2018

ANNUAL FINANCIAL REPORT

InterCement

Index

1. Letter to Stakeholders

Preparing InterCement for the Near Future

Fully committed to strength its capital structure, InterCement completed in January 2019 another important step of the deleveraging plan and concluded the sale of the operations in Portugal and Cape Verde. The deal is part of the company ongoing restructure, with the proceeds to be mainly used for debt reduction. Over the last two years the indebtness was significantly reduced by 1.5 billion Euros.

In the operational side, the company overall performance in 2018 was affected by the adverse scenario in Argentina and the economic slowdown in Brazil, added by the negative trend in exchange rates. The total volume of sales was slightly down by 2,2% when compared to 2017, reaching 23,6 million tons.

Focusing on promoting the capture of opportunities and increasing resilience in complex scenarios of the different geographies in which the Company operates, InterCement engaged in an important strategic analysis of its business and started a substantial transformation program. With one of the leading global consulting firms support, InterCement built the IC TURN, a project that consist in a turnaround process, with the ambition to reach a new level of performance and the development of a high performance culture, perennially, based on financial discipline, operational excellence and sustainability. In this way, 2019 will open a new cycle enhancing the company's focus on South America and Africa to embrace the growth expected for the balanced portfolio.

In the social field, important developments were reached through the InterCement Institute, building initiatives that combines direct impact in the supply chain and employment generation in local communities, an important social benefit.

Its also important to highlight that, reinforcing the Compliance Standards, InterCement continued to invest on process and tools to deliver a high level of integrity, with the commitment of all its employees.

In March 2019 InterCement welcomed Flavio Aidar as the new CEO of the company, replacing Paulo Nigro, who had an important role, specially in the design of IC TURN. Mr. Aidar has over 20 years of experience in several international corporations, with specific emphasis on strategic transformation processes and has his career associated with major financial institutions.

On behalf of InterCement Board of Directors and our Employees, we thank our Clients, Suppliers, Investors and Stakeholders for the confidence and trust through this challenge years, based on relations that strengthen the responsibility and the commitment of this Company with the results in a sustainable future.

The Board of Directors

2. InterCement at a Glance

InterCement is one of the largest international cement producer, with current 38 million tons of capacity and 35 cement production facilities located in Latin America and Africa. Concluded in January 2019, the selling operations of Portugal and Cape Verde impacted on reducing 9 million tons, and 5 cement facilities.

A privately held company, headquartered in São Paulo, Brazil, InterCement is the cement market leader in Mozambique, the second largest player in Brazil, and holds a regional leading position in South Africa and in Egypt. Additionally, through its stake in Loma Negra, InterCement is the cement market leader in Argentina and the second largest player in Paraguay.

InterCement produces and distributes cement, masonry cement, aggregates, concrete and lime to wholesale distributors, concrete producers and industrial customers, among others. Additionally, the company produces paper bags, suitable for its products.

3. Highlights 2018

In 2018 InterCement has continued focused on its deleveraging plan to strength the capital structure and prepare the company to growth in a new cycle. In October, the company completed another important step in this process, signing an agreement to sell the Portuguese and Cape Verde operations. The transaction was only concluded in January 2019 after the Competition Authority authorization, therefore, doesn't reduce the debt profile of 2018.

As per requirement of IFRS5, Portugal and Cape Verde operations and assets are presented as "Discontinued Operations". Accordingly, items regarding these operations are presented in segregated lines of the P/L (also restated for the comparative period) and the Balance Sheet.

Furthermore, InterCement 2018 Financial Statements categorize Argentina as a hyperinflationary economy in accordance with IFRS (country with a three-year cumulative inflation rate greater that 100%). Consequently the 2018 results were restated adjusting for the change in general purchasing power of the local currency, using official indices.

In operational terms, the company overall performance was affected by the macro-economic scenario in Argentina and Brazil and the negative trend in the exchange rate evolution.

Brazil experienced a transition year with the market stabilizing after four years of decline, but facing increasing costs and operating margin pressure. Loma Negra leveraged its leadership position to increase EBITDA margin in an adverse macro-economic scenario with demand contraction. Paraguay kept the positive performance preserving an EBITDA margin above 40%. In Africa, Egypt and Mozambique inputs balanced the South Africa performance.

InterCement

Key Figures						
Million €, unless otherwise expressed	2018	2017	Chg.	4Q18	4Q17	Chg.
Cement and Clinker Volumes Sold (t ton)	23.587	24.115	-2,2%	5.812	6.277	-7,4%
Sales	1.704	1.885	-9,6%	395	478	-17,4%
EBITDA	325	294	10,6%	76	46	65,9%
Adjusted EBITDA	331	358	-7,6%	92	101	-9,5%
FCF	-152	-74	105,1%	85	160	-47,2%
Net Debt	1.671	1.525	9,6%			

3.1. Deleveraging initiatives on track

In 2018 the strategic programme to strengthen InterCement's capital structure was continued, combining increased efficiency in the operations, investment discipline, monetization of non-strategic assets and divestment of Portugal and Cape Verde.

3.2. Portugal and Cape Verde Divestment

As publicly announced on October 26, 2018, InterCement signed a definite agreement to sell its operations in Portugal and Cape Verde, and concluded the transaction in January 2019, with 626 million Euros of the proceeds received up to now. The deal is part of the ongoing restructure, with the proceeds been mainly used for debt reduction.

3.3. Loma Negra IPO

The successfully Initial Public Offering of Loma Negra in 2017, represented a milestone in the international capital markets and a significant step in InterCement's strategic development. This was the largest IPO of the recent history of the cement industry and the second largest ever in Argentina – 48.4% of Loma Negra share capital was placed for the amount of 1,097 million US Dollars.

3.4. Completion of Energy Assets Divestment

In the three previous years InterCement sold part of its stake in Estreiro Hydroeletric, Barra Grande (BAESA) and Machadinho. The final phase of the minority stake selling process from the energy assets took place in 2018 (over 11 million Euros in a total of amount of 219 million Euros), with all the proceeds allocated on debt reduction.

3.5. IC-TURN Program

Aiming at delivering a visible and sustainable step-change improvement in InterCement business performance, while strengthening our organization and positioning us to win in the years ahead, InterCement has engaged with one of the leading global consulting firms to design such transformation program for the company. As a result, after a 6-month journey of diagnosis and planning, we have launched IC TURN – a program of hundreds of initiatives planned to allow the company to reach its full potential, seizing all the potential opportunities for additional gains across all functional areas. These opportunities range from new commercial approaches to the enhancement of industrial and procurement processes, resulting in a significant operational and financial impact. In 2019 and onwards, this program will evolve through the implementation phase, under a disciplined execution mode intended to guarantee that the planned results are achieved and new initiatives are mapped and added to the program.

4. 2018 Performance

4.1. New cycle focused on South America and Africa

The current statistics relative to 2018 show economic growth in the geographies in which InterCement operates, in a trend started in 2017. With the exception of Argentina, all countries faced positive economic contexts. In some cases the construction and cement industry remained under pressure. The balanced portfolio and continuous challenge to improve efficiency managed to mitigate adverse impacts.

The new portfolio focused on South America and Africa will benefit from a more favourable scenario in Brazil, Argentina recovering and the African assets continuing to deliver results.

4.2. Consolidated Financial Results

Integral Basis (Continuing And Discontinued Operations)

In 2018, cement and clinker volumes sold reached 24 million tonnes, in line with the figures of 2016 and 2017. Total volume had a reduction of 2.2% related to the reduction of exports from Portugal, since the Argentinian and Egiptian market slowdown was offset by the positive performance in Brazil, Portugal and Mozambique.

Key Figures (Integral Basis)						
Million Euros, unless otherwise expressed	2018	2017	Chg.	4Q18	4Q17	Chg.
Cement and Clinker Sales (thousand ton)	23.587	24.115	-2,2%	5.812	6.277	-7,4%
Sales	1.704	1.885	-9,6%	395	478	-17,4%
EBITDA	325	294	10,6%	76	46	65,9%
Adjusted EBITDA	331	358	-7,6%	92	101	-9,5%

On an integral basis sales were down by 9.6% reflecting forex impact in Euros considering that in local currency all geographies presented sales growth. EBITDA increase reached 10.6% to 325 million Euros but the comparation is distorted by the Extraordinary Adjustment Program of 64 million Euros with negative impact in the 2017 results. Excluding these effects, Adjusted EBITDA reached 331 million Euros, 7.6% below the figure for 2017. Neverthelss the Adjusted EBITDA margin increased from 19.0% to 19.4% in 2018.

Total Net Income was negative by 195 million Euros, whereas Net Income from Discontinued Operations amounted to 7 million Euros.

Income Statement						
million €	2018	2017	Chg.	4Q18	4Q17	Chg.
Sales	**1.457**	**1.679**	**-13,2%**	**333**	**423**	**-21,2%**
Net Operational Cash Costs	1.191	1.432	-16,9%	270	390	-30,6%
Operational Cash Flow (EBITDA)	**266**	**247**	**7,9%**	**63**	**33**	**89,5%**
Deprec. Amort. and Impairments	214	388	-45,0%	110	93	18,5%
Operating Income (EBIT)	**53**	**-142**	**137,1%**	**-47**	**-60**	**20,9%**
Financial Results	-221	-132	-67,3%	-39	-69	43,3%
Pre-tax Income	**-169**	**-274**	**38,4%**	**-86**	**-129**	**33,0%**
Income Tax	33	144	-76,8%	8	130	-93,7%
Net Inc. from Continuing Operations	**-202**	**-418**	**51,6%**	**-94**	**-259**	**63,6%**
Net Inc. from Discontinued Operations	**7**	**-13**	**156,4%**	**4**	**-7**	**147,9%**
Total Net Income	**-195**	**-431**	**54,8%**	**-91**	**-266**	**65,9%**
Attributable to:						
Shareholders	-192	-364	47,1%	-95	-231	59,0%
Non-controling interests	-2	-67	96,7%	4	-35	111,9%

Continuing Operations:

The volumes sold of cement and clinker were down by 0.8%, at 20 million tonnes, with Brazil, Mozambique and South Africa balancing the weaker sales in Argentina. Sales in Euro decreased 13.2%, reflecting the depreciations of the Argentinian Peso (54% YoY average) and Brazilian Real (20% YoY average). Excluding the forex effect, Sales increased 16.8%. Despite volumes sold were unchanged in 2018, the company focus on product innovation and value-based solutions for the clients led to sales increase in local currency in all geographies. InterCement average cement price, excluding the forex effect, went up (+20.4%), reacting to rising input costs.

Key Figures (Continuing operations)						
Million €, unless otherwise expressed	2018	2017	Chg.	4Q18	4Q17	Chg.
Cement and Clinker Sales (thousand ton)	20.498	20.666	-0,8%	5.139	5.492	-6,4%
Sales	1.457	1.679	-13,2%	333	423	-21,2%
EBITDA	266	247	7,9%	63	33	89,5%
Adjusted EBITDA	270	309	-12,4%	78	87	-11,3%

The results in Brazil and South Africa reflected a difficult business environment on the backdrop of increasing input prices and sluggish markets. Argentina and Egypt tackled market conditions with reinforced commercial approach to address inflationary costs with faster rising selling prices. Mozambique benefited from more favorable conditions combined with a proative leadership strategy of the company in the local market.

EBITDA presented a 7.9% growth compared to 2017 that included non recurring events. Excluding these impacts on both periods, the Adjusted EBITDA reached 270 million Euros, 12,4% below the figure of 2017 of 309 million Euros. These results reflect the ARS and BRL depreciation against the Euro and the general increase of energy and logistic costs. Disregarding the forex impact EBITDA would have increased by 69 million Euros against 2017. The company continued focus on performance improvement and operational delivery, margins were ahead of the previous year reaching 18.6%.

Depreciation and amortization of 160 million Euros was 11% above the 2017 figure. In 2018 the total impairments recorded 53 million Euros and in 2017 reached 243 million Euros, mostly related to capacity increase projects grounded due to footprint rationalization mainly in Brazil.

Financial Results worsen 89 million Euros compared to 2017. On one hand benefited from lower interest cost in the period following the InterCement Liability Management execution impact on debt, resulting on 128 million Euros reduction between the two periods. On the other hand, exchange differences and derivatives unwind had a negative impact of 217 million Euros mostly following the already mentioned ARS and BRL depreciation, whereas 2017 benefited from the positive exchange effect of the USD depreciation on debt.

Income Tax in 2018 had a reduction of 110 million Euros compared to the previous year. Income Tax in 2017, was affected by adjustments in the 4th quarter concerning deferred taxes mainly in Brazil.

Altogether, Net Income presented a 55% recovery from 2017 figure, adding up to a loss 195 million Euros, and 192 million Euros Net Loss for Shareholders.

Integral Basis (Continuing and Discontinued Operations)

Free Cash Flow Generation Map (Integral Basis)		
million €	2018	2017
Adjusted EBITDA	331	358
Change in Working Capital	-109	74
Others	-22	-80
Operating Activities	**200**	**353**
Interests Paid	-152	-225
Income taxes Paid	-58	-51
Cash Flow before investments	**-9**	**78**
CAPEX	-192	-147
Redemption of (Investments in) securities	44	-11
Assets Sales / Others	5	7
Free Cash Flow to the company	**-152**	**-74**
Borrowings, financing and debentures	80	298
Repayment of borrowings, financ. and debent.	-680	-689
Swap Transactions	-23	204
Capital Increases	68	0
Other investment activities	-11	933
Changes in cash and cash equivalents	-718	673
Exchange differences	-34	-76
Cash and cash equivalents, End of the Period	385	1.138

In 2018, InterCement Free Cash Flow was negative in 152 million Euros, to great extended related to the negative change in Working Capital, derivatives unwind adverse impact and CAPEX increase. 2018 cash generation was negative by 752 million Euros due to the use of proceeds from Loma Negra IPO and the sale of InterCement additional minority stakes in Machadinho and Barra Grande Hydroelectric Plant.

Operating activities of 200 million euros mostly penalized from a negative impact in Change in Working Capital for three main reasons: i) 2017 extra efforts in receivables and inventory; ii) L'Amalí project Capex suppliers swing from 2017 to 2018; iii) 2018 end of the year initiatives (i.e. sale of trade receivables) were frozen during the negotiations to sell the Portuguese and Cape Verde Operations. These extra initiatives (sale of trade and receivables and inventory management) in Q4 reached 222 million Euros in 2017 compared to 69 million of 2018.

Following the InterCement Liability Management execution the interest paid reduced from 225 million Euros in 2017 to 152 million Euros in the current year. The Derivates Unwinding had a negative effect of circa 23 million Euros compared to the positive impact in the previous year of 209 million Euros.

In what concerns investment activities in 2018, capex – mainly the capacity expansion project at the L' Amalí plant in Argentina – weighted an additional 44 million Euros from 2017.

Asset Sales and Others in 2018 include additional proceeds from Barra Grande and Machadinho Hydroeletric plants and in 2017 reflect the sale of the minority stake in Loma Negra (IPO) which generated net proceeds of 876 million Euros and part of InterCement's stake in the Estreito Hydroelectric Plant for circa 77 million Euros.

In December 2018 the controlling shareholder Mover Participações S.A. performed a capital increase of 67.5 million Euros to support and strength the company balancesheet.

Cash and Cash equivalents at the end of the period amounted to 385 million Euros, which compare to 1.138 million Euros by the end of 2017. The 707 million Euros of the sell of Portugal and Cape Verde will only impact the cash position in 2019. In January, 626 million Euros were received, and the remaining amount is retained for price adjustments, as further detailed in the Subsequent Event Section.

Consolidated Balance Sheet Summary			
million €	Dez 31 '2018	Dez 31 '2017	Var.
Assets			
Non-current Assets	2.677	3.269	-18,1%
Derivatives	3	7	-49,7%
Current Assets			
Cash, Equivalents and Securities	342	1.200	-71,5%
Derivatives	0	4	-100,0%
Other Current Assets	415	494	-16,0%
Assets classified as held for sale	747	0	100,0%
Total Assets	**4.184**	**4.973**	**-15,9%**
Shareholders' Equity attributable to:			
Equity Holders	882	1.066	-17,3%
Non-controling interests	282	238	18,5%
Total Shareholders' Equity	**1.164**	**1.303**	**-10,7%**
Current Liabilities			
Loans & Obligations under finance leases	491	573	-14,3%
Provisions & Employee benefits	0	1	-95,1%
Other Current Liabilities	427	534	-20,0%
Non-current Liabilities			
Loans & Obligations under finance leases	1.447	2.139	-32,4%
Derivatives	0	17	-98,2%
Provisions & Employee benefits	70	138	-49,2%
Other Non-current Liabilities	278	268	3,7%
Liabilities assoc. w/ Assets classified as held for sale	307	0	100,0%
Total Liabilities	**3.021**	**3.670**	**-17,7%**
Total Liabilities & Shareholders Equity	**4.184**	**4.973**	**-15,9%**

Integral Basis (Continuing and Discontinued Operations)

At December 31, 2018 Total Assets amounted to 4.184 million Euros, 15,9% below the figures recorded one year before, revealing the Deleveraging and Liability Management Plan execution following 2017 cash events, namely the prepayments and amortizations influencing Cash, Loans and Obligations.

Net Debt at year end amounted to 1.671 million Euros, 9.6% above December 31, 2017. The delevaraging process will advance upon completion of the sale of the Portugal and Cape Verde Operations.

Assets and Liabilities Held for Sale

At December 31, Assets classified as held for sale (Portugal and Cape Verde assets) amounted to 747 million Euros while Liabilities associated with Assets classified as held for sale amounted to 307 million Euros.

As mentinioned before, on January 17, 2019 it was signed the Closing Memorandum completing the sale of business operations in Portugal and Cape Verde to “Ordu Yardimlasma Kurumu” (OYAK Group) of Turkey. With a reference price of 707 Million Euros, the final price for the transaction will be determined considering the closing net debt, the related parties balances, the changes in working capital since June 30, 2018 and other minors aspects, a process that is in course. At that date an amount of about 626 Million Euros was received, being such proceeds to be used mainly to reduce the Group debt level, in accordance with InterCement Liability Management Plan, and up to now an amount of about 350 Million Euros were already paid, including the debt in the sold entities.

5. Country Performance

5.1. Operations In Continuation

Brazil

In Brazil, the economy is expanding but the recovery path has been slow and the impact in the cement industry is still shallow. According to the SNIC cement consumption decrease was contained to 1.2% in 2018, accumulating a drop of 26,2% in the past four years. Last quarter of 2018 reveald a turnround in this trend setting the pace for 2019 were total national sales are expected to increase.

In this scenario, InterCement promoted an assertive commercial strategy in attracting and retaining customer loyalty, improving its customer segmentation programme according to their profile and needs, redefining the long-term positioning of the portfolio’s brands, without neglecting to ensure the profitability of its local activity. As a result in 2018, cement and clinker volumes sold by InterCement Brazil were 2% higher than in 2017 despite the market contraction and the context of high idleness of the installed local capacity.

In 2018, the industry cost matrix was particularlly affected by transport, raw materials and energy costs increase. The company pursued several initiatives to improve productivity and control costs to minimize these impacts. Projects to optimize raw materials mix, contracts renegotiation, freight flow and energy consumption were given special attention.

EBITDA went up from 4.0 to 28.0 million Euros, as per the recognition in favour of the company of one of the on-going judicial revenue taxation disputes (PIS COFINS). EBITDA adjusted from non recurring events – including tax credit – was 15.5 million Euros, even so 61% below the comparable value of 2017 due to the impact of freight and higher energy costs.

The company continued it’s program of industrial footprint rationalization to reach the most adequate plant network to address the current demand level. These effects include: stock adjustments, mining provisions and impairments registration following the plants decommission and suspension of investiments to expand capacity.

Argentina

The year 2018 began with a very robust market and an economy that showed solid and consistent indicators of growth, unfortunately from the month of April all of those indicators began to deteriorate. In the wake of the crisis, the Argentinian government adopted a large IMF programme including faster consolidation and tight monetary policy that restrain growth on the short run but will help to restore confindence and reduce fiscal and current account imbalances. In this context, InterCement Argentina focus in cost control and continuous improvement of commercial and production processes, allowed to continue generating solid results, increase profit margins and mitigate the adverse situation of the country in 2018.

The advancement of the government plan's in infrastructure, routes, roads, airports, railways and ports, among others, promoted the growth of 2.6% of the firm cement bulk, allowing this segment to gain relevance, and reach approximately 42% of the total volume and, at the same time allowing the concrete segment (Lomax) to reach the all-time high of volume sold, surpassing one million cubic meters. Despite this increase in the shipping of bulk, the fall in the order of 5.9% bag segment produced that consolidated the industry volume is 2.6% lower than the volume of the year 2017. The total volume sales of cement, masonry and lime declined 4.7% compared to the previous year reflecting the overall weak market demand in Argentina.

Despite the adverse market conditions the favourable price environment let to sales increase of 34.3% in local currency. In 2018, the ARS depreciated (54% YoY average) versus the Euro driving the consolidated sales in Euros to 584 million Euros, 22% below the previous year.

Peso depreciation also had a negative impact on the company’s cost structure, mainly in thermal and electricity costs pushing for additional cost otimization and logistics rationalization.

Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS. Consequently, starting July 1, 2018, the Company is reporting results applying IFRS rule IAS 29. IAS 29 requires that results of operations in hyperinflationary economies are reported as if these economies were highly inflationary as of January 1, 2018, and thus year-to-date, together with comparable results, should be restated adjusting for the change in general purchasing power of the local currency, using official indexes, with negative impact of 14 milion Euros on EBITDA.

Despite the macro-economy environment and weaker demand. EBITDA margin increased 1 p.p. reaching 26% in 2018.

The expansion in L'Amalí plant continues to be a key element of the company long-term growth strategy, as it will allow to optimise the production footprint while providing much needed capacity and significant operational efficiency increase.

Paraguay

In the year 2018, the Paraguayan economy grew 4%, driven by the primary and secondary sectors mainly. The country continues a positive dymamic growing 4.5% on average since 2004, faster than most of its regional comparators.

Meanwhile cement industry maintained the previous year level. The reduction of the total market is almost non-existent compared to the previous year, only 0.1% at the end of 2018 and InterCement Paraguay volumes remained relatively flat as well.

InterCement commercial approach to the market included price increase, allowing a local currency 2.6% increase in Sales, while EBITDA decreased by 4%. The Guarani depreciation against the Euro turned 2018 results in Euros below 2017. Once again the operation in Paraguay remains the benchmarking status with an EBITDA margin above 40%.

Argentina and Paraguay Region

The EBITDA of the Argentina and Paraguay business segment amounted to 174.2 million Euros, a 17.3% decrease compared to 2017. The result is affected to great extended by the depreciation of the Argentinian Peso against the Euro that represents over 104 million Euros.

Egypt

The economic activity in Egypt has improved both in 2017 and 2018 and GDP is reported to growth 5% in the past year refleting the reforms implemented since mid-2016.

Despite the economy performance the cement consumption is estimated to have dropped by 5% driving a decline of approximately 3.5% in the company's volumes sold. In a context of weaker demand the current market overcapacity has increased with the Beni Suef plant entering the market (12 million tons per year capacity).

Our strong positioning in the local market enabled to protect our sales that increased 10.3% to 115 million Euros. Benefiting from our premium brand and efforts to quickly adapt to the market conditions leveraged our price increase.

Steep rises in electricity and fuels prices as well as the clay tax increase were counterbalanced with increased coprocessing and cost reduction initiatives.

2018 operation cashflow increased and EBITDA margin in a comparable basis registered an increase of 13.4p.p. reaching 12,9%.

Mozambique

The macroeconomic scenario in Mozambique still reflects the severe political and fiscal crisis started in 2016. 2018 GDP growth is estimated at 3,5%, the lowest in nearly two decades, that had an economic growth of 7% in average.

The cement market grew at 6% on the back of the first quarter positive performance, stagnating in the remaining part of the year. InterCement cement and clinker sales followed the market trend that combined with price increase led to 11.3% Sales increase to 107 million Euros.

The company had successfully implemented several iniciatives to control costs (mainly energy costs increase) and leverage our leadership position to improve the margin and operational Cash Flow.

As a result the 2018 EBITDA grew in a like-for-like including margin improvement to 25%.

South Africa

South Africa economy grew below 1% after a first semester of recession. The cement industry sales remained stable, constrained by the government challenge in stimulating the economy. Nonetheless, the company commercial dynamics expanded the customer base with 1.5% growth of Cement and Clinker Volumes Sold consolidating a 12% market share.

Sales remained at 2017 figures - 136 million Euros - refleting limited pricing power in a context of import pressure in KwaZulu-Natal region and negative Forex impact.

Operational margins were affected by above-inflation cost increases mainly on electricity and raw materials. Maintenance costs also impacted on performance. 2018 EBITDA generation was stable when compared to 2017.

Africa Region

The EBITDA of Africa region recorded an increase of 87.5% mainly due to the Extraordinary Adjustment Program effects in 2017 results. Excluding that impact, the Adjusted EBITDA amounted to 78.2 million Euros, 22.8% above the previous year. The strong results in Egypt and Mozambique including margin increment have compensated the lower activity in South Africa.

5.2. Discontinued Operations:

Portugal

In 2018 the Portuguese domestic market had growth for second consecutive year altought at a lower rate. The internal market cement and clinker volumes sold grew by 6.9%, ahead of the local market, successfully maintaining the the commercial focus on customer retention and attraction of new costumers. On the other hand, exports fell by 24.0% prioritizing higher margins. Reflecting this strategy, sales grew only by 1,3% and EBITDA margin improved 4.5p.p. reaching 21.2%.

Cape Verde

Despite the economic growth path, the cement market contracted for the second consecutive year particularly in the first quarter of the year. InterCement 's Cement and Clinker Volumes Sold fell by around 2% but sales increased by 3.2% supported by the concrete activity positive performance.

Trading

Cement and clinker trading activity in 2018, recorded 2.1 million tons, of which 1,9 million were to third parties reaching a Sales amount of 141 million Euros.

Exports from Portugal focused on higher margin clients and geographies, balancing the product portfolio and destination markets. Regarding fuels trading, InterCement established new routes taking advantage of the company know–how and international networking.

5.3. Main Figures:

Cement and Clinker Volumes Sold						
thousand tons	2018	2017	Chg.	4Q18	4Q17	Chg.
Brazil	7.878	7.713	2,1%	1.972	1.819	8,4%
Argentina	6.117	6.419	-4,7%	1.436	1.760	-18,4%
Paraguay	566	568	-0,4%	147	131	12,6%
Portugal	3.099	3.448	-10,1%	656	783	-16,2%
Cape Verde	183	187	-2,3%	43	45	-3,3%
Egypt	3.097	3.209	-3,5%	844	1.058	-20,3%
Mozambique	1.203	1.145	5,1%	307	317	-3,0%
South Africa	1.637	1.613	1,5%	432	406	6,6%
Total	**23.780**	**24.301**	**-2,1%**	**5.839**	**6.320**	**-7,6%**

Sales						
million €	2018	2017	Chg.	4Q18	4Q17	Chg.
Brazil	420	455	-7,7%	105	106	-0,3%
Argentina	584	750	-22,1%	110	200	-44,9%
Paraguay	60	62	-2,7%	16	14	9,8%
Portugal	261	258	1,3%	63	62	2,1%
Cape Verde	31	30	3,2%	7	7	4,5%
Egypt	115	104	10,3%	33	35	-5,2%
Mozambique	107	96	11,3%	29	25	14,5%
South Africa	136	136	0,1%	34	31	8,2%
Trading / Shipping	141	156	-9,6%	17	25	-30,5%
Others	20	43	-53,9%	5	8	-36,9%
Total	**1.875**	**2.089**	**-10,2%**	**419**	**512**	**-18,2%**

EBITDA						
million €	2018	2017	Chg.	4Q18	4Q17	Chg.
Brazil	28,0	4,0	606,6%	2,1	-12,7	116,7%
Argentina & Paraguay	174,2	210,8	-17,3%	39,1	59,6	-34,4%
Portugal & Cape Verde	59,1	47,4	24,7%	12,7	12,4	2,8%
Africa	72,8	38,8	87,5%	23,4	-5,9	494,7%
Trading / Ship. & Others	-9,0	-7,0	-28,6%	-1,8	-7,8	77,3%
Consolidated Total	**325,2**	**294,0**	**10,6%**	**75,5**	**45,5**	**65,9%**
EBITDA margin	***19,1%***	***15,6%***	***3,5 p.p.***	***19,1%***	***9,5%***	***9,6 p.p.***

Adjusted EBITDA						
(€ million)	2018	2017	Chg.	4Q18	4Q17	Chg.
Brazil	21,9	39,1	-44,0%	9,5	21,7	-56,3%
Argentina & Paraguay	176,1	211,0	-16,6%	39,8	56,6	-29,6%
Portugal & Cape Verde	60,8	49,7	22,4%	14,0	13,7	1,8%
Africa	78,2	63,7	22,8%	28,1	15,5	81,2%
Trading / Ship. & Others	-5,8	-5,1	-13,6%	0,2	-6,4	103,3%
Consolidated Total	**331,3**	**358,5**	**-7,6%**	**91,6**	**101,2**	**-9,5%**
EBITDA margin	***19,4%***	***19,0%***	***0,2 p.p.***	***23,2%***	***21,1%***	***2,6 p.p.***

InterCement

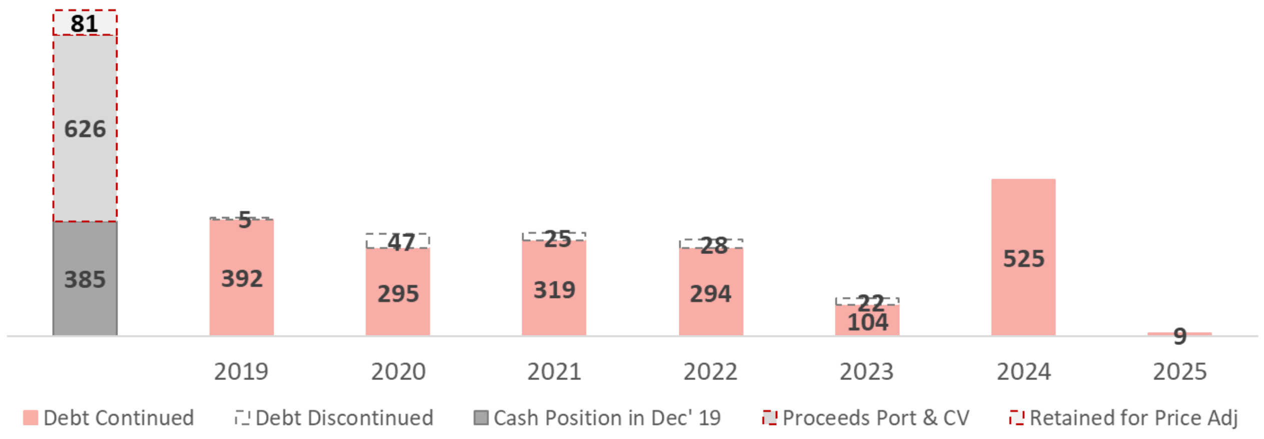
6. Financing Structure

After performing the IPO of Loma Negra, its subsidiary in Argentina, the Company reduced and refinanced its debt profile equalizing over the coming years the amortization schedules and avoiding high debt maturities walls. By the end of 2018, gross debt totalized 1.9 billion Euros, representing a 0.8 billion Euros reduction when compared to the 4Q17 and a 1.5 billion Euros reduction in relation to the 4Q16.

Throughout 2018, the Company continued to pursue its financing policy, based on the reduction of the financial leverage and the adjustment of the debt profile. To reach this target, it was established a four pillars liability management plan, aiming to (i) Enhance Credit Measures, (ii) Paydown and Balancing Bank Debt, (iii) Release Equity at Subsidiaries and (iv) Issue a New Bond. Until now, the three first steps were accomplished, remaining the forth step – subject to market conditions.

In this way, in January 2019, the Company concluded the sale of its operations in Portugal and Cape Verde initially receiveing 626 million Euros, with the objective to continue the liability management plan. The sale of these assets will permit a significant gross debt reduction and to reach a longer and smother amortization schedule. Until March 2019, 350 million Euros of the proceeds received from the equity sale were already used to reduce and refinance debt.

In December 2018 the debt profile is presented below (values are denominated in million Euros):



Due to the Ebitda contraction, the Company requested to it Lenders a financial covenant level increase, from 4,5X to 5,5X, measured and complied by the Company on 31 December 2018. For the following years, the level returns to 4,5X, measured every end of year.

7. Governance

7.1. Governance Philosophy

Following the guidelines of its controlling shareholder, the Governance Philosophy adopted at InterCement is driven by the company's goals of excellence in its sustainable development, promoting transparency in an attitude of absolute compliance and particular respect for the standards on anti-corruption.

Focused on improving controls and processes, and aimed at giving greater autonomy to local decision-making in the six countries where the company operates, InterCement continuously develops its governance model.

7.2. Governance Structure

InterCement Board of Directors comprise five members being responsible for guaranteeing the effective supervision, monitoring and assessment of the activity of the Executive Committee.

InterCement Governance, Human Resources and Sustainability Committee, InterCement Strategy, Investment and Finance Committee and InterCement Audit, Risks and Compliance Committee report to the Board of Directors. The latter is comprised of five members of which two representatives from the controlling shareholder and two members experts on accounting, audit and tax

THE BOARD OF DIRECTORS IS PRESENTLY COMPOSED BY:	THE EXECUTIVE COMMITTEE IS PRESENTLY COMPOSED BY:
Franklin Feder (**Chairman**)	Flavio Aidar (**CEO**)
André Pires de Oliveira Dias	Paulo Diniz (**CFO**)
Claudio Borin Guedes Palaia	Ricardo Barbosa (**Brazil VP**)
Marcelo Condé	Sergio Faifman (**Argentina and Paraguay VP**)
Nicolas Fournier	Flavio Aidar (**Africa Regio Interin VP**)
	Livio Kuze (**Organizational Development**)
	Luiz Klecz (**Legal Counsel**)

Six technical committees support the Executive Committee: Ethics and Compliance; Safety, Health and Environment; Human Resources; Efficiency and Productivity; Information Technology; Finance and Investments.

At a local level, each unit also has its own Management Committee, led by the local General Manager, and supported by two technical committees: Sustainability and Health, and Safety and Environment.

7.3. Compliance

The concept of Compliance encompasses the practices and disciplines adopted in order to comply with laws, regulations, policies and procedures.

InterCement concerns with disseminating the concept and practices related to Compliance at all hierarchy levels since 2004, when its Code of Conduct was first published. The Code of Conduct was reviewed throughout 2018 and will be republished in early 2019.

In 2018, the InterCement Compliance Communication Program, which is part of the InterCement Integrity Program, was formalized and presented in all geographies, and launched to cover compliance process, therefore including the ethical line, integrity and compliance issues.

Also in 2018, as part of InterCement Integrity Program, the Perception of the Integrity Environment Survey was launched, in order to acess the maturity and perception of our professionals regarding integrity and compliance at InterCement. In addition to this, other standards were developed, such as: Conflict of Interest; Prevention and Combat of Illicit Acts; Ethical Line; Gifts, Courtesies, Donation, Sponsorship and Institutional Marketing.

As a way to reaffirm the commitment of each of InterCement's professionals with the Integrity and Compliance Program, a Letter of Intent has been created and accepted by them.

The company invested in communication to emphasize the Compliance’s importance - doing the right thing, and to give visibility of the company’s internal policies and standards. In addition to the Code of Conduct, InterCement has also launched an Anti-Corruption standard, a Relationship with Competition standard and a Corporate Compliance standard. Furthermore its Compliance standard establishes the internal procedures and mechanisms to ensure its dully adopted and carefully monitored across the company - prevention, detection, response. The company’s website contains significant information related to compliance, in the web address (http://compliance.InterCement.com/conduta.php).

Aditionaly, InterCement Compliance Academy is responsible for continuous compliance training for the company employees and management. In 2018, anti-corruption and antitrust online trainings were made available to all InterCement employees. Furthermore, in the past three years all of the top and medium management acomplished 100% in both training evaluations on the said topics.

At InterCement, all whistle-blowing on deviations of the Code of Conduct are received by the InterCement Ethical Line, a communication channel created in 2004 and available to all employees and stakeholders, that assures a direct, independent and confidential communication channel to deal with complaints, comments, suggestions and denouncements of any kind, either from employees or third parties, such as: violations to the Code of Conduct, to the Anti-Corruption standards, among others. It is available at the InterCement website (http://compliance.InterCement.com/etica.php), either by telephone, e-mail or website in all the countries where the company has business units. The service is handled by specialized and independent companies, that assure strict confidentiality to all reports, having a treatment and response ratio of 100%.

7.4. Risk Management

In the recent challenging years, the company was prepared to mitigate adversities supported by various mechanisms, particularly risk management and control systems, essential in the agility of the company's response to its surrounding context. The Risk Process is overseen by InterCement's Audit, Risk and Compliance Committee, mentioned above, responsible for supporting InterCement's Board of Directors. The Comittee is composed of six members, being two external members - an accounting and a tax experts, three InterCement representative.

The Risk Management Process gained particular improvement in 2014, when a major corporate effort led to the design of the Risk Matrix, which was completed after a reassessment of the most relevant business factors and process risks. Since then, these tools have been used in order to identify and evaluate scenarios and factors that might affect the company's results.

The methodology adopted by InterCement includes the identification of **Business Risks** that could significantly affect EBITDA, market share, debt covenants, business continuity, reputation and image. Those risks are directly monitored by the Executive Commission, assisted by the Audit, Risks and Compliance Committee, with the aknowledge of InterCement's Board of Directors.

Additionaly, **Processes Risks** are those associated with operational and support activities that could affect operational activities. These risks are monitored within the compliance processes flow, directly in the business units, with a specific structure local responsible for managing such risks within the Audit, Risks and Compliance global team.

8. Outlook

In its forecast from January 2019, the International Monetary Fund (IMF) expects a continuation of global economic growth. The growth rate is expected to weaken slightly, from 3.7% in 2018 to 3.5% in 2019. This reduction is due to trade disputes between the USA and China as well as the recent drop in momentum in Europe. The risks that could continue to jeopardise growth include a further escalation of the trade disputes, high public and private debt, a disorderly Brexit and a stronger than expected economic slowdown in China. The general outlook for the countries where InterCement operates is positive with a higher level of uncertainty for Argentina and South Africa. The company expects to capitalize the previous years management changes, increase efficiency, higher profitability and margin compared to 2018.

Operations controlled by InterCement, enter in 2019 with the commitment to strengthen relations with its stakeholders and particularly focused on the development of actions that increase the perceived value by the customer.

The company and its subsidiaries are intended to be the first option in terms of the needs of cement, concrete and other products. Proposed from the corporate guidelines, continuously assess the needs and expectations of local markets to improve response to customers, but also suppliers and communities giving continuity to their

"Partnerships" program. The company will continue betting on improvements of productivity indicators, incorporating new technologies and processes and investing in training of its professionals. Improving their processes and compliance controls, will continue emphasizing the agenda of 2018, as well as increasing the safety of persons within the scope of its activity.

From the environmental point of view, progress in terms of reducing impacts from our activity and expansion of co-processing, reducing the use of fuels and fossil materials. Just like in 2018, the search for alternative sources of energy and raw materials will continue in 2019 occupying a prominent place in the company's long-term vision.

As for the financing of its activity, the company will continue optimizing its capital structure promoting the reduction of the level of leverage. This will combine the reduction of capital employed, through the sale of assets (including Portugal and Cape Verde) non-strategic and minority stakes, with the discipline of CAPEX and an increase in cash, EBITDA via or through the generation of the optimization of the working capital. Greater agility and management efforts should ease working capital investments and a disciplined CAPEX mode will remain in force, with focus Argentina increasing its installed capacity in order to address the rising local demand for cement.

To embrace this new cycle, InterCement is improving its governance model and management approach, simplifying processes, increasing the regions autonomy for a greater businesses dynamics, aiming the sustainable and joint development with its stakeholders.

8.1. Brazil

In Brazil, growth will gain momentum during 2019 and 2020 as private consumption, supported by improvements in the labour market, will increase. The new administration in office is expected to recover confidence and policy estability nevertheless political uncertainty can delay the implementation of social reforms and that remains the largest risk to Brazil’s economic trajectory.

Early 2019 signs with the new federal and regional governments in place were positive with general confidence increase, from retailers, industry, services and the construction sector. The speed of reforms will be key to the economic recovery has the investiment becames stronger.

The cement consumption usually lags behind the economic recovery therefore the positive economic trend will have a steady impact on demand increase. The national cement industry association (SNIC) projects an increase of 3% in cement sales for 2019 based on the housing sector and public infrastructure investment reactivation.

InterCement will ensure further progress on management efficiency, cost structure leaning and assets optimisation following the previous years footprint reconfiguration. In a context of high pressure from input costs the partnership statregy with suppliers and logistics will be fundamental. In the commercial side InterCement will pursue the path of growing assertiveness by intensifying its partnerships with customers and delivering a higher value.

Overall, EBITDA generation in 2019, will grow based on more favourable market conditions recovering from the previous years negative cycle.

8.2. Argentina and Paraguay

The forecasts for the Argentine economy indicate a moderate fall of the GDP for 2019 with respect to 2018. For the second semester a change of trend is expected with the regularization of the main economic variables, which will be reflected in the construction sector in general. In particular, for the cement industry, we expect it to behave in line with the economic evolution of the country, and for this reason we estimate a moderate fall in dispatch volumes during the year, with a tendency to recovery in the second half.

8.3. South Africa

The South African economy is likely to grow by 1.5% in 2019, according to the South Africa National Treasury. The growth prospects have been negatively revised due to the slower momentum in 2018 with low improvement in production and employement and a moderation in global trade and investment. The medium-term outlook projects a growth of 2,1% by 2021, supported by a gradual improvement in confidence, more effective public infrastructure spending and better commodity prices outlook.

Cement consumption will follow the the global economy trend facing addional pressure from imports and raw materials cost increase. InterCement will pursue its strategy to invest in customer reach and satisfaction, namely improving sales conditions and possibilities, strengthening partnerships and market research. This drive will focus on strengthening its regional leadership and enhancing operational efficiency, in a higher capacity utilisation mode. In this context, 2019 will be a challenging year, limiting the EBITDA growth prespectives.

8.4. Mozambique

Mozambique’s economic growth in 2019 practically unchanged compared to 2018, remaining on a positive track since 2016 after the IMF compromise. In the long term, particularly with the start of the exploration of natural gas deposits in the Rovuma basin, the economy will tend to grow faster, with a forecast of 4.5% in the 2020/2022 period.

The cement market will continue to grow below the general economy penalized by country’s financial problems and weak investors confidence. The company has managed to counterbalance the weak growth investing in its relations and technical and commercial partnership with its customers.

The company will strengthen the local presence, leveraging our leadership position to improve results.

Tropical Cyclone Idai had a major impact in the Beira region of Mozambique and the company already design a plan to mitigate supply restriction and actively support and participate in the reconstruction to be undertaken in the affected area.

8.5. Egypt

Egypt economy is expected to sustain growth above 5% in 2019, supported by domestic demand recovery. Egypt has been taking towards reviving its economy in the past few years through the economic reform program lead to budget allocations and subsidy cuts. Politcal stability and growing confidence will back the economic policy reform and sustain growth for the 2019-23 period.

The cement market has been experiencing difficult times but the general investments in infrastructure is expected to start to recover. The industry faces a challenging period with low demand and increasing rates of idle production capacity. InterCement will keep up with the market pace, addressing a more competitive environment with its premium cement brand and preventing profitability deterioration. In an context of hinking prices in raw materials, fuels and government fees, the overall competitive scenario will determine the industry ability to increase selling prices.

9. Subsequent Events

9.1. Sale of Portuguese and Cape Verde Operations

On January 17, 2019 the Company has signed the final closing agreement completing the sale of business operations in Portugal and Cape Verde to “Ordu Yardimlasma Kurumu” (OYAK Group) of Turkey. With a reference price of 707 million Euros, the final price for the transaction will be determined considering the closing net debt, the related parties balances, the changes in working capital since June 30, 2018, which process remains in course.

Up to today, the Company has already received an amount of about €626 million was received, being such proceeds to be used mainly to reduce the Group debt level, in accordance with InterCement Liability Management Plan, and up to now an amount of about 315 million Euros were already paid, including the debt in the sold entities.