Introduction to the Annual Report

InterCement has as a premise the transparency and integrity in its relationships with all stakeholders, both internal and external. This is the main reason why the company publishes its Activity Report every year.

This report includes the main achievements, financial and operating results, as well as the social-environmental responsibility highlights of the operation in all the countries where InterCement is present.

Doubts and questions related to the Annual Report can be sent to integracao@intercement.com
2018 Highlights

FOR A HIGH PERFORMANCE CULTURE

InterCement, in partnership with a leading global consulting firm, has developed the IC Turn, a program that during six months mapped opportunities and then listed actions based on financial discipline, operational excellence, and sustainability. These actions have already begun to be implemented in 2018 and will follow in the coming years.

DECLINE IN INDEBTEDNESS

InterCement completed the sale of its operations via Cimpor in Portugal and Cape Verde. This measure is part of its restructuring of capital and the resources have been used mainly to reduce debt, and this way the company can focus its efforts on implementing new actions and ensure long-term sustainability.

The second line of the L’Amalí plant will be a milestone for the cement industry in the country. The increase of approximately 40% in installed capacity of the company’s production in Argentina will allow us to ensure meeting the local demand in an efficient and competitive manner.”

Ruben Edgardo Lobo,
Engineering Projects Superintendent of Loma Negra (Argentina)
COMMITMENT TO INVESTING IN OUR OPERATIONS

InterCement in Argentina continues to invest in expanding the L’Amalí plant. It is estimated that in 2020 the factory will operate with an expansion of its capacity by 2.7 million tons per year. A new cement production line will have the capacity for 5,800 tons of clinker per day.

BENEFITS FOR THE ENVIRONMENT AND PUBLIC HEALTH

The Biomass Program, a partnership of InterCement Brasil with the InterCement Institute, was successfully implemented in 2018. The focus of the program is to use the biomass waste produced near the company’s factories in the co-processing activity. Two projects are already running. One with the licuri palm nut production chain at the Campo Formoso unit in Bahia, and the other with baru nuts in Cezarina, Goiás. In both, to generate a kilogram of nuts for culinary or cosmetic purposes, 7 kilograms of husks are generated, which were discarded. When they are used in InterCement’s units, they cease to be an environmental and public health liability. The program was one of the drivers for the company in Brazil to increase its co-processing rate by 10% in the year.

HIGHER RATE OF THERMAL SUBSTITUTION

The co-processing rate at InterCement grew by 9% in 2018 compared to the previous year, reaching 15.8% in thermal substitution. This evolution was 84% when considering the last six years. All countries have surpassed their co-processing rates compared to 2017.
MESSAGE FROM THE MANAGEMENT

For a sustainable future

InterCement once again in 2018 carried out several initiatives that lead us closer to a sustainable existence. Regardless of the macroeconomic scenario, the company has not ceased to invest in what it believes to be important for the future.

Firstly, in the safety of our employees. There has been no contingency of resources in this area. Our decision to invest unlimitedly in projects of occupational safety together with an engaged leadership has brought a positive return in the year since, fortunately, there have been no fatalities nor serious injuries in our operations.

In addition to the safety of our professionals, another initiative was the continuous improvement of the Integrity and Compliance Program. We reviewed the related standards and implemented the Term of Commitment for each InterCement professional to reaffirm his or her ethical commitment, in addition to regular training on the subject. The company has undergone a broad audit that was completed in the first quarter of 2019 with the support of an external consulting company to ensure its compliance with the Anti-Corruption standards in Brazil, in addition to developing improvements in the control processes. The conclusion obtained through this analysis was positive and did not identify any violation of the current rules and regulations in the Code of Ethics, which gives us the necessary confidence to continue in this direction while evolving in the best practices.

We also highlight that with the support of one of the leading global consulting firms, InterCement developed the IC Turn, a program aimed at providing new parameters of sustainable performance.
over the next few years. This business transformation program was created based on extensive work of mapping, diagnosis, and planning. Composed of hundreds of initiatives, the program’s efforts range from improving dynamics and the organizational structure, business approaches, all the way to improving the industrial and purchasing processes. The goal is to achieve a significant operational and financial impact over the next three years under a disciplined execution mode of action designed to ensure the results planned in a process of continuous evolution.

A concentrated effort allowed us to establish a new level of governance and business for the company through updates focused on various operational routines accompanied by two major structural movements: the IPO of the Loma Negra operation in 2017, and the adjustment of industrial portfolio with the sale of the operations in Portugal and Cape Verde completed in early 2019. These and other actions of this roadmap will allow InterCement to reach its full potential and sustainable levels in a near future.

The commitment with the community actions continued, strengthening the capacity to undertake socially through Community Development Committees in which local leaders define guidelines and projects for a collaborative execution. Our volunteer force benefited more than 180,000 people during 2018, inspiring the exercise of citizenship and practice of solidarity continually more.

It is with this vision that we received Flavio Aidar as our new Executive Chairman in March 2019, replacing Paulo Nigro. Nigro played an important role at InterCement, preparing the company for the next few years, in particular with preparing and implementing a business transformation program. Aidar, with more than 20 years of experience in various international companies, arrives at the company after being on the Advisory Council of MOVER for two years, a period during which he worked with professionals from InterCement on various projects and strategic initiatives.

In addition to the results obtained, the actions and initiatives in 2018 that are recounted in the next few pages have more importance for InterCement due to the impacts that they will bring on our company in the coming years. We hope that you read this Annual Report with this look into the future to share with us the construction of the company that we all aspire.

Enjoy your reading!

Franklin L. Feder
Chairman of the Board of Directors of InterCement
InterCement

InterCement takes as its starting point the construction of its production plant in Apiaí, São Paulo, which started in 1967. The plant’s startup took place in April 1974 and since then, through organic growth or acquisitions, the company has become one of the largest Brazilian companies with international operations in the civil construction and infrastructure market through the production of cement and concrete. It initiated the process of internationalization in 2000 starting with Paraguay, while today is has reached eight different geographies.

The company closed the year of 2018 with 7,614 professionals distributed in eight countries in Africa, Latin America, and Europe: NPC in South Africa, InterCement in Brazil, Amreyah Cement in Egypt, Cimpor in Cape Verde and Portugal, Cimentos de Moçambique in Mozambique, Yguazú in Paraguay, and Loma Negra as a cement market leader in Argentina and now an open capital company since 2017 listed on NYSE and BYMA. At the beginning of 2019, InterCement completed the sale of its operations via Cimpor in Portugal and Cape Verde. The company now has an installed capacity of 38.7 million tons of cement per year.
GENERATION OF JOBS AND INCOME.
Mitigation of emission of greenhouse gases, mainly from the co-processing, which also generates income for the communities that gather the biomass inputs and for the waste collectors. Contribute to the reduction of waste and consequently promote benefits for public health. Encourage volunteering and taking actions of environmental impact in the communities.

GENERATION OF TAXES, SUPPORTING THE DEVELOPMENT OF PUBLIC POLICIES through the activity of the InterCement Institute.

BUILDING A MORE COLLABORATIVE AND MORE PROSPEROUS ENVIRONMENT BY DEVELOPING PUBLIC POLICIES.

SUPPORT FOR DEVELOPING RESEARCH, PRODUCT DEVELOPMENT, AND IMPROVING PROCESSES with a focus on innovation, productivity, and reducing the carbon footprint.

SCIENTIFIC KNOWLEDGE needed for a culture geared to innovation.

EMPLOYABILITY, VOCATIONAL TRAINING, AND PROMOTION OF A SAFE ENVIRONMENT. Support for the actions of volunteering and environmental awareness in the communities along with high standards of safety.

COMMITMENT, TEAMWORK, AND A FOCUS to ensure a sustainable operation.

PARTNERSHIP THAT PROMOTES TRAINING AND PREPARATION to achieve excellence in supplying not only to InterCement, but to all its customers.

EXCELLENCE IN PROVIDING SERVICES AND PRODUCTS, as well as quality logistics, contributing to the sustainability of our business.

QUALITY CEMENT TO ENSURE THE SAFE CONSTRUCTION of houses, hospitals, schools, businesses, industries, and infrastructure projects as well as mobility such as streets, dams, stadiums, and bridges.

HIGH QUALITY PRODUCTS AND RELIABILITY to build loyalty with its consumers and to prosper its business. Support merchandising materials.

TRUST, LONG-TERM RELATIONSHIPS, and income generation to develop a prosperous and sustainable development business environment.

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TRUST, LONG-TERM RELATIONSHIPS, and income generation to develop a prosperous and sustainable development business environment.
To act in accordance, which is the meaning of the concept of compliance, has been a very relevant theme for InterCement since 2004 when it launched the first version of its Code of Conduct. In 2018, giving continuity to the implementation of the Integrity and Compliance Program, it invested in communicating the program’s content to the operations in all of its geographies.

The Integrity and Compliance Program covers the main national and international references on the theme and aims to inform and instruct the professionals to be guided by ethics and best practices. The Program includes the creation of policies and training while reinforcing and emphasizing the use of the Ethics Line and paying attention to the guidelines of the Code of Conduct, which was revised in 2018, as well as the Anti-Corruption and Antitrust Corporate Standards. The new versions will be published in 2019.
The following standards were elaborated in 2018 with publication scheduled for 2019: Conflict of Interests; Preventing and Combating Tort; Ethics Line; Gifts, Gratuities, Donations, Sponsorship, and Institutional Marketing.

During this year a survey was held for the first time on the Perception of the Integrity Environment with the objective of diagnosing the maturity and perception of InterCement’s professionals in all eight countries with respect to Integrity and Compliance. From the results it will be possible for the company to work in more depth some themes identified as the most sensitive by the professionals. Everyone was also called to sign the Term of Commitment with the Integrity and Compliance Program with the goal of reaffirming the commitment of each professional with the theme.

Furthermore, beginning in 2018, all new contracts with InterCement partners, sub-contractors, and suppliers come with an anti-corruption contractual clause.

RISK
Risk management has been carried out effectively at InterCement for some years now and has gained strength since 2014 when the design of its Risk Matrix was drawn up and completed after the most relevant business and process risk factors were reassessed.

The Corporate Risk Management and Crisis Management policies were launched based on this concept. Since then these tools have been valuable in identifying, foreseeing, and evaluating scenarios and factors that may impact the company’s results, and also have helped in preparing proposals for contingency actions to mitigate negative repercussions.

By the methodology adopted by InterCement, the Business Risks have been identified as those which, if materialized, will significantly impact the company’s EBITDA, market share, the main debt covenants, the continuity of operations, and the company’s reputation and image. These are monitored by the Executive Commission. The Process Risks are those associated with the operational and support activities which, if materialized, will impact the operational activities. These are monitored within the compliance process.

Risk management is coordinated by the area of Risk Management, Compliance, and Auditing.
Committed to strengthening its capital structure, the company completed in January 2019 an important step in its deleveraging plan by concluding the sale of its operations in Portugal and Cape Verde that were integrated into InterCement in 2012. This measure is part of its restructuring of capital and the resources have been used mainly to reduce debt. In the last two years, net indebtedness saw a reduction of €1.5 billion, reaching levels in line with the company’s strategy.

To achieve a new level of performance and a culture of high performance, InterCement initiated a project for analyzing and transforming its business together with a leading global consulting firm. The project IC Turn is underway and is based on financial discipline, operational excellence, and sustainability to capture the company’s full potential.

In operational terms, the Adjusted EBITDA in 2018 saw a drop of 7.6% in its value in euros in relation to 2017, having been affected especially by the adverse macroeconomic scenario in Argentina and Brazil and by the negative trend in the evolution of the exchange rates in all the countries where the company is present. InterCement Brasil went through a year of transition with the market stabilizing after four years of decline, but it still faced an increase in costs with pressure on the margins. Loma Negra has leveraged its leadership position in Argentina and increased the EBITDA margin in a scenario of contraction in demand. Paraguay has maintained a positive performance, preserving its EBITDA margin. In the African continent, Egypt and Mozambique contributed to balancing South Africa’s performance.
### FINANCIAL RESULTS IN MILLIONS OF EUROS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>1884,8</td>
<td>1704,0</td>
<td>-9,6%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>358,5</td>
<td>331,3</td>
<td>-7,6%</td>
</tr>
<tr>
<td>EBITDA Margin Adjusted (%)</td>
<td>19,0%</td>
<td>19,4%</td>
<td>+0,4p.p</td>
</tr>
<tr>
<td>Net Profit</td>
<td>-431,0</td>
<td>-195,0</td>
<td>+54,8%</td>
</tr>
<tr>
<td>Investments</td>
<td>147,0</td>
<td>192,0</td>
<td>+30,6%</td>
</tr>
<tr>
<td>Revenue per employee</td>
<td>245,2</td>
<td>225,8</td>
<td>-7,9%</td>
</tr>
</tbody>
</table>

### OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of cement and clinker (millions of metric tons)</td>
<td>24,1</td>
<td>23,5</td>
<td>-2,2</td>
</tr>
<tr>
<td>Employees (at the end of the period)</td>
<td>7,686</td>
<td>7,614</td>
<td>-0,9%</td>
</tr>
</tbody>
</table>
In mid-2019, InterCement concluded the sale of its operations, via Cimpor, in Portugal and Cape Verde.
Highlights by Geography

AFRICA

Present in three African countries—South Africa, Egypt, and Mozambique—that together have a population of almost 200 million people, InterCement changed to a local governance in 2018. New leaders came to the countries and today there is a Managing Director at the front of each one of these operations. In this way the company begins to have a unified strategy for Africa while still respecting the autonomy in each country and encouraging a focus on results.

The economy in South Africa still faced a first half of 2018 in recession, to then grow 1% in the second half of the year. Although the volume of cement and clinker sales grew 1.5% consolidating the company’s market share in the country at 12%, sales remained at the same level as in 2017. However, the operating margins were affected due to the increase above inflation in the costs of electricity and raw materials. It is worth highlighting that the company maintains its leadership in the province of Natal where its production unit is located.

“’The relationship between Transnet Freight Rail and NPC is one of a collaborative partnership. We understand the challenges that the two companies face and work together to overcome and improve our performance. This partnership will result in more volume, reduced costs, increased revenue, and profit for both.”

Hayley Wasserman from Transnet Freight Rail, a supplier of NPC (South Africa)
In Egypt, the macroeconomic scenario presented improvement in 2018 with an increase of 5% in the Gross Domestic Product (GDP). Even though the volume of cement and clinker sold has had a fall of 3.5%, the strong brand positioning in the country has allowed a price increase without losing market share. As a result, the sales have grown in euros by 10.3% compared to 2017. The increase in the co-processing by 17% and the cost reduction initiatives have also contributed to the positive result. In Egypt, the company is a leader in the region of Alexandria, the second largest in the country, where its production unit is located.

Despite a growth of 3.5% in the GDP, the lowest in almost two decades, the cement market in Mozambique grew by 6% thanks to positive performance in the first quarter of 2018. The sales of cement and clinker followed the market trend with an increase in prices, which led to an evolution of 11.3% in sales and 5.1% in volume. Along with this are the spending control initiatives, in particular in energy, which boosted the positive results.

Thus, in 2018, the solid results in Egypt and Mozambique compensated for the lack of growth in South Africa. Adjusted EBITDA reached € 78.2 million in the region, which represents an increase of 22.8% compared to 2017.

“
We always sell the brand Cimentos de Moçambique and our goal is to be the company’s largest retail customer and we are very proud to work with it. We are one of the few companies in the country to offer to our consumers only one brand of cement with a current annual sales volume of around 200,000 tons. It is an honor to contribute to the growth of the national market.”

Kevin Pitzer, managing director of Construa, a construction materials company and customer of Cimentos de Moçambique

“I am loyal to the brand and only sell Amreyah cement because I have a partnership of trust with the company. This trust I pass on to my customers, who are the end users, because they know that the product is of high quality.”

Islam Moussa, Amreyah Customer (Egypt)
ARGENTINA / PARAGUAY

Loma Negra, InterCement’s operation in Argentina, was consolidated in 2018 as a publicly traded company listed on the NYSE and BYMA. The Initial Public Offering (IPO) held in October 2017 made it possible to sale 48% of the capital with trades reaching around US$ 1.1 billion. It was the largest IPO in the recent history of the cement industry and the second largest ever held in Argentina. This was another step in the company’s long-term strategic development, which continues to invest to expand its plant in L’Amalí. It is estimated that in 2020 the factory will undergo an expansion of its capacity by 2.7 million tons per year. A new cement production line will have the capacity for 5,800 tons of clinker per day.

The country’s economy began seeing a solid growth in 2018, but the economic indicators began to decline in April of that same year. In this scenario, the company focused even more on cost reduction and improvements in the production and commercial processes, which allowed it to continue widening the profit margin.

Despite the crisis, the government continues to invest in infrastructure building projects, which led to a growth of 2.6% in the bulk cement segment, reaching 42% of the total volume sold and, at the same time, breaking a record in the sale of concrete, which surpassed one million cubic meters. Bagged cement, however, fell 5.9% in relation to the sales of 2017, representing a total volume decrease of 2.5%.

The market conditions were adverse in the period, but with an increase in price there was an evolution of 73% in revenue. However, due to unfavorable exchange issues, there was a drop of 22% in value in euros in relation to the previous year.

In Paraguay, the cement industry remains stable, which reflected on the company’s sales volume in the country, also without fluctuation of impact in 2018 when compared to 2017, a decline of just 0.4%. In euros, the decrease was 2.7%.

As a highlight, the company in Paraguay continued to invest in its Excellence Program. One of the most relevant initiatives in this context is providing direct support from Loma Negra’s Technical Center for its largest concrete customers.

“\nThe expansion of Line 2 at L’Amalí is very important because it will increase our capacity, allow us to extend the co-processing with alternative fuels, and to produce cement with more additions than we do today. Without a doubt it will leave us more competitive."

Alejandro Omar Gschwind, L’Amalí Plant Manager
We are very pleased with the technical support that the Loma Negra Technical Center offers us. Thanks to this assistance we were able to strengthen procedures in our quality control and improve the performance of our concrete by making our granulometry curves better and making appropriate use of additives. We hope to continue to rely on this support for the continuous improvement of our production and for being at the forefront of new technologies in the concrete market."

Juan Pablo Candia, quality control leader at Chacore Concretos S.A., a Cementos Yguazú customer (Paraguay)

Loma Negra has been our exclusive supplier for 35 years because its products are recognized for their high quality. That alone would be sufficient to justify our conviction of being with the best. However, there are other reasons for only offering Loma Negra to our customers. It is a leading company who is concerned with the quality of management, continuous process improvements, training, and giving support to the distribution companies. All of this makes our partnership sustainable and puts us at an advantage compared to our competitors."

Horacio D’Amico, president of IMACOVA SA., Loma Negra customer (Argentina)

The partnership that we have with Loma Negra is valuable. With the continuous assistance of the Technical Center we were able to improve and even develop new products. The professionals help us even with technical literature. The attention that we receive is excellent not only from a technical point of view, but human as well. And this has certainly contributed to achieving better results in costs and quality of our products."

María Elisa Martínez Cantero, engineer at Concretmix, a Cementos Yguazú customer (Paraguay)
BRAZIL

The economic scenario in the country did not present levels of recovery in 2018, and the impact in the cement industry remained negative, though slightly, with a drop of 1.2% in the year, accumulating a 26.2% drop in the past four years. The last quarter, however, pointed to some changes, indicating a more favorable scenario for sales in 2019. In general, in 2018, the industry’s cost matrix was affected by the increase in transport costs, raw materials, and energy.

To compensate, InterCement continued to implemented a series of initiatives to improve productivity and control costs to minimize these impacts, in particular with projects to improve the mix of raw materials, renegotiate contracts, work with the freight flow, and take actions to reduce energy consumption.

The company made internal adjustments in its structure so as to better realign it with the current market. There was also the consolidation of positions in this business unit, decentralizing the management of some areas and departments.

In terms of results, although the sales volume saw a growth of 2.1%, in actual amounts there was a drop of 7.7% due to unfavorable exchange rates in euros.

A highlight should also be given to the investments in innovation, in partnerships with universities, and with startups, which can be replicated in units in other countries. The company already has 22 patent applications filed and 4 have already been granted. Of these four, three are related to the project of bio-fixation of CO₂ by microalgae. The project is done in partnership with the Federal University of Santa Maria (UFSM), the Federal University of São Carlos (UFSCar), the Federal University of Ceará (UFC), and the startup company Algae Biotecnologia. At the end of 2017 it already inaugurated a factory in Holambra (SP) with 100 square meters for running pre-industrial scale tests of the biofixation process by microalgae of carbonic gas generated in the cement production process. Several studies have also been conducted in addition to the tests. In 2018, the focus was on developing a biofoliar fertilizer.

The company continued to invest in the relationship with partner companies. The 4th edition of the Partner Program was held that recognizes the company’s best suppliers in Brazil. A total of 85 partner companies considered strategic were awarded the top three in four categories: freight, services, inputs, and materials. Also recognized
through Destaque Awards were the initiatives of partners focused on strategic drivers such as HSE (Health, Safety, and Environment), Innovation, Social Responsibility, and People Management. The meeting also discussed market intelligence within InterCement’s context as well as the national scenario in the segments of cement and concrete. In 2019, the program will be expanded to include an award category for the best local suppliers.

In partnership with Sebrae, the Brazilian Service to Support Micro and Small Enterprises, InterCement in Brazil has been implementing the Productive Chain Program aimed to contribute to empowering local small and medium-sized enterprises that are part of its business ecosystem, generating employment and income in the communities where it is present. Harvesting results from the project’s success, which began in Minas Gerais in 2016, with 42 companies located in the municipalities of the company’s three units in the state (Ijaci, Pedro Leopoldo, and Santana do Paraíso), in 2018 InterCement initiated the expansion to the states of Bahia, Mato Grosso do Sul, and Rio Grande do Sul, covering 90 micro and small companies in the surrounding area of the company’s five production units.

The 42 mining companies that participated in the program underwent 2,636 hours of consultancy and 11 courses in the subjects of business management. Since its inception, the program mapped 304 synergies and opportunities such as synergies from shared purchases, opportunities for process improvements, synergies between the participating suppliers, synergies for collaborative development, and opportunities with a potential gain for the units.

We have been partners of InterCement Brasil since it took on the factories in the Northeast and we have the same business vision. We want to grow, make a profit, but in a constructive and positive way for everyone, including for the community. We have been signatories of the On the Right Track Program since 2008 and InterCement Brasil has given us support in many other ways such as with training and events”.

Laercio Junior, director of Translos, a carrier partner of InterCement Brazil
OUR PEOPLE
InterCement is made up every day of 7,614 professionals who, alongside the people in the communities where the company is located, are responsible for the company’s success. InterCement believes that it is necessary to invest in its professionals and has made improvements every year in the area of people management.

Representativeness is another key issue for a company to be successful. In this sense, among other actions, steps were taken in South Africa and Egypt for the professional growth of women so that they have favorable conditions for a greater integration in the labor market and a new People Management tool was launched.
PLATFORM FOR MANAGING PEOPLE

InterCement has precise indicators to monitor its production and targets in order to strengthen a culture of delivering results. In order to meet these targets and expand its productivity while at the same time being increasingly relevant in the career development of its professionals, the company launched in 2018 the SER+ Platform to shorten the distance between the professionals, managers, and the Human Resources area. This is one more step in line with the Employee Value Proposition pillars implemented in 2017 and the 10 InterCement Attitudes.

This system can be accessed through intranet by InterCement’s website or via a mobile App and was totally customized in accordance with the company’s demands and brings all the processes of assessment, monitoring, career management, and other features.

WOMEN IN LEADERSHIP

By means of the Women Empowerment Forum (WEF), which aims to contribute effectively for the empowerment of women in the work environment, InterCement in South Africa has proposed seminars and meetings for professionals and women in the community. Nine meetings were held throughout 2018 in three plants in the country. A seminar on leadership for teachers was also offered in 2018 in the region of Simuma, which is where the company has a unit.

WEF’s initiative has been replicated in Egypt in 2018. As a first action, 25 women from the company in various hierarchical levels participated in a journey of 4 months in an Intensive Training Program.

“I have really been benefited by the Women Empowerment Forum (WEF). I participated in the first session in 2018 and it was very inspiring, helping to give direction to my career and personal life. The forum has also contributed to building sustainable partnerships with other women around the business, allowing us to share experiences, learn, and grow with each other. It makes sure that we have someone to turn to when we face difficulties at home or at work. It is very good to belong to a company that invests in the professional growth of women in this way.”

Naledi Ntuli – Human Resources area of NPC (South Africa)
In safety, the goal InterCement strives for is Zero Accidents. The company closed 2018 without fatalities or serious injuries with its professionals. InterCement has the commitment to continue investing resources in this area to improve actions and meet the target of zero accidents.

The 10 Golden Rules, an action designed to harmonize and strengthen our culture of safety, was revised in 2018 and validated by the managing director of each country, taking into account the main causes of accidents in the cement industry and also the specificities of each geography in this matter.

The revision of the 10 Golden Rules brought as its main innovation the “Golden Principle”. This precept comes to reinforce the concept of safety as everyone’s responsibility and ensures compliance with this maximum: We do it safely or don’t do it at all. In 2019 all professionals will go through new training on this subject.
At InterCement, safety is a value and as such should guide everyone’s behavior and attitude. Only then will it be possible to mitigate the risks and reach the target of zero accidents. I believe this and always guide my actions by putting safety as an essential condition in everything I do, including engaging my colleagues to understand and practice safety in their day-to-day tasks.”

Adilson Marques Caldeira, Production Center Manager at InterCement Brasil

Safety is a non-negotiable value for our company. It is amazing the level of commitment and importance given to this theme from the top administration all the way to the shop floor staff. The company’s leadership discusses the importance of safety at work and its daily value by all professionals because it must be practiced by all who love their main asset: life itself. For this reason, the company constantly invests in policies and training. Safety at Cimentos de Moçambique is much more than just talk.”

Nuno Machaiele, HSE National Corporate Coordinator - Cimentos de Moçambique
The InterCement Institute is responsible for defining the strategies, creating methodologies, and implementing the private social investments for InterCement. The Institute’s work translates into effective and transforming actions the commitment that the company has with the sustainable development of the communities where it operates.

All projects developed have as a principle to support local potential by strengthening community ties, giving value to local assets, building partners, and forming networks of collaboration.

The investments for this have a focus on two areas of activity—Community Development and Businesses with an Impact. The projects are in line with the Sustainable Development Goals (SDGs) of the United Nations (UN). The SDGs are global goals to be implemented by all member countries by 2030 with the objective to combat poverty, protect the planet, and ensure that all people have peace and prosperity.

Community development includes volunteering actions, defending rights, valuing childhood, among others. As for Businesses with an Impact, these projects are in line with InterCement’s productive chain and values, driving businesses with a high social-environmental impact in the communities where the company operates.
Our main goal with volunteering in Egypt is to inspire people to do good, building sustainable partnerships with the communities that surround us. This year we dedicated our work to the Hospital Borg El Arab, the only public service in a region with a demand of approximately 500 patients per day. Among those treated are professionals from our company. We donated new dialysis machines that assist 1,400 patients per year.

Ghada Amin, Compliance & Environment Manager and leader of CIVICO in Egypt

COMMUNITY DEVELOPMENT
Get to know the main projects:

**Day of Doing Good**

The Day of Doing Good is InterCement’s largest volunteer mobilization action organized every year in all countries where the company is located. Spreading the message of “doing good transforms”, 9,245 volunteers including InterCement professionals, partner companies, and family and community members participated in 236 actions that benefited around 80,000 people in 2018.

The work of the volunteers is not restricted to the day of the activity. Those responsible for organizing and executing the Day of Doing Good in each locality had a crucial role in the search for counterparts and partners. The work was so important that, in Brazil, for example, the proceeds received represented 45% of the total amount invested in the actions.

The 410 volunteers who were with us on the Day of Doing Good 2018 developed actions that will benefit more than 180,000 people. In addition to the new machines for the dialysis center, participants did electrical work, gardening, and set up an area for our patients as they wait to receive medical care. It is very important to be able to count on a partner such as Amreyah.”

Adel Al-Shamy, Hospital Borg El Arab Director (Egypt), an institution benefited by DDG 2018
The Baby Week is an inter-sector and interdisciplinary movement of giving value to early childhood (0 to 6 years of age), which aims to educate pregnant women, mothers, parents, family members, and the community about the importance of integral care during this stage of life. The actions also aim at impacting the professionals who work in public agencies such as municipal departments of health, education, and social development, offering opportunities for training.

In Brazil, of the 15 participating municipalities, the Baby Week became a public policy in 14 of them, being included in the calendar of official events and therefore taking on a compulsory status. The initiative also took place in Paraguay in 2018. Mozambique will be the next country to adhere to the Baby Week in 2019.

The workshops, lectures, and recreational activities in 2018 were in line with the local demands based on the analysis of social indicators. This approach aimed to foster a culture of monitoring and evaluation, as well as contributing to broaden the impact of activities in accordance with the challenges of the municipality. This year, 21,000 people were involved in the communities where InterCement is present.

InterCement Brazil, with the support of the InterCement Institute, is a signatory of the On the Right Track Program, which is an initiative of Childhood Brazil to organize actions to fight sexual exploitation of children and adolescents on highways.

The awareness campaigns have already impacted more than 170,000 people since 2007. In 2018, in addition to these actions in 14 municipalities where the company is present in Brazil, InterCement Brasil was one of the nine companies to participate in the Solutions & Tools Project. This initiative aims to stimulate more advanced practices and testing strategies to qualify the performance of companies in combating the sexual exploitation of children and adolescents.

The opportunity to present their actions as a positive example of commitment and pioneering of business practices took place at the 12th Annual Meeting of the On the Right Track Program organized by Childhood Brazil. The company shared what it has done to raise awareness of suppliers, include participation in the On the Right Track Program as scoring criteria in the Partner-Suppliers program in the category of freight, as well as establish a contractual clause on mandatory participation in the program in new transportation contracts.

The Baby Week is related to SDGs 2 and 3, while the On the Right Track Program is related to SDGs 5, 8, and 16.
The project My House is a partnership between the InterCement Institute, Cimentos Moçambique, the Camões Institute of Cooperation and Language, and the NGOs Oikos in Portugal and Luarte in Mozambique. The objective is to develop a model for financing the remodeling or construction of low-income housing in addition to train people from the community to work with civil construction.

Initially developed in the city of Matola, the project aims to combine funding and training to boost a system that encourages remodeling in the region based on new materials to be competitive in comparison to the market.

Diagnostic and planning actions were done in 2018 that included agreements between partners, signing of a memorandum of understanding with the municipality, and defining the districts to be benefited. In 2019, the goal is to complete the approval of the terms of reference for the operation of the fund and to finalize the selection criteria for the participants and technicians. The pilot project should benefit at least 50 families and train 120 people.

Another highlight of the year is the Biomass Program, a partnership of InterCement Brasil with the InterCement Institute, which started in 2017 and has as its focus to use in the co-processing activity the biomass waste produced in the vicinity of the company’s factories. The plant extraction chains were mapped in the first year and the physical-chemical analyses were carried out to verify the potential use of waste as a biofuel for the ovens or as raw material. Two projects were implemented successfully in 2018: The licuri unit in Campo Formoso, Bahia and the baru in Cezerina, Goiás. In both, to generate a kilogram of nuts for culinary or cosmetic purposes, 7 kilograms of husks are generated, which were discarded. When they are used in InterCement’s units, they cease to be an environmental and public health liability.

In the program, the InterCement Institute provides training for more than 1,500 families organized into cooperatives and associations that work with the fruit and also the machinery to facil-
iterate breaking the nuts and reducing the number of accidents that can occur when the process is done by hand.

The InterCement Institute still has driven social business through cooperatives, contributing to reformulating labels and packaging of the edible products such as cookies made with licuri and babassu, cosmetic oils made with licuri and nuts, as well as baru teas, jams, and creams. Meetings have also been held with representatives from the governments of Bahia and Goiás for using the products in State nutrition programs.

The InterCement Institute also has a strong role in using the biomass waste produced in the vicinity at the InterCement factories in co-processing activities, including the local community in the chain of businesses with a social impact.

I have helped my family since I was a child in working with licuri, just like everyone else in the village. With the partnership made between our Association, the InterCement Institute, and InterCement Brazil, we were able to improve this work with donated machinery, training courses, as well as disposing the husks, which now go to the company’s furnaces generating additional income for the community. The company has also helped us to increase the production of jams, cookies, and other products. Today, besides the increase of income, the community has gained a lot in self-esteem”

Adherbal Nascimento da Silva, president of the Association of Community Development in the village of Lagoa da Roça, Bahia, a participant in the InterCement Biomass Program - Brazil
InterCement is aware of the impact of its operations since the cement industry makes intensive use of natural resources. The company is also aware of its responsibility to society and the importance of manufacturing cement and its byproducts for the development and improvement of people’s lives.

For this reason, aiming at a sustainable future for its business, operations, communities, and the environment, InterCement operates under the best global practices for monitoring, preserving, and consuming resources, waste management, noise control, and for continuously reducing its carbon footprint through its Climate Change & Energy Policy. The company is a signatory of the guidelines of the Global Cement and Concrete Association (GCCA) that absorbed the work done until last year by the Cement Sustainability Initiative (CSI). Thus, it is committed to protecting the climate, the responsible use of fuels and raw materials, to mitigating the global and local impacts of its operations, among other commitments.
The company participates in the Water Pledge program of the World Business Council for Sustainable Development (WBCSD) and uses since 2011 the Global Water Tool to identify the operations in areas of stress or risk of water shortage. On the basis of these indicators, it develops specific initiatives through the global program of water management in the company the Blue Attitude.

In relation to the calculations of greenhouse gases (GHGs) emissions, among them CO₂ (carbon dioxide), the company follows the protocol WBCSD/WRI cement CO₂ and Energy Protocol 3.04, according to the GHG Protocol model. The calculations are audited and by an independent external entity in all the countries where the company operates. InterCement has received the Gold Seal of the Brazilian Program of the GHG Protocol for seven years in a row now.

The company invests in ongoing efforts to mitigate the environmental impacts with strategies in the short-term (enlarge the thermal substitution rates, reduce the energy consumption of the kilns, etc.), medium-term (modernization of lines, use of decarbonized raw materials, etc.), and long-term (R&D programs). As a result of this work, InterCement remains in a prominent position among the international cement manufacturers, closing 2018 with the emission rate of 572 kg CO₂/t of cement product, which is 1.5% lower than the 2017 level of 581 kg CO₂/t of cement product.

The commitments promised made it possible to reduce the rate of incorporation of clinker in the cement (72.5% in 2018 against 73% in 2017) and obtain a slight improvement in the overall energy efficiency of the clinker furnaces. These results are achieved through specific measures aiming to increase productivity and environmental efficiency, as in the case of the dust emissions in the kilns, obtained by modernizing and installing bag filters and improving the electro-filters.

Also deserving of a highlight is the continuous monitoring of key pollutants and micropollutants in the manufacturing of clinker produced entirely in the company’s furnaces, which allows a more precise mapping of these processes.
## TABLE OF EMISSIONS

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2016</th>
<th>2017*</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dust emissions in the kilns (g/t clinker)</td>
<td>160</td>
<td>111</td>
<td>89</td>
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<tr>
<td>Specific emissions of nitrogen oxides (NOx) (g/t clinker)</td>
<td>1883</td>
<td>1665</td>
<td>1712</td>
</tr>
<tr>
<td>Specific emissions of sulfur dioxide (SO₂) (g/t clinker)</td>
<td>287</td>
<td>245</td>
<td>267</td>
</tr>
<tr>
<td>Specific emissions of volatile organic compounds (VOC/THC) (g/t clinker)</td>
<td>40</td>
<td>31</td>
<td>26</td>
</tr>
</tbody>
</table>

*InterCement, in accordance with the WBCSD-CSI "Guidelines for Monitoring and Reporting Emissions in the Cement Industry" (March 2012, version 2.0), has developed for this general purpose effective systems for measuring and monitoring emissions and has prepared reports on chimney emissions and other indicators. SGS, an independent measurement company, checked the main chimney emissions with a similar approach to that of ISAE 3000 for verification of the annual reports of emissions years 2017 and 2018 and in accordance with the ISO 14064-3 requirements. As the verification occurs biannually, the data published in 2018 regarding 2017 has undergone small changes.
Each year, InterCement has increased in its operations the rate of using alternative fuels for co-processing, a technique that consists in using industrial, agricultural, or urban waste, replacing mineral raw materials and traditional fossil fuels such as petroleum coke and coal.

Co-processing is one of the company’s efforts in its quest for using less polluting fuels to generate thermal energy in its furnaces. The procedure contributes to reducing the emission of greenhouse gases. In 2018, the co-processing rate at InterCement grew by 9% compared to the previous year, reaching 15.8% in thermal substitution. This growth was 84% when considering the last six years. All countries have surpassed their co-processing rates compared to 2017, with special attention to South Africa that grew by 37.2%.
This continuous investment in co-processing makes InterCement one of the global leaders in applying this technology. The investment in this activity was €2.8 million in 2018. The results are very positive. In the year, the result of the co-processing activity generated approximately €30 million from fossil fuel savings and revenues from waste treatment. In 2018, the company stopped emitting 436,000 tons of CO₂ by replacing 293,000 tons of fossil fuels and 104,000 tons of raw material for 637,000 tons of waste.

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<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of thermal substitution</td>
<td>13.6%</td>
<td>14.5%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Evolution</td>
<td>_____</td>
<td>_____</td>
<td>9%</td>
</tr>
</tbody>
</table>

637,000 TONS OF WASTE WERE CO-PROCESSED WITH THE FOLLOWING BENEFITS:

1. The emission of 436,000 TONS OF CO₂ WAS AVOIDED, the equivalent to the emission of 620,000 cars during one year

2. THE BURNING OF 293,000 TONS OF PETCOKE WAS AVOIDED, which is enough to generate electricity equivalent to the annual consumption of around 600,000

3. The use of 147,000 tons of minerals was avoided, which is enough to fill a hole the SIZE OF A SOCCER FIELD 15 METERS DEEP

15 MILLION TIRES WERE CO-PROCESSED IN 2018
- if put in a line, they would be enough to raise a wall 2.8 Meters tall across the entire border of paraguay, an extension of more than 3,800 kilometers long
LOCAL HIGHLIGHTS OF CO-PROCESSING

**South Africa**

NPC reached a growth of 37% in thermal substitution in 2018 compared to the previous year. This good result is due to the investment made between 2014 and 2015 of approximately € 6.5 million and the implementation in 2018 of a governmental regulation prohibiting liquid waste disposed in landfills.

The co-processing of liquids, which began in 2017 in two furnaces in Simuma, allowed a good performance with breaking consecutive records, positioning the company differently before its competitors and promoting the development of a co-processing market. Thus, the company became known as a cement factory that works strongly with co-processing liquids and tires.

As for the co-processing of this material, the tendency is for growth in 2019 thanks to the signing of a long-term contract for the supply of shredded tires to NPC, which allowed the company to take broad strides in implementing the project for consuming shredded tires and Refuse-Derived Fuel (RDF) in the furnaces of the factories in this country.

**Argentina**

In this country, Loma Negra increased the rate of thermal substitution in 2018 by 31%. The expectation is that this number will grow even more in the coming years on account of the advances that the company has made for licensing the use of Refuse-Derived Fuel (RDF) from municipal solid waste. The co-processing of this kind of waste is beneficial not only for the environment, but also for the health of the local population.

**Brazil**

InterCement Brasil reached a level of 22.5% of thermal substitution in 2018, an increase of 10% compared to the previous year. There were two major factors that impacted the growth positively. The first was completing the pioneer project in Campo Formoso of injecting viscous wastes, which are difficult in handling.

Also initiated in 2018 was the project for the consumption of waste in the main burner in Ijaci, whose entry into operation is planned for July 2019, which will lead to an even greater increase in the rate of thermal substitution in Brazil in the coming years.

Also worth mentioning is the Biomass Program that allows using plant extraction waste in co-processing, bringing economic, environmental, and public health gains for the communities (see more on page 30).
Egypt

Co-processing in Egypt had an increase of 17% in thermal substitution in 2018 compared to 2017. This was made possible thanks to important advances in the development of the market for biomass and tires and to the partnerships [diversification of suppliers] for burning RDFs from municipal solid waste, which began in 2016 by means of an agreement with the city hall of Alexandria. In 2019, the expectation is of a positive impact with the signing of new contracts for supplying RDFs, whose studies started in 2018.

Mozambique

The increase in the thermal substitution rate was 21% in 2018 compared to the previous year, reaching a 42% increase at the Matola factory. Co-processing there was approximately 2,000 tons of liquid waste in 2018, a historical record of volume and thermal substitution in this furnace. This vertiginous growth was possible thanks to the completion of the installations 100% dedicated to co-processing Spent Pot Lining (SPL), a waste from the aluminum industry with a strong environmental liability. In addition to thermal substitution, this material has been used as an alternative raw material. Contributions have also come from the improvements carried out at the installations for liquid waste, as well as from developing partners for providing this material such as the state oil refinery, which started to deliver crude oil, an environmental liability. Even more growth is expected for the next few years since the company has invested in an additional oil storage tank with three times more capacity than the current volume used.

Paraguay

There was an increase in 2017 of 5% in the thermal substitution with peaks of 30%. In addition to the burning of tires, in 2018 the license was issued for initiating the co-processing of pellets from rice husks.

Portugal

There was an increase of 8% in the thermal substitution in Portugal in relation to 2017. Investments were made such as the installation for consumption of shredded tires and a new main burner in furnace 6. Other initiatives have been making adjustments for the consumption of pellets (solid biofuel) in Alhandra and improvements in storage and installation of structures for the consumption of leachate in Alhandra and Loulé.
Message from the CEO

Responsibility for building a sustainable company and better lives

I have been a part of the InterCement team since March, a company that I greatly admire and have followed for several years now with the last two years being a part of the Consultative Council of MOVER, so with that being able to monitor it even more closely. I have always followed with great interest the directions the company has taken along with its projects, opportunities, and challenges. I now have the privilege of being closer to this team that I have always admired for having taken this Brazilian company to expand its international operations across multiple geographies with such diverse market and cultural characteristics.

I am proud to be present in this new phase of InterCement after a challenging but adequate period of strengthening its capital structure. During this period, significant divestments were completed and the resources generated will be fully reinvested in the company as a clear demonstration of the commitment and belief of its shareholders in the potential of InterCement. With this we started a cycle in which we will be able to impose our growth strategy based on our own resources, which means not only growth, but to consolidate ourselves in a sustainable manner with the capital, resources, and the professionals that we have.

Without a doubt we will continue to face constant challenges to remain in leadership in the countries where we operate. This is part of our daily work, and I am optimistic with our potential to maximize the opportunities that our positioning and markets present us
without in any way underestimating the challenges while always being prepared to overcome them. But, in addition to the business, our responsibility in each of these geographies is great because we do more than just make cement. Our activity meets the essential needs to improve the lives of people, providing shelter and safe access with quality and durability. Through strong partnerships, we have the ambition of making a difference with all our stakeholders, starting with our professionals who make up a highly committed team, and from there continuing on with our customers, suppliers, shareholders, and the communities we are a part of.

To make a difference as a company that grows in a sustainable way in a dynamic environment of constant change, we need to be prepared and because of that consolidate our operations with a constant alignment, sense of urgency, and sense of ownership. These three characteristics, interconnected, are fundamental for building a high performance culture and to ensure the survival of the business in any scenario. It is with this vision that we are working.

Even with cultural differences in the various countries where we are, we are still a single team. It is based on our alignment as a team and mutual collaboration that we can define what is a priority for the company and together overcome challenges, seize opportunities, and maximize our results and win. That is why we respect the diversity and governance in each country without forgetting our uniqueness.

The future depends on our company adapting to the constant changes at the right time. That is why a sense of urgency is fundamental. That means that we have to be agile, analytical, and with a great capacity for decision making and rapid execution, correcting errors and redirecting ourselves whenever necessary.

To act quickly and conscientiously, we need to exercise our autonomy, but with discernment. This individual contribution comes together with the sum of the rest of the team, producing the final result. To have a sense of ownership means acting with responsibility, looking at the entire business and to those who are at your side on the team, seeking the best results and the company’s development.

It is with this mindset that we seek success at InterCement. And this means to generate positive returns for all our stakeholders, impacting the lives of the communities in various countries of the world. We are aware of our great responsibility to build better lives!

Flavio Aidar
InterCement CEO
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