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20 December 2016

The Special Committee of the Board of Directors of Trinidad Cement Limited  
c/o Trinidad Cement Limited  
Southern Main Road  
Claxton Bay  
Trinidad

## **Fairness Opinion in relation to the 5 December 2016 Offer from Sierra Trading**

Dear Sirs/Mesdames

### **Introduction**

On 5 December 2016, Sierra Trading (the "Offeror" or "Sierra") issued an Offer and Take Over Bid Circular ("Sierra Circular") seeking to acquire up to 132,616,942 Trinidad Cement Limited ("TCL") ordinary shares, held by TCL shareholders other than the Offeror, at a price of TT\$4.50 (the "Offer price"). Sierra currently holds 147,994,188 ordinary shares of TCL which represents a shareholding position of approximately 39.5%. Together with its existing shareholding, the proposed acquisition (the "Offer") will result in an increase in Sierra's shareholding to a maximum of 74.9%.

Sierra is a wholly-owned direct subsidiary of CEMEX España, S.A, a company organized and existing under the laws of Spain and which is a 99.88% owned indirect subsidiary of Cemex, S.A.B. de C.V. ("CEMEX" of "CEMEX Group"). CEMEX is a public company organized under the laws of Mexico and is one of the largest cement and ready-mix concrete companies in the world. In April 2015, TCL and CEMEX entered into a Technical Services Agreement which involves the latter providing technical and managerial services to TCL's Group operations, its Trinidad and Tobago operations and its Jamaica operations.

The Offer is conditional in that Sierra will not be bound to purchase any shares tendered if the Offer results in Sierra (together with any of its affiliates) holding less than 50.01% interest and voting rights in TCL. The Offer is subject to other terms and conditions as outlined in the Sierra Circular.

We understand that the Offer is based on a valuation of the TCL shares conducted by Galaz, Yamazaki, Ruiz Urquiza, S.C. ("GYRU"), a member firm in Mexico of Deloitte Touche Tohmatsu Limited in the United Kingdom, as of October 31, 2016.

In connection with the Offer, Ernst & Young Services Limited ("EYSL") was retained by the Special Committee of the Board of Directors of TCL to provide a fairness opinion.

### **Independence of EYSL**

EYSL has developed this fairness opinion on the basis of an independent review and analysis of TCL (and its subsidiaries). The fairness conclusion reached is that of the valuation professionals within EYSL as well as

subject matter professionals within our EY network. The fees of EYSL for this fairness opinion are not contingent in any way on the conclusions reached.

To the best of our knowledge:

- ▶ EYSL professionals on this engagement do not hold, or beneficially own, any interest in TCL;
- ▶ EYSL has not previously provided valuation services to TCL;
- ▶ In future, EY may provide professional services to TCL and/or affiliates in the ordinary course of business.

EY has been providing audit services to TCL over the past thirteen (13) years. However, the EYSL professionals on this engagement have complied with EY global ring fencing policies and procedures in order to safeguard confidentiality requirements between the EYSL team on this engagement and EY's TCL audit team. No member of the EYSL team on this engagement has provided audit support services in the last three (3) years.

### Scope of Review

In developing this fairness opinion, EYSL has had discussions with the management of TCL and its subsidiaries ("TCL Group"), conducted the procedures noted below, and relied on information obtained from these general procedures, among others:

1. Reviewed the terms of the Sierra Offer.
2. Gained an understanding of TCL Group's operating structure, operations, products and services, markets, value drivers and risks based on information provided by TCL and available from public sources.
3. Reviewed historical annual financial statements of the TCL Group (consolidated and subsidiary accounts) for the years ended December 31, 2014 and 2015 and the unaudited interim financial results for the eleven months ended November 30, 2016, to obtain an understanding of the cost, revenue, investment and financing structure, and the results of operations in terms of revenues, profits, and cash flows. The period January 1, 2014 to November 30, 2016 is referred to herein as the "period under review".
4. Conducted a review of the FY16 best estimate ("FY16E") based on actual financial performance for the period January 2016 to November 2016 and revised budget for December 2016 and FY17 to FY21 cash flow forecasts for the TCL Group based on the Board approved FY17 budget and TCL management's forecast for FY18 to FY21 to obtain an understanding of future prospects, initiatives, risks and opportunities.
5. Discussed the existence of any non-operating/ redundant assets with management.
6. Reviewed various background materials concerning TCL Group's business, as well as press releases, industry data and information.
7. Reviewed a range of economic, investment, stock market trading, and acquisition transaction data in the process of developing factors and rates of return relevant to formulating a view of with regard to fairness of the Offer price.

8. Conducted income based valuation sensitivity analyses by applying a discounted cash flow approach as of November 30, 2016 to value TCL Group, considering management's cash flow forecasts based on their expectation of the most probable outcome for the business.
9. Conducted market based valuation sensitivity analyses by estimating TCL Group's sustainable EBITDA and applying trading multiples for guideline publicly traded companies and transaction multiples selected from a review of acquisitions in TCL's industry. In assessing estimated sustainable EBITDA, we:
  - a. Adjusted revenues and expenses to levels that are reasonably representative of expected continuing operations; and
  - b. Considered the impact of non-recurring events on historic revenue and expense items.
10. Evaluated the Offer on the basis of fairness from a financial point of view to the shareholders of TCL.

### **Assumptions and Limitations**

EYSL has relied upon the completeness, accuracy and fair presentation of all of the financial and other information obtained by it from public sources, and from TCL for purposes of developing this fairness opinion. This fairness opinion is conditional upon the completeness and accuracy of such information. Subject to the exercise of professional judgements and except as expressly described herein, we have not attempted to verify the completeness, accuracy or fair presentation of any of the information relied upon in developing this assessment of financial fairness. The attached Schedule of Limiting Conditions includes additional assumptions concerning the information reviewed.

Management of the TCL Group has represented to us that the information they provided is true and correct in all material respects as of 30 November 2016 and from that date to the date of this fairness opinion there have been no changes in facts material to the fairness conclusion.

This fairness opinion is based upon securities markets, economic, business and financial conditions as of the reference date of 30 November 2016.

This fairness opinion has been prepared for the specific purpose identified above and is not to be used in any other context without the express written consent of EYSL. This fairness opinion is developed as of a specific date on the basis of identifiable information and EYSL has not undertaken to update it to any other date. Should information relevant to the fairness conclusions become available to EYSL subsequent to the date of our fairness opinion, EYSL reserves the right, but will be under no obligation, to revise this fairness opinion.

In completing the fairness opinion EYSL has made assumptions with respect to economic, industry, and company performance and expectations that are matters over which EYSL has no control. Specifically, EYSL has accepted management's forecast of future performance of the TCL Group as management's best estimate of the most probable course of action for the business.

Going concern business value and associated evaluations of transaction fairness are inherently and inescapably a matter of implicit or explicit perceptions of the potential future economic performance of the business under consideration and the environment in which that performance will take place. Recognizing that those perceptions are developed under conditions where neither contractual nor other bases exist to ensure that actual operating results will conform to the assumptions employed for valuation purposes, this

analysis necessarily works with contingent and uncertain information and there is a corresponding degree of uncertainty in the resultant estimates of value. In some measure this uncertainty is recognized in the process of specifying the valuation results as a range. It must accordingly be recognized that EYSL does not warrant that the estimates employed in developing this fairness opinion represent commitments as to what the future performance of the businesses will be.

The fairness opinion is considered to be a reasonable evaluation on the basis of the information and assumptions upon which it is predicated and as of the time when it was developed. However, should significant deviations from these assumptions emerge in the future, the evaluation may cease to be representative.

EYSL believes that an evaluation of the fairness of the Offer from a financial point of view must be considered as a whole and that selecting portions of the analysis and report without considering the other factors and analyses may create a misleading view of the evaluation process.

EYSL has not been engaged to provide and has not provided an opinion: i) as to the fairness of the Offer for individual shareholders who may need advice from their own financial advisors in relation to their shareholdings in TCL; ii) as to the fairness of the process underlying the Offer; iii) on the tax structure or attributes relating to the Offer; iv) on the investment or strategic merit of future operations.

This fairness opinion is not to be construed as a recommendation to any director or shareholder to accept or reject the proposed Offer. This fairness opinion does not provide assurance that the best possible price was or will be obtained for assets included in the Offer.

### **Approach to the Evaluation of Fairness**

In reviewing the Offer in terms of fairness from a financial point of view to the shareholders of TCL, EYSL's considerations included the Offer price relative to our assessment of value based on the valuation and financial review procedures described herein.

### **Fairness Conclusion**

This fairness opinion has been prepared solely for the use by the Board of Directors, and the Special Committee of the Board of Directors of Trinidad Cement Limited; and it is only one factor amongst others that the Board of Directors of Trinidad Cement Limited will consider in forming their opinion in respect of the Offer.

On the basis of our evaluation and subject to the assumptions and limitations noted herein, it is our opinion as of the date hereof that the Offer is not fair, from a financial point of view, to the shareholders of TCL.

Sincerely,



Zack Nadur  
Director  
Ernst & Young Services Limited

## **SCHEDULE OF LIMITING CONDITIONS**

1. Ernst & Young Services Limited ("EYSL") has prepared this fairness opinion solely for the purpose stated, and it should not be used for any other purpose. In carrying out our work, we have worked solely on the instructions of our client and this fairness opinion has been prepared solely for the use by the Board of Directors, and the Special Committee of the Board of Directors of Trinidad Cement Limited. Our fairness opinion may not have considered issues relevant to third parties and EYSL shall have no responsibility whatsoever to any third party which obtains a copy of this fairness opinion. Any use such a third party may choose to make of this fairness opinion is entirely at its own risk.
2. Provision of conclusions and/or recommendations and considerations of the issues described herein are areas of valuation practice for which we believe that we have knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, advisory or tax-related services that may otherwise be provided by EY or another Ernst & Young member firm.
3. No investigation of the title to the subject company and subject assets has been made, and the ownership claims to the subject company and subject assets are assumed to be valid. To the extent that EY's services relate to assets, properties or business interests, EY shall assume no responsibility for matters of legal description or title, and EY shall be entitled to make the following assumptions: (i) title is good and marketable, (ii) there exist no liens or encumbrances, (iii) there is full compliance with all applicable government regulations and laws (including, without limitation, zoning regulations), and (iv) all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any government, private entity or organization have been or can be obtained or renewed for any use to which EY services relate.
4. The conclusions and/or recommendations contained herein are not intended to represent the values of the subject assets at any time other than the effective date that is specifically stated in this fairness opinion. Changes in market conditions could result in recommendations of value substantially different than those presented at the stated effective date. We assume no responsibility for changes in market conditions or for the inability to realize the share values stated herein.
5. No responsibility is assumed for information furnished by others (including management), and such information is believed to be reliable.
6. In the course of our analysis, we were provided with written information, oral information, and/or data in electronic form, related to the structure, operation, and financial performance of the subject company and subject assets. We have relied upon this information in our analyses and in the preparation of this fairness opinion and have not independently verified its accuracy or completeness.
7. Certain historical financial data used in our engagement were derived from unaudited financial statements and are the responsibility of management. These financial statements may not have included disclosures required by generally accepted accounting principles. We have not independently verified the accuracy or completeness of the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.

8. The estimates of cash flow data underlying the analysis herein is solely for use in the valuation analysis. We have not performed an examination or compilation of the underlying cash flow data in accordance with standards prescribed by the professional accounting bodies, and, accordingly, do not express an opinion or offer any form of assurance on the underlying cash flow data or their underlying assumptions. Furthermore, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
9. Our fairness opinion assumes full compliance with all applicable federal, provincial, local, and other zoning, usage, environmental and similar laws and regulations, unless otherwise stated.
10. We assume no responsibility for any financial and tax reporting decisions, which are appropriately those of management. It is our understanding that management accepts the responsibility for any financial statement and tax reporting issues with respect to the subject assets.
11. We reserve the right (but will not be obligated) to revise this fairness opinion in light of any relevant information (that we consider material to this fairness opinion) that comes to our attention after the date of issuance.