



Well-defined competitive advantages that drive incremental value generation for the long haul

1Q22

EARNINGS
RELEASE



PRODUCTS



CEMENT

PRODUCTS:
GREY CEMENT,
WHITE CEMENT,
MORTAR AND CONCRETE



MARKETS: Construction
and infrastructure



FORTALEZA MATERIALES: RESULTS FOR THE FIRST QUARTER 2022

Mexico City, Mexico, April 29, 2022 - Fortaleza Materiales, S.A.B. de C.V. (BMV: FORTALE*) ("the Company", or "Fortaleza Materiales") reports its unaudited financial and operating results for the first quarter of 2022 ("1Q22"). This earnings release is prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The figures are expressed in millions of nominal Mexican pesos (\$) and may vary due to rounding.




Highlights

- This earnings release was prepared based on business considerations arising from the spin-off of the Building Systems and Metals business units (now Elementia Materiales) from Elementia (whose name was changed to Fortaleza Materiales); therefore, for the purposes of comparison, unaudited pro forma figures for Fortaleza Materials are used for quarterly information.
- First-quarter sales for Fortaleza Materiales grew 9%, and EBITDA 5%, compared to the same period of last year, attributed to the strategy of raising prices across the board to offset higher costs in the supply chain.
- In 1Q22, Fortaleza Materiales used its excess cash flow to fund investment projects and therefore did not need to take on further debt.
- Operating income was down by 21%, mainly because of higher production costs, inflation, supply chain disruptions and, in general, volatility in the various markets where we operate.
- The leverage ratio at the end of 1Q22 was 2.29x and interest coverage was 5.43x.

The company's strategy in 2022 will focus on developing investment projects that contribute to the production capacity of Fortaleza Materiales, the optimization and control of its costs and expenses, and its profitability, through price levels that support higher operating margins and enable us to continue on the path of growth.

We will also be prioritizing the use of alternative fuels in our production processes.

Our main goals at present are:

- | | | |
|--|---|---|
| 1) Expanding production capacity | <ul style="list-style-type: none">• Development of expansion projects in Mexico and Central America |  |
| 2) Pursuing a dynamic pricing strategy consistent with the current market | <ul style="list-style-type: none">• Increased prices by 15% in Mexico compared to 1Q21 |  |
| 3) Optimizing costs and expenses and reducing our carbon footprint | <ul style="list-style-type: none">• EBITDA in US operations grew by 55% over 1Q21; we plan to offset higher energy and fuel costs through pricing strategies.• Reduced clinker content and used more alternative fuels. Ongoing austerity in expenses and synergies with other companies in the group on administrative, commercial and technical matters. |  |

Key Indicators

Operating

MXN million	Primer trimestre 2022
Cement BU volume - Mexico	(8%)
Cement BU volume - United States	3%
Cement BU volume - Central America	1%

Financial

MXN million	First Quarter Pro Forma		
	2022	2021	Δ%
Net Sales	3,092	2,827	9%
Cost of goods sold	2,545	2,176	17%
Gross profit	547	651	(16%)
% of net sales	18%	23%	(5.3 pp)
Operating expenses	269	297	(9%)
Operating income	278	354	(21%)
% of net sales	9%	13%	(3.5 pp)
EBITDA	687	654	5%
% of net sales	22%	23%	(0.92 pp)
Income (loss) from continued operations	(53)	406	(113%)
Income (loss) from discontinued operations		153	100%
Consolidated net income (loss)	(53)	559	(109%)

*2021 consolidated net income includes January through March figures from Building Systems and Metals (Elementia Materiales).

In this report, quarterly and year-to-date figures are the same.

Balance Sheet

	March 2022	Dec 2021	Δ%
Cash and equivalents	1,043	1,936	(46%)
Working Capital	895	943	(5%)
Receivables, net	1,144	1,060	8%
Inventories, net	1,835	1,647	11%
Payables	2,084	1,764	18%
Total Debt	9,317	9,676	(4%)
Debt, net	8,274	7,740	7%

Others

	Pro Forma		
	March 2022	March 2021	Δ%
Free Cash Flow	(1,126)	(2,947)	62%
Operating	(328)	802	(141%)
Investments	(246)	(32)	669%
Financing	(552)	(3,717)	(85%)
	March 2022	Dec 2021	Δ%
EBITDA LTM	3,606	3,572	1%
Leverage ratio	2.29x	2.17x	6%
Interest coverage ratio	5.43x	5.09x	7%
Employees	1,352	1,361	(1%)

1) All figures pro forma, except for employees

Net Sales
Net sales by business unit

MXN million	1Q22	4Q21	1Q21	Δ% Q/Q	Δ% Year/Year
Cement Mexico	1,591	1,611	1,513	(1%)	5%
Cement United States	1,373	1,608	1,190	(15%)	15%
Cement Central America	128	102	124	26%	3%
Total Fortaleza Materiales ¹	3,092	3,321	2,827	(7%)	9%

1) Does not include holding and intercompany eliminations

Net sales from discontinued operations as of 1Q21 totaled \$4.51 billion and represent the revenues of assets spun off in 2021.

Net sales by destination

MXN million	1Q22	4Q21	1Q21	Δ% Q/Q	Δ% Year/Year
United States	1,373	1,608	1,190	(15%)	15%
Mexico	1,591	1,519	1,540	5%	3%
Central America	128	189	97	(32%)	32%
Total Fortaleza Materiales ¹	3,092	3,316	2,827	(7%)	9%

1) Include holding and intercompany eliminations

Net sales totaled \$3.09 billion in 1Q22, a 9% increase over the same period of last year, primarily due to the pricing strategy in markets where we operate and stable demand in the United States and Costa Rica.

In 1Q22, demand slowed, particularly in Mexico, which contributed to a 5% reduction in total sales volume.

Operating Income

1Q22 operating income was \$278 million, a 21% decline from 1Q21, chiefly due to higher production costs, inflation, supply chain disruptions and, in general, volatility in the various markets where we operate.

EBITDA by business unit

MXN million	1Q22	4Q21	1Q21	Δ% Q/Q	Δ% Year/Year
Cement Mexico	504	617	559	(18%)	(10%)
Cement United States	59	273	38	(78%)	55%
Cement Central America	43	33	35	31%	23%
Total Fortaleza Materiales ¹	606	923	632	(34%)	(4%)

1) Does not include holding and intercompany eliminations

EBITDA for the first quarter totaled \$687 million, down 5% from the same period of last year, mostly due to increased production costs and lower sales volume in Mexico.

Financing Result

Comprehensive financing cost

First Quarter Pro Forma

MXN million	March 2022	March 2021	Δ%
Interest income	11	14	(21%)
Interest expense	(154)	(195)	(21%)
Bank fees	(5)	(21)	(76%)
Net foreign-exchange loss (gain)	(53)	320	(117%)
Total comprehensive financing cost, net	(201)	118	(270%)

In this report, quarterly and year-to-date figures are the same.

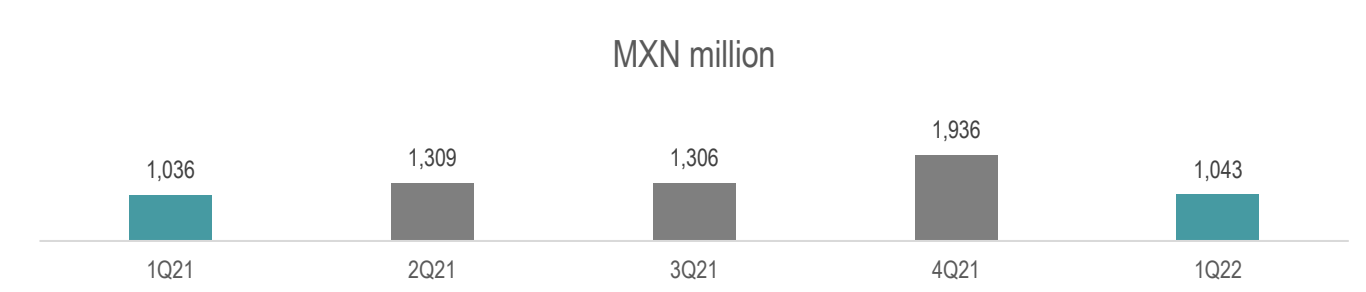
Comprehensive financing cost was up by 270% compared to 1Q21, mainly because of the negative impact of exchange-rate fluctuations, although we did recognize some savings on interest expense and banking fees for the quarter.

Net Income

The net loss for the cement business totaled \$53 million in 1Q22, primarily the result of higher cost of goods sold, higher financial costs and tax payments.

Statement of Financial Position

Cash & Equivalents



The balance of cash and equivalent sank 46% year-to-year compared to the close of March 2021, primarily because we used excess cash to invest in organic expansion projects.

Free Cash Flow

MXN million	January - March Pro Forma		Δ%
	2022	2021	
EBITDA	34	33	5%
Change in working capital	47	80	(41%)
Cash taxes	(265)	(191)	(39%)
Interest, net	(225)	(412)	45%
Bank fees	(5)	(21)	76%
Cash flow before Capex	(414)	(511)	19%
% of EBITDA	(1,205%)	(15.6%)	23%
Capex	(258)	(116)	(122%)
Others	1	69	(99%)
Free cash flow before financing	(671)	(558)	(20%)
Debt incurred (paid)	(271)	(3,246)	92%
Others	(45)	(44)	(2%)
Free cash Flow	(987)	(3,848)	74%

As of 1Q22, cash flow before Capex was \$414 million. The cash outflow is mainly due to higher working capital, resumption of debt payments, and the start of operations of expansion projects.

Net Receivables – by Business Unit

MXN million	March 2022	Dec 2021	Δ%
Cement Mexico	295	292	1%
Cement United States	840	761	10%
Cement Central America	9	7	29%
Total Net Receivables	1,144	1,060	8%

Net receivables went from \$1.06 billion at the close of 2021 to \$1.14 billion at the close of 1Q22, an 8% increase due to the extension of longer credit terms to customers.

Net Inventories – by Business Unit

MXN million	March 2022	Dec 2021	Δ%
Cement Mexico	656	538	22%
Cement United States	1,083	1,013	7%
Cement Central America	96	96	0%
Total Net Inventories	1,835	1,647	11%

As of March 31, 2022, inventories were \$1.83 billion, 11% higher than in the same period of 2021, due to a slowdown in demand in Mexico and a strategy of purchasing raw materials to ensure their availability for production processes.

Net Property, Plant, and Equipment – by Business Unit

MXN million	March 2022	Dec 2021	Δ%
Cement Mexico	9,728	9,771	(0%)
Cement United States	8,746	9,108	(4%)
Cement Central America	649	573	13%
Total Net Property, Plant, and Equipment ¹	19,123	19,452	(2%)

¹) Does not include holding or intercompany eliminations

The value of fixed assets grew in Central American operations, the result of capacity expansions in one of our mills, while globally it declined by a modest 2% due to the effects of depreciation in Mexico and the US.

Payables – by Business Unit

MXN million	March 2022	Dec 2021	Δ%
Cement Mexico	1,099	976	13%
Cement United States	935	747	25%
Cement Central America	50	41	22%
Total Payables ¹	2,084	1,764	18%

¹) Does not include holding or intercompany eliminations

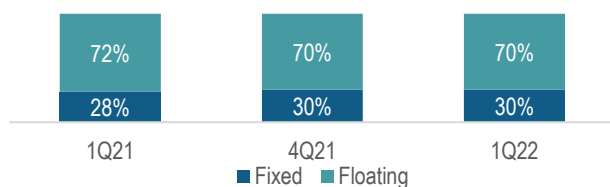
As of March 31, 2022, payables totaled \$2.08 billion, up 18% year-over-year, due to supply chain disruptions.

Debt Profile

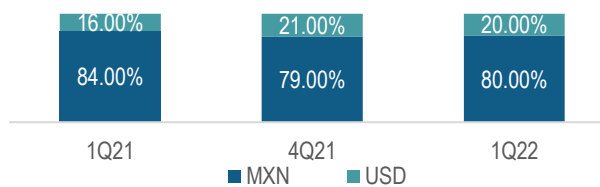
MXN million	March 2022	Dec 2021	Δ% Mar 2022 vs Dic 2021
Short-term debt	3,138	3,147	(0%)
Long-term debt	6,179	6,529	(5%)
Total debt	9,317	9,676	(4%)
Cash and cash equivalents	1,043	1,936	(46%)
Net debt	8,274	7,740	7%
Net financial expense	664	702	(5%)
EBITDA LTM	3,606	3,572	1%
Leverage ratio ¹	2.29x	2.17x	6%
Interest coverage ratio ¹	5.43x	5.09x	7%

1) Pro Forma

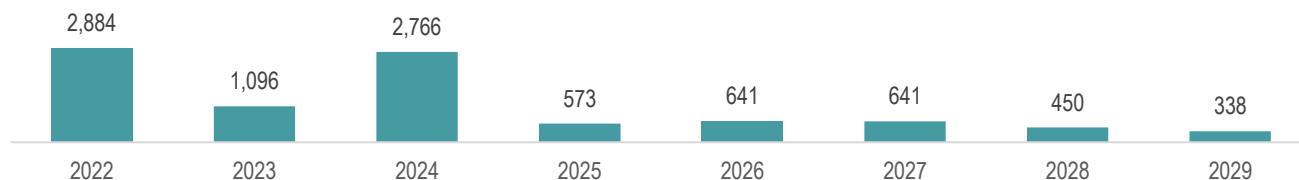
Debt by Rate



Debt by Currency



Debt Maturity Profile (MXN million)



Total debt closed 1Q22 at \$9.32 billion, 4% lower than at the close of 2021, due to debt repayment. The leverage ratio was 2.29x and interest coverage was 5.43x.

At the end of the year's first quarter, 80% of the company's debt was denominated in Mexican pesos, and 70% of the debt was signed out at a floating rate.

Shareholders' Equity

Shareholders' equity as of March 31, 2022 totaled \$11.90 billion.

Results by Business Unit

Cement Business Unit - Mexico

MXN million	2022	First Quarter 2021	Δ%
Net sales	1,591	1,513	5%
Operating income (loss)	345	400	(14%)
% of net sales	22%	26%	(4.8 pp)
EBITDA	504	559	(10%)
% of net sales	32%	37%	(5.3 pp)
Δ% in sales volume	(8%)		
Δ% in average Price	15%		

EBITDA for 1Q22 was down 10% from the same period of 2021, primarily because of an increase in the cost of our main raw materials and a slowdown in demand.

Net sales reached \$1.59 billion in 1Q22, 5% higher than in 1Q21, chiefly due to our pricing strategy.

Cement Business Unit – United States

MXN million	2021	First Quarter 2020	Δ%
Net sales	1,373	1,190	15%
Operating income (loss)	(186)	(100)	(86%)
% of net sales	(14%)	(8%)	(5.1 pp)
EBITDA	59	38	55%
% of net sales	4%	3%	1.1 pp
Δ% in sales volume	3%		
Δ% in average Price	(3%)		

Net sales and EBITDA for 1Q22 rose 15% and 55%, respectively, spurred on by the sale of imported cement and an improvement in administrative and sales expense.

EBITDA was affected by depreciation on the Keystone plant, an effect not present in 2021, because until the cancellation of the planned sale of this plant was announced, the asset remained on the balance sheet as available for sale.

First-quarter costs were affected primarily by the rise in prices on clinker, fuel and electricity, which resulted in a higher operating loss than in the same quarter of last year.

Cement Business Unit – Central America

MXN million	First Quarter		
	2022	2021	Δ%
Net sales	128	124	3%
Operating income (loss)	39	32	22%
% of net sales	30%	26%	4.7 pp
EBITDA	43	35	23%
% of net sales	34%	28%	5.4 pp
Δ% in sales volumen	1%		
Δ% in average Price	(1%)		

In 1Q22, Net Central America Cement sales and EBITDA climbed 3% and 23% year-over-year, respectively, due to stable and solid market demand.

Operating income increased 22% and EBITDA margin was 34%, reflecting our commitment to maximizing available resources and maintaining a highly efficient operation.

Relevant Events

- On April 11 of this year, Fitch announced an increase in its national-scale long- and short-term ratings of Fortaleza Materiales to “A(mex)” from “A-(mex)” and to “F1(mex)” from “F2(mex),” respectively. It also raised the international rating to “BB” from “BB-“ with a stable outlook.
- On March 30, the Board of Directors announced its opinion on the price per share in the PTO and the decision that board members and the CEO would take regarding the shares they own.
- On March 22 the company announced the start of a public tender offer for up to 103,038,130 single-series shares, ordinary, nominative and with no expression of face value, for all of the outstanding shares that are not directly or indirectly owned by the FORTALE control group, equivalent to 17.58% of its capital stock.

About Fortaleza Materiales

This earnings release was prepared based on business considerations arising from the spin-off of the Building Systems and Metals (now Elementia Materiales) business units from Elementia (whose name was changed to Fortaleza Materiales); therefore, for comparability purposes, unaudited pro forma figures are used for quarterly and accumulated figures.

Fortaleza Materiales is a cement company with a strong organic growth and, through Cementos Fortaleza® and the strategic acquisitions of Giant®, Keystone® and Dragon®, it provides structural solutions for the foundations, columns, floors and ceilings of houses, shopping malls, offices, hospitals, among other facilities, in Mexico, the United States and Latin America. Fortaleza Materiales has more than 1,300 employees.

Analyst Coverage

- HSBC
- Morgan Stanley
- Santander
- Bank of America Merrill Lynch
- Citi
- UBS
- Apalache Análisis
- CI-Banco
- Vector

Forward-looking statements

This document contains certain forward-looking statements and information related to Fortaleza Materiales, S.A.B. de C.V. ("Fortaleza Materiales") that reflect the vision and / or expectations of Fortaleza Materiales and its management team in relation to its performance, business and future events. Forward-looking statements may include, but are not limited to, statements that could predict, project, indicate or imply certain future results, performance or achievements, and may include words "anticipate", "believe," "estimate," "expect", "project", "plan", "predict", "foresee", "forecast", "reach" or any other word or phrase with a similar meaning, which may be given orally or in writing.

The presented results may materially differ from those projected as a result of factors beyond Fortaleza Materiales' control. These factors may include, but are not limited to: economy in general; political and business conditions in Mexico and other markets where we operate; international capital and securities markets performance, as well as economic crises; our ability to refinance our financial obligations; if necessary; competition in the sector and markets; management's expectations and estimates in regards to the Company's future financial performance and financing plans / programs; limited access to financing sources with competitive terms, and compliance with clauses to which we are bound to; our ability to meet debt obligations; our investment plans; currency fluctuations, interest rates or inflation, as well as currency conversion; changes in government legislation and regulation, including environmental regulation, and obligations arising therefrom, and judicial or administrative judgments against us; procurement policies and interpretations; increase in insurance premiums; changes in market prices, customer demand and preference, and competitive conditions; cyclicity and seasonality in our operating results; our ability to implement the corporate strategy; increase in prices of goods and / or services supplied to us, and fluctuations in the prices of the raw material; the imposition of price controls on the products we sell; trade barriers; technological innovation; costs, uncertainty and regulation applicable to company mergers and acquisitions or strategic alliances; our ability to make acquisitions for regulatory or other issues, and successfully integrate the operations of the acquired businesses; liability claims including claims related to health, safety and environmental protection issues, as well as claims arising from joint lawsuits in Mexico or other jurisdictions in which we operate; failures in our information obtained from our technology systems, including data and communication systems; the impact by changes in accounting principles, new legislation, actions by regulatory authorities, government announcements and monetary or fiscal policy in Mexico, or in other markets in which we operate; decrease in the sale of our products by independent distributors; our ability to retain qualified personnel and rehire key personnel; our ability to extract synergies from our business mergers and acquisitions activities; delays by suppliers or lack of ability to obtain, under conditions acceptable to us, inputs required by us to produce the products we sell; investigations by federal authorities; and other risk factors. In any circumstance these statements only refer to their date of elaboration and Fortaleza Materiales has no obligation to update or revise any of them, whether for new information, future events, among others, unless required by law. Therefore, caution should be exercised when using future projections. The document and its contents belong to the Company and may not be reproduced or distributed as a whole or as part of without prior written consent by Fortaleza Materiales.

Appendixes

Income Statement	First Quarter IFRS			
	MXN million	2022	2021	Δ%
Net Sales		3,092	2,827	9%
Cost of goods sold		2,545	2,176	17%
Gross profit		547	651	(16%)
Operating expenses		269	297	(9%)
Operating income		278	354	(21%)
EBITDA		687	654	5%
% of net sales		22%	23%	(0.92 pp)
Interest income		11	14	(21%)
Interest expense		(154)	(195)	(21%)
Bank commissions		(5)	(21)	(76%)
Net exchange loss (profit)		(53)	320	(117%)
Comprehensive financing result, net		(201)	118	270%
Income before income taxes		77	472	(84%)
Income tax		130	66	97%
Income (loss) from continued operations		(53)	406	(113%)
Discontinuous			153	100%
Net Income (loss)		(53)	559	(109%)

Income Statement	First Quarter Pro Forma			
	USD million	2022	2021	Δ%
Net Sales		155	141	9%
Cost of goods sold		127	109	17%
Gross profit		27	33	(16%)
Operating expenses		13	15	(9%)
Operating income		14	18	(21%)
EBITDA		34	33	5%
% of net sales		22%	23%	(0.92 pp)
Other current liabilities		1	1	(21%)
Current liabilities		(8)	(10)	(21%)
Long term debt		(0)	(1)	(76%)
Deferred taxes		(3)	16	(117%)
Comprehensive financing result, net		(10)	6	270%
Income before income taxes		4	24	(84%)
Income tax		7	3	97%
Income (loss) from continued operations		(3)	20	(113%)
Discontinuous			8	100%
Net Income (loss)		(3)	28	(109%)

¹ For illustrative purposes, figures in Mexican pesos were converted to U.S. dollars using an exchange rate of \$19.9942 and \$20.5835 per U.S. dollar (exchange rate to settle foreign currency obligations on March 31st, 2022 and 2021, respectively, as defined by Mexico's Central Bank and published in the Official Gazette of the Federation).

*2021 consolidated net income includes January through August figures from Building Systems and Metals (Elementia Materiales).

Investor Relations

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 Fortaleza Materiales 4Q21 Earnings Release

Balance Sheet

MXN million	March 2022	Dec 2021	Δ%	March 2022 USD million ¹
Cash and cash equivalents	1,043	1,936	(46%)	52
Receivables, net	1,144	1,060	8%	57
Inventories, net	1,835	1,647	11%	92
Other receivables and currents assets	787	373	111%	39
Current assets	4,809	5,016	(4%)	240
Other receivables, net				
Investment in associated companies and others				
Property, plant and equipment, net	19,123	19,452	(2%)	956
Right of use asset	756	734	3%	38
Intangible assets, net	3,389	3,475	(2%)	169
Deferred assets Tax	711	808	(12%)	36
Other assets	129	98	32%	6
Non- current assets	24,108	24,567	(2%)	1,205
Total assets	28,917	29,583	(2%)	1,445
Short term debt	3,138	3,147	(0%)	157
Payables	2,084	1,764	18%	104
Other current liabilities	1,221	1,619	(25%)	61
Current liabilities	6,443	6,530	(1%)	322
Long term debt	6,179	6,529	(5%)	309
Deferred taxes	2,013	2,126	(5%)	101
Other long term liabilities	2,384	2,400	(1%)	119
Long term liabilities	10,576	11,055	(4%)	529
Total liabilities	17,019	17,585	(3%)	851
Shareholders' Equity	11,898	11,998	(1%)	594
Equity attributable to owners of the Entity	10,619	10,609	0%	530
Capital stock	4,443	4,443	0%	222
Additional paid-in capital	3,165	3,165	0%	158
Retained earnings	3,479	3,439	1%	174
Other comprehensive income	(468)	(438)	7%	(24)
Non- controlling interest	1,279	1,389	(8%)	64
Total liabilities and shareholders' equity	28,917	29,583	(2%)	1,445

¹For illustrative purposes, figures in Mexican pesos were converted to U.S. dollars using an exchange rate of \$19.9942 per U.S. dollar (exchange rate to settle foreign currency obligations on March 31st, 2022, as defined by Mexico's Central Bank and published in the Official Gazette of the Federation).

Statement of Cash Flow

MXN million	January – March		Δ%	2022 (UDS million) ¹
	2022	2021		
Net income (loss)	(53)	559	(109%)	(3)
Other items unrealized		(153)	(100%)	
Depreciation, amortization and impairment	409	300	36%	20
Gain on disposal of fixed assets		(9)	(100%)	
Interest income	(11)	(14)	(21%)	(1)
Interest expense	154	195	(21%)	8
Exchange loss (gain)	(92)	274	(134%)	(5)
Other items	130	43	202%	7
Non cash figures	537	1,195	(55%)	26
Net cash flow (used) provided by working capital	(865)	(393)	120%	(42)
Increase in accounts receivable	(84)	(84)	0%	(4)
(Increase) decrease in inventories	(189)	9	(2200%)	(9)
Increase in other receivables and other current assets	(407)	33	(1333%)	(20)
Increase in trade accounts payable	320	155	106%	16
(Decrease) increase in other liabilities	(505)	(506)	(0%)	(25)
Net cash flow provided by operating activities	(328)	802	(141%)	(16)
Acquisition of property, machinery and equipment	(258)	(116)	122%	(13)
Other assets	12	84	(86%)	1
Net cash flow used in investing activities	(246)	(32)	669%	(12)
Incurred (paid) debt	(271)	(3,246)	(92%)	(14)
Increase stock buyback			0%	
Bank loans and others, net	(281)	(471)	(40%)	(14)
Net cash used in financing activities	(552)	(3,717)	(85%)	(28)
Net (decrease) increase in cash and cash equivalents	(1,126)	(2,947)	(62%)	(56)
Effects differences on translating foreign operations	233	849	(73%)	11
Cash and cash equivalents at the beginning of the period	1,936	3,134	(38%)	97
Cash and cash equivalents at the end of the period	1,043	1,036	1%	52

¹ For illustrative purposes, figures in Mexican pesos were converted to U.S. dollars using an exchange rate of \$19.9942 per U.S. dollar (exchange rate to settle foreign currency obligations on March 31st, 2022, as defined by Mexico's Central Bank and published in the Official Gazette of the Federation).