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***Loma Negra Compañía Industrial Argentina  
Sociedad Anónima.***

***Annual Report and Financial statements as of  
December 31, 2018, and 2017 and for the fiscal years  
then ended.***



***Loma Negra Compañía Industrial Argentina  
Sociedad Anónima.***

***Consolidated financial statements as of December 31,  
2018, and 2017 and for the fiscal years then ended.***

LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA  
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018  
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LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

Free translation of the financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FISCAL YEARS ENDED AS OF  
DECEMBER 31, 2018 AND 2017 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

	Notes	12.31.2018	12.31.2017
Net revenues from sales	5	26,806,931,524	24,838,612,883
Cost of sales	6	(19,982,794,052)	(18,509,939,802)
Gross income		6,824,137,472	6,328,673,081
Selling and administrative expenses	7	(1,934,080,499)	(1,969,073,208)
Other income and expenses, net	8	109,259,420	116,355,791
Tax on bank debits and credits	9	(254,200,939)	(304,817,393)
NET FINANCIAL INCOME/(LOSS)			
Foreign exchange gains/(losses)	10	(1,241,872,624)	(124,425,132)
Income/(loss) from monetary position		213,728,844	342,273,974
Financial income	10	26,911,769	28,278,507
Financial expenses	10	(661,346,403)	(517,523,474)
Income/(loss) before income tax		3,082,537,040	3,899,742,146
INCOME TAX			
Current	11	(1,049,399,775)	(1,062,455,589)
Deferred	11	(82,555,558)	840,509,392
NET INCOME FOR THE PERIOD		1,950,581,707	3,677,795,949
OTHER COMPREHENSIVE INCOME			
Items which may be reclassified through income/(loss):			
Due to foreign exchange gains/(losses)		471,709,769	(9,597,263)
TOTAL OTHER COMPREHENSIVE INCOME		471,709,769	(9,597,263)
TOTAL COMPREHENSIVE INCOME		2,422,291,476	3,668,198,686
Net income attributable to:			
Owners of the parent company		1,799,871,980	3,509,779,198
Non-controlling interests		150,709,727	168,016,751
NET INCOME FOR THE PERIOD		1,950,581,707	3,677,795,949
Comprehensive income attributable to:			
Owners of the parent company		2,040,451,837	3,504,884,434
Non-controlling interests		381,839,639	163,314,252
TOTAL COMPREHENSIVE INCOME		2,422,291,476	3,668,198,686
Earnings per share (basic and diluted)	12	3,0198	6,1464

The Notes are an integral part of these consolidated financial statements.

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Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
Certified Public Accountant (U.B.A.)  
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Sergio D. Faifman  
Vice-President

LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018, COMPARATIVE WITH DECEMBER 31, 2017 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

	Notes	12.31.2018	12.31.2017
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	13	21,877,937,396	18,310,023,378
Intangible assets	14	218,534,693	224,682,237
Investments	15	1,661,984	2,453,846
Goodwill	16	16,577,250	16,577,250
Inventories	17	677,267,295	635,483,801
Other receivables	19	942,236,337	214,344,022
Trade accounts receivable	20	4,049,342	-
Total non-current assets		<u>23,738,264,297</u>	<u>19,403,564,534</u>
Current assets			
Inventories	17	3,777,797,369	3,195,131,937
Other receivables	19	383,289,600	366,973,120
Trade accounts receivable	20	2,064,627,828	1,865,369,895
Investments	15	2,095,150,895	4,415,951,166
Cash and banks	21	806,708,433	278,717,518
Total current assets		<u>9,127,574,125</u>	<u>10,122,143,636</u>
Total assets		<u>32,865,838,422</u>	<u>29,525,708,170</u>

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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2018, COMPARATIVE WITH DECEMBER 31, 2017 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

	Notes	12.31.2018	12.31.2017
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Capital stock and other capital-related accounts	22	7,185,726,939	7,185,726,939
Reserves		2,280,327,615	136,865,757
Retained earnings		5,438,107,418	5,781,697,296
Accumulated other comprehensive income	23	274,489,686	33,909,829
Shareholders' equity attributable to owners of the parent company		15,178,651,658	13,138,199,821
Non-controlling interests		1,374,578,107	992,738,468
Total shareholders' equity		16,553,229,765	14,130,938,289
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	24	2,607,359,542	3,845,105,806
Accounts payable	25	387,161,929	105,402,112
Provisions	26	292,635,253	237,851,125
Tax liabilities	27	-	505,256
Other debts	28	7,900,093	23,240,492
Deferred tax liabilities	11	3,186,099,237	3,100,058,633
Total non-current liabilities		6,481,156,054	7,312,163,424
<b>Current liabilities</b>			
Loans	24	3,355,317,884	2,597,969,452
Accounts payable	25	4,853,225,349	3,486,711,682
Customer advances		168,655,637	304,681,544
Payroll and social security contributions		633,912,846	799,986,781
Tax liabilities	27	779,550,251	846,133,165
Other debts	28	40,790,636	47,123,833
Total current liabilities		9,831,452,603	8,082,606,457
Total liabilities		16,312,608,657	15,394,769,881
Total shareholders' equity and liabilities		32,865,838,422	29,525,708,170

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018

(amounts stated in Pesos - \$ - except if expressly stated in another currency)

	Owners contributions									OTHER COMPREHENSIVE INCOME		Shareholders' equity attributable to owners of the parent company	Non- controlling interests	Total
	Capital	Adjustment to capital	Share premium	Other capital adjustments	Merger premium	Legal reserve	Environmental reserve	Optional reserve	Future dividends reserve	Foreign exchange gains/(losses)	Retained earnings			
Balances as of January 1, 2018	59,602,649	2,234,810,502	4,941,488,308	(798,558,061)	748,383,542	103,158,151	3,581,947	-	30,125,659	33,909,829	5,781,697,296	13,138,199,821	992,738,468	14,130,938,289
Allocated as decided by shareholders at the Annual Shareholders' Meeting held on April, 25, 2018:														
- Increase in Legal reserve						808,425					(808,425)	-		-
- Increase in Optional reserve								2,142,653,433			(2,142,653,433)	-		-
- Absorption of Other capital adjustments			(798,558,061)	798,558,061								-		-
OTHER COMPREHENSIVE INCOME										240,579,857		240,579,857	231,129,912	471,709,769
Income for the period											1,799,871,980	1,799,871,980	150,709,727	1,950,581,707
Balances as of December 31, 2018	59,602,649	2,234,810,502	4,142,930,246	-	748,383,542	103,966,576	3,581,947	2,142,653,433	30,125,659	274,489,686	5,438,107,418	15,178,651,658	1,374,578,107	16,553,229,765

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017

(amounts stated in Pesos - \$ - except if expressly stated in another currency)

	Owners contributions								OTHER COMPREHENSIVE INCOME		Shareholders' equity attributable to owners of the parent company	Non-controlling interests	Total
	Capital issued	Adjustment to capital	Share premium	Other capital adjustments	Merger premium	Legal reserve	Environmental reserve	Future dividends reserve	Foreign exchange gains/(losses)	Retained earnings			
Balances as of January 1, 2017	56,602,649	2,233,241,965	2,103,321,500	(743,298,310)	748,383,542	103,158,151	3,581,947	1,644,798	38,804,593	3,072,326,798	7,617,767,631	847,029,386	8,464,797,017
Allocated as decided by shareholders at the Annual Shareholders' Meeting held on March, 23, 2017:													
- Distribution of cash dividends										(771,927,839)	(771,927,839)	-	(771,927,839)
- Increase in Optional reserve for future dividends								28,480,861		(28,480,861)	-	-	-
OTHER COMPREHENSIVE INCOME									(4,894,764)		(4,894,764)	(4,702,499)	(9,597,263)
Acquisition of shares of Cofesur S.A.U.				(55,259,751)							(55,259,751)	(17,605,170)	(72,864,921)
Public offering – capital increase	3,000,000	1,568,537	2,838,166,808								2,842,735,345		2,842,735,345
Income for the period										3,509,779,198	3,509,779,198	168,016,751	3,677,795,949
Balances as of December 31, 2017	59,602,649	2,234,810,502	4,941,488,308	(798,558,061)	748,383,542	103,158,151	3,581,947	30,125,659	33,909,829	5,781,697,296	13,138,199,821	992,738,468	14,130,938,289

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEARS ENDED AS OF DECEMBER 31, 2018 AND 2017 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

	12.31.2018	12.31.2017
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME FOR THE PERIOD	1,950,581,707	3,677,795,949
Adjustments to arrive at cash flows from operating activities		
Income tax recognized through income/(loss)	1,131,955,333	221,946,198
Depreciations and amortizations	2,121,389,879	1,742,376,905
Provisions	70,564,176	38,230,361
Interest lost	416,034,778	378,973,612
Interest and Foreign exchange gains/(losses) from Investments	-	8,662,979
Foreign exchange gains/(losses)	175,129,891	(254,305,002)
Other	(5,618,854)	-
Income/(loss) from the sale of Property, plant and equipment	(16,851,191)	(7,576,956)
Changes in operating assets and liabilities		
Inventories	(391,110,755)	395,110,160
Other receivables	30,387,553	98,754,511
Trade accounts receivable	(708,537,181)	(830,626,094)
Customer advances	(100,429,265)	133,465,893
Accounts payable	667,425,624	95,013,164
Payroll and social security contributions	67,058,995	244,628,491
Provisions	(110,783,802)	(41,582,654)
Tax liabilities	(35,831,578)	(15,204,821)
Other debts	216,533,656	(19,342,891)
Effect from restatement in constant currency	(213,728,844)	(342,273,974)
Income tax paid	(1,085,399,660)	(447,075,001)
Net cash flows from operating activities	4,178,770,462	5,076,970,832
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of Property, plant and equipment	4,982,456	24,880,158
Acquisition of Property, plant and equipment	(3,416,958,950)	(2,216,628,238)
Acquisition of Intangibles	(22,472,093)	(45,973,237)
Payment of Property, plant and equipment advances	(743,192,153)	-
Investments	-	54,411,343
Contributions into F.F.F.S.F.I. (Note 38)	(46,267,586)	(45,503,852)
Net cash flows used in investing activities	(4,223,908,326)	(2,228,813,826)
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans	1,449,050,076	4,796,517,511
Interest paid	(924,237,440)	(853,414,310)
Repayment of loans	(2,915,170,732)	(5,702,182,604)
Dividends paid	-	(771,495,750)
Public offering – capital increase	-	2,842,735,345
Net cash flows (used in)/generated by financing activities	(2,390,358,096)	312,160,192
Variation of cash and cash equivalents, net	(2,435,495,960)	3,160,317,198
Cash and cash equivalents at the beginning of the year	4,694,668,684	1,480,095,848
Effect of restatement in constant currency of Cash and cash equivalents	(97,896,006)	(50,926,966)
Effects of Foreign exchange gains/(losses) on Cash and cash equivalents held in foreign currency	740,582,610	105,182,606
Cash and cash equivalents at the end of the fiscal year	2,901,859,328	4,694,668,686

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED AS OF  
DECEMBER 31 2018 AND 2017 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

## 1. LEGAL INFORMATION

### Registered office:

Boulevard Cecilia Grierson 355– 4th. Floor, City of Buenos Aires, Argentina.

Loma Negra Compañía Industrial Argentina S.A. (hereinafter "Loma Negra", the "Company" or the "Parent Company") is a corporation [*"sociedad anónima"*] organized under the laws of the Argentine Republic. On July 4, 2018, with the transfer of the Company's main business management and administration center, the Board of Directors decided to move the headquarters from Reconquista 1088, 7th Floor, to Boulevard Cecilia Grierson No. 355, 4th Floor, in the City of Buenos Aires. On October 1, 2018, the new domicile was registered with the Supervisory Board of Companies of the City of Buenos Aires.

### Fiscal year:

Fiscal year No. 94, beginning January 1, 2018.

### Business of the Company:

The main business of the Company is the manufacturing and marketing of cement and its by-products, and also exploration of the mineral resources used in the production process.

The Company owns 9 factories in Argentina, in the provinces of Buenos Aires, Neuquén, San Juan and Catamarca. The Company also owns 20 concrete production plants.

In addition, the Company, through its subsidiary Cofesur S.A., has a controlling interest in Ferrosur Roca S.A., a company operating the rail freight network of the Roca Railroad under a concession granted by the Argentine government in 1993 for a period of 30 years, which allows access from several of Loma Negra's cement production plants to the rail network. On March 8, 2018 and with the due approval of its majority shareholder (Cofesur S.A.), Ferrosur Roca S.A. requested the Enforcement Authority an extension of the concession for an additional term of 10 years, pursuant to the provisions in the Bidding Terms and Conditions and the Concession Agreement.

The Company also has a controlling interest in Recycomb S.A.U., a company engaged in the treatment and recycling of industrial waste intended to be used as fuel or raw material, and a controlling interest in Yguazú Cementos S.A., a company organized in Paraguay engaged in the manufacture and marketing of cement.

### Date of registration with the Argentine Public Registry of Commerce and the Supervisory Board of Companies [IGJ]:

- Of the bylaws: August 5, 1926 under No 38, on Page 46
- Last amendment recorded: August 29, 2017, under No 17,557, on Book 85 of Stock companies
- No. of Registration with the Supervisory Board of Companies: 1,914,357
- Taxpayer's ID Number [CUIT]: 30-50053085-1
- Date of expiration: July 3, 2116.

The Company was created in 1926 and on August 5, 1926 it registered as a stock corporation [*sociedad anónima*] under the law of Argentina, originally doing business as "Compañía Argentina Ganadera Agrícola Comercial e Industrial S.A.". This registration had been with the Public Registry of Commerce of the City of Azul, in the Province of Buenos Aires, under Nbr. 38, Page 46. On August 25, 1927 the Company adopted its current corporate name and on August 27, 1984, the Company registered with the General Directorate of Legal Entities of the Province of Buenos Aires under Nbr. 747. Its Ordinary and Extraordinary General Shareholders' Meeting dated July 3, 2017 adopted the following resolution: i) to

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relocate the Company's registered office from Cuartel Nbr. VIII Loma Negra, Olavarría, Province of Buenos Aires to Reconquista 1088 – Floor 7, Autonomous City of Buenos Aires since the Company's administrative headquarters are located here, ii) to extend the term of duration of the Company, which shall come to an end on July 3, 2116, iv) to update its corporate purpose, which, according to Section 4 of its by-laws includes the conduct of business, industrial, real estate and financial activities and is therefore also authorized to undertake business in the mining industry and in the construction industry and to own concessions of transportation and public services, v ) to replace registered shares with book-entry shares and to reduce their nominal value, vi) to update and adjust the operation of the Company's corporate governance body in charge of management to the public offering regime, vii) to create an Audit Committee, viii) to update and adapt the Supervisory Committee, ix) to update and adapt its Board of Directors to the public offering regime and to introduce other updates. On August 29, 2017 these modifications were registered with the Registrar of Companies of the City of Buenos Aires ("I.G.J.") under Number 17557 of Book 85, Volume of stock corporations. The Company's correlative number of registration with the Registrar of Companies of the City of Buenos Aires ("I.G.J.") is 1.914.357.

### Parent company:

As of December 31, 2017, the parent company was Loma Negra Holding GmbH, with 51.0437% of the Company's shares and votes.

In the course of this fiscal year, on October 25, 2018, the transfer from Loma Negra Holding GmbH of all its shares in Loma Negra CIASA in favor of its 100% direct parent company, Cauê Austria Holding GmbH, was recorded.

### Capital structure:

The subscribed for and paid in capital amounts to \$ 59,602,649, represented by 596,026,490 book-entry common shares with a nominal value of \$ 0.10 each, and each entitling to one vote.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance with the International Financial Reporting Standards (IFRS) and bases of preparation of these financial statements

These are the Company's consolidated financial statements for the fiscal year ended on December 31, 2018 and they have been prepared and presented in accordance with the IFRS as they have been adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards in the manner approved by the International Accounting Standards Board. Likewise, they have been adopted by the Professional Council in Economic Sciences in the Autonomous City of Buenos Aires (CPCECABA) and made an integral part by the Argentine Securities Commission (CNV) of its own rules.

These Consolidated financial statements comprehensively recognize the effects of variations in the purchasing power of currency through the application of the method to restate financial statements in constant currency established by the International Accounting Standard 29 ("IAS 29").

For comparative purposes, these Consolidated financial statements include figures and other details corresponding to the fiscal year ended on December 31, 2017 which are an integral part of the above-mentioned Consolidated financial statements and are presented in order for them to be solely interpreted in conformity with the figures and other details corresponding to this fiscal year. These figures have been restated in this fiscal year's end-of-period currency in the manner described in the following paragraph in order to permit comparability and without such restatement modifying the decisions made on the basis of the financial information for the previous fiscal year.

These consolidated financial statements were approved for issuance by the Board of Directors on March 7, 2019, the date when the consolidated financial statements were available for issuance.

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No. 3

Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
Certified Public Accountant (U.B.A.)  
CPCECABA License filed on Book No. 148, Page No. 195

Sergio D. Faifman  
Vice-President

## LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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### 2.2 Financial information presented in constant currency

Inflation levels in Argentina have been high these past years and the inflation rate accumulated over these past three years has exceeded 100% without the expectation of a significant decrease in the short-term. In addition, the presence of high-inflation qualitative indicators set forth in the International Accounting Standard Nbr. 29 (IAS 29) showed concurrent evidence. For all these reasons on September 29, 2018, FACPCE issued its Resolution JG Nbr. 539/18, approved by CPCECABA pursuant to the Resolution of the Board of Trustees Nbr. 107/18, setting forth, amongst other matters, that Argentina must be considered a hyperinflationary economy in the terms of professional accounting standards starting on July 1, 2018, in line with the opinion of international organizations.

IAS 29 sets forth that given a high inflation context, financial statements must be presented in a current unit of measurement, that is, in constant currency as of the end of the period being reported. This notwithstanding, the Company was unable to file its restated financial statements because Decree Nbr. 664/03 of the Argentine Executive Branch prohibited governmental agencies (including the Argentine Securities Commission) from receiving financial statements adjusted to reflect the effects of inflation.

Pursuant to Law No. 27,468, published on December 4, 2018 in Argentina's Official Gazette, the Argentine Executive Branch's Decree 1269/02 and the decrees that later on modified it (including the Argentine Executive Branch's Decree No. 664 already mentioned) were repealed. The provisions under Law No. 27,468 came into force on December 28, 2018, which was the date of publication of the Argentine Securities Commission [CNV] General Resolution No. 777/18, which established that the annual financial statements for interim and special periods coming to a close as from December 31, 2018, inclusive, must be filed with such oversight agency in constant currency.

In accordance with IAS29, the amounts in the financial statements that have not been stated in currency current as at the end of the reporting period must be restated by application of a general price index. To that end and in the manner established in FACPCE's Resolution JG Nbr. 539/18, coefficients have been applied that are calculated on the basis of indices published by the Federation, resulting from combining national consumer prices published by INDEC starting on January 1, 2017 and, looking back, domestic wholesale prices (IPIM) prepared by said Institute or, if none is available, consumer price indices published by the General Directorate of Statistics and Censuses in the Autonomous City of Buenos Aires. The variation in the index applied to restate these financial statements has been 47.65% in the fiscal year ended on December 31, 2018 and 24.80% in the preceding fiscal year.

### 2.3 Applicable accounting standards

The consolidated financial statements have been prepared on a historical cost basis, which has been restated in end-of-period currency in the case of non-monetary items, except for the revaluation of certain non-current assets and financial instruments, which are measured at the revalued amount or at fair value at the end of each fiscal year. Broadly speaking, historical cost stems from the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received if an asset were sold or the price that would be paid if a liability were transferred in a transaction ordered between market participants as of the date of measurement, irrespective of whether such price is directly observable or estimated using another valuation technique. Upon estimating the fair value of an asset or a liability, the Group takes into consideration the characteristics of the asset or the liability when market participants do take these features into consideration when valuing the asset or the liability at the date of measurement. Fair value for purposes of measurement and/or disclosure in these consolidated financial statements is determined on that basis, except for the transactions consisting in share-based payments that are within the scope of IFRS 2, lease transactions within the scope of IAS 17 and the measurements that have certain points in common with fair value but are not fair value such as net realization value in IAS2 or value in use in IAS36.

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Besides, for financial reporting purposes, fair value measurements are categorized as Level 1, 2 or 3 on the basis of the degree to which fair value measurement inputs are observable and the impact of inputs for fair value measurements overall, which are described below:

- Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Classification into current and non-current:

Presentation in the balance sheet distinguishes between current and non-current assets and liabilities. Current assets and liabilities include assets and liabilities that shall be realized or paid off within 12 months from the end of the fiscal year being reported.

All the other assets and liabilities are classified as non-current. Current tax assets and liabilities and Deferred tax assets and liabilities are separated one from the other and from the other assets and liabilities depending on whether they are current and non-current, respectively.

### Year-end date:

The Company's fiscal year starts on January 1 and comes to an end on December 31 each year.

### Currency

The attached consolidated and stand-alone information is presented in Pesos (\$), the currency of legal tender in the Argentine Republic, prepared on the basis of the accounting records of Loma Negra and their controlled companies in accordance with the wording of IFRS issued by the International Accounting Standards Board (IASB).

### Use of estimates

The preparation of financial statements as of a given date requires the Company's Board of Directors to make estimates and assessments that affect the amount of the assets and liabilities recorded and contingent assets and liabilities disclosed as of that date as well as the income and expenses recognized in the period. Actual future income/(loss) may differ from the estimates and assessments conducted on the date of preparation of these consolidated financial statements.

The description of the estimates and significant accounting judgments made by the Company's Board in the enforcement of accounting policies as well as areas with a higher degree of complexity that require further judgment are disclosed in Note 4.

The main accounting policies are hereinbelow discussed.

### Standards and Interpretations that have been issued and not yet adopted as of that date

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The Company and its subsidiaries did not adopt the IFRS or the IFRS reviews that are detailed below which were issued but not adopted as of the date hereof inasmuch as their application is not demanded at the end of the fiscal year ended on December 31, 2018:

IFRS 16 (issued in 2016) Leases (1)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (1)

Amendments to IFRS 9 (1)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (1)

Annual Improvements to IFRS Standards 2015-2017 Cycle , includes Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (1)

Amendments to IAS 19 Employee Benefits (1)

Amendments to References to the Conceptual Framework in various standards (2)

Amendments to IFRS 3 (2)

Amendments to IAS 1 and IAS 8

Improvements in the Conceptual Framework of IFRS standards, including amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC Interpretation 12, IFRIC Interpretation 19, IFRIC Interpretation 20, IFRIC Interpretation 22 and SIC-32 (2)

(1) Effective application in the fiscal years starting on January 1, 2019 onwards.

(2) Effective application in the fiscal years starting on January 1, 2020 onwards.

IFRS 16 issued in January 2016 specifies how issuers shall recognize, measure and disclose lease agreements in the financial statements. The standard sets forth that most of the lease agreements in lessees’ accounts are to be accounted for using a single model, suppressing the distinction between operating and financial leases. It also sets forth the duty to recognize the assets and liabilities corresponding to all the lease agreements except if the term of the lease is 12 months or less and/or except if the asset underlying the lease is low value. This notwithstanding, lessors’ accounts remain virtually unaltered and the distinction between operating and financial leases is kept.

IFRS 16 replaces IAS 17 and related interpretations. Besides, IFRS 16 enhances the information to be disclosed. IAS 17 does not demand recognition of rights of use or liabilities for future payments for these leases. If these agreements meet the criteria to be defined as leases under IFRS 16, the Company must recognize an asset for the right to use and a liability for them unless they can be classified as low value or short-term lease through the enforcement of IFRS 16. The standard comes into force for the annual periods starting on January 1, 2019 at the latest. Early enforcement is permitted if IFRS 15 has also been applied. The Company did not elect early enforcement and estimates an effect of more assets and liabilities for \$296 million mainly as a result of leases of office space and office equipment.

### IFRIC Interpretation 23 Uncertainty over Income Tax Treatments:

On June 7, 2017, IASB published IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments”. This Interpretation was developed by the IFRS Interpretations Committee to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifically considers:

- Whether tax treatments should be considered collectively.
- Assumptions for taxation authorities' examinations.
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

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- Effect of changes in facts and circumstances.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The application of this standard does not exert significant influence over the Company's financial statements.

Amendments to IFRS 9:

IASB published the *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* on October 12, 2017. This amendment modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant.

The final amendments also contain (in the Basis for Conclusions) a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

The amendments are effective for fiscal years beginning on or after January 1, 2019. Early application is permitted. The Company has not opted for early application and does not anticipate impacts on its financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures:

An Amendment to IAS 28 was published by IASB on December 8, 2016. This Amendment clarifies that the election to measure at fair value through profit and loss an investment in an associate or a joint venture maintained by an entity as a venture capital organization or another qualified entity is available for each investment in an associate or joint venture after initial recognition.

Additionally, amendments to IAS28 (Investments in Associates and Joint Ventures) issued on October 12, 2017 clarify that IFRS9, including its impairment requirements, applies to ownership interests in associates and joint ventures that are part of the net investment in these investees and are not measured by application of the equity method.

These latter amendments are effective for the fiscal year beginning on January 1, 2019. Their early application is permitted. The Board of Directors anticipates that the Company shall adopt it for its fiscal years starting on January 1, 2019 and that it shall not exert any influence over the Company's financial statements as it does not have any ownership interests in associates or joint ventures.

Annual Improvements to IFRS Standards 2015-2017 Cycle , includes Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23:

On December 12, 2017, IASB issued amendments to the following standards as a result of IASB 2015-2017's annual improvement project:

- IFRS 3 (*Business Combinations*): clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

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- The amendments to IFRS 11 (*Joint Arrangements*) clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- The amendments to IAS 12 (*Income Taxes*) clarify that all the income tax consequences of dividends (that is, earnings distribution) must be recognized in profit and loss irrespective of how the tax arises.
- IAS 23 (*Borrowing Costs*) The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The Company’s Management does not anticipate that the application of these amendments shall have a significant impact on the Group’s financial statements. The amendments all come into force for the annual periods beginning on January 1, 2019 onwards.

### Amendments to IAS 19 Employee Benefits:

On February 7, 2018, IASB issued amendments to the orientation contained in IAS19 *Employee Benefits*, in connection with accounting for amendments, curtailments or settlements in a plan. Amendments require entities to:

- use updated assumptions to determine the current cost of the service and the net interest for the remainder of the period after the amendments, curtailments or settlements of a plan; and to
- recognize in Profit and loss as a part of the past cost of services, or income or loss in the settlement, any curtailment in a surplus, even if such surplus had not been previously recognized due to the impact on assets’ limits.

### Improvements in the conceptual framework

Together with the Reviewed Conceptual Framework published in March 2018, IASB also issued Amendments to the References to the Conceptual Framework in the IFRS standards. The documents contain amendments to the IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC Interpretation 12, IFRIC Interpretation 19, IFRIC Interpretation 20, IFRIC Interpretation 22 and SIC-32. This notwithstanding, not all the amendments update such pronouncements concerning the references and quotations of the framework for reference to the Reviewed Conceptual Framework. Some pronouncements have only been updated to point out which version of the framework they refer to (the IASC framework adopted by the IASB in 2001, the 2010 IASB framework or the new 2018 reviewed framework) or to point out that the Standard definitions have not been updated in line with the new definitions expounded in the Reviewed Conceptual Framework.

### Amendments to IFRS 3

This amendment improved the definition of “a business” to determine if an acquisition is for a business or a group of assets. Such distinction is important because a buyer recognizes goodwill only when a business is acquired.

### Amendments to IAS 1 and IAS 8

The modifications in the Definition of Material (Amendments to IAS1 and IAS8) clarify the definition of “material” and align the definition used in the Conceptual Framework and the standards.

### Adoption of improvements or new standards:

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The Company has adopted all the improvements and new standards and interpretations issued by IASB that are relevant to their transactions and which are effective as of December 31, 2018.

Starting on January 1, 2018, the Company began to apply IFRS 9 to substitute for IAS 39. The amendments are basically in connection with recognition, classification, and measurement of financial assets and liabilities; derecognition of Financial instruments; impairment of financial assets and hedge accounting.

The standard establishes the following classes of Financial instruments:

Financial assets

- Financial assets measured at amortized cost
- Financial assets measured at fair value through Other comprehensive income
- Financial assets measured at fair value with changes recognized in profit and loss

Financial liabilities

- Financial liabilities measured at amortized cost.
- Financial liabilities measured at fair value with changes recognized in profit and loss

Their classification will depend on the Company's business model vis-à-vis such instruments. The Company's management evaluated its model and concluded that the application of this standard has not had a significant impact on the Group's Consolidated financial statements. Additionally, when it comes to the credit impairment methodology, the Group has opted for the simplified method prescribed by the IFRS 9 with no significant impact on the financial statements.

IFRS 15 came into force on January 1, 2018. This standard does not have an impact on the consolidated financial statements.

## 2.3 Bases of consolidation

The Company's Consolidated financial statements include the financial statements of the Company and of the Company's controlled companies (its subsidiaries or controlled companies or affiliates). The Company controls an entity when it is exposed, or is entitled to, variable returns due to its involvement in the investee and has the capability of exercising power to lead the entity's operational and financial policies to exert influence over such returns. Subsidiaries are consolidated as from the date when control over the Company is transferred and are excluded from the consolidation on the date when it ceases.

The Company will evaluate again whether it exerts control over an investee when the facts and circumstances point out that there are changes in one or more of the three control elements listed in the preceding paragraph.

When the Company has less than a majority vote in an investee, the Company wields power over the investee when voting rights are sufficient to enable it to unilaterally lead the investee's relevant activities. The Company considers all the relevant facts and circumstances upon assessing whether the Company's votes in an investee are sufficient or not to endow it with power, including:

- The company's voting right percentage, vis-à-vis the size and dispersion of percentages held by other shareholders voting rights;
- Potential voting rights maintained by the Company, Other shareholders or other parties;
- Rights arising from contractual agreements; and

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- Any and all additional events or circumstances that set forth that the Company has, or does not have, at present, the capabilities required to lead relevant activities at a time when decisions are necessary, including voting patterns in previous shareholders' meetings.

A subsidiary's consolidation starts when the Company gains control over the subsidiary and comes to an end when the Company loses control over the subsidiary. Specifically, the revenues and expenses of a subsidiary acquired or sold during the year are included in the consolidated profit & loss statement and other comprehensive income from the date when the Company obtains control until the date when the Company stops controlling the subsidiary.

The income or loss of each component from other comprehensive income are attributed to the Company's owners and to the Non-controlling interests. The total comprehensive income of subsidiaries is attributed to the Company's owners and to the Non-controlling interests even if the results in the Non-controlling interests carry a negative balance.

Should the need arise, adjustments shall be made to the subsidiaries' financial statements to adapt its accounting policies to other used by Other group members.

All the transactions, balances, revenues and inter-group expenses are eliminated in the consolidation.

The consolidated information disclosed in these financial statements include the following subsidiaries:

			% of direct and indirect ownership as of	
	<u>Main activity</u>	<u>Country</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Controlled:				
Cofesur S.A.U.	Investment	Argentina	100,00	100,00
Ferrosur Roca S.A. (1)	Rail freight transportation	Argentina	80,00	80,00
Recycomb S.A.U.	Waste recycling	Argentina	100,00	100,00
Yguazú Cementos S.A.	Marketing and manufacture construction materials	Paraguay	51,00	51,00

(1) Directly controlled by Cofesur S.A.

Below is a summary of the financial information for Group subsidiaries with material non-controlling interests. The summarized information does not include intragroup deletions due to consolidation.

## a) Yguazú Cementos S.A.

	<u>12.31.2018</u>	<u>12.31.2017</u>
Current assets (1)	1,278,327,160	730,825,333
Non-current assets	4,118,220,214	3,482,599,805
Current liabilities (2)	750,929,946	569,154,594
Non-current liabilities (2)	2,141,955,405	1,967,426,624
Shareholders' equity attributable to owners of the parent company	1,276,909,432	855,218,394
Non-controlling interests	1,226,752,592	821,625,525

(1) Includes 570,921,230 and 165,280.282 of Cash and cash equivalents as of December 31, 2018, and as of December 31, 2017, respectively.

(2) Includes the Financial loans described in Note 24.

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	<u>12.31.2018</u>	<u>12.31.2017</u>
Revenues from sales, net	2,341,209,828	1,701,773,301
Net financing income/(loss)	(226,732,359)	(107,405,382)
Depreciations	(341,286,473)	(252,098,033)
Income tax	(31,734,545)	(18,184,484)
Net income	355,108,341	325,840,272

	<u>12.31.2018</u>	<u>12.31.2017</u>
Net cash flows from operating activities	580,112,372	414,108,341
Net cash flows used in investing activities	(79,747,134)	(82,487,836)
Net cash flows applied to financing activities	(315,318,864)	(543,362,464)

The amounts reported above and corresponding to Yguazú Cementos S.A. arise from the information provided by said company adjusted in line with the IFRS and the Company's accounting policies.

b) Ferrosur Roca S.A.

	<u>12.31.2018</u>	<u>12.31.2017</u>
Current assets	707,915,038	710,726,928
Non-current assets	1,808,071,617	1,917,145,118
Current liabilities	1,614,662,438	1,238,481,096
Non-current liabilities	121,151,045	486,220,086
Shareholders' equity attributable to owners of the parent company	595,607,854	684,451,766
Non-controlling interests	148,901,963	171,112,942

	<u>12.31.2018</u>	<u>12.31.2017</u>
Revenues from sales, net	2,587,464,615	2,619,954,825
Net financing income/(loss)	(90,551,880)	(23,085,904)
Depreciations	377,618,154	278,544,476
Income tax	143,552,241	(53,207,420)
Net loss	(111,054,891)	(55,970,669)

	<u>12.31.2018</u>	<u>12.31.2017</u>
Net cash flows (applied to)/generated by operations	(173,232,788)	249,905,667
Net cash flows used in investing activities	(270,847,398)	(420,408,029)
Net cash flow generated by financing activities	438,763,277	166,865,291

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### 3. SUMMARY OF THE MAIN ACCOUNTING POLICIES

#### 3.1 Revenue Recognition

Revenue are recognized for an amount that reflects the consideration that the entity expects to receive in exchange or said goods or services.

##### 3.1.1 Sale of goods

Ordinary revenues from the sale of goods are recognized when each and all of the following conditions have been satisfied:

- The entity transferred to the buyer all significant risks and advantages stemming from the ownership of goods;
- The entity did not keep for itself any involvement in the current management of the goods sold, to the extent usually associated to ownership and neither has it retained effective control over them;
- The amount of ordinary revenues was reliably measured;
- The Entity was considered likely to receive the economic benefits associated to the transaction; and
- The costs incurred or about to be incurred in connection with the transaction were reliably measured.

The amounts were restated through the application to the original amounts of the coefficients corresponding to the month of accrual following the adjustment procedure described in Note 2.2.

##### 3.1.2 Supply of services

Revenues from transportation services are recognized at the time of providing the service and they were restated by application to the original amounts of the coefficients corresponding to the month of accrual by application of the adjustment mechanism described in Note 2.2.

##### 3.1.3 Revenues from dividends and revenues from interest

If available, revenues from dividends on investments are recognized after the establishment of shareholders' rights to receive such payment (in so far as there is a likelihood that economic benefits shall flow to the Company and that ordinary revenues shall be reliably measured).

Interest income were recognized after determining that there is a likelihood that the Group will receive the economic benefits associated to the transaction and that their amount may be reliably measured. Interest income has been recorded on a temporary basis with respect to the outstanding capital and at the applicable effective interest rate, which is the discount rate that is exactly the same as the cash flows receivable or payable estimated throughout the expected life of the financial instrument with the net book amount of the financial asset or liabilities over initial recognition. Financial income is presented net of the effects of inflation on the assets and liabilities that generated such income.

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No. 3

Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
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Vice-President

### 3.2 Goodwill

The Goodwill booked by the company corresponds to the acquisition of Recycomb S.A.U. and it is measured at cost restated in end-of-period currency in accordance with Note 2.2.

Pursuant to the applicable standard, Goodwill reflects the excess of the consideration transferred, the amount of any non-controlling ownership interest in the investee, if applicable, and fair value of the ownership interest previously held by the acquiror (if any) in the entity over the net amount as of the date of acquisition of the identifiable assets as acquired and the assumed liabilities.

Goodwill is not amortized. Rather, it is reviewed on an annual basis to determine if there is a need to book an impairment. For purposes of assessing impairment, Goodwill is assigned to each one of the Group's cash generating units that expects to reap the benefits from the synergies of the respective combination. The cash generating units to which Goodwill is attributed are subject to reviews for identifying impairment on an annual basis or at smaller intervals if there are hints that the unit could have sustained impairments.

If the amount recoverable from the cash generating unit is smaller than the unit's book amount, the impairment loss is first allocated to a write-down of the Goodwill attributed to the unit and then, proportionally, to the Unit's other assets. To that end, the book amount of each asset in the unit is used as a basis. The impairment loss recognized for Goodwill purposes is not reversed in any subsequent period.

Any Goodwill impairment loss is recognized directly in Profit and loss.

In the disposal of the relevant cash generating unit, the amount attributable to Goodwill is included in the determination of the income/(loss) from said disposal.

As of December 31, 2018 and 2017, Goodwill has not suffered any impairment.

The Group's policy concerning the goodwill stemming from the acquisition of an associated entity described in the following Note 3.3.1.

### 3.3 Investments in other companies

These are investments in companies in which no significant influence is exercised.

Given that these Investments have not got a market price quoted in an active market and its fair value may not be reliably measured, these Investments are measured at the cost restated at the end of the fiscal year minus the impairment losses identified at the end of each period being reported.

### 3.4 Leases

Leases are classified as financial when the terms of the lease are substantially transferred to the lessees of all the risks and advantages inherent in ownership. All the other leases are classified as operating.

#### The Group as lessee

Assets maintained under financial leases were recognized as Group assets at the inception of the lease at fair value or, when fair value is less, at the current value of the minimum rental payments. The liabilities corresponding to the lessor were included in the Balance sheet as an obligation stemming from a financial lease.

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Rental payments were allocated in the proportions corresponding to financial expenses and to a write-down of the obligations under the lease in order to reach a constant interest rate over the remaining balance of the liabilities. Financial expenses are immediately recognized in profit and loss except if they are directly attributable to qualified assets: when this is the case, they are capitalized in accordance with the Group's general policies concerning borrowing costs. The contingent leases are recognized as expenses in the periods incurred.

Rentals stem from the operating leases that were charged against Profit and loss using the straight-line method during the term corresponding to the lease. The contingent leases originating in operating leases are recognized as expenses in the period in which they are incurred. If lease incentives are received to enter into operating leases, such incentives are recognized as liabilities. The added benefit of the incentives is recognized as a straight-line lease expense reduction, except when other systematic basis is more representative of the pattern of time when the economic benefits of the asset leased are consumed.

Total future minimum payments stemming from operating leases that may not be cancelled as of December 31, 2018 amount to \$ 36,830,396 up to a year and \$ 171,437,429 from one to five years.

### The Group as lessor

The amounts owed by the lessees under financial leases are recognized as amounts receivable for the amount of the Group's net investment in the leases. Revenues from financial leases are allocated to the accounting period in order to reflect a periodical constant rate of return on the Group's existing net investment with respect to the leases.

Rental income in the framework of operating leases is recognized employing the straight-line method during the term of the lease. The initial direct costs incurred upon negotiating and agreeing on an operating lease are added to the book amount of the asset leased and are recognized employing the straight-line method during the term of the lease.

### 3.5 Foreign currency and functional currency

For purposes of the consolidated financial statements, the income/(loss) and the financial condition of each entity are stated in Pesos (Argentina's currency of legal tender), considered to be functional currency (the currency of the primary economic environment in which a company operates) for all the companies with domicile in the Argentine Republic and this is also the currency of presentation of the consolidated financial statements. In the case of the subsidiary Yguazú Cementos S.A., located in Paraguay, its functional currency is the Guaraní.

For purposes of presentation of these consolidated financial statements, the assets and liabilities from the Group's operations abroad are converted to Pesos by application of the foreign exchange rates in force at the end of each fiscal year being reported. Income and expense entries are converted at the average foreign exchange rate for each month, taking into account that the exchange rates oscillate significantly during that period. When this is the case, it is the exchange rates prevailing on the dates of the transactions and are then restated by application of the coefficients corresponding to the month they are accrued by application of the adjustment procedure described in Note 2.2. The foreign exchange gains/(losses), when applicable, are recognized as Other comprehensive income and are accumulated in Shareholders' equity (and are attributed to minority interests, as applicable).

Foreign exchange gains/(losses) from monetary items are recognized in Income for the period, net of the effect of inflation on the items that generated them, except those stemming from Loans denominated in foreign currency associated to the assets in construction for future productive use which were included in the cost of said assets by being considered to be an adjustment to the costs for interest on said Loans denominated in foreign currency.

In the Consolidated financial statements, the Group's assets and liabilities in foreign currency are converted into Pesos by application of the foreign exchange rates in force at the end of each fiscal year being reported.

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Goodwill and fair value adjustments stemming from the acquisition of investments are recognized as assets and liabilities of the acquired entity and are converted at the currency of presentation at the year-end foreign exchange rate. The ensuing foreign exchange gains/(losses) are recognized as Other comprehensive income.

When an investment is sold or disposed of, foreign exchange gains/(losses) are recognized in the Statement of income as a part of Income or loss from sales/disposals.

### 3.6 Borrowing costs

Borrowing costs net of the effect of inflation directly attributed to the acquisition, construction or production of qualified assets, which are assets that take a substantial period of time to be used or sold, are added to the cost of said assets until the moment when they are ready for use or sale.

Income collected from temporary investments in specific outstanding loans for consumption in qualified assets is deducted from the Borrowing costs fit for capitalization.

All the Other Borrowing costs are recognized in Profit/(loss) during the fiscal year when they are incurred, net of the effect of inflation on the liabilities that generated them.

### 3.7 Taxes

The Group assesses the Income tax charge to be booked in accordance with the deferred tax method, which considers the effect of timing differences originating in the different basis for measuring assets and liabilities according to accounting and tax criteria and of the existing net losses and unused tax credits susceptible of deduction of future taxable income computed by considering the tax rate in force which at present is 30% in Argentina.

In addition, if taxable income were determined, the Group assesses the minimum presumed income tax by application of the 1% tax rate in force over the assets that are computable at the end of the fiscal year. This tax supplements Income tax. The Group's tax liability in each fiscal year shall coincide with the larger amount stemming from the assessment of minimum presumed income tax and the tax liability for Income tax assessed by application of the 30% current tax rate over taxable income for the year. However, if minimum presumed income tax exceeds in a given fiscal year the Income tax payable, such excess may be computed as payment on account of any excess Income Tax payable over Minimum presumed income tax that could arise in any of the ten following fiscal years.

The Income tax expense represents the sum of current Income tax payable and Deferred tax.

#### 3.7.1.1 Current taxes

Current tax payable was based on the taxable income recorded in the course of the fiscal year. Taxable income was different from the income reported in the Consolidated comprehensive income statement due to the taxable income or deductible expenses entries booked in other years and the entries that will never be taxable or deductible. The Group's liability as current tax was calculated using the tax rates promulgated or substantially approved by the end of the fiscal year being reported in the countries where the Group's companies are located.

#### 3.7.1.2 Deferred taxes

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Deferred tax assets have been recognized over temporary differences between the book value of the assets and liabilities included in the financial statements and the taxable bases corresponding to the items that were used to assess taxable income. Deferred tax liabilities were recognized, in general, for all the temporary tax differences that are taxable in the future. Deferred tax assets were recognized for all deductible temporary differences to the extent that there was a likelihood that the entity will have future taxable income against which such deductible temporary differences may be computed. These assets and liabilities were not recognized when temporary differences stemmed from goodwill or from the initial recognition (different from that of the business combination) of other assets and liabilities in a transaction that did not affect tax or accounting income.

The book amounts of deferred tax assets were reviewed at the end of the fiscal year being reported and the deferred tax asset balance was written down to the extent that it was considered likely that no sufficient taxable income would be available in the future to allow such asset to be recovered in whole or in part.

Deferred tax assets and liabilities were measured by application of the tax rates expected to apply in the fiscal year when the asset is realized or the liability is paid off on the basis of the tax rates (and tax laws) that are approved or have been substantially approved at the end of the fiscal year being reported. Measurement of deferred tax liabilities and deferred tax assets at the end of fiscal year being reported reflects the tax consequences that would stem from the manner in which the entity expects to recover or settle the book amount of its assets and liabilities.

Deferred tax assets were offset with deferred tax liabilities only if a) a right legally existed to offset them vis-à-vis the tax authorities and b) deferred tax assets and liabilities stem from the Income tax imposed by the same tax authority and the Group intends to settle its assets and liabilities as net.

Deferred tax liabilities from Investments in subsidiaries and associates are recognized when there are taxable timing differences except when the Group is able to control the reversal of the timing difference and there is a likelihood that timing differences will not be reverted in the foreseeable future. Deferred tax assets stemming from deductible timing differences of said investments are only recognized to the extent that there is a likelihood that there will be sufficient taxable income with respect to which the benefits of timing differences can be used and there is the expectation that they will be reverted in the foreseeable future period.

### 3.7.1.3 Current and deferred taxes

Current and deferred taxes have been recognized as income or expenses and were included in comprehensive income.

Current and deferred taxes are recognized in the profit and loss except when they refer to items that are carried as Other comprehensive income or directly in equity. When they are recognized in equity, current and deferred tax are also recognized in Other comprehensive income or directly in equity, respectively. When current tax or when deferred tax stem from the initial recording of a business combination, the tax effect is included in the accounting entry of the business combination.

### 3.7.2. Tax on personal property – Substitute taxpayer

Foreign individuals and entities, as well as undivided estates, irrespective of whether they are or not domiciled in Argentina or have a registered office in Argentina or abroad are subject to Tax on personal property at a rate of 0.25% of the value of the shares or the American Depositary Shares issued by Argentine entities as of December 31 each year. The tax applies to the Argentine issuers of said shares, who have to pay for this tax as substitutes for the relevant shareholders and it is based on the value of the shares (equity value) or on the book value of the shares stemming from the most recent financial statements as of December 31 each year.

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In accordance with the Tax on Personal Property Law, the Group is entitled to obtain a reimbursement of the tax paid from the shareholders levied with the above-mentioned tax through the reimbursement mechanism that the Group deems advisable.

As of December 31, 2018 and 2017, the Company carries the following receivables in this respect 5,014,497 and 224,639, respectively.

### 3.7.3. Tax Reform

The law known as "Tax Reform", Law No. 27,430 was published on December 29, 2017 in the Official Gazette, and it came into force the day following its publication. One of the main changes introduced by this law is the reduction in the Income tax rate that levies companies' unappropriated retained earnings from 35% to 25% starting on January 1, 2020 with a transition scheme for the fiscal years comprised in the period that starts on January 1, 2018 and ends on December 31, 2019, in which the tax rate shall be 30%.

The main accounting impact of the law is the measurement of deferred tax assets and liabilities in as much as these must be recognized by application of the tax rate that will be in force on the dates when differences between book and tax values shall be reversed or applied.

The Group has measured its deferred tax assets and liabilities as of December 31, 2018 by application of 30% or 25% tax rates according to the fiscal year in which the Group estimates that the timing differences that have been recognized shall be reverted.

In addition, the tax reform also introduced changes when it comes to the treatment of the levy of taxes on dividends. Law No. 27,260 was promulgated on July 22, 2016 which repealed the tax that would have been established in the year 2013 through Law No. 26,893 as Income tax as a one-off and final 10% payment over the distribution of dividends or earnings to foreign beneficiaries and to individuals residing in Argentina.

#### **Tax Revaluation:**

The tax reform reinstates a tax on the dividends or earnings distributed to individuals, undivided estates and/or foreign beneficiaries applicable in accordance with the following guidelines:

- When distributed dividends or earnings are generated in fiscal years starting from January 1, 2018 and December 31, 2019: such dividends are levied with a 7% tax rate.
- When distributed dividends or earnings are generated in fiscal years starting as from January 1, 2020, such dividends are levied with a 13% tax rate.

Lastly, the so-called Tax Reform establishes that the update corresponding to the acquisitions or investments carried out as from January 1, 2018 shall be realized on the basis of percentage variations in the Consumer Price Index (CPI) supplied by the Argentine's official statistics bureau (INDEC) which shall be reflected in a higher tax reduction associated to the amortization of such acquisitions and, in turn, to an increased computable cost in the case of sales.

Pursuant to Law No. 27,430, the Tax Reform Law, an optional regime was established pursuant to which the Companies shall be allowed to revalue, for tax purposes, exceptionally and on a one-off basis, the fixed assets situated, placed or used for profit in Argentina and allocated to the generation of taxable income.

The exercise of the tax revaluation option shall be levied with a Special Tax to be applied on the amount of the revaluation, concerning all the revalued assets, through the application of the following tax rates:

- Real property that are not inventories: 8%
- Real property that are inventories: 15%

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- Personal property susceptible of depreciation and the rest of the assets: 10%

In order to calculate Income Tax, the special tax that must be paid shall not be deductible as an expense and the income generated by the revaluation amount shall be exempted and shall not be computed for purposes of the Equalization Tax. In much the same manner the revaluation amount shall not be computable in the assessment of the minimum presumed income tax concerning fiscal period 2018, which was the last year when the tax was levied.

As regards the assessment of Income tax for the fiscal periods following the option period (fiscal period 2017) the increase in the depreciation of revalued assets may be deducted as an expense, if applicable, determined in conformity with the years, quarters, unit values of exhaustion or other parameters calculated on the basis of the type of asset and method adopted in due time for assessing Income tax, remaining at the end of the option period. In addition, the respective asset can continue to be depreciated until total exhaustion of value or up to the moment of disposal based on the value of origin, method and useful life adopted in due time to assess Income tax.

In addition, the exercise of the option allows the value of fixed assets revalued as from fiscal 2018 to continue to be updated on the basis of the variation in the consumer price index – general level.

Should a revalued asset be sold, the residual value of the original value acquired or constructed plus the residual value of the revaluation amount may be deducted as cost for tax purposes. This notwithstanding, if the disposal takes place in any of two fiscal periods immediately following the period of the option, the amount of the revaluation (net of depreciations) will be reduced by 60% or 30%, depending on whether the asset has been sold in the first fiscal year or the second fiscal year, respectively.

The exercise of the tax revaluation option implies waiving the right to bring actions in court or before administrative authorities whereby a claim is asserted for tax purposes for the enforcement of update procedures of any nature, concerning the fiscal period when the option is exercised of the fiscal periods in which the revaluation amount is computed or included as a computable cost in the assessment of Income Tax.

### 3.8 Property, plant and equipment

Property, plant and equipment maintained for use in the production or supply of goods and services or for administrative purposes were recorded at the cost restate in end-of-period currency in accordance with Note 2.2. minus depreciation any accumulated impairment loss.

The plots of land that are owned were not subject to depreciations.

Properties whose construction is in progress for administrative, production and/or supply purposes or without any specific purpose are carried at cost restated in end-of-period currency in accordance with Note 2.2 minus any impairment loss already recognized. Cost included professional fees and in the case of qualified assets, the costs of loans capitalized in accordance with the Group's accounting policies. The depreciation of these assets, as was also the case with the Other assets associated to properties, started when assets were ready for use.

Depreciation is recorded in order to effect a stepwise reduction in the cost of assets in this category except for the land and the properties in construction during their useful lives by application of the straight-line method. The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year. The effect of changes is recorded in estimations on a prospective basis.

Assets maintained under a financial lease are depreciated over the term of their useful lives estimated to be the same as the assets held or, if such useful life is shorter, depreciation is for the term of the relevant lease.

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Income or loss stemming from the disposal or de-registration of an item of Property, plant and equipment is calculated as the difference between revenues from sales and the book of the assets and it is recognized in the profit and loss at its value restated in end-of-period currency.

### 3.9 Intangible assets

Intangible assets with finite useful lives, acquired separately, are carried at cost restated in end-of-period currency in the manner described in Note 2.2 minus accumulated depreciation and minus any accumulated impairment losses.

The method to amortize mining rights shall be determined at the time of starting with the exploitation of said resources.

The estimated useful life and the depreciation method are reviewed at the end of the fiscal year being reported. The effect of changes in such estimates is recorded on a prospective basis. Intangible assets with an indefinite useful life that are separately acquired are carried at restated cost in end-of-period currency in the manner discussed in Note 2.2. minus the accumulated impairment loss.

Intangible assets are deregistered when no future economic benefits are expected from their use or disposal. Any benefits or losses stemming from the deregistration of an intangible asset, measured as the difference between the net product of the deregistration and the book value of the asset are recognized in profit and loss when the asset is deregistered.

### 3.10 Impairment of value in tangible and intangible assets

At the end of the fiscal year being reported, the Group evaluates the book amounts of its tangible and intangible assets in order to determine if there are hints indicative of an impairment loss in these assets.

The Group calculated the recoverable amount for each cash generating unit. It is clarified that the recoverable value is the higher between fair value minus Cost of sales and value in use. In order to estimate value in use, the estimated future cash flows were discounted from present value by application of a discount rate before Income tax that reflects market appreciations at the end of the year with respect to the time-value of money considering the risks that are specific to the asset.

Intangible assets not yet available for use are subject to impairment tests at least once a year and in so far as there are indications that the asset may have been impaired.

If it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of the assets (or cash generating unit) is written down to its recoverable value. Impairment losses are immediately recognized in profit and loss.

When an impairment loss is subsequently reversed, the book value of the asset (or of the cash generating unit) is raised to the reviewed estimate of its recoverable amount though in a manner such that the increased book amount does not exceed the book amount that would have been determined if no impairment loss had been recognized in the asset (or cash generating unit) in previous fiscal years. Impairment loss reversals are immediately recognized in profit and loss.

### 3.11 Inventories

Inventories were valued at acquisition cost restated in end-of-period currency in accordance with Note 2.2 or net realization value, whichever is less. Cost was determined by application of the weighted average price method. Net realization value represents the estimated selling price minus the costs necessary for the sale.

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### 3.12 Provisions

When in the face of a present obligation (either statutory or implied) originating in a past obligation there is a likelihood that the Group has to do away with resources that entail economic benefits to honor an obligation and the amount of such obligation can be reliably estimated, the Group recognizes Provisions.

Amounts recognized as provisions were the best estimate of the disbursement necessary to cancel the present obligation at the end of the fiscal year being reported taking into account the relevant risks and uncertainties. When a provision is measured using the cash flows estimated to honor present day obligations, its book value represents the present value of said cash flows.

When the recovery of some or all of the economic benefits required to cancel a provision is expected, a receivable is recognized as an asset if it has been considered virtually certain that the disbursement is going to be received and the amount of the receivable could be reliably measured.

The Group has taken into account the opinion of its legal advisors to estimate the obligations.

### 3.13 Environmental rehabilitation

In the light of statutory provisions and good practices, the land used for mining and the quarries are subject to environmental rehabilitation in Argentina.

Against this backdrop, Provisions were recognized in those cases that they could be determined, in order to afford the estimated expenses for the environmental recovery and restoration of the mining areas. These provisions were recorded simultaneously with the increase in value in the underlying asset on the basis of the outcomes of landscape recovery studies and the relevant depreciation of the assets involved was recognized in profit and loss.

The obligation to retire assets may also go up or down due to changes in the estimated terms of cash flows, changes in the discount rate and/or changes in the original costs that were not originally discounted. Increases or decreases in obligations shall be translated into a relevant change in the book value of the related asset. The actual costs incurred in settling the obligation to retire the assets are charged against the provision up to the amount of the recorded liability. The Company discounts the costs associated to the obligations to retire assets using the discount rate that reflects the current assessment made by the market of the time value of money and the specific risks of the liabilities that have not been reflected in cash flow estimates. The obligations to retire assets have been subject to a revaluation in the course of each fiscal year being reported in order to reflect the discount rates in force at that time.

In addition, it is Group practice to progressively rehabilitate the areas released by the quarries and to enforce it, the Group uses the provisions recognized to such end.

### 3.14 Financial instruments

Financial instruments arise from any agreement that gives rise to the recognition of a financial asset in an entity and to a financial liability or an equity instrument in another entity.

All Financial assets and liabilities are initially recognized at fair value. The costs of the transactions to acquire or issue financial assets or liabilities (other than financial assets and liabilities carried at fair value with changes through profit and loss) are recognized or deducted from the fair value of the financial asset or liability as initial recognition costs. The costs that are directly attributable to the acquisition of financial assets or liabilities measured at fair value with changes through profit and loss are immediately recognized in income/(loss) for the year.

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Sergio D. Faifman  
Vice-President

## LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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### 3.15 Financial assets

According to the provisions under IFRS 9 "Financial instruments", the Group classifies its Financial assets into two categories:

#### - Financial assets at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, for the assets that satisfy the conditions mentioned above, IFRS 9 provides the option of designating at the time of initial recognition, an asset as measured at reasonable value if in doing so it eliminates or significantly reduces an inconsistency in valuation or recognition that would have arisen if the valuation of the assets or liabilities or the recognition of their income or loss were effected on different bases.

The Group has not designated any financial asset at fair value using this option. At the date of closing of these consolidated financial statements, the Group's financial assets at amortised cost comprise certain Cash and cash equivalent elements, Accounts receivable, trade and Other receivables.

#### - Financial assets at fair value through profit or loss

If one of the criteria mentioned above were not satisfied, the financial asset is classified as an asset measured at "fair value through profit or loss".

At the date of closing of these financial statements, the Group's financial assets at fair value through profit or loss comprise mutual funds and Government securities.

### Recognition and measurement

Purchases and sales of financial assets are recognized on the date when the Group undertakes to purchase or sell the asset. The Financial asset are de-recognized when the rights to receive cash flows stemming from such investments and the risks and benefits associated to ownership are extinguished or transferred.

Financial assets valued at amortized cost are initially recognized at fair value plus transaction costs. These assets accrue interest on the basis of the effective interest rate method.

Financial assets measured at fair value through profit and loss are initially recognized at fair value and transaction costs are recognized as expenses in the Statement of comprehensive income. They are subsequently measured at fair value. Changes in fair value and income/(loss) from sales of financial assets at fair value through profit and loss are carried in "Financing income/(loss), net" in the Statement of comprehensive income.

The Group typically uses the transaction price to determine the fair value of a financial instrument at the time of initial recognition. In the rest of the cases, the Group only records profit or loss at the time of initial recognition only if the fair value of the instrument is evidenced with other comparable and observable market transactions for the same instrument or if it is based on a valuation technique that incorporates only observable market data. Profit or loss that have not been recognized at initial recognition of a financial asset subsequently recognized only to the extent that there is a change in factors (including time) that market participants should consider upon establishing the price.

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The income/(loss) from debt instruments measured at amortised cost that have not been designated in a hedge transaction are recognized in profit and loss when the financial assets are deregistered or when an impairment is recognized and during the amortization process by application of the effective interest rate. The Group reclassifies all the investments in debt instruments only when there's a change in the business model used to manage said assets.

## Financial asset impairment

At the end of the year, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets measured at amortized cost. Impairment is recorded only if there is objective evidence of the impairment as a consequence of one or more events occurred after the initial recognition of the asset and said impairment may be reliably measured.

Evidence of impairment includes hints that debtors or a group of debtors are experiencing major financial difficulties, non-performances or arrears in payments of principal or interest, the likelihood that they shall be declared bankrupt or in reorganization proceedings and when such observable details indicate that there is a decrease in the estimated future cash flows.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of estimated future cash flows (to the exclusion of future loan losses not incurred) discounted at the original effective interest rate of the financial asset. The book value of the asset is written down and the amount of the loss is recognized in the Statement of income. As a practical measure, the Group may measure impairment on the basis of the fair value of an instrument, using an observable market price. If, in a subsequent period, the impairment amount decreases and such reduction is related to an event taking place after the original impairment, the reversal of the impairment loss is recognized in the Statement of comprehensive income.

## Financial instrument offsets

Financial assets and liabilities are offset when there is a legal right to offset such assets against such liabilities and there is an intent to cancel them on a net basis or to realize the asset and pay off the liability simultaneously.

### i) Ferrocarril Roca Management Trust

The ownership interest in the Ferrocarril Roca Management Trust is measured at cost, restated in end-of-year currency in accordance with Note 2.2, considering the value of contributions made, net of trust expenses plus Net financing income/(loss) accrued until the end of the fiscal year. The following non-consolidated information is concerned with an entity that is not controlled by Ferrosur Roca S.A. (Note 39).

As of December 31, 2018 and 2017 Ferrosur Roca S.A. has a 100% ownership interest over assets and liabilities (not consolidated):

	<u>12.31.2018</u>	<u>12.31.2017</u>
Current assets	55,987,087	51,112,722
Current liabilities	<u>73,810,00</u>	<u>1,006,901</u>
Shareholders' equity	<u>55,913,277</u>	<u>50,105,821</u>
Income for the year	<u>10,927,286</u>	<u>3,210,358</u>

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### 3.16 Financial liabilities

#### i) Classification as debt or equity

Debt and equity instruments are classified as Financial liabilities or as equity in accordance with the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

#### ii) Equity instruments

An equity instrument consists in a contract evidencing a residual ownership interest over an entity's assets after deducing all its liabilities. Equity instruments issued by a Group entity are recognized as per the revenues received, net of direct issuance costs.

The repurchase of the Company's own equity instruments is recognized and deducted directly in equity. Neither income nor expenses are recognized in Profit and loss stemming from purchases, sales, issuance or cancellation of the Company's own equity instruments.

#### Capital accounts

##### a) Capital and Share premium

It comprises the contributions promised or made by the shareholders represented by shares and it comprises outstanding shares at nominal value.

##### b) Adjustment to capital

The accounts that make up capital stock were restated recognizing the effects in variations in the purchasing power of currency applying the procedure described in Note 2.2. The capital stock account has been maintained at nominal value and the adjustment stemming from the restatement mentioned above is disclosed in the Adjustment to capital account.

The Adjustment to capital is not distributable in cash or in assets, irrespective of capitalization through the issuance of bonus shares. In addition, the adjustment is aimed at covering the fiscal year's final losses in accordance with the order in which cumulative losses shall be absorbed as mentioned below in "Retained earnings".

##### c) Merger premium

This reflects recognition of premiums stemming from mergers between the parent company and Ecocemento S.A. and Compañía de Servicios a la Construcción S.A. in the years 2002 and 2010, respectively. Balances as of December 31, 2014 arise from mergers earlier than IFRS adoption. The 2015 merger was recognized at book value.

Merger premium balances were restated in year-end currency by application of the adjustment procedure described in Note 2.2. on the basis of the respective merger dates.

##### d) Other capital adjustments

In the fiscal year ended on December 31, 2016 a total balance amounting to \$403,406,965 was incorporated to reflect the excess of the consideration transferred for the acquisition of 16.0017% of the ownership interest in Yguazú Cementos S.A. to our parent company InterCement Brasil S.A. over the book value at which this Company carried it in its books (Note 16). In the course of this fiscal year, the Company recorded the acquisition of a 2.36% interest in Cofesur S.A.U. approved by the federal government in March 2017. Given that the shares had been acquired from Camargo Corrêa S.A.,

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the Company applied the policy for acquisitions under common control and recognized the ownership interest at its book values, computing the excess of the value for the purchase over such values within "Other capital adjustments". In the course of this fiscal year, on April 25, 2018, the Shareholders' Meeting resolved to absorb the negative balance carried by the "Other capital adjustments" account with the Share premium.

Legal reserve

In accordance with the provisions under Law No. 19,550, the parent company must raise a Legal reserve of no less than 5% of the income stemming from the algebraic sum of Income for the period, Adjustments of previous fiscal years, transfers of Other comprehensive income to Retained earnings and Accumulated losses from previous fiscal years up to 20% of the sum of Capital stock and the balance of the Capital adjustment account.

The Legal reserve has been maintained at nominal value at January 1, 2016 and, as from that moment, it has been restated in end-of-year currency by application of the adjustment procedure described in Note 2.2, considering the movements taking place each fiscal year.

Environmental reserve and reserve for future dividends

This corresponds to the reserve created by the Company's shareholders' meeting for future application to environmental matters and dividend distributions, respectively. These two reserves have been maintained at nominal value at January 1, 2016 and, as from that moment, they have been restated in end-of-year currency by application of the adjustment procedure described in Note 2.2. considering the movements for each fiscal year.

Other comprehensive income

This includes income and losses recognized directly in equity and transferred from equity to the statement of income or to retained earnings as defined in IFRS.

a) Reserve for conversion

This corresponds to the reserve generated by the conversion of subsidiary Yguazú Cementos S.A.'s financial statements to the Company's functional currency in the manner set forth in 3.5. The Company has re-constructed the balance restating movements from the initial adoption of IFRS.

Retained earnings

This comprises unappropriated retained earnings or losses. Earnings may be distributable by a decision made by the Shareholder's meeting in so far as they are not legally restricted. This comprises results from previous fiscal years that were not distributed, the amounts transferred from Other comprehensive income and the adjustments of previous fiscal years by application of the accounting standards.

Unappropriated results as of January 1, 2016 were determined by detracting them from shareholders' equity and from then onwards they were stated in end-of-year currency by application of the adjustment procedure described in Note 2.2. considering the movements taking place each year.

Non-controlling interests

This corresponds to the ownership interest in the net assets and income/(loss) from:

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- As of December 31, 2018: Yguazú Cementos S.A. (49%) and Ferrosur Roca S.A. (20%), accounting for the ownership interests that are not in the possession of Loma Negra C.I.A.S.A.
- As of December 31, 2017: Yguazú Cementos S.A. (49%) and Ferrosur Roca S.A. (20%), accounting for the ownership interests that are not in the possession of Loma Negra C.I.A.S.A.

### iii) Financial liabilities

Financial liabilities are classified as at fair value through profit and loss with changes in Income/(loss) or Other Financial liabilities.

#### Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are a financial liability classified as held for trading or as maintained at fair value through profit and loss. Financial liabilities are classified as held for trading if:

- a) It has been acquired mainly for repurchasing purposes in the short-term; or
- b) At the moment of initial recognition it is part of a portfolio of Financial instruments handled by the Group and there is evidence of a recent current pattern of short term benefits; or
- c) It is a derivative that has not been designated and is effective as a hedge instrument or as a financial guarantee.

The Financial liabilities at fair value through profit and loss are carried at fair value recognizing any income or loss stemming from the new measurement in income or loss. Net income or loss recognized through profit or loss incorporates any interest paid on financial liabilities and is included in "Other income and losses". Fair value is determined in the manner described in Note 34.

A financial liability (other than a financial liability held for trading) or contingent consideration payable by the acquiror as a part of a business combination may be designated as a liability at fair value with changes through profit and loss at the time of initial recognition if:

- Such designation significantly eliminates or reduces inconsistencies in measurement or recognition; or
- Financial liabilities are part of a group of assets or financial liabilities or both, and they are managed and their returns are assessed on the basis of fair value in conformity with the Group's risk management documentation or its investment strategies and information about the group is internally supplied on that basis; or
- It is part of an agreement that contains one or more implied instruments and IAS39 allows the combined agreement to be designated at fair value through profit and loss

#### Other Financial liabilities

Other Financial liabilities, including Loans, Accounts payable trade and other are initially carried at fair value net of transaction costs.

Other Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expenses being recognized on the basis of actual returns.

Financial obligations are classified as Current liabilities unless the Company has an unconditional right to defer settlement for more than twelve months after the date of the financial statements.

### iv) Financial liabilities in foreign currency

The fair value of Financial liabilities denominated in foreign currency is determined in foreign currency and converted at the exchange rate at the end of each fiscal year being reported. The foreign currency component is a part of its income or

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loss at fair value. For the Financial liabilities classified as fair value through profit and loss, the component in foreign currency is recognized in the Statement of income.

In the case of the debt instruments denominated in foreign currency classified at amortised cost, income and loss in foreign currency are determined on the basis of the Amortised cost of liabilities and are recognized in the "Foreign exchange gains/(losses)" line (Note 10), in the caption 'Net financing income/(loss)' in the statement of comprehensive income.

### v) Deregistration of financial liabilities

The Company must deregister financial liabilities if, and only if, the Company's obligations expire, are cancelled or its liabilities are satisfied.

### 3.17 Short- and long-term employee benefits

Liabilities are recognized for the benefits accrued in favor of employees with respect to the salaries and wages, annual vacations and leaves of absence due to diseases in the period in which the service is rendered in connection with the non-discounted amount of the benefits expected to be paid in exchange for such service.

Liabilities are recognized in connection with short-term employee benefits measured at the non-discounted amount of the benefits that are expected to be paid in connection with the related service.

The liabilities recognized with respect to other long-term employee benefits (termination payment plans, which stem from plans that are specific to the employees who leave the Company and receive a compensation agreed to be paid in installments) are measured at the present value of estimated future cash outflows expected to be realized by the Group.

On February 24, 2018, the Board of Directors approved the implementation of an incentive program calculated on the basis of the Company's ADS (the "Program"). The purpose of this Program is to attract and retain certain high-ranking employees who satisfy certain admissibility criteria, in the search for aligning the Company's and its shareholders' long-term interest.

The Program consists in granting options over a quantity of the Company's virtual ADS (which shall not be shares issued in the terms of the Argentine General Companies' Law) (the "Virtual Shares") granted in the framework of an annual plan to grant options (the "Plan") together with the option to exercise the benefits granted under the Program with respect to the quantity of Virtual Shares granted (the "Option") which is formalized through the execution and delivery of the plan by the Company and the participant (the "Date of Grant"). The Purpose of Granting the Plan shall be an economic benefit on a given quantity of Virtual Shares that consists in the difference between the value of each Virtual Share in US Dollars at the date of exercising the Option minus the value of each Virtual Share in US Dollars at each Date of Option Grant, multiplied by the quantity of Virtual Shares exercised and converted into Argentine Pesos in accordance with the average of the official quotation between the purchase and sale of the last 60 days before the date of payment of the benefit. The Date of exercise of the Options may be from the Date of Grant and at the expiration of the second anniversary up to 34%; after the third anniversary 67% and at the end of the fourth anniversary, 100%. The term for exercising the options shall be of up to a maximum term of 5 years from the Date of Grant and the Economic Benefit shall have established certain limits for each Participant defined in each Plan. In addition, the Program establishes grounds for forfeiture of the Options as, for instance, resignation, dismissal for cause, retirement or no-cause dismissal with some possible exceptions. On annual basis, in each Plan a certain quantity of Participants will be approved, the quantity of Virtual Shares to be granted, the dates of grant of the Options and the Date of the Grant.

With respect to the 2018 Plan, the Board of Directors approved the grant of 215,307 Virtual Shares amongst several Participants, establishing limits on exercise in each one of the cases.

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#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES FOR ESTIMATING UNCERTAINTY

In the application of the accounting policies of the Company and of its subsidiaries, as described in Note 2, Management has had to make judgments and prepare the estimates concerning the assets and liabilities whose measurements are not feasible to obtain from other sources. The associated estimates and assumptions are based on historical experience and other factors considered relevant. It must be highlighted that actual results might differ from said estimates.

Underlying estimates and assumptions are continuously reviewed. The effects of reviewing the accounting estimates are recognized in the fiscal year in which the estimates are reviewed, either in the current or future fiscal year.

##### 4.1 Critical judgements in the application of accounting policies

The following are the critical judgments, in addition to those that involve the estimated figures (See 4.2) adopted by the directors during the process to apply the Group's accounting policies, which have a significant effect in the amounts recognized in the consolidated financial statements.

###### 4.1.1 Ferrosur Roca S.A. Concession

The Board of Directors has reviewed the Group's ownership interest in Ferrosur Roca S.A., taking into account the provisions under IFRIC Interpretation 12, which lays down guidelines concerning the accounts of the operators under the agreements to grant concessions of public services to the private sector.

Assuming that the party granting the concession does not control or regulate which services the operator has to provide the infrastructure with or those who must provide them and at what price, the Board of Directors has concluded that the concession over Ferrosur Roca SA is outside the scope of the IFRIC Interpretation 12 and therefore the Company does not apply the provisions under such standard. Given our preceding discussion, the Company has booked the assets received from the concession and those acquired afterwards, in conformity with IAS16 "Property, plant and equipment".

##### 4.2 Key sources of uncertainties in estimates

The following is a discussion of the basic assumptions concerning the future and other key sources of uncertainty in estimates at the end of the period being reported, which may entail a significant risk of material adjustments in the book amounts of the assets and liabilities during the next financial period.

###### 4.2.1 Goodwill impairment

To determine whether Goodwill has sustained an impairment, value in use is to be calculated in the cash generating units to which Goodwill has been assigned. The calculation of the value in use requires the Entity to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate present value. When actual future cash flows are less than expected, an impairment loss may arise.

The Goodwill balance amounts to \$16,577,250 as of December 31, 2018 and 2017. There was no Goodwill impairment as of December 31, 2018 and 2017.

###### 4.2.2 Property, plant and equipment and Intangible assets

The estimated useful lives of Property, plant and equipment components are as follows:

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	Useful lives
Fields	100 years
Quarries – Stripping cost	On the basis of estimated tons
Buildings	25 to 50 years
Constructions	25 to 50 years
Machinery	10 to 35 years
Furniture and fixtures	10 years
Fixtures and tools	5 years
Software	5 years
Transportation and freight vehicles	5 years

Property, plant and equipment goods applied to the Ferrosur Roca S.A. Concession (Note 1) are depreciated in accordance with their useful lives subject to the limit inherent in the term of the concession.

As described in Notes 3.2, 3.8 and 3.9, the Group reviews the useful life of Goodwill and of tangible and intangible assets on an annual basis respectively.

## 4.2.3 Provisions for lawsuits and other contingencies

The final cost of settling complaints and lawsuits may vary due to estimates based on different interpretations of the standards, opinions and assessments of the amount of damages. Therefore, any variation in the circumstances related to this type of contingencies could have a significant effect on the amount of the provision for contingencies recorded.

The Company makes judgments and estimates to assess the need for recording costs and raising provisions for environmental rehabilitations and remediations which are based on current information concerning expected remediation costs and plans. When it comes to environmental provisions, costs may differ from the estimates due to changes in laws and regulations, discovery and analysis of the area's conditions, as well as the variations in remediation technologies. Therefore, any change in the factors or circumstances concerning this type of Provisions, as well as the rules and regulations could have, as a consequence, a significant impact on the provisions recorded in these financial statements.

## 4.2.4 Calculation of Income tax and Deferred tax assets

The proper measurement of the Income tax expense depends on several factors, including estimates in the pace and the realization of deferred tax assets and the periodicity in Income tax payments. Current collections and payments may differ materially from these estimates as a result of changes in tax rules, as well as unforeseen future transactions having an impact on the Company's financial statements for tax purposes.

In order to determine the deferred impact over the investments in controlled or associated companies, the Board of Directors has determined the presumption that they will not be disposed of in the foreseeable future and therefore, they do not generate deferred tax.

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5. NET REVENUES FROM SALES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Sales of products	<u>26,562,884,939</u>	<u>24,428,156,360</u>
Domestic market	26,549,183,632	24,421,046,495
External market	13,701,307	7,109,865
Services provided	1,501,523,693	1,590,351,169
(-) Price reductions/Discounts	<u>(1,257,477,108)</u>	<u>(1,179,894,646)</u>
Total	<u>26,806,931,524</u>	<u>24,838,612,883</u>

6. COST OF SALES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Inventories at the beginning of the year	3,830,615,739	4,122,232,515
Finished products	206,308,504	268,151,753
Products in progress	919,201,091	1,169,754,059
Raw materials, materials, fuels and merchandise in transit	<u>2,705,106,144</u>	<u>2,684,326,703</u>
Exchange difference for the period	97,007,100	(8,531,548)
Purchases, production expenses and cost of services rendered in the period	20,510,235,877	18,226,854,574
Purchases	2,514,991,617	2,163,232,249
Production expenses	<u>17,995,244,260</u>	<u>16,063,622,325</u>
Inventories at the end of the fiscal year	(4,455,064,664)	(3,830,615,739)
Finished products	(387,427,380)	(206,308,504)
Products in progress	(1,076,713,866)	(919,201,091)
Raw materials, materials, fuels and merchandise in transit	<u>(2,990,923,418)</u>	<u>(2,705,106,144)</u>
Cost of sales	<u>19,982,794,052</u>	<u>18,509,939,802</u>

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LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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	<u>12.31.2018</u>	<u>12.31.2017</u>
The breakdown of production expenses is as follows:		
Fees and service fees	338,361,431	240,188,021
Salaries, wages and social security contributions	3,378,324,270	3,394,584,722
Personnel transport and travel expenses	154,985,074	143,049,709
Data processing	16,022,004	13,462,402
Taxes, contributions and commissions	297,520,458	273,981,570
Depreciation and amortizations	2,168,377,652	1,778,059,159
Preservation and maintenance	1,925,898,405	2,026,701,131
Communications	17,380,962	16,139,712
Rent	50,627,223	40,083,823
Personnel benefits	73,886,824	78,909,050
Electricity, gas and water services	5,864,370	6,011,499
Freight	1,741,333,971	1,756,121,044
Fuels	3,174,560,678	2,468,858,624
Insurance	42,604,268	37,350,338
Packaging	711,820,053	607,452,248
Electricity	2,038,236,493	1,562,375,458
Contractors	1,490,539,443	1,203,451,827
Tolls	3,981,497	7,366,963
Royalties	18,081,077	18,256,120
Surveillance	118,815,399	130,126,322
Other	228,022,708	261,092,583
Total	<u>17,995,244,260</u>	<u>16,063,622,325</u>

7. SELLING AND ADMINISTRATIVE EXPENSES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Managers, directors and statutory auditors' fees	102,204,259	130,234,357
Fees and service fees	142,807,004	89,012,999
Salaries, wages and social security contributions	576,815,218	620,849,259
Personnel transport and travel expenses	28,064,980	29,649,530
Data processing	33,971,446	20,486,648
Advertising expenses	44,272,385	48,359,984
Taxes, contributions and commissions	549,644,411	606,880,524
Depreciation and amortizations	63,087,201	42,713,063
Preservation and maintenance	8,781,240	11,072,951
Communications	18,748,577	14,074,808
Rent	45,137,895	26,710,961
Personnel benefits	29,678,024	31,577,630
Electricity, gas and water services	2,926,120	1,616,827
Freight	207,557,402	237,140,824
Insurance	27,114,431	11,523,103
Allowance for bad debts	5,412,245	(1,035,908)
Surveillance	4,155,262	3,946,484
Other	43,702,399	44,259,164
Total	<u>1,934,080,499</u>	<u>1,969,073,208</u>

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Antonio J. Lattuca  
For the Statutory Audit Committee

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8. OTHER INCOME AND EXPENSES, NET

	<u>12.31.2018</u>	<u>12.31.2017</u>
Income from the sale of property, plant, and equipment	13,589,670	7,576,956
Donations	(20,487,621)	(25,085,755)
Technical assistance services	4,297,212	1,264,139
Income from the assignment of tax credit	2,133,626	3,356,327
Contingencies	(7,528,507)	(29,360,043)
Rents	30,973,702	36,320,027
ADSs Program	100,334,962	102,251,124
Execution Unit Lawsuit (Note 37)	-	12,503,826
Miscellaneous	(14,053,624)	7,529,190
Total	<u>109,259,420</u>	<u>116,355,791</u>

9. TAX ON BANK DEBITS AND CREDITS

The general tax rate on bank credits and debits is 0.6% for the amounts credited and debited in the Company's bank accounts. For the amounts credited and debited, 33% of both items may be taken as payment on account of Other taxes. Sixty-seven per cent of credits and debits are included in this line of the statement of comprehensive income.

Pursuant to Law No. 27,432, the Argentine Executive Branch may set forth that the percentage of the tax mentioned that is not computable as payment on account of Income tax should be progressively written down by up to twenty per cent (20%) per year as from January 1, 2018. It can be established that in 2022 the tax set forth in Law No. 25,413 as subsequently modified shall be fully computed as payment on account of Income Tax. On May 7, 2018, Decree 409/2018 was published in the Official Gazette: it established that taxpayers within the scope of the general twelve per thousand tax may apply 33% of the amounts credited and debited in the respective bank accounts to partial payment of Income Tax.

10. NET FINANCING INCOME/(LOSS)

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Generated by Foreign exchange gains/(losses)</u>		
Income from foreign exchange variations	406,979,707	103,099,801
Expenses from foreign exchange variations	(1,648,852,331)	(227,524,933)
Total	<u>(1,241,872,624)</u>	<u>(124,425,132)</u>
<u>Financial income</u>		
Interest with related parties	-	5,339,942
Adjustments	26,911,769	22,938,565
Total	<u>26,911,769</u>	<u>28,278,507</u>
<u>Financial expenses</u>		
Interest expenses	(386,601,388)	(378,431,485)
Tax interest	(84,878,380)	-
Interest from temporary investments	(29,535,986)	(27,276,229)
Interest with related parties	(6,911,320)	(11,318,872)
Adjustments	(31,683,921)	(26,400,719)
Other	(121,735,408)	(74,096,169)
Total	<u>(661,346,403)</u>	<u>(517,523,474)</u>

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11. INCOME TAX

	12.31.2018	12.31.2017
Income/(loss) before income tax	3,082,537,040	3,899,742,146
Theoretical tax rate (*)	30%	35%
Income tax with Theoretical tax rate	(924,761,112)	(1,364,909,751)
Adjustments to calculate the effective income tax:		
Foreign subsidiaries' rate differential (*)	77,368,577	97,038,700
Public offering expenses	-	73,935,004
Restatement in constant currency	(291,318,298)	(244,119,361)
Deferred tax rate differential	(5,434,606)	1,197,502,640
Other permanent differences	12,190,106	18,606,571
Total Income tax	(1,131,955,333)	(221,946,197)

INCOME TAX

Current	(1,049,399,775)	(1,062,455,589)
Deferred	(82,555,558)	840,509,392
Total	(1,131,955,333)	(221,946,197)

(\*) The theoretical tax rate in force is 30% in Argentina and 10% in Paraguay.

11.1 The deferred Income tax charged against the Statement of income is broken down as follows:

	12.31.2018	12.31.2017
<u>Assets</u>		
Net operating losses	136,335,733	28,470,551
Provisions	15,681,562	34,746,760
Trade accounts receivable	940,042	1,409,236
Other	5,809,051	11,140,040
Total	158,766,388	75,766,586
<u>Liabilities</u>		
Investments	(2,915,246)	(26,463,897)
Other receivables	(21,359,668)	(2,895,083)
Property, plant and equipment	(3,018,540,501)	(2,895,012,630)
Inventories	(284,484,027)	(226,845,381)
Other	(17,566,183)	(24,608,226)
Total	(3,344,865,625)	(3,175,825,217)

11.2 Unrecognized timing differences on Investments and other ownership interests:

The timing differences associated to investments in subsidiaries and other ownership interests for which Deferred tax liabilities have not been recognized are attributed to the following:

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	<u>12.31.2018</u>	<u>12.31.2017</u>
Subsidiaries	(289,115,277)	(206,478,679)
Other	(590,719)	(590,719)
Total	<u>(289,705,996)</u>	<u>(207,069,398)</u>

## 12. EARNINGS PER SHARE

### Basic and diluted earnings per share

Profits and the weighted average quantity of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Profits attributable to the Owners of the parent company used in the calculation of earnings per share – basic and diluted	<u>1,799,871,980</u>	<u>3,509,779,198</u>
Weighted average number of ordinary shares for purposes of earnings per share – basic and diluted (all the measurements)	<u>596,026,490</u>	<u>571,026,490</u>
Earnings per share – basic and diluted	3,0198	6,1464

The weighted average number of outstanding shares was 596,026,490 and 571,026,490 for the fiscal years ended as of December 31, 2018 and 2017 respectively as is also the case with the basic weighted average shares given that there are no convertible debt securities at the end of each fiscal year.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>12.31.2018</u>	<u>12.31.2017</u>
Cost	52,422,111,789	46,425,106,096
Cumulative depreciation	<u>(30,544,174,393)</u>	<u>(28,115,082,718)</u>
Total	<u>21,877,937,396</u>	<u>18,310,023,378</u>
Land	327,070,487	323,943,737
Buildings	5,100,738,768	4,932,787,638
Machinery, equipment and spare parts	9,885,974,153	9,279,695,285
Transportation and freight vehicles	1,215,437,338	1,271,671,749
Furniture and fixtures	40,559,310	42,301,414
Fields	1,898,243,828	1,569,948,844
Tools	27,070,606	29,446,978
Works in progress	<u>3,382,842,906</u>	<u>860,227,733</u>
Total	<u>21,877,937,396</u>	<u>18,310,023,378</u>

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13. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Cost

	<u>Land</u>	<u>Buildings</u>	<u>Machinery, equipment and spare parts</u>	<u>Transportation and freight vehicles</u>	<u>Furniture and fixtures</u>	<u>Fields</u>	<u>Tools</u>	<u>Works in progress</u>	<u>Total</u>
Balances as of January 1, 2017	324,133,888	14,221,822,462	20,536,034,291	3,266,324,622	1,066,431,887	3,897,934,723	161,910,143	989,972,682	44,464,564,698
Exchange difference for the period	(190,151)	(1,733)	(57,994,506)	(105,234)	(44,272)	(3,957,509)	-	(1,020,104)	(63,313,509)
Increases	-	-	-	364,425,397	10,026,555	652,071,734	11,710,871	1,047,113,699	2,085,348,256
Disposals	-	-	-	(61,493,349)	-	-	-	-	(61,493,349)
Transfers	-	191,708,725	984,129,819	-	-	-	-	(1,175,838,544)	-
Balances as of December 31, 2017	323,943,737	14,413,529,454	21,462,169,604	3,569,151,436	1,076,414,170	4,546,048,948	173,621,014	860,227,733	46,425,106,096
Exchange difference for the period	3,126,750	9,507	1,064,079,736	1,436,288	1,070,025	65,075,094	-	20,490,022	1,155,287,422
Increases	-	24,023,327	-	217,860,298	10,139,704	814,066,479	7,851,827	3,827,360,247	4,901,301,882
Disposals	-	-	(46,237,635)	(13,345,976)	-	-	-	-	(59,583,611)
Transfers	-	515,839,032	809,396,064	-	-	-	-	(1,325,235,096)	-
Balances as of December 31, 2018	<u>327,070,487</u>	<u>14,953,401,320</u>	<u>23,289,407,769</u>	<u>3,775,102,046</u>	<u>1,087,623,899</u>	<u>5,425,190,521</u>	<u>181,472,841</u>	<u>3,382,842,906</u>	<u>52,422,111,789</u>

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13. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Cumulative depreciation

	<u>Buildings</u>	<u>Machinery, equipment and spare parts</u>	<u>Transportation and freight vehicles</u>	<u>Furniture and fixtures</u>	<u>Fields</u>	<u>Tools</u>	<u>Total</u>
Balances as of January 1, 2017	(9,175,958,874)	(11,447,254,525)	(2,147,256,065)	(1,020,996,916)	(2,452,867,673)	(134,139,822)	(26,378,473,875)
Exchange difference for the period	1,733	348,587	39,166	42,544	2,339	-	434,369
Depreciations	(304,784,675)	(735,568,381)	(209,397,386)	(13,158,384)	(523,234,770)	(10,034,214)	(1,796,177,810)
Disposals	-	-	59,134,598	-	-	-	59,134,598
Balances as of December 31, 2017	(9,480,741,816)	(12,182,474,319)	(2,297,479,687)	(1,034,112,756)	(2,976,100,104)	(144,174,036)	(28,115,082,718)
Exchange difference for the period	(9,507)	(266,858,333)	(1,197,070)	(509,498)	(17,596,765)	-	(286,171,173)
Depreciations	(371,911,229)	(1,000,338,599)	(274,333,928)	(12,442,335)	(533,249,824)	(10,228,199)	(2,202,504,114)
Disposals	-	46,237,635	13,345,977	-	-	-	59,583,611
Balances as of December 31, 2018	<u>(9,852,662,552)</u>	<u>(13,403,433,616)</u>	<u>(2,559,664,708)</u>	<u>(1,047,064,589)</u>	<u>(3,526,946,693)</u>	<u>(154,402,235)</u>	<u>(30,544,174,393)</u>

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14. INTANGIBLE ASSETS

	<u>12.31.2018</u>	<u>12.31.2017</u>
Software	80,378,851	86,526,395
Mining concession and exploitation rights	<u>138,155,842</u>	<u>138,155,842</u>
Total	<u>218,534,693</u>	<u>224,682,237</u>

	<u>Software</u>	<u>Mining concession and exploitation rights</u>	<u>Total</u>
Cost:			
Balances as of January 1, 2017	202.375.261	138.155.842	340.531.103
Exchange difference for the period	(64.844)	-	(64.844)
Increases	45.988.383	-	45.988.383
Disposals	(186.075)	-	(186.075)
Balances as of December 31, 2017	<u>248.112.725</u>	<u>138.155.842</u>	<u>386.268.567</u>
Exchange difference for the period	1.245.778	-	1.245.778
Increases	22.472.093	-	22.472.093
Disposals	-	-	-
Balances as of December 31, 2018	<u>271.830.596</u>	<u>138.155.842</u>	<u>409.986.438</u>

	<u>Software</u>	<u>Mining concession and exploitation rights</u>	<u>Total</u>
Accumulated amortisation:			
Balances as of January 1, 2017	(136,747,674)	-	(136,747,674)
Exchange difference for the period	1,790,687	-	1,790,687
Amortisations	(26,815,418)	-	(26,815,418)
Disposals	186,075	-	186,075
Balances as of December 31, 2017	<u>(161,586,330)</u>	<u>-</u>	<u>(161,586,330)</u>
Exchange difference for the period	(836,435)	-	(836,435)
Amortisations	(29,028,980)	-	(29,028,980)
Disposals	-	-	-
Balances as of December 31, 2018	<u>(191,451,745)</u>	<u>-</u>	<u>(191,451,745)</u>

The Company classifies mining exploitation rights as Intangible assets, which are carried at cost. Mining exploitation has not started as of the date of presentation of these financial statements.

15. INVESTMENTS

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Investments in other companies		
- Cementos del Plata S.A.	<u>1,661,984</u>	<u>2,453,846</u>
Total	<u>1,661,984</u>	<u>2,453,846</u>

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Current

Short-term investments:

- Peso-denominated placements - Lebacks	-	1,855,011,737
- Mutual funds in Pesos	297,761,281	1,072,737,762
- Peso-denominated term deposits	840,861,458	-
- Placements in foreign currency	955,262,795	1,488,201,667
- Miscellaneous	1,265,361	-
Total	<u>2,095,150,895</u>	<u>4,415,951,166</u>

Peso-denominated placements accrue at the end of the fiscal year an annual nominal interest rate in the region of 54% and 27% as of December 31, 2018 and 2017, respectively.

US\$-denominated placements, which consist primarily in money market and fixed term deposits accrue at the end of the fiscal year an average annual interest rate of 2.3% and 1.8% as of December 31, 2018 and 2017, respectively.

These temporary investments are held for investment purposes and for variable periods ranging from one day to three months according to the Group's fund requirements.

16. GOODWILL

	<u>12.31.2018</u>	<u>12.31.2017</u>
Cost		
Recycomb S.A.U.	16,577,250	16,577,250
Total	<u>16,577,250</u>	<u>16,577,250</u>

Allocation of Goodwill to cash generating units

In order to evidence impairment, Goodwill was allocated to the following cash generating unit:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Waste treatment	16,577,250	16,577,250
Total	<u>16,577,250</u>	<u>16,577,250</u>

Cash generating unit – Waste treatment

The recoverable value of this Cash generating unit is determined on the basis of a calculation of the value in use that applies cash flows forecasts based on financial assumptions approved by the directors; they cover a five-year period. The key hypotheses used in the calculations of a Cash generating unit's value in use are as follows:

Volume of production: mean production volume in the period immediately preceding the budgetary period. The values assigned to the assumption reflect past experience and are consistent with those of the Company. The directors believe that volume for the next five years is reasonably attained.

Cash flows forecasts during the budgetary period are based on the same expected gross margins and raw materials during the budgetary period and after a five-year period.

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Sergio D. Faifman  
Vice-President

LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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17. INVENTORIES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Spare parts	706,104,589	658,647,259
Allowance for obsolete inventories	(28,837,294)	(23,163,458)
Total	<u>677,267,295</u>	<u>635,483,801</u>
Current		
Finished products	387,427,380	206,308,504
Products in progress	1,076,713,866	919,201,091
Raw materials, materials and Spare parts	1,864,881,423	1,622,044,796
Merchandise in transit	-	759,306
Fuels	448,774,700	446,818,240
Total	<u>3,777,797,369</u>	<u>3,195,131,937</u>

18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances and transactions between the Companies and its subsidiaries have been eliminated and are not included in this Note.

The following is a detail of balances between the Group and related parties as of December 31, 2018 and as of December 31, 2017:

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Related parties:</u>		
InterCement Brasil S.A.		
Accounts payable	(70,721,289)	(4,019,486)
Loma Negra Holding GmbH		
Other receivables	4,897,103	-
Cimpor Trading e Investments S.A.		
Trade accounts receivable	-	8,620,086
Other receivables	4,190,711	-
Accounts payable	(8,021,979)	(287,626,698)
Cimpor Servicios de Apoio a Gestao S.A.		
Trade accounts receivable	-	20,475,521
Other receivables	-	-
Accounts payable	(189,356,958)	(94,704,178)
Sacopor S.A.		
Accounts payable	-	(20,898,026)
The total balances by caption as of December 31, 2018 and 2017 is as follows:		
Investments	-	-
Trade accounts receivable	-	29,095,607
Other receivables	9,087,814	-
Accounts payable	(268,100,226)	(407,248,388)

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The amounts outstanding as of December 31, 2018 are not secured and shall be settled in cash. No security interests have been granted or received over outstanding balances.

The following are the transactions between the Group and related parties during the fiscal years ended as of December 31, 2018 and 2017, respectively:

	<u>12.31.2018</u>	<u>12.31.2017</u>
InterCement Brasil S.A. – Interest and Foreign exchange gains/(losses)	7,569,170	14,469,575
InterCement Brasil S.A. – Purchases of goods and services	(107,028,203)	(30,830,685)
Cimpor Trading e Investments S.A. – Foreign exchange gains/(losses)	60,190,985	2,708,445
Cimpor Trading e Investments S.A. – Purchases of goods and services	(63,336,270)	(149,471,817)
Cimpor Trading e Investments S.A. – Sales of services	47,908,302	8,624,287
Cimpor Servicios de Apoyo a Gestao S.A. – Foreign exchange gains/(losses)	(3,126,013)	2,549,625
Cimpor Servicios de Apoyo a Gestao S.A. – Services received	(229,818,677)	(98,689,606)
Cimpor Servicios de Apoyo a Gestao S.A. – Services provided	-	12,920,788
Sacopor S.A. – Foreign exchange gains/(losses)	2,359,392	(470,651)
Sacopor S.A. – Purchases of goods	262,876	(35,962,291)

Dividends approved to be paid by Loma Negra C.I.A.S.A:

	<u>12.31.2018</u>	<u>12.31.2017</u>
InterCement Brasil S.A.	-	767,641,862
Minority shareholdings	-	4,285,977
	<u>-</u>	<u>771,927,839</u>

The dividends approved by the Company and corresponding to related parties were paid in the course of 2017.

The amount charged to the Statement of income as fixed and variable remuneration to key personnel amounts to \$78,886,088 and \$124,674,058 in the course of the fiscal years ended on December 31, 2018 and 2017, respectively. Besides, no amounts have been accrued nor paid as Long-term incentive program (Note 3.17).

No expenses have been recognized in the current fiscal year or in previous fiscal years concerning bad debts or doubtful recoverability accounts in connection with the amounts owed by related parties.

## 19. OTHER RECEIVABLES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Tax credits	86,629,147	119,406,933
Contributions to the Trust Fund to Strengthen the Inter-urban Railroad System (F.F.F.S.F.I.) (Note 38)	55,913,277	73,979,035
Prepaid expenses	47,394,851	-
Advance to suppliers	747,513,033	4,293,073
Security deposits	4,786,029	11,743,462
Miscellaneous	-	4,921,519
Total	<u>942,236,337</u>	<u>214,344,022</u>

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	<u>12.31.2018</u>	<u>12.31.2017</u>
Current		
Tax credits	130,034,424	185,312,252
Receivables with related companies(Note 18)	9,087,814	-
Prepaid expenses	76,109,046	90,103,624
Security deposits	4,916,900	5,571,350
Reimbursements receivable	19,134,950	22,959,198
Advances to suppliers	25,676,349	38,502,156
Receivables with personnel	8,170,619	7,979,088
Balance receivable under the ADSs Program (Note 8)	76,923,077	-
Debtors from sales of Property, plant and equipment	23,992,098	7,782,575
Miscellaneous	9,244,323	8,762,877
Total	<u>383,289,600</u>	<u>366,973,120</u>

20. TRADE ACCOUNTS RECEIVABLE

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Unsecured debtors	8.958.516	-
Allowance for bad debts	(4.909.174)	-
Total	<u>4.049.342</u>	<u>-</u>
	<u>12.31.2018</u>	<u>12.31.2017</u>
Current		
Unsecured debtors	1,929,015,405	1,660,486,662
Related parties' customers (Note 18)	-	29,095,607
Receivable against the Unit Responsible for the Provincial	133,044,253	
Railway Program Execution (UEFPF)-Ferrosur Roca (Note 37)		173,346,267
Accounts receivable in litigation	19,791,240	28,087,052
Notes receivable	180,946	58,010
Foreign customers	3,248,539	2,383,349
Subtotal	<u>2,085,280,383</u>	<u>1,893,456,947</u>
Allowance for bad debts	<u>(20,652,555)</u>	<u>(28,087,052)</u>
Total	<u>2,064,627,828</u>	<u>1,865,369,895</u>

The Trade accounts receivable disclosed above are carried at amortised cost.

Interest are recognized on overdue Trade accounts receivable at current market rates. The Group measures the Allowance for bad debts for an amount equal to losses expected throughout the life of the receivable. The determination of the loss expected to be recognized is calculated on the basis of a percentage of uncollectibility for ranges of maturity dates for each receivable. This historical percentage must contemplate the expectations of future collectability of receivables and, for such reason, such estimated changes in behaviours.

Before accepting any new customer, the Group conducts an internal credit analysis to evaluate the potential customer's credit quality and define its credit limit. The limits and ratings attributed to the main customers are reviewed at least once a year.

The Trade accounts receivable disclosed in the preceding paragraphs include the amounts (see below the aging analysis) which are overdue as of December 31, 2018 and 2017.

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The aging of accounts receivable is as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
To fall due	1,699,026,131	1,557,123,305
Overdue		
0 to 30 days	262,486,585	242,261,984
31 to 60 days	48,397,498	30,054,194
61 to 90 days	33,078,450	8,739,612
Over 90 days	51,250,235	55,277,852
Total	<u>2,094,238,899</u>	<u>1,893,456,947</u>

The Trade accounts receivable disclosed in the preceding paragraphs include certain amounts (see below the aging analysis) which are overdue at the end of the fiscal year being reported but for which the Group has not recognized any Allowance for bad debts due to the fact that there has not been any significant change in credit quality and the amounts are still considered to be recoverable.

The aging of Accounts receivable being overdue but not impaired is as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Overdue		
0 to 30 days	262,486,585	242,261,984
31 to 60 days	48,397,498	30,054,194
61 to 90 days	33,078,450	8,739,612
Over 90 days	30,597,680	27,190,800
Total	<u>374,560,213</u>	<u>308,246,590</u>

Average aging of Overdue balances (in days)	32	27
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The average aging of overdue balances which have been impaired is as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Overdue		
More than 91 days	20,652,555	28,087,052
Total	<u>20,652,555</u>	<u>28,087,052</u>

Upon determining the recoverability of an account receivable, trade, the Group considers any changes in the credit quality of the account as from the date when the receivable was initially granted until the end of the period being reported. Credit risk concentration is limited because the client base is broad and independent.

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The variations in the Allowance for bad debts were as follows:

Balances as of January 1, 2017	42,118,764
Increases	2,121,584
Exchange difference for the period	(140,616)
Applications (*)	<u>(16,012,679)</u>
Balances as of December 31, 2017	<u>28,087,053</u>
Exchange difference for the period	924,727
Increases, net of recoveries	5,488,433
Applications (*)	<u>(8,938,484)</u>
Balances as of December 31, 2018	<u>25,561,729</u>

(\*) Includes application of the allowances to their specific purposes and the effect of the inflation adjustment.

21. CASH AND BANKS

	<u>12.31.2018</u>	<u>12.31.2017</u>
In local currency	232,338,020	103,015,342
In US Dollars	36,881,387	22,189,356
In Reais	89,320	89,495
In Guaraní	536,456,045	151,964,872
In Euro	<u>943,661</u>	<u>1,458,453</u>
Total	<u>806,708,433</u>	<u>278,717,518</u>

22. CAPITAL STOCK AND OTHER RELATED ACCOUNTS

	<u>12.31.2018</u>	<u>12.31.2017</u>
Capital	59,602,649	59,602,649
Adjustment to capital	2,234,810,502	2,234,810,502
Share premium	4,142,930,246	4,941,488,308
Other capital adjustments	-	(798,558,062)
Merger premium	<u>748,383,542</u>	<u>748,383,542</u>
Total	<u>7,185,726,939</u>	<u>7,185,726,939</u>

Issued, paid in and subscribed capital comprises:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Common shares with a nominal value of \$ 0.10 each, each entitling to 1 vote, fully paid-in	<u>596,026,490</u>	<u>596,026,490</u>

On November 1, 2017, Loma Negra CIASA carried out a public offering of its shares in the stock exchanges of New York and Buenos Aires.

The Company offered for subscription ordinary, book-entry shares of nominal value \$ 0.10 each and with one vote per share for a total of up to 30,000,000 in ordinary shares to be issued in conformity with the capital increase provided by the Company's governance bodies.

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The new shares were offered to the investment community in Argentina, simultaneously with the public offering of the new shares represented in American Depositary Shares ("ADSs") in the United States of America and, together with the Public offering of existing shares in Loma Negra Holding GmbH. After the preemptive and accretion rights were exercised by Company shareholders, the new shares were awarded for 20,940,252 shares in the Local Offering and 9,000,000 represented by 1,800,000 ADS in the International Offering. Each ADS represents 5 ordinary shares. The final subscription price was fixed at \$66.78 (US\$ 3.8) for each ordinary share and \$ 333.89 (US\$ 19) for each ADS. The date of issuance and settlement was fixed for November 3, 2017 and they were paid in in US Dollars and in Pesos at the applicable exchange rate. Said placement represented an equity increase of 1,866,725,717 net of commissions, discounts and expenses.

It is for all these reasons that the Company's capital stock amounts to \$59,602,649, represented by 596,026,490 ordinary, book-entry shares of nominal value \$ 0.10 each and with one vote per share.

The Company applied the proceeds from the Public offering of shares to funding its growth plans, primarily through the expansion of the L'Amali plant and for use as working capital. As described in Note 36, the execution of the Investment Project is already underway.

The Company recorded the acquisition of 2.36% of Cofesur S.A.U. approved by the National Government in March 2017. Taking into account that the shares had been bought from Camargo Corrêa S.A., the Company applied the policy to acquisitions under common control and recognized the ownership interest at book value, computing the excess of the value of the purchase over such values within "Other capital adjustments".

## 23. ACCUMULATED OTHER COMPREHENSIVE INCOME

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Reserve for conversion of transactions in foreign currency</u>		
Balance at the beginning of the year	33,909,829	38,804,593
Foreign exchange gains/(losses) from conversion of transactions in foreign currency	<u>240,579,857</u>	<u>(4,894,764)</u>
Balance at the end of the fiscal year	<u>274,489,686</u>	<u>33,909,829</u>

## 24. LOANS

### 24.1 Breakdown of loans

	<u>12.31.2018</u>	<u>12.31.2017</u>
Loans		
In foreign currency	5,057,883,926	4,948,727,383
In local currency	904,793,500	1,494,347,875
Total	<u>5,962,677,426</u>	<u>6,443,075,258</u>
Non-current loans	2,607,359,542	3,845,105,806
Current loans	3,355,317,884	2,597,969,452
Total	<u>5,962,677,426</u>	<u>6,443,075,258</u>

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## 24.2 Breakdown of loans

			12.31.2018			12.31.2017
	Company	Ref.	Interest rate	Maturity date	Amount	Amount
<u>Loans in foreign currency - US\$</u>						
Banco Patagonia S.A.	Ferrosur Roca S.A.	(9)	5.75%	Jul-18	-	131,855,553
Banco Latinoamericano de Comercio Exterior S.A	Ferrosur Roca S.A.	(11)	3 month Libor + 1.95%	Aug-19	569,442,236	-
Industrial and Commercial Bank of China (Dubai)	Loma Negra C.I.A.S.A.	(6)	3 month Libor + 3.75%	May-20	1,478,671,514	1,813,722,924
Industrial and Commercial Bank of China (Dubai)	Loma Negra C.I.A.S.A.	(4)	3 month Libor + 3.4%	Jun-19	376,733,180	832,690,815
<u>Loans in foreign currency – Guarani</u>						
Banco Continental S.A.E.C.A.	Yguazú Cementos S.A.	(12)	8.5%	Aug-25	1,543,896,984	1,310,988,011
Sudameris Bank S.A.E.C.A.	Yguazú Cementos S.A.	(12)	9.0%	Aug-25	1,014,897,585	859,470,080
Banco Itaú Paraguay S.A.	Yguazú Cementos S.A.	(13)	5.80%	Feb-19	74,242,427	-
Total de Loans in foreign currency					<u>5,057,883,926</u>	<u>4,948,727,383</u>
<u>Loans in local currency</u>						
Banco Provincia de Buenos Aires	Loma Negra C.I.A.S.A.	(1)	BADLAR + 4%	Sep-18	-	24,133,851
Banco Provincia de Buenos Aires	Loma Negra C.I.A.S.A.	(3)	BADLAR + 2%	Mar-19	17,996,494	132,276,634
Banco Provincia de Buenos Aires	Loma Negra C.I.A.S.A.	(3)	BADLAR + 2%	Jun-19	36,909,247	160,569,109
Banco Provincia de Buenos Aires	Loma Negra C.I.A.S.A.	(3)	BADLAR + 2%	Jul-19	5,594,225	22,344,124
HSBC Bank Argentina S.A.	Loma Negra C.I.A.S.A.	(5)	21.75%	Apr-19	157,865,753	233,081,823
HSBC Bank Argentina S.A.	Ferrosur Roca S.A.	(10)	21.75%	Apr-19	157,865,753	233,081,823
Banco Patagonia S.A.	Loma Negra C.I.A.S.A.	(2)	corrected BADLAR + 1.65%		-	103,930,653
Banco Patagonia S.A.	Ferrosur Roca S.A.	(8)	corrected BADLAR + 0.5%	Oct-18	-	89,735,411
Banco Santander Río S.A.	Loma Negra C.I.A.S.A.	(2)	corrected BADLAR + 4%	Jul-18	-	129,281,810
Checking account advances	Loma Negra C.I.A.S.A.		63.08%	Jan-19	5,192,506	19,003,976
Checking account advances	Recycomb S.A.U.		62.94%	Jan-19	6,460,720	463,710
Checking account advances	Ferrosur Roca S.A.		62.94%	Jan-19	516,908,802	346,444,951
Total de Loans in local currency					<u>904,793,500</u>	<u>1,494,347,875</u>
Total					<u>5,962,677,426</u>	<u>6,443,075,258</u>

Total Loans by company:	<u>12.31.2018</u>	<u>12.31.2017</u>
Loma Negra C.I.A.S.A.	2,078,962,919	3,471,035,718
Ferrosur Roca S.A.	1,244,216,791	801,117,737
Recycomb S.A.U.	6,460,720	463,712
Yguazú Cementos S.A.	2,633,036,996	2,170,458,091
Total	<u>5,962,677,426</u>	<u>6,443,075,258</u>

### Loma Negra C.I.A.S.A.:

- (1) On September 30, 2013, the Company signed a loan agreement with Banco de la Provincia de Buenos Aires for \$80,000,000 to be cancelled in ten half-yearly, equal and consecutive installments of \$8,000,000 each, with the first falling due on March 30, 2014. Up and until the third year, the loan accrued a fixed annual nominal interest rate and since then it has been accruing a variable nominal rate based on the corrected private BADLAR rate locally known as BADCOR. Interest were payable on a monthly basis.
- (2) On July 21 and 22, 2015, Loma Negra executed and delivered loan agreements with Banco Patagonia S.A. and with Banco Santander Río S.A. for a total amount of \$200,000,000 and \$250,000,000, respectively. They were both cancelled in nine quarterly consecutive installments for the same amount. The first installment fell due 365 days from disbursement and they accrue a variable nominal interest rate based on corrected BADLAR payable

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on a quarterly basis. On January 24, 2018 and taking into account that the Company had available funds, the Board of Directors approved the early repayment of two last installments of the loan granted by Banco Patagonia, each one amounting to 22,222,222, whose maturity dates were planned for April and July 2018, respectively. Early repayment did not entail additional costs to be borne by the Company.

- (3) In March and in June 2016, the Company entered into two loan agreements with Banco de la Provincia de Buenos Aires amounting to \$150,000,000, each. These two agreements shall be repaid in twenty-five monthly, equal and consecutive installments, with the first falling due 12 months after disbursement and accruing a variable nominal interest rate on the basis of the BADLAR rate to be paid on a monthly basis. In addition, in the month of June, the Company entered into another loan agreement with the Province of Buenos Aires amounting to \$20,000,000, in the same conditions as the preceding loans.
- (4) In June 2016, Loma Negra signed a new loan agreement with Industrial and Commercial Bank of China (Dubai) for a total amount of US\$ 50,000,000 to be paid in five equal, half-yearly installments with a one-year grace period as from the date of disbursement. Interest are accrued at a variable nominal interest rate on the basis of the LIBOR rate to be paid on a quarterly basis. This loan requires the Net debt/EBITDA ratio to be satisfied, which has been satisfied from execution of the loan until the date hereof.
- (5) On April 6, 2017, Loma Negra entered into a loan agreement with HSBC Bank Argentina S.A. for \$ 150,000,000 falling due and enforceable for payment on April 4, 2019. Interest are accrued at a fixed nominal interest rate payable on a quarterly basis. This loan demands satisfaction of the Financial debt/EBITDA ratio, which has been satisfied from the start until the date of these financial statements.
- (6) In May 2017, Loma Negra C.I.A.S.A. entered into a loan agreement with Industrial and Commercial Bank of China (Dubai) for US\$ 65,000,000 payable into five quarterly, equal and consecutive installments, with the first falling due 365 days from the date of disbursement. Interest are accrued at a variable nominal interest rate on the basis of the LIBOR rate to be paid on a quarterly basis. This loan demands satisfaction of the Net debt/EBITDA ratio, which has been satisfied from the start until the date of these financial statements.

Ferrosur Roca S.A.:

- (7) On October 21, 2015, this indirect controlled company entered into a loan agreement with Banco Patagonia S.A. for an amount of \$ 130,000,000 which was repaid in nine quarterly, equal and consecutive installments for \$ 14,444,444 each, with the first falling due twelve months from the date it was granted. Compensatory interest was accrued at a variable, nominal interest rate on the basis of the private, corrected BADLAR rate. Loma Negra C.I.A.S.A. raised a security interest to guarantee repayment of this law.
- (8) On October 5, 2016, Ferrosur Roca S.A. entered into a loan agreement with Banco Patagonia S.A. for an amount of US\$ 4,700,000 which was repaid in three equal and consecutive quarterly installments of US\$ 1,566,666 each, with the first one falling due on January 25, 2018. The compensatory interest were accrued at a fixed interest rate.
- (9) In the course of this fiscal year, Ferrosur Roca S.A. entered into a loan agreement with HSBC Bank Argentina S.A. for \$ 150,000,000 to be paid at the expiration on April 4, 2019. Interest are accrued at a fixed annual nominal interest rate payable on a quarterly basis. This loan demands satisfaction of the Financial debt / EBITDA ratio, which has been satisfied from the date of inception until the date of these financial statements.

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Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
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Vice-President

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- (10) In August 2018, Ferrosur Roca S.A. was conferred a new loan of USD 15,000,000 by Banco Latinoamericano de Comercio Exterior S.A. "BLADEX" for a term of 365 days at a 3-month LIBOR interest rate + 1.95%, with interest falling due on a quarterly basis.

Yguazú Cementos S.A.:

- (11) On August 8, 2017, Yguazú Cementos S.A. entered into two loan agreements with two local banks in the following conditions:

- a) Banco Continental S.A.E.C.A.:  
Principal: 255,000,000.000 Guaraní (715,500,000)  
Term: 8 Years  
Interest rate: 8.5% for the first year. Starting on the first anniversary, it shall be adjusted in accordance with an average rate published by the Central Bank of Paraguay plus 0.32%. Under no circumstances will the adjusted interest rate be less than the 8.5% rate initially agreed upon. The interest shall be paid on a half-yearly basis as from February 2018.  
Capital amortization: 15 equal and consecutive half-yearly installments of 17,000,000,000 Guaraní. The first installment fell due in August 2018.
- b) Sudameris Bank S.A.E.C.A.  
Capital: 168,000,000,000 Guaraní (534,240,000)  
Term: 8 Years  
Interest rate: 9% for the first year. Starting on the first anniversary, it shall be adjusted taking as a reference an average rate published by the Central Bank of Paraguay for the month of August each year, to which an annual 0.82% spread shall be added. Under no circumstances shall the adjusted interest rate be less than the 9% rate initially agreed. The interest shall be paid on a half-yearly basis starting in February 2018.  
Capital amortization: 15 equal and consecutive half-yearly installments of 11,200,000,000 Guaraní. The first installment fell due in August 2018.

These funds were applied to the repayment of the loans granted by Banco Interamericano de Desarrollo (BID) and by Corporación Andina de Fomento (CAF) together with the short-term debt with Banco Itaú de Paraguay

Both Loans demand satisfaction of certain financial ratios (EBITDA/Interest, Liabilities/Shareholders' equity), which were satisfied from the start until the date hereof.

In addition, as a security interest to guarantee payment Yguazú Cementos S.A. raised in favor of the two local banks, mortgages and pledges over its property (Villa Hayes plant and Cantera Itapucumí) and equipment for up to a total sum of Guaraní 423,000,000,000, equivalent to the amount of the two loans granted.

- (12) In August 2018, Yguazú Cementos S.A. was awarded two new loans for 11,500,000 Guaraní, each one by Banco Itaú de Paraguay for a term of three and six months at a fixed 5.65% and 5.80%, respectively.

24.3 Changes in Loans

Changes in loans for the fiscal year ended on December 31, 2018 are as disclosed below:

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Balances as of January 1, 2018	6,443,075,258
New loans and credit facilities	1,449,050,076
Interest accrued	386,601,388
Exchange difference for the period	572,410,096
Effects of variations in foreign exchange rate	921,517,549
Interest paid	(894,806,209)
Principal payments	(2,915,170,732)
Balances as of December 31, 2018	5,962,677,426

As of December 31, 2018, long-term items are subject to the following maturity date schedule:

<u>Fiscal year</u>	
2020	841,972,137
2021	353,077,481
2022	353,077,481
2023 onwards	1,059,232,443
Total	2,607,359,542

25. ACCOUNTS PAYABLE

Non-current	<u>12.31.2018</u>	<u>12.31.2017</u>
Accounts payable for Investments in Property, plant and equipment	387,161,929	105,402,112
Total	<u>387,161,929</u>	<u>105,402,112</u>
Current		
Suppliers	2,069,974,054	1,830,175,759
Related parties (Note 19)	268,100,226	407,248,388
Accounts payable por Investments in Property, plant and equipment	1,660,381,074	346,975,126
Provisions for expenses	854,769,995	902,312,409
Total	<u>4,853,225,349</u>	<u>3,486,711,682</u>

Accounts payable in investments in Property, plant and equipment include the Trade accounts payable associated to the Investment Project in the L'Amalí plant. These balances contain the interest payable in accordance with the term payments agreed upon.

26. PROVISIONS

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Labor and social security	47,808,492	65,236,094
Environment	186,119,946	119,005,448
Civil works and other	58,706,815	53,609,583
Total	<u>292,635,253</u>	<u>237,851,125</u>

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Movements in Provisions are as follows:

	<u>Labor and social security</u>	<u>Environment</u>	<u>Civil and other</u>	<u>Total</u>
Balances as of January 1, 2017	53,907,144	109,845,604	58,612,854	222,365,602
Increases	20,403,689	10,542,174	26,346,034	57,291,897
Applications (*)	(9,074,739)	(1,382,330)	(31,349,305)	(41,806,374)
Balances as of December 31, 2017	65,236,094	119,005,448	53,609,583	237,851,125
Increases	15,610,373	113,543,802	37,085,005	166,239,180
Applications (*)	(33,037,975)	(46,429,304)	(31,987,773)	(111,455,052)
Balances as of December 31, 2018	47,808,492	186,119,946	58,706,815	292,635,253

(\*) Includes the application of provisions to their specific purposes and the effect of the inflation adjustment.

The Labor and social security provision is the best estimate of the future cash flows that will be necessary for the Group to cover labor and social security lawsuits. All provisioned claims are in the same nature and none is individually significant.

The Environment provision corresponds to the Provisions to afford the expenses estimated for the environmental recovery and restoration of the mining areas.

The Civil and Other provision is the best estimate of the future cash flows that will be necessary to afford tax, administrative and civil claims. All provisioned claims are in the same nature and none is individually significant.

According to the report provided by our legal advisors, as of December 31, 2018 there are claims against the Group classified as possible contingencies. The estimated amount of the payment orders that the courts might hand down is \$139.9 million, including primarily \$71.5 million as tax contingencies, \$46.2 million as labor claims and \$22.2 million as administrative proceedings and other. As of the date of issuance of these financial statements, the Group understands that there are no elements to determine the materialization of other contingencies apt to generate a negative impact on such financial statements.

## 27. TAX LIABILITIES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Plans of payment in installments	-	505,256
Total	-	505,256
Current		
Income tax	368,221,928	496,476,565
Value Added Tax	94,335,822	221,280,756
Turnover tax	47,093,466	56,928,469
Other taxes, withholdings and collections	269,899,035	71,447,375
Total	779,550,251	846,133,165

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28. OTHER DEBTS

	<u>12.31.2018</u>	<u>12.31.2017</u>
Non-current		
Plans of severance payments	7,900,093	23,240,492
Total	<u>7,900,093</u>	<u>23,240,492</u>
Current		
Plans of severance payments	28,836,528	31,524,178
Dividends payable to minority interests	6,330,598	11,734,897
Other	5,623,510	3,864,758
Total	<u>40,790,636</u>	<u>47,123,833</u>

29. CASH AND CASH EQUIVALENTS

For purposes of the Consolidated statement of cash flows, Cash and cash equivalents include Cash and banks and highly liquid Short-term investments (falling due earlier than 90 days from the date of acquisition). Cash and cash equivalents at the end of each fiscal year being reported as shown in the Consolidated statement of cash flows may be reconciled with the related items in the Consolidated balance sheet as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Cash and banks	806,708,433	278,717,518
Short-term investments(Note 15)	2,095,150,895	4,415,951,166
Cash and cash equivalents	<u>2,901,859,328</u>	<u>4,694,668,684</u>

30. NONMONETARY TRANSACTIONS

The following is a detail of the transactions that did not imply cash flows in the fiscal year in which they were added:

	<u>12.31.2018</u>	<u>12.31.2017</u>
- Payments of financed Property, plant and equipment	804,233,159	-
- Acquisition of 2.36% interest in Cofesur S.A.U. (*)	-	52,316,833
- Repayment of debt for purchase of Yguazú Cementos S.A. due to the loan granted by InterCement Brasil S.A.	-	144,077,417
- Repayment of debts for purchases placed with InterCement Brasil S.A. by application of Other receivables	-	51,576,882

(\*) The Company applied the 52,316,833 advance that it had as of December 31, 2016 to the acquisition of a 2.36% ownership interest in Cofesur S.A.U. approved by the Argentine Government in March 2017.

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## 31. SEGMENT REPORTING

The Company has adopted IFRS 8 - Operating Segments, which requires operating segments to be identified on the basis of internal reports regarding components of the Company that are regularly reviewed by the Executive Committee, the chief operating decision maker, in order to allocate resources and evaluate their performance.

This analysis is based on monthly information concerning historical figures of the identified segments. The information reviewed by the main decision maker basically consists in the historical details corresponding to each month accumulated until the closure of the period analyzed. It is for this reason that they differ from the inflation-adjusted figures as described in Note 2.2.

For the purposes of managing its business both financially and operatively, the Company has classified its businesses segments as follows:

- i) Cement, masonry cement and lime - Argentina: this segment includes the results from the cement, masonry cement and lime business in Argentina, and comprises the procurement of raw materials from quarries, the manufacturing process of clinker/quicklime and their subsequent grinding with certain additions intended to obtain the cement, masonry cement and lime.
- ii) Cement - Paraguay: this segment includes the results from the cement business in Paraguay, and comprises the procurement of raw materials from quarries, the manufacturing process of clinker and subsequent grinding with certain aggregates intended to obtain the cement.
- iii) Concrete: this segment includes the results from the production and sale of ready-mix concrete. It also includes the delivery of the product at the worksite and, depending on the circumstances, the pumping of concrete up to the place of destination.
- iv) Aggregates: this segment includes the results from the aggregates business, from the procurement of the raw materials to subsequent grinding.
- v) Railroad: this segment includes the results from the provision of the railroad transportation service.
- vi) Others: this segment includes the results of the business of treatment and recycling of industrial waste for its use as fuel.

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Revenues from sales, net</u>		
Cement, masonry and lime – Argentina	16,282,614,057	11,649,136,962
Cement – Paraguay	1,959,634,979	1,152,606,929
Concrete	3,657,338,674	1,903,346,280
Railroad	2,136,181,737	1,608,080,671
Aggregates	334,206,557	261,292,612
Other	117,898,203	133,109,926
Eliminations	<u>(2,325,008,399)</u>	<u>(1,421,038,454)</u>
Total	22,162,865,808	15,286,534,926
Reconciliation - Effect from restatement in constant currency	4,644,065,716	9,552,077,957
Total	<u>26,806,931,524</u>	<u>24,838,612,883</u>

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<u>Cost of sales</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
Cement, masonry and lime – Argentina	10,619,291,608	7,986,358,455
Cement – Paraguay	1,379,208,675	803,220,686
Concrete	3,421,580,967	1,795,052,472
Railroad	1,913,366,156	1,352,375,734
Aggregates	360,465,602	266,721,854
Other	67,056,625	67,374,539
Eliminations	(2,325,008,399)	(1,421,038,454)
Total	15,435,961,234	10,850,065,285
Reconciliation - Effect from restatement in constant currency	4,546,832,818	7,659,874,517
Total	19,982,794,052	18,509,939,802

Selling, administrative expenses and other expenses

Cement, masonry and lime – Argentina	1,084,762,773	850,722,982
Cement – Paraguay	64,315,992	43,633,705
Concrete	117,877,891	77,974,017
Railroad	149,809,534	105,192,391
Aggregates	(4,173,225)	4,411,761
Other	39,610,163	38,471,541
Total	1,452,203,128	1,120,406,397
Reconciliation - Effect from restatement in constant currency	372,617,951	198,486,780
Total	1,824,821,079	1,852,717,417

Depreciations and amortizations

Cement, masonry and lime – Argentina	415,892,004	342,614,418
Cement – Paraguay	279,997,274	170,931,104
Concrete	32,222,290	24,544,240
Railroad	137,274,165	74,821,293
Aggregates	24,139,262	10,505,708
Other	2,669,087	2,463,945
Total	892,194,082	625,880,708
Reconciliation - Effect from restatement in constant currency	1,229,195,797	1,116,496,197
Total	2,121,389,879	1,742,376,905

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<u>Revenues from sales, net minus Cost of sales, Selling and administrative expenses and Other income and expenses</u>		
Cement, masonry and lime – Argentina	4,578,559,676	2,812,055,527
Cement – Paraguay	516,110,312	305,752,538
Concrete	117,879,816	30,319,791
Railroad	73,006,047	150,512,546
Aggregates	(22,085,820)	(9,841,002)
Other	11,231,415	27,263,846
Total	5,274,701,446	3,316,063,246
Reconciliation - Effect from restatement in constant currency	(275,385,053)	1,159,892,418
Total	4,999,316,393	4,475,955,666
Reconciling items:		
Tax on bank debits and credits	(254,200,939)	(304,817,393)
Net financing income/(loss), net	(1,662,578,414)	(271,396,125)
Income tax	(1,131,955,333)	(221,946,197)
Net income for the period	1,950,581,707	3,677,795,949
	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Geographical information</u>		
Non-current assets		
Argentina	19,620,044,082	15,920,964,729
Paraguay	4,118,220,215	3,482,599,805

To this end, Non-current assets do not include the Deferred tax asset.

None of the customers has stood for 10% or more of the Group's revenues for the fiscal years ended as of December 31, 2018 and 2017, respectively.

## 32. FINANCIAL INSTRUMENTS

### 32.1 Capital risk management

The Group manages its capital to make sure that the entities that make up the Group shall be in a position to continue as a going concern maximizing value to shareholders at the same time through the optimization of debt and equity balances. The Group's strategy has remained unaltered for the fiscal years 2018 and 2017.

The Company and its controlled companies take part in transactions that involve Financial instruments, recorded in equity accounts applied to the satisfaction of needs and to the reduction of exposure to market, currency and interest rate risks. These risks, as well as the instruments associated to them, are managed through the definition of strategies, the establishment of control systems and the determination of exposure limits.

The Group's capital structure consists in its net debt (Loans as detailed in Note 24 offset by the balances under Cash, Banks and investments that are equivalent to cash) and the Group's equity (made up by Issued capital stock, reserves and retained earnings).

The Group is not subject to any external capital requirement.

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The Group's Risk Management Committee reviews the Group's capital structure.

Indebtedness index:

The indebtedness index of the fiscal years being reported is as reported below:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Debt (i)	5,962,677,426	6,443,075,258
Cash and cash equivalents	<u>2,901,859,328</u>	<u>4,694,668,684</u>
Net debt	3,060,818,098	1,748,406,574
Shareholders' equity (ii)	16,553,229,765	14,130,938,289
Index of Net debt and Shareholders' equity	0.18	0.12

(i) Debt is defined as Long-term and short-term loans (Note 24).

(ii) Shareholders' equity includes all of the Group's reserves and capital which are managed as capital.

32.2 Categories of Financial instruments

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Financial assets</u>		
At amortised cost:		
Cash and banks	806,708,433	278,717,518
Investments	1,797,389,614	1,855,011,738
Accounts receivable	2,216,762,361	1,927,110,875
At fair value through profit and loss:		
Investments	297,761,281	2,560,939,429
<u>Financial liabilities</u>		
Amortised cost	12,665,218,530	11,752,178,580

At the end of the fiscal year being reported, there are no significant credit risk concentrations for the debt instruments designated at fair value through profit and loss. The book amount previously reflected represents the Group's maximum risk exposure for such Loans and Accounts receivable.

32.3 Financial Risk Management Objectives

Treasury, as a function, working coordinately with the controlling company's Treasury, offers services to businesses, coordinates access to national and international financial markets, monitors and manages financial risks associated to the group's operations through internal risk reports, which analyze exposures depending on their degree and size. These risks include market risk (including foreign exchange risk, risk of interest rate at fair value and price risk), credit risk and liquidity risk. The Company and its controlled companies do not trade in or close deals for derivative financial instruments

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No. 3

Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
Certified Public Accountant (U.B.A.)  
CPCECABA License filed on Book No. 148, Page No. 195

Sergio D. Faifman  
Vice-President

# LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

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for speculative purposes. It is the Executive Committee and the Team of Internal Auditors who monitor compliance with these provisions contained in policies.

## 2.4 Foreign exchange rate management

The Group enters into transactions denominated in foreign currency. As a consequence, exposure to fluctuations in the foreign exchange rate are generated. Exposures in the foreign exchange rate are handled within the parameters of the policies approved using agreements in foreign currency.

Book amounts in Monetary assets and liabilities denominated in foreign currency at the end of each fiscal year being reported are as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
<u>Liabilities</u>		
US Dollars	3,817,240,870	3,181,875,135
Guaraní	2,816,895,658	2,328,388,863
Euro	347,533,959	299,110,017
Reais	24,610	21,391
<u>Assets</u>		
US Dollars	1,125,128,279	1,577,569,349
Guaraní	903,635,402	487,476,775
Euro	1,091,046	9,381,578
Reais	89,320	89,495

## Foreign currency sensitivity analysis

The Group is above all exposed to the US Dollar and to Guaraní.

The following table details Group sensitivity to an increase in the US Dollar and the Guaraní foreign exchange rate. The sensitivity rate corresponds to the rate used when foreign exchange rate risk is internally reported to Management's key personnel and it represents Management's assessment concerning the possible reasonable change in foreign exchange rates. Sensitivity analysis includes only pending monetary items in foreign currency and it adjusts its conversion at the end of each fiscal year for a 25% change in the foreign exchange rate, considering, for purposes of calculation, all controlled companies' items.

	<u>US Dollar</u> <u>effect</u>	<u>Guaraní</u> <u>effect</u>
	<u>12.31.2018</u>	<u>12.31.2018</u>
Income/(loss)	673.028	-
Shareholders' equity	673.028	625.916

## 32.6 Interest rate risk management

The Group is exposed to interest rate risks because the Group's entities borrow money at interest rates that are fixed and variable. Risk is handled by the Group maintaining an adequate combination between loans accruing a fixed interest rate

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and a variable interest rate. Hedging activities are regularly evaluated for them to be aligned with interest rate and the defined risk, making sure that the most profitable hedging activities should be applied.

	<u>12.31.2018</u>	<u>12.31.2017</u>
Financial assets		
Investments At amortised cost (1)	1,797,389,614	1,855,011,738
Investments At fair value through profit and loss (2)	297,761,281	2,560,939,429
Financial liabilities		
Amortised cost (3)	5,962,677,426	6,443,075,258

- (1) Short-term fixed lending rate
- (2) Short-term variable lending rate
- (3) They include the loans detailed in Note 24.

### 32.6.1 Interest rate sensitivity analysis

The following sensitivity analysis has been determined on the basis of exposure to interest rate for Non-derivative financial instruments at the end of the fiscal year being reported. For Liabilities at variable interest rates, an analysis is prepared taking into account the average monthly debt balance. Upon reporting to Management's key personnel on an internal basis concerning the interest rate risk, a 100-point increase or decrease is used, which stands for Management's evaluation concerning a possible reasonable interest rate change.

If the BADLAR mean interest rate applicable to the Financial liabilities during the year ending on December 31, 2018 were 1% higher than the Interest rate during such period, financial expenses in the course of the year ended December 31, 2018 would have risen by approximately \$ 2.1 million.

In addition, if the mean LIBO applicable to Financial liabilities in the course of the year ended on December 31, 2018 were 1% in excess of the average interest rate during such period, financial expenses in the same period would have risen by approximately US\$ 0.8 million.

As regards Financial assets, a 1.0% increase in the average interest rate during the fiscal year ended on December 31, 2018 would have increased financial income by \$10.7 million and US\$ 0.26.

### 32.7 Credit Risk Management

Credit risk refers to the risk of one of the parties failing to abide by its contractual obligations and to that circumstance amounting to a financial loss to the Group. The Group has adopted a policy that consists in getting involved only with creditworthy counterparties and in obtaining sufficient collateral, when appropriate, as a manner of mitigating risk of financial loss caused by non-compliances. Credit exposure is controlled by counterparty limits, which are periodically reviewed and approved.

Trade accounts receivable are made up by a major number of customers. A continuous credit assessment is conducted over the financial condition of Accounts receivable.

Credit risk over liquid funds and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by credit rating agencies.

The book amount of the Financial assets recognized in the financial statements, which is net of impairment losses represents the highest exposure to credit risk without considering account guarantees or other credit improvements.

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## 32.8 Liquidity Risk Management

The Board of Directors has final responsibility for managing liquidity and has, therefore, established an appropriate working framework to handle liquidity in a manner such that Management can handle the funding requirements in the short, medium and long term as well as Group liquidity management. The Group manages liquidity risk maintaining adequate reserves, financial facilities and loans and continuously monitoring projected and actual cash flows and reconciling the expiration profiles of assets and financial liabilities.

The Company deploys careful liquidity risk management and therefore, it maintains Cash and bank balances, liquid instruments and available funds. As of December 31, 2018, the Consolidated financial statements reflect a negative working capital equivalent to \$703,878,478. Given the nature of the Company's activities, which has foreseeable cash flows, it can operate with negative working capital. This condition is not related to insolvency. Rather, it is a strategic decision. Taking into account that the Group has a low level of indebtedness, the Board of Directors is analyzing long-term financing alternatives. The Company's Management considers that exposure to liquidity risk is low because the Company has generated cash flows from its operating activities due to its good performance; it has access to loans and financial resources in the manner explained in Note 24.

The following tables detail the Group's remaining contractual maturity dates for its non-derivative financial liabilities for which amortization terms have been agreed. The tables have been prepared on the basis of non-discounted cash flows of the financial liabilities at the earliest date that the Group may be under an obligation to pay. The tables include interest and principal cash flows. To the extent that interest cash flows are at floating rate, the non-discounted amount is derived from interest rate curves at the end of the period being reported. The contractual maturity date is based on the earliest date on which the Group may be under an obligation to pay.

	Weighted average effective interest rate%	Less than 1 month	1-3 months	3 months to 1 year	1-3 years	3-6 years	Total
December 31, 2018							
Loans	26,2%	560,539,871	431,001,246	2,622,245,214	2,013,702,556	1,230,413,717	6,857,902,604

	Weighted average effective interest rate%	Less than 1 month	1-3 months	3 months to 1 year	1-3 years	3-6 years	Total
December 31, 2017							
Loans	23,3%	563.741.567	438.138.090	2.015.296.273	3.293.507.578	1.351.973.464	7.662.656.972

## 32.9 Determination of fair value:

Some of the Group's Assets and Financial liabilities are measured at fair value at the end of the fiscal year being reported. The following table provides information on how the fair values of these Assets and Financial liabilities are determined (in particular, the valuation techniques and the indicators used).

<u>Financial assets / (Financial liabilities)</u>	<u>Fair value at:</u>		<u>Hierarchy level</u>
	<u>12.31.2018</u>	<u>12.31.2017</u>	
Assets:			
Mutual funds	297,761,281	2,560,939,429	Nivel 1

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Level 1: Quoted value in an active market

Fair value of Financial assets and Financial liabilities measured at amortized cost

The estimated fair value of Loans based on the interest rates offered to the Group (level 3) for financial loans amounted to 5,962 million as of December 31, 2018.

The Board considers that the book amounts of the rest of the assets and financial liabilities recognized at amortised cost in the financial statements approximates their fair value.

### 33. SECURITY GRANTED TO CONTROLLED COMPANIES

In April 2017, Ferrosur Roca S.A. executed a loan agreement with HSBC Bank Argentina for an amount of 150,000,000. Loma Negra C.I.A.S.A. granted security for that loan, and the outstanding balance as of December 31, 2018 is 157,865,753.

Ferrosur Roca S.A. took a new 365 days loan for USD 15,000,000 with Banco Latinoamericano de Comercio Exterior S.A. "BLADEX" at a 3 month LIBOR + 1.95% interest rate with quarterly interest payments. Loma Negra granted security and surety in favor of BLADEX for up to the amount of the loan plus interest and expenses, and also signed the promissory notes issued by Ferrosur Roca S.A. in favor of that entity. As of December 31, 2018, Ferrosur Roca owes \$ 623,654,146 under that loan.

Furthermore, Loma Negra granted security for the lines of advances in checking account taken by Ferrosur Roca S.A. as part of the usual course of its activity. As of September 30, 2018, Ferrosur Roca owes \$ 516,908,802 for such advances.

### 34. RESTRICTED ASSETS

As of the date of these financial statements, the Group was subject to attachments and orders to maintain assets under court custody for \$6,186,319. They are disclosed within the caption Other receivables Current and Non-current.

On August 8, 2017, Yguazú Cementos S.A. entered into two loan agreements with Banco Continental S.A.E.C.A and Sudameris Bank S.A.E.C.A. totaling Guaraní 255,000,000,000 and 168,000,000,000, respectively. To secure payment, Yguazú Cementos S.A. raised mortgages and pledges in favor of these two local banks over some of its real estate (Villa Hayes plant and Itapucumí quarry) and equipment for up to the total amount of Guaraní 423,000,000,000, equivalent to the amount of the two loans that had been granted. The balance owed for both loans as of December 31, 2018 was Guaraní 405,610,391,703 (\$2,558,794,569).

### 35. COMMITMENTS

The Group carries certain contractual commitments to buy clinker until 2022. The estimate of future cash flows is approximately \$594.7 million in the period 2019 to 2022. In addition, the Group carries commitments to buy stone until the year 2025 for an annual average of \$2.5 million.

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The Company has also signed agreements for the supply of gas and has assumed payment commitments for a total amount of approximately \$ 692.2 and \$ 53 million to be paid during 2019 and 2020, respectively.

In addition, Loma Negra C.I.A.S.A. signed agreements with certain suppliers of electricity for a total amount payable of \$ 477.7 million and \$ 534 million a year in 2019 and 2020 and \$534 million a year in the period from 2021 to 2037.

Pursuant to the agreement made between the Company and Sinoma International Engineering Co. Ltd to build a new cement plant, Loma Negra C.I.A.S.A. assumed in the course of 2017 new Commitments totaling \$2,167,648,300 plus US\$ 107,414,700 and Euro 41,574,600. Taking into account that, in the manner agreed upon, Peso-denominated values (\$2,167,648,300) are subject to periodical adjustments in accordance with an adjustment formula, the amount committed as of December 31, 2018 is US\$ 61,416,924, Euro 30,904,861 and Peso 2,506,019,275.

The controlled company Yguazú Cementos S.A. has assumed commitments for electricity with Administración Nacional de Electricidad (ANDE) totaling Gs 449,770,000 per month until December 31, 2023.

### 36. INVESTMENT PROJECTS

At the Board Meeting dated July 21, 2017, the Board approved the offer submitted by Sinoma International Engineering Co. Ltd, to install a new cement plant with a daily capacity of 5,800 tons of clinker. The offer includes engineering, the provision and shipment of all the equipment that will be part of the plant and the site construction and assembly tasks.

These works will be executed in two phases:

- a) Phase 1: basic engineering of the new plant and soil studies in the site (5 months)
- b) Phase 2: supply of equipment and plant construction (26 months). The Company has the right to notify Sinoma of the commencement of Phase 2 within a one-year term counted as from the Start of Phase 1. If this notice is not served within such term, Phase 2 shall be understood to have come to a close automatically and the Company shall not be responsible for, and it shall neither assume any type of compensation, costs, expenses and/or losses or direct or indirect damage stemming from such termination.

Basic engineering and soil studies' Phase 1 started in August 2017 and it came to an end during the last quarter of 2017. In the course of 2018, Phase 2 of this project was under way and it included plant civil works and the supply of equipment. In the course of fiscal 2018, payments were made in the framework of the project for \$1,467 million to acquire Property, plant and equipment and pay advances. As of December 31, 2018, the Company has a debt balance of \$1,921,628,667 and Advances to suppliers for \$ 743,192,153. In the year 2019, the rest of the project's civil works and equipment assembly shall be performed.

The total price of the project is \$5,000,000,000 (\$2,167,648,300 plus US\$ 107,414,700 plus Euro 41,574,600). Peso-denominated values are subject to a periodical adjustment on the basis of an adjustment formula. As of December 31, 2018, the balance of this commitment was US\$ 61,416,924, Euro 30,904.86 and Peso 2,506,019,275.

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### 37. RECEIVABLE AGAINST THE UNIT RESPONSIBLE FOR THE PROVINCIAL RAILWAY PROGRAM EXECUTION(UEFPF) - FERROSUR ROCA

On September 11, 1998, the related company Ferrosur Roca S.A. filed a complaint against the Province of Buenos Aires and the Unit Responsible for the Provincial Railway Program Execution.

On November 12, 2013, the complaint was successful and the court handed down a final judgment, favorable to the Company.

On October 31, 2017, the Judge approved the expert witness report that determined the amount to be collected by Ferrosur Roca for an amount of \$117,407,006.

On September 26, 2018, the Company filed in the framework of these proceedings a request to have the debt paid and the judgement enforced. The opposing party has been already notified of this request.

On November 9, 2018, the opposing party filed an answer to the demand for debt payment: although the court ruled that the opposing party had to be notified, the notice has not been served as of the date hereof.

At the year-end date, Ferrosur Roca considered all the evidence available and concluded that the valuation of the asset amounts to \$133,044,253 as of December 31, 2018. According to the opinion of the indirect controlled company's local legal advisors, the period estimated for collection shall be over the next twelve months.

### 38. MANAGEMENT TRUST

A trust agreement was executed and delivered by and between Ferrosur Roca SA and Banco de la Nación Argentina on February 5, 2013 in order to undertake the formalization process required to manage the funds paid by Ferrosur Roca SA as payment for the investment works aimed at strengthening the inter-urban railway system.

The Trust Assets shall be the amounts provided by the Trustor and corresponding to the proceeds from the enforcement of the Memorandum of Understanding executed by and between the Company and the Unit for the Renegotiation and Analysis of Public Utilities Agreements dated May 19, 2008 and ratified by the Argentine Executive Branch's Decree No. 2017 dated November 25, 2008, any revenues collected by the trust for the temporary placements of idle resources and the funds existing in the checking account that the Company maintained at the Standard Bank as of February 2013 and any other sum to be paid into the trust.

The amounts given to the trust in the year 2018 were \$46,267,585.

On the understanding that the use of the proceeds must be approved by the regulatory authority, the Company is not empowered to lead the relevant activities.

In the course of this fiscal year, the first works proposed to the State came to an end with the contributions made by the controlled company into FFFSFI. These works consisted in the heavy improvement of railway structure and automated treatment of 29.215 km of railway between Parish Sur - Azul Norte Km. 259 and Km. 288.215 progressives in the Cañuelas-Olavarria branch.

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### 39. RESTRICTION ON EARNINGS DISTRIBUTION

According to the provisions under Law No. 19.550, the Company has to raise a Legal reserve that cannot be less than 5% of the income arising from the sum of Income for the period, Adjustments from previous fiscal years, Transfers of other comprehensive income to retained earnings and the Accumulated income/(loss) from previous fiscal years up to 20% of the amount of capital stock and the balance of the Capital Adjustment account.

The Company is subject to habitual restrictions on the payment of dividends in the event of default in the framework of certain agreements or in those cases when such payments could, for any other reason, result in an event of default.

The restrictions mentioned in the preceding paragraph arise from the loan agreements that the Company entered into with Industrial and Commercial Bank of China (Dubai). According to them, the borrower (Loma Negra) will not allow any dividends to be paid unless:

(a) payment of such dividend does not result in a non-compliance or event of non-compliance that still persists or arises as a result of such payment; and

(b) both before and after payment of such dividend the borrower complies with the Net debt to EBITDA ratio.

Such ratio shall not exceed at the end of each fiscal year:

(a) 3.50: 1.00 at any time before the occurrence of a "substantial event"; and

(b) 4.50: 1.00 at any time during or after the occurrence of a "substantial event".

In order to clarify the preceding paragraphs, one or more of the following events shall be considered to be a "substantial event" in connection with the Company:

(a) the start of the construction of a new cement plant;

(b) consummation of the acquisition of any entity (limited liability company, corporation, joint venture, association, trusts or any other business organization); or

(c) any other investment made by Loma Negra.

As of the date of issuance of these financial statements, the Company is not subject to the restrictions mentioned in the preceding paragraphs.

### 40. FERROSUR ROCA S.A. CONCESSION – ARGENTINE RAILWAY LAW

The Argentine Executive Branch's Decree 1027/2018, regulatory of Law No. 27,136, was published in the Official Gazette on November 7, 2018.

The highlights of this law are: re-adjustment of the concession agreements in force with the possibility of an extension for a term of no more than 10 years, full implementation of open access the day following the expiration of the term of the most recent Concession Agreement (of the three private concessions that are still in force today), including extensions plus the possibility of commencing this modality in the systems that are operational when the investments scheduled are made. Review of technical standards. Review of the disciplinary regime. Creation of a Registry of Operators.

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The Negotiating Committee will be created. It will be made up by a member who belongs to each one of the following agencies: ADIF, Secretary of Transportation Planning and Railway Transportation Under-secretariat. As of the date of issuance of these financial statements neither the procedures nor the interpretations, clarifications and amendments mentioned in the preceding paragraphs. It is therefore impossible to determine with certainty the final impact of the resolution of these processes. As a consequence, the Company's financial statements do not include adjustments and/or reclassifications, if any, as may be required if the final resolution of such circumstances became known.

### 41. COMPLAINTS BROUGHT AGAINST THE COMPANY ET AL IN THE UNITED STATES

In the course of 2018 the following complaints were brought against the Company, its directors and parent company in the United States of America at the time of the Company's initial public offering dated 2017. As of the date of these financial statements none of the complaints has yet been certified as a class action by the judges hearing these cases.

1. Kohl v. Loma Negra CIASA, et al. (Index No. 653114/2018 - Supreme Court of the State of New York, County of New York)

The complaint was filed in June 2018 by Dan Kohl –a shareholder who acquired ADSs issued by the Company during its 2017 initial public offering– with the state courts of New York. The banks that placed the ADSs have also been sued. In its complaint, the plaintiff alleges assumed violations of the United States' Federal Securities Laws on grounds of allegedly false representations contained in the Offering Memorandum and/or failure to include relevant information. As of the date of issuance of these financial statements, the Company is working on a response to the second addendum filed by the plaintiff in January 2019, with time to do it until March 13.

2. Carmona v. Loma Negra CIASA, et al (1:18-cv-11323-LLS - United States District Court Southern District of New York).

The complaint was filed in December 2018 by Eugenio Carmona –a shareholder who acquired ADSs issued by the Company during its 2017 initial public offering– with the US federal courts sitting in New York. In its complaint, the plaintiff alleges assumed violations of the United States' Federal Securities Law on grounds analogous to those used in the first complaint. As of the date of issuance of these financial statements, the amendment to this complaint has not yet been filed by the plaintiff.

Based on the information available, the Company has concluded that as of December 31, 2018 and based on IAS37, no provision is to be raised.

### 42. SUBSEQUENT EVENTS

The Group has considered the events following December 31, 2018 to evaluate if there is a need for recognizing them or for their potential disclosure in these consolidated financial statements. The evaluation of these events continued until March 7, 2019, which was the date when these financial statements were available for issuance.

In connection with the tax revaluation described in 3.7.3, the Company opted for a tax revaluation of the personal property subject to depreciation held as of December 31, 2017. The deadline for exercising such option and paying the special tax is March 29, 2019. The financial impact of such option has been estimated to be an increase in equity of approximately ARS 100 million.

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## 1. ACTIVITIES OF THE COMPANY

During the current fiscal year, Loma Negra C.I.A.S.A. and its controlled companies dispatched 5,097,998 tons of cement and lime, and its net sales amounted to \$ 26,806,931. Dispatches overall were 4% less than those of the previous fiscal year.

Gross income amounted to \$ 6,824,137,472 and total comprehensive income was \$ 2,422,291,476. This income represents a 34% decrease compared to the comprehensive income for the same period of the prior year.

In July 2015, Loma Negra executed a loan agreement with Banco Patagonia S.A. for a total amount of \$ 200,000,000 to be repaid in nine quarterly, equal and consecutive installments, the first one due 365 days after disbursement, at a variable nominal rate based on the BADLAR corrected rate with quarterly payments. On January 24, 2018, given that the Company had available funds, the Board of Directors approved the early repayment of the two last installments, each amounting to 22,222,222, with original maturities scheduled for April and July 2018, respectively. The advance repayment did not imply additional costs for the Company.

On April 25, 2018, the Shareholders at an Annual Shareholders' Meeting discussed the allocation of unappropriated retained earnings as of December 31, 2017 for a total amount of 1,590,842,382. It was decided at that Annual Shareholders' Meeting to allocate 600,000 to increase the legal reserve, up to a total of 42,198,659, and the remaining balance, amounting to 1,590,242,382, to an optional Reserve, as per the Company's investment plan.

Likewise, it was decided to adsorb the negative balance of the account "Other capital adjustments" with the Share premium.

In August 2018, Ferrosur Roca S.A. took a new 365 days loan for USD 15,000,000 from Banco Latinoamericano de Comercio Exterior S.A. "BLADEX" with a 3 month LIBOR + 1.95% interest rate with quarterly interest payments.

On October 25, 2018, the transfer by Loma Negra Holding GmbH of all its 304,233,740 shares in Loma Negra CIASA, representing 51.0437% of the Company's share capital, in favor of its 100% direct parent company, Cauê Austria Holding GmbH, was recorded.

The Statutory Audit Committee's Report  
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No. 3

Antonio J. Lattuca  
For the Statutory Audit Committee

Adriana I. Calvo (Partner)  
Certified Public Accountant (U.B.A.)  
CPCECABA License filed on Book No. 148, Page No. 195

Sergio D. Faifman  
Vice-President

LOMA NEGRA COMPAÑÍA INDUSTRIAL ARGENTINA SOCIEDAD ANÓNIMA

Free translation of the financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV").

MANAGEMENT DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS as of December 31, 2018 (amounts stated in Pesos - \$ - except if expressly stated in another currency)

2. EQUITY STRUCTURE, COMPARATIVE

	<u>12.31.2018</u>	<u>12.31.2017</u>
Current assets	9,127,574,125	10,122,143,636
Non-current assets	<u>23,738,264,297</u>	<u>19,403,564,534</u>
Total assets	32,865,838,422	29,525,708,170
Current liabilities	9,831,452,603	8,082,606,457
Non-current liabilities	<u>6,481,156,054</u>	<u>7,312,163,424</u>
Total liabilities	16,312,608,657	15,394,769,881
Non-controlling interests	1,374,578,107	992,738,468
Shareholders' equity attributable to owners of the parent company	<u>15,178,651,658</u>	<u>13,138,199,821</u>
Total shareholders' equity	16,553,229,765	14,130,938,289

3. . STRUCTURE OF RESULTS, COMPARATIVE

	<u>12.31.2018</u>	<u>12.31.2017</u>
Gross income	6,824,137,472	6,328,673,081
Selling and administrative expenses	(1,934,080,499)	(1,969,073,208)
Other income and expenses, net	109,259,420	116,355,791
Tax on bank debits and credits	(254,200,939)	(304,817,393)
Net financing income/(loss), net	<u>(1,662,578,414)</u>	<u>(271,396,125)</u>
Income/(loss) before income tax	3,082,537,040	3,899,742,146
Income tax	<u>(1,131,955,333)</u>	<u>(221,946,197)</u>
Net income for the period	<u>1,950,581,707</u>	<u>3,677,795,949</u>
Net income for the period attributable to:		
Owners of the parent company	1,799,871,980	3,509,779,198
Non-controlling interests	150,709,727	168,016,751
OTHER COMPREHENSIVE INCOME:		
Due to foreign exchange gains/(losses)	<u>471,709,769</u>	<u>(9,597,263)</u>
Total other comprehensive income for the period	<u>471,709,769</u>	<u>(9,597,263)</u>
Total comprehensive income for the period	<u>2,422,291,476</u>	<u>3,668,198,686</u>

4. COMPARATIVE CASH FLOWS STRUCTURE

	<u>12.31.2018</u>	<u>12.31.2017</u>
Net cash flows from operating activities	4,178,770,462	5,076,970,832
Net cash flows used in investing activities	(4,223,908,326)	(2,228,813,826)
Net cash flows (used in)/ generated by financing activities	<u>(2,390,358,096)</u>	<u>312,160,192</u>
Total net cash flows (used in)/generated during the fiscal year	<u>(2,435,495,960)</u>	<u>3,160,317,198</u>

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5. STATISTICAL DATA (In tons)

	<u>12.31.2018</u>	<u>12.31.2017</u>
Production volume	<u>6,636,695</u>	<u>6,936,229</u>
Sales volume		
Argentina	6,112,486	6,415,028
Paraguay	565,700	567,815
Abroad	<u>4,820</u>	<u>3,713</u>
Total	<u>6,683,006</u>	<u>6,986,556</u>

6. INDEXES

	<u>12.31.2018</u>	<u>12.31.2017</u>
Liquidity	0.93	1.25
Solvency	1.01	0.92
Tied-in capital	0.72	0.66
Profitability	0.13	0.26

7. FUTURE PROSPECTS

The Argentine economy's prospects point to a moderate decrease in GDP for 2019 vis-à-vis 2018. For the second half a change in trends is expected with the regularization of the main economic variables and the factor that is historically positive in electoral years which shall be reflected in the construction industry in general and in the cement industry in particular.

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