is one of the main platforms of InterCement to identify and interact with the global stakeholders of the civil construction industry, to conduct periodic dialogue processes with these stakeholders and to select the material issues for the sector. Many of these global material issues are addressed and discussed through the Cement Sustainability Initiative (CSI). Global dialogues provide an opportunity for regular and frank dialogue with the leaders of companies of the cement industry and dialogue between InterCement and external and independent opinion leaders. These dialogues aim to fine-tune the broad lines of the industry's sustainability agenda which InterCement seeks, of course, to respond to by presenting it performance through the sustainability report.

On the other hand, each business unit and each production unit, according to the company's corporate policy, is responsible for conducting the process to identify and engage with local stakeholders. The maturity of this relationship is measured in a more formal way through the self-assessment corporate tool called the Stakeholder Engagement Scorecard, which aims to identify the local stakeholders, mapping the material issues for each group and their prioritization, the level of harmonisation associated with each of these issues, the existence of an adequate budget, the training of the liaison people, the actions taken to resolve possible conflicts and many other aspects. Interaction with local stakeholders is through stakeholder panels that are organised periodically or ad hoc for the discussion of issues of common interest.

There are various corporate programs underway which aim to respond to many of these material issues as well as many others concerning the operating performance of each InterCement unit.

Social

InterCement, understanding the social complexity in which we operate, restructured its corporate social responsibility governance model in 2014, in order to seek to align the theme at the level of the company's main strategic discussions. For this reason, was created the Corporate Social Responsibility Committee, composed of shareholders and members of the Executive Board, the company's top executives. Throughout the year several meetings were conducted in each country with a CSR (Corporative Social Responsibility) Local Committee composed by the Executive Board of the unit, in order to support this committee and ensure the deep understanding of the local reality.

So that its performance is always aligned to this vision of sustainable growth, InterCement seeks to develop actions that enhance and encourage open and transparent dialogue with its various audiences - customers, suppliers, shareholders, investors and the communities surrounding its plants.

InterCement invested €4 million in social responsibility projects during the year. Most of this amount was applied to structuring projects, i.e. those following the defined thematic line by Corporated Committee, which is focused on children and teenagers through three comprehensive programmes: 1) Ideal Childhood, for the protection of the rights of children; 2) Ideal School, for the improvement of the management of public schools; and 3) Ideal Future, focusing on entrepreneurship and income generation.

A portion of the amount was invested in the fourth programme called Ideal Volunteer, which has the objective of encouraging volunteering and stimulating the civic action of employees.

Environmental

In a society increasingly attentive to how wealth is generated, the integration into corporate conduct of socio-economic and environmental aspects which respect the need for preserving our legacy for future generations has become inevitable.

Environmental issues are strategic for InterCement which is committed to minimising the impact of its operations and establishing lasting relationships with the surrounding communities.

The management of these types of issues in InterCement is aligned with the Sustainability Charter, the Climate Agenda, the Health, Safety and Environment systems and with a vast set of policies, guidelines and corporate statements. In addition, InterCement regularly identifies external initiatives and partnerships that generate knowledge and learning in this field. The company has made external commitments in this field - its participation since 2000 in WBCSD/Cement Sustainability Initiative (CSI) and signing up to the principles of the CSI Charter and the UN Global Compact.

In 2014, the company joined two new important global environmental initiatives:

- The "Caring for Climate Initiative", entered in the UN Global Compact, of the United Nations Environment Programme (UNEP) and the United Nations Framework Convention on Climate Change (UNFCCC).
- The "Pledge for Access to Safe Water, Sanitation and Hygiene at the Workplace (WASH)", an initiative of the WBCSD to ensure the supply of quality water, sanitation and hygiene in the workplace.

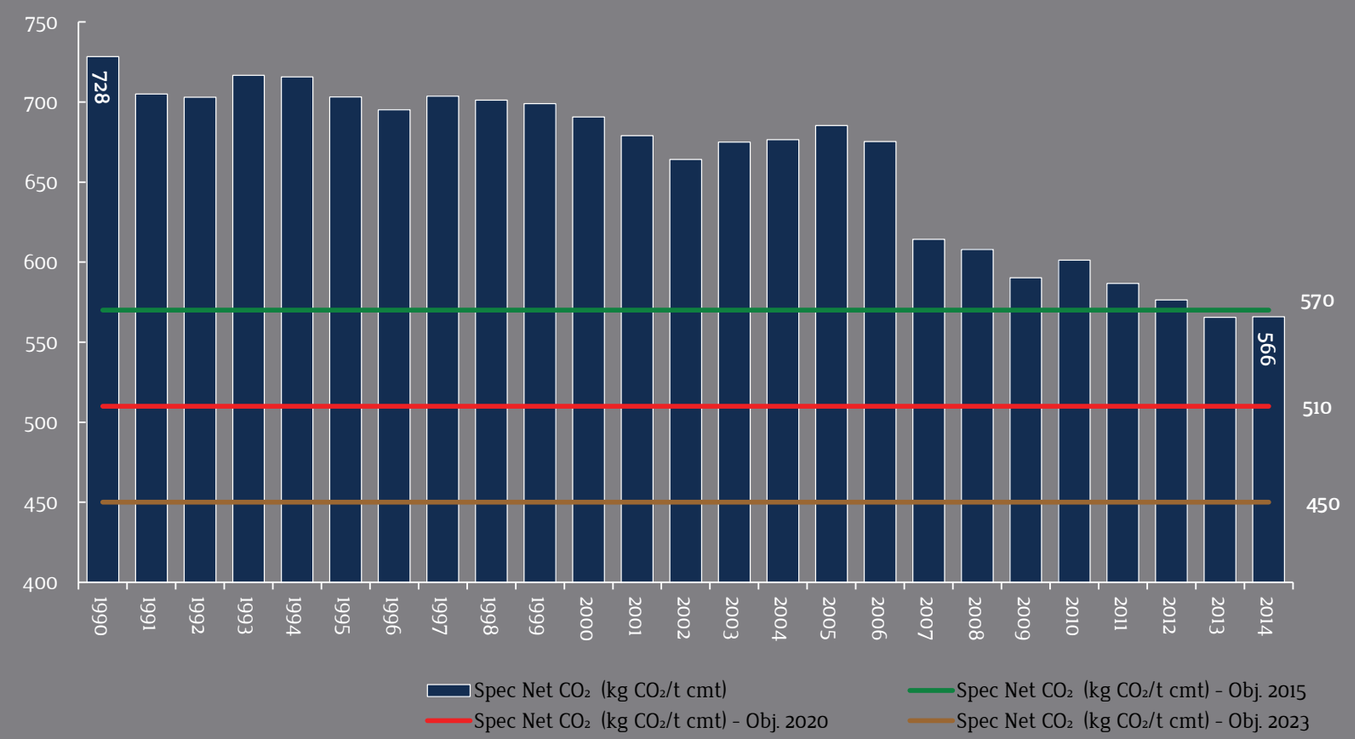
CLIMATE CHANGE CLIMATE CHANGE

InterCement, as part of its Climate Change and Energy Policy, monitors its carbon footprint in order to determine its level of exposure, evaluates opportunities to reduce that footprint by developing specific projects and defines goals for the reduction and to contribute to the process of development of policies in this area through participation in national and international forums.

The CO_2 emissions of InterCement are calculated and monitored since 1990 according to the "CO_2 Protocol for the cement industry" developed by WBCSD/WRI according to the GHG Protocol model and audited and certified since 2005 by an independent external entity. With Cimpor´s aquisition by InterCement in 2011, the base for CO_2 emissions report became the year 2007.

Net specific emissions have developed extremely positively, today at 565 $kgCO_2$ / t of cement. This value, which places InterCement prominently among the CSI member companies, is the result of a set of short, medium and long-term strategies.

InterCement performs greenhouse gas emissions inventories, according to the CSI Protocol and the GHG Protocol and subject to verification by an independent external entity:



Emissions of Pollutants

The cement manufacturing process releases into the atmosphere pollutants like dust, nitrogen oxides (NO_x) and sulphur dioxide (SO_2), as well as other micro-pollutants that can contribute to local air pollution.

InterCement has invested in monitoring the major pollutants, and reducing and reporting its pollutant emissions. Currently, all the chimneys of the InterCement kilns are equipped with main pollutant monitoring (dust, NO_x, SO_2) and some micro-pollutants (COV, HCl, HF, CO). In addition, spot measuring of micro-pollutants is systematically conducted (PCDD/F, VOC, HCl, HF, CO, mercury and other heavy metals).

Between 2007 and 2014, the emissions of kilns dust were reduce from 243.1 to 170 g/t-clínker, achieving previously the objective for 2015.

This performance reflects the company's investment on kilns bag filters installation and improvements in existent electro filters. Today, about 60% of kilns have hybrid electro filters, considered to be the best technology available.

Specific emissions of nitrogen oxides (NO_x), resulting from kilns combustion processes, were in 2014 reduced from 1924.4 in 2007 to 1869 g / t-clinker. With the investment in effluent treatment gas facilities by injecting hydraulic lime / calcium hydroxide, the reduction of sulfur dioxide (SO_2) from the natural raw materials used in clinker production has experienced an evolution of 3757 in 2007 to 320 g / t clinker in 2014.

SOIL USE | ENVIRONMENTAL REHABILITATION OF QUARRIES & BIODIVERSITY MANAGEMENT

InterCement is aware of the strategic importance of the careful management of its quarries, not only in relation to the importance of this practice for the preservation of the natural systems and surrounding society, but also to guarantee the sustainability and longevity of the cement activity.

In this context, InterCement published in 2013 the guidelines "Quarry Environmental Management / Guidelines on Environmental and Social Assessment, Quarry Rehabilitation & Biodiversity Management", which defines a set of best practices for minimising the pressure on natural habitats from the exploitation of minerals and the recovery of degraded areas.

These guidelines are in line with the reference documents of the Cement Sustainability Initiative (CSI).

Today, 63% of InterCement's quarries have rehabilitation plans. In addition, 31% of them are situated in areas classified by its high biodiversity value and the latter quarries with high biodiversity value 48% have actively implemented biodiversity management plans.

Water

InterCement promotes a widespread culture of rational use of water and advocates stringent standards for the use of this resource. These standards include the measurement of consumption and losses, treatment, recycling and reuse of water, use of rainwater and raising awareness to more rational consumption. Today, the careful monitoring of consumption, through direct measurements or correct estimates helps to identify the best reduction opportunities.

The cement industry is not a particularly intensive user of water although it constitutes a fundamental resource for the development of the business activity.

InterCement has used the Global Water Tool, developed by the World Business Council for Sustainable Development (WBCSD), since 2011. This tool identifies, in a systematic manner, the operations that are located in areas of water stress, water scarcity or extreme water scarcity.

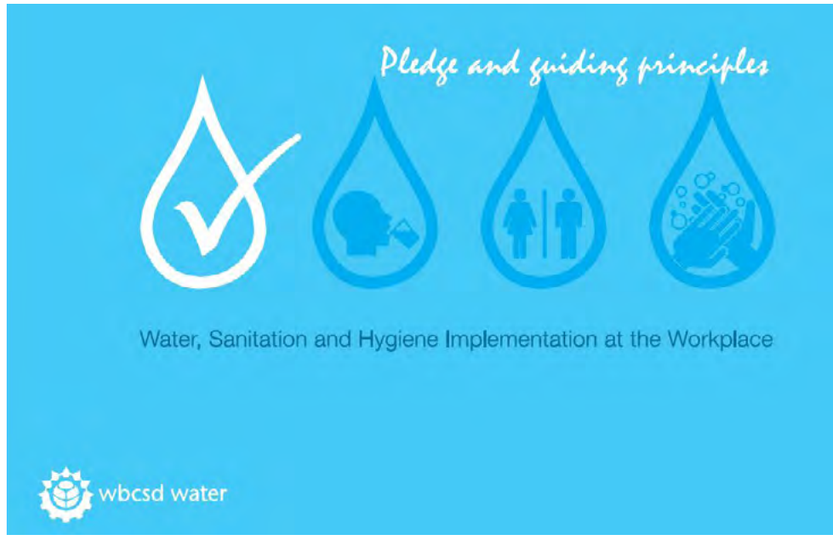
The initiatives carried out in 2014 include the implementation in all productive units of action plans for the rational use of water, based on a detailed diagnosis of the consumption of each one. As a result of this diagnosis, the Catamarca plant in Argentina and Campo Formoso, Bahia, plant in Brazil, were selected as pilot facilities for the development of more ambitious initiatives concerning the conservation and identification of good practices for application in the other units.

About 30% of the 7 million cubic metres of water extracted in 2014 by InterCement occurred in 11 operating units located in environments of possible water stress, water scarcity or extreme water scarcity in 2025.

In InterCement, more than 70% of cement plants are equipped with water recycling systems. Of these, 30% recycles a volume more than 50%. Moreover, 50% of those units have sewage treatment systems where production takes place, contributing towards a minor environmental impact on water discharges.

An average of 0.250 cubic metres of water was used in 2014 to produce one ton of clinker, within the target set six years ago for 2015 (0300 m^3/t of clinker).

InterCement joined the "Pledge for Access to Safe Water, Sanitation and Hygiene at the Workplace (WASH)" initiative of the WBCSD in 2014. This aims to ensure the supply of quality water, sanitation and hygienic conditions in the workplace.



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 lain 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 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 thedemand 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 75% 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 15% 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

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