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Loma Negra Fourth Quarter 2018 Earnings Call and Webcast March 8, 2019 at 10:00 AM Eastern

CORPORATE PARTICIPANTS

Gaston Pinnel – Investor Relations

Sergio Faifman – Chief Executive Officer & VP, Board of Directors

Marcos Gradin – Chief Financial Officer

About Loma Negra

Founded in 1926, Loma Negra is the leading cement company in Argentina, producing and distributing cement, masonry cement, aggregates, concrete and lime, products primarily used in private and public construction. Loma Negra is a vertically-integrated cement and concrete company, with nationwide operations, supported by vast limestone reserves, strategically located plants, top-of-mind brands and established distribution channels. The Company also owns a 51% equity stake in an integrated cement production plant in Paraguay, which is one of two leading cement producers in that country. Loma Negra is listed both on BYMA and on NYSE in the U.S., where it trades under the symbol "LOMA". One ADS represents five (5) common shares. For more information, visit www.lomanegra.com

Disclaimer

This presentation may contain forward-looking statements within the meaning of federal securities law that are subject to risks and uncertainties. These statements are only predictions based upon our current expectations and projections about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," "seek," "forecast," or the negative of these terms or other similar expressions.

The forward-looking statements are based on the information currently available to us. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including, among others things: changes in general economic, political, governmental and business conditions globally and in Argentina, changes in inflation rates, fluctuations in the exchange rate of the peso, the level of construction generally, changes in cement demand and prices, changes in raw material and energy prices, changes in business strategy and various other factors.

You should not rely upon forward-looking statements as predictions of future events. Although we believe in good faith that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Any or all of Loma Negra's forward-looking statements in this release may turn out to be wrong. You should consider these forward-looking statements in light of other factors discussed under the heading "Risk Factors" in Company's Annual Report on Form 20-F, as well as periodic filings made on Form 6-K, which are filed with or furnished to the United States Securities and Exchange Commission.

Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in our expectations.

The Company presented some figures converted from Argentine pesos to U.S. dollars for comparison purposes. The exchange rate used to convert Pesos to U.S. dollars was the reference exchange rate (Communication "A" 3500) reported by the Central Bank for U.S. dollars. The information presented in U.S. dollars is for the convenience of the reader only. Certain figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures presented in previous quarters.

Note: Loma Negra's financial information as of and for the three- and twelve-month periods ended December 31, 2018 has been prepared in accordance with the Argentine Securities Commission (Comisión Nacional de Valores-CNV) and with International Financial Reporting Standards. Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS. Consequently, starting July 1, 2018, the Company is reporting results applying IFRS rule IAS 29. IAS 29 requires that results of operations in hyperinflationary economies are reported as if these economies were highly inflationary as of January 1, 2018, and thus year-to-date, together with comparable results, should be restated adjusting for the change in general purchasing power of the local currency, using official indices. For comparison purposes and a better understanding of our underlying performance, in addition to presenting 'As Reported' results, we are also disclosing selected figures as previously reported excluding rule IAS 29. Additional information in connection with the application of rule IAS 29 can be found in our earnings report.

PRESENTATION

Operator

Good day and welcome to the Loma Negra Fourth Quarter 2018 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your telephone keypad. To withdraw your question, please press star (*) then two (2). Please note this event is being recorded.

I would now like to turn the conference over to Mr. Gaston Pinnel, Head of Investor Relations. Please go ahead, sir.

Gaston Pinnel

Thank you. Good morning, everyone, and thank you for joining us today. We appreciate everyone's participation. By now, everyone should have access to our earnings press release and the presentation for today's call. Speaking during today's call will be Sergio Faifman, our CEO and Vice President of the Board of Directors; and Marcos Gradin, our CFO. Both will be available for the Q&A session. Before we proceed, I would like to make the following Safe Harbor statements. Today's call will contain forward-looking statements, and I refer you to the forward-looking statements section of our earnings release and recent filing with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances. I would also like to remind you that the following recent categorization of Argentina as a hyperinflationary economy in accordance with IFRS standards starting in this fourth quarter of 2018, we began applying IFRS rules IAS 29. For comparison purposes and a better understanding of our underlying performance, in addition to presenting as reported results, we are also disclosing selected figures as previously reported excluding rule IAS 29. Additional information in connection with the application of rule IAS 29 can be found in our earnings report.

Now, I would like to turn the call over to our CEO, Sergio Faifman.

Sergio Faifman

Thank you, Gaston. Hello, everyone, and thank you for joining us today. It's a pleasure to welcome you to the Loma Negra fourth quarter and full year 2018 earnings conference call, as we begin my presentation with a discussion of the highlights of the quarter, and then Marcos will take you through our market review and financial result. Afterwards, I will provide our outlook for 2019. We will then open the call to your questions.

Starting with slide three, we closed the year with another solid quarter in what has been a challenging year for our industry in Argentina. Importantly, we achieved this despite a 15.3% year-on-year contraction in industry cement demand during the quarter.

Our top line for the quarter increased by 2.8% year-on-year during the quarter to almost 7 billion pesos. While 2018 turned out to be significantly different on the macro and FX fronts than what we expected at this time last year, we delivered an increase in adjusted EBITDA of around 21% achieving a margin expansion of 459 basis points. This is a testament to our continued efforts on balancing growth and profitability. Our core Argentine cement business remained the main driver behind these strong results, further supported by our operations in Paraguay. Let me also highlight the strong performance of our concrete

segment which posted another quarter of record high sales volumes, achieving in 2018 the record volume of more than 1MMm3.

Year-on-year however, our bottom line fell 29% impacted by a negative variance in the income tax line resulting from the tax-reform approved in 2017.

As you can see on this slide, measuring in US dollars and using the prior accounting methodology, in this quarter, we achieved an Adjusted EBITDA of 58 million dollars, down only 15% year-on-year, despite the 18% contraction in the cement volume and the sharp Peso depreciation. And net majority income of 34 million dollars, compared to 38 million dollars a year ago, despite the strong devaluation experienced in 2018.

Additionally, our robust balance sheet with net debt to last 12 months EBITDA of 0.43 times provide us with a solid position to face the current volatility of the local financial markets.

The expansion of our L'Amalí plant is on scheduled and continues to be a key element of our long-term strategy, which will contribute to support production efficiencies and profitability, along with additional capacity for when demand recovers.

I will now hand off the call to Marcos Gradin. Please, Marcos, go ahead.

Marcos Gradin

Thank you, Sergio. Good day, everyone. Turning to slide 4, let me start by providing a quick overview of the macro environment and industry trends.

We ended the year with an expected GDP for 2018 declining by 2.4%, slightly below consensus expectations at the time our prior earnings call. Economist's expectations and ours now call for a 1.2% contraction in GDP for this year, recovering gradually reaching growth of 2.5% in 2020.

Against this backdrop and as anticipated, we saw a contraction in overall private construction activity in the quarter, particularly in November and December. This brought about in a 15.3% decline in industry cement sales for the quarter and a 2.6% year-on-year contraction for the full year. By contrast, bulk cement demand continued to gain traction during the quarter supported by public infrastructure works, bulk cement demand continued to gain share of total cement sales.

Looking into 2019, we expect the negative cycle that began in the second quarter of 2018 to turnaround by mid-year following consensus expectations of an overall macroeconomic recovery in Argentina.

We see industry cement demand following these macro trends, while current public works are expected to continue moving ahead, particularly in the Buenos Aires metropolitan area, although facing tougher comps.

For the full year we expect a industry decline of a low single digit.

Now, please turn to slide 5 for a review of our topline performance by segment.

Revenues up 2.8% and 7.9% for the full year, despite softer Cement sales volumes

For the quarter, Cement Sales volumes dropped 18% year-on-year, impacted by overall weaker demand. Thus, revenues fell only by 6% year-on-year, partially offset by the healthy pricing environment.

In Paraguay, revenues were up 57%, driven by the strong recovery in sales volumes experienced in the quarter – up 13%, and the Guarani appreciation against the Ps.

We are particularly pleased with the results achieved in our concrete business, that reached record high volume levels in October and November driven by the sustained execution of current public infrastructure works in the Buenos Aires metropolitan area coupled with a healthy pricing dynamics.

With our new crusher up and running, our Aggregate business reached record high sales volumes in October mainly driven by higher dispatches to the concrete segment which resulted in a 9% year-on-year increase during the quarter driving revenues up 20%

Lastly, revenues from our Railroad segment decreased 3% year-on-year. While we continued to benefit from strong prices, transported volumes of cement and aggregates were impacted by the slowdown in the construction activity, partially offset by higher growth of fracsand transportation for the Vaca Muerta non-conventional oil & gas basin.

Moving on to slide 6, consolidated gross profit for the quarter was up slightly over 13% year-on-year, with a margin expansion of almost 270 basis points reaching 29.5% in the quarter

This was mainly driven by our core Cement operation in Argentina, and further supported by our cement business in Paraguay and our concrete segment.

The application of IAS 29, impacted in a reduction of 380 bps in the Consolidated Gross margin during the quarter, affected mainly by an increase in depreciation & amortization by the inflation adjustment of fixed assets.

For the full year, gross profit was up 8% with gross margin remaining stable at almost 26%. SG&A expenses as a percentage of revenues, declined over 80 basis points to 7% in the fourth quarter and 71 basis points to 7.2% for the full year 2018 driven by successful cost management and a lower effective sales tax rate.

Please turn to slide seven. Despite weak industry demand, we achieved Consolidated Adjusted EBITDA growth of 21% in the quarter, reaching nearly 2.2 billion pesos or 58 million dollars with margin expanding 459 basis points to 31%, mainly driven by the cement segments in Argentina and Paraguay, and further supported by growth across all other segments.

The application of IAS 29, impacted in a reduction of 75bps in the Consolidated Ebitda margin in this quarter.

When excluding the application of inflation accounting, Adjusted EBITDA for the Cement segment in Argentina, increased almost 70% YoY and the margin expanded by 554 basis

points to 34.6% while Paraguay posted around 120% growth in Adjusted EBITDA with the margin remaining almost flat at 40.3%.

Adjusted EBITDA margin for our concrete segment expanded over 210 basis points compared to the year ago quarter mainly driven by sales volume growth.

We continued to post margin expansion in our railroad segment, with adjusted EBITDA margin up almost 380 basis points year-on-year benefitting from higher revenues and lower fixed costs.

Lastly our Aggregates segment Adjusted EBITDA margin showed a strong recovery to 12% on the back of higher sales volumes and favorable pricing environment.

Importantly, despite the strong devaluation of the Argentine peso in the fourth quarter YoY, around 111%, our cement business in Argentina remained relatively stable in terms of EBITDA per ton measured in dollars, at 32 dollars per ton when compared to the year ago quarter, and improving from 26 dollars per ton in the third quarter of 2018.

For the full year, consolidated adjusted EBITDA reached 7.1 billion pesos. Measured in US dollars consolidated adjusted EBITDA reached \$220 million US dollars, down 7.9% year-on-year, with adjusted EBITDA margin expanding by 204 basis points, from 25.8% to 27.8%.

Moving on to the bottom line on slide eight, net majority income for the quarter were impacted by non-recurring results from previous year, resulting in a 29% year-on-year decline reaching 1.1 billion pesos.

In addition to Adjusted EBITDA growth, net majority income benefitted from higher total net finance gains. This however, was more than offset by a positive impact of the tax reform approved at the end of 2017 in the 2017 deferred tax provision. Measured in US dollars, and excluding the application of IAS 29, our net majority income decreased 10% to 34 million dollars in the quarter from 38 million dollars in the year ago quarter.

For full year 2018, net majority income declined 49% to 1.8 billion pesos or 23% when measured in US dollars, impacted mainly by Exchange rate differences and income tax expenses.

Moving on to the balance sheet, as you can see on slide 9, our robust balance sheet provides us with a solid position to face the current volatility of the local financial markets, and more flexibility around the funding of our meaningful investment plan.

We closed the year, with a Net Debt to Adjusted EBITDA ratio of 0.43 times compared to 0.28 times in December 2017,

For full year 2018, we generated cash flow from operating activities of Ps.4.2 billion compared to Ps.5.1 billion in 2017. This was mainly explained by higher income taxes paid.

We continued to make progress in our capital expenditure plan, with investments for the full year reaching 4.2 billion pesos, or approximately US\$ 124 million. Of the total amount in Ps., around 35% was invested in the second production line at our L'Amalí plant. During the quarter we continued to move ahead with civil works, and main equipment were under the

delivery to site process. We are moving according to our schedule and within budget. As of December we were at the 47% of the execution of the project.

We foresee savings in US\$ mainly impacted by costs tied to Argentine Pesos.

I will now handle the call back to Sergio.

Sergio Faifman

Thanks Marcos, now please turn to slide 10.

To wrap up this presentation, I would like to make a few final remarks.

Despite the challenging macro-economic environment in Argentina, we closed the year with another solid quarter.

In particular, our core Argentine Cement business, delivered both Adjusted EBITDA growth and margin expansion, even with weaker volume demand in the country, and we are also pleased to see that our concrete operations continued to deliver strong results, reaching record quarterly and annual volumes.

Looking into 2019, we expect a turnaround in cement demand in Argentina, and starting mid-year following the economic environment, which is anticipated to begin to recover in the second half of the year. In this context, we remain focused on managing the business to deliver strong results despite the macro environment.

Our history, and leadership position provide us with a strong base to continue balancing our growth and profitability. And part of our strategy is the expansion in L'Amalí plant, which will allow us to continue delivering production efficiencies, and profitability while providing much needed capacity for when demand recovers.

This is the end of our prepared remarks. We are now ready to take questions. Operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time we will pause momentarily to assemble our roster.

Also, please note that Mr. Sergio Faifman will be responding in Spanish immediately following an English translation. Please hold momentarily while we assemble our roster.

And, our first question today comes from Dan McGoey with Citigroup. Please go ahead.

Dan McGoey

Great, thank you. Good morning gentlemen, congratulations on the results. First question I have is basically on the EBITDA margin expansion. I understand IAS 29 mostly affected depreciation, so therefore not EBITDA, but given the strength of the margin expansion, I'm wondering if you could comment whether the accounting change helped at all that margin, and assuming that the answer is quite little, I wonder if you could talk a little bit about how much of that expansion is related to the cost side of the equation? You know, is cash cost

per ton coming down either on the energy side or not, or is it mostly pricing? Let me stop there. Thanks.

Marcos Gradin

Hi, Dan, this is Marcos. The IAS 29 impacted negatively in our margins. It's impacted by 75 basis points, reducing our margin for the quarter on a consolidated basis.

Dan McGoey

Got it. So, that margin expansion is primarily on the price front, the price increases. On cash cost of production, is there anything that helped lower cash cost production in the period?

Sergio Faifman (via Interpreter)

Good morning, Dan. So, for the quarter, we have a double impact. On one hand, the increase in prices and on the other, the cost improvement for the Company. So, regarding cost, as we were talking in the previous calls, the lower volume has a benefit on the better logistics, the way we operate our plants (performance), and other costs. So, another point is that in Argentina, we are having some improvements in tariffs both for electrical energy and thermal energy. Also, the high volatility of inflation and FX let us negotiate in a better way the other costs. And, also we have an enhancement of our labor cost, both in amount and also in quantity of headcount. And, the drop in volume let us be more efficient in terms of logistics costs to supply the market.

Dan McGoey

Great. Thank you. And, one last follow-up. I don't have it at hand, but cash cost of production per ton, was it stable year-on-year or was it up but just considerably less than the price increase?

Sergio Faifman (via Interpreter)

The cash cost year-over-year it – there is a reduction in dollars terms. The cost of our inputs, those are in dollars, they were reduced (tariffs) and of course the ones that are in pesos, they were also reduced, measured in dollars. And, regarding the EBITDA per ton in U.S. dollars, it remained practically the same compared to the last year.

Dan McGoey

Understood. Great, thank you very much.

Operator

And once again, if you would like to ask a question please press star (*) then one (1). And, our next question comes from Alejandra Obregon from Morgan Stanley. Please go ahead.

Alejandra Obregon

Hi, good morning, and thank you for the call. My question is related to cement volumes in Argentina. Looks like your figures for the quarter came slightly below the industry average. So, I was just trying to understand if this could be related to market share losses maybe or just exposure to an under-performing region? So, any color on your granular performance by province perhaps would be great. Thank you.

Sergio Faifman (via Interpreter)

Good morning, Alejandra. Thank you for your questions. So, last year when we take a look to the volumes of Loma Negra, it is important to bear in mind the price movements that we

did. As we always mention, we are always the first movers and our competitors, they follow us a few days afterwards. That leads to the premium price to increase during that time where the competitors do not increase prices. So, during those periods we tend to lose market share that we afterwards tend to recover. So, with high inflation, price increases are more often, they tend to be every month and this effect in market share is more permanent. There are other factors and it's also – there is also a difference within regions in the country. But, our market share values for current and from the last year make us feel comfortable in terms of our short, medium, and long term strategy.

Alejandra Obregon

Thank you, this is very helpful. And, a follow-up if I may. In terms of demand, could you give us some color on what you've been seeing so far into the second quarter – into the first quarter, I'm sorry?

Sergio Faifman (via Interpreter)

Volumes that we are observing, we need to keep in mind that last year until April, the demand was rather high. So, it could be expected that until April volumes should have a drop. However, since mid-January, the volumes that we are observing, they are slightly better than what we previously expected. So, as you could see from today's release, the February figures for the industry, they remain almost flat compared to last year. Therefore, this value make us feel more confident that our expectation for the whole year should be something like a drop compared to – a slow drop compared to the previous year, for the full year.

Alejandra Obregon

Thank you very much. This was very helpful and congratulations on the results.

Sergio Faifman

Thank you, Alejandra.

Operator

And, once again if you would like to ask a question, please press star (*) then one (1). And, this will conclude our question-and-answer session. I would like to turn the conference back over to Mr. Gaston Pinnel for any closing remarks.

CONCLUSION

Gaston Pinnel

Thank you for joining us today. We appreciate your interest in our Company, and we look forward to meeting more of you over the coming months and providing financial and business updates next quarter. In the interim, the team remains available to answer any questions you may have. Thank you and enjoy the rest of your day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.