

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

*Our business faces significant risks. You should consider carefully the risks described below and all other information contained in this annual report. If any of the following risks were to occur, our business, financial condition and results of operations would likely be materially adversely affected. In that event, the trading price of our ordinary shares or ADSs would likely decline and you might lose all or part of your investment. The following risks are not the only risks that we face; we are subject to various risks mainly resulting from changing economic, environmental, political, industry, business, financial and climate conditions. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this report and our other SEC filings. See also "Cautionary Statement with Respect to Forward-Looking Statements".*

*For purposes of this section, the indication that a risk, uncertainty or problem may or will have a "material adverse effect on us" or that we may experience a "material adverse effect" means that the risk, uncertainty or problem could have a material adverse effect on our business, financial condition or results of operations and/or the market price of our ordinary shares or ADSs, except as otherwise indicated or as the context may otherwise require. You should view similar expressions in this section as having a similar meaning.*

**Risks Relating to Argentina**

Most of our operations, property and customers are located in Argentina and a portion of our liabilities and assets are denominated in foreign currency. Consequently, the quality of our assets, property status and our results of operations depend on the macroeconomics, regulatory, social and political conditions of Argentina and on the exchange rates between the Argentine peso and foreign currencies, in particular, the U.S. dollar. These conditions include growth rates, inflation rates, exchange rates, taxes, foreign exchange controls, changes in the interest rates, changes of the state policies, social instability and other domestic and international political and economic events that may take place in Argentina or may affect it.

***Investing in an emerging economy such as Argentina entails certain inherent risks.***

Argentina is a developing economy and investing in such markets generally carries risks. These risks include political, social and economic instability that may affect Argentina's economic condition. In the past, instability in Argentina was caused by many different factors, including the following:

- aggravation of a financial crisis in several countries in the region;
- abrupt changes in the monetary and fiscal policies of countries with prominent economies due to macroeconomic conditions;
- increase in public expenses affecting the economy and fiscal deficits;
- inconsistent fiscal and monetary policies;
- uncertainty with respect to the Argentine public sector's payment capacity and the potential for obtaining international financing;
- low levels of investment;

- changes in governmental economic or tax policies;
- high levels of inflation;
- abrupt changes in currency values;
- high interest rates;
- wage increases and price controls;
- exchange and capital controls;
- political and social unrest;
- the growing effects of labor unions;
- the significant price drop of main commodities exported by Argentina;
- fluctuations in the BCRA reserves;
- widespread illnesses or epidemics, including the COVID-19; and
- restrictions on exports and imports.

Any of the above factors either individually or taken together, could have material adverse effects on the Argentine economy and on our business, results of operations and financial condition.

***Argentina's economy may continue to experience volatility and may contract in the future due to political and economic uncertainty which may adversely affect our operations.***

The Argentine economy has experienced extreme volatility in the recent decades, with uneven periods of economic growth, periods of high inflation and devaluation of the Argentine Peso against the U.S. dollar. Therefore, our business and operations may be affected by the economic and political events that may affect the Argentine economy, such as: price controls, foreign exchange controls, currency devaluations, high interest rates, increase in public expenses, tax increase or other regulatory initiatives that increase the Argentine government's intervention in the economy.

During 2008 and 2009, the Argentine economy entered into a recession due to local and external events, including among others an extensive drought that affected significantly the agricultural sector, and the global economic crisis. Real GDP growth recovered in 2010 and 2011, increasing to 10.1% and 6.0%, respectively. However, GDP growth slowed to 1.0% in 2012, and then increased by 2.4% in 2013. In 2014, the INDEC, the only Argentine agency with legal capacity to publish official national statistics, published a real GDP growth of 0.5%. According to data published by INDEC between 2014 and 2015, the GDP for the first two quarters of 2015, increased by 2.1% and 2.3%, respectively, in comparison with the first two quarters of 2014, mainly due to an increase of public spending and investments. For the year 2016, the GDP variation was of -2.3% in relation to 2015. On the other hand, during 2017, the GDP increased by 2.9%, while in 2018 it dropped by 2.5% and in 2019 by 2.2%.

Argentina faced price increases since 2007, evidenced, among other indicators, by the significantly more expensive prices of fuels, energy and food. According to data published by INDEC, from 2010 to December 31, 2019, consumer price and wholesale prices increased significantly.

Since 2007, INDEC has undergone a process of institutional and methodological reforms that have led to controversies regarding the credibility of the information it publishes, including data on inflation, GDP and unemployment. Reports published by the IMF, using alternative measures to estimate price developments, showed considerably higher variations than those published by INDEC since 2007. The IMF also issued a statement of censure against Argentina in relation to the breach of its obligations before the IMF according to its Articles of Agreement for not achieving sufficient progress in the adoption of corrective measures to improve the quality of official data,

including data on price increases and GDP. On November 9, 2016, on the occasion of the readjustment of the INDEC indexes (as described below), the IMF Executive Board announced on November 9, 2016 lifted its censure on Argentina since noting that Argentina resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement with the IMF.

In February 2014, INDEC published a new price index, the National Urban Consumer Price Index (IPCNU), which measured the prices of goods in the country and replaced the CPI that only measured inflation in the urban sectors of the Autonomous City of Buenos Aires. Although the new methodology brought price statistics closer to those estimated by private sources, there were still differences between official data and private estimates.

On the other hand, since the beginning of 2015, international prices of certain commodities, relevant to Argentina's primary product exports, have decreased, which has had an adverse effect on Argentina's economic growth. In accordance with the implementation of certain methodological reforms by the government of Mauricio Macri, and the adjustment of certain indexes based on these reforms, the INDEC reviewed the real GDP of the Argentine Republic, from 2004 till 2015, and published on June 29, 2016 percentage variations of the real GDP of 10.4% in 2010, 6.2% in 2011, (1.1)% in 2012, 2.3% in 2013, (2.6)% in 2014 and 2.4% in 2015. These changes in the composition of the GDP resulted in a negative adjustment of approximately 12% for 2004. By previously underestimating inflation, the INDEC had overestimated real term economic growth. Its methodological adjustments led to a determination of real GDP growth of 48.6% for the 2004-2015 period, compared to 65% growth in real terms for the same period resulting from information used before June 2016. For the year 2016 the variation of the GDP was -2.2% in relation to the year 2015, it registered a rise of 2.9%, during 2017, while it proceeded to fall by 2.5% in 2018 and by 2.2% in 2019.

On August 11, 2019 the presidential and legislative primary elections were held in Argentina, in which Alberto Fernandez, member of the political party *Frente de Todos*, won with 47.65% of the votes, while Mauricio Macri's party obtained 32.08% of the votes. Finally, on October 27, 2019, the presidential elections were held and Alberto Fernandez, candidate from *Frente de Todos*, won and took office on December 10, 2019. After the primary elections, the markets reacted negatively, and economic conditions continued to deteriorate. Due to, among other reasons, rising inflation, the continuous demand for wage increases, growing fiscal deficits, required payments on sovereign public debt, reduced industrial growth, generalized recession, and increased capital flight, the government of Mauricio Macri reintroduced, on September 1st, 2019, tight restrictions and exchange controls, which, among other things, significantly restricted access to the exchange markets by individuals and entities. For further information on this matter, see "Item 10. -D) Exchange Controls".

On December 23, 2019, the Social Solidarity and Productive Reactivation Law No. 27,541 was published in the Official Gazette, which declared the public emergency in economic, financial, fiscal, administrative, social security, tariff, energy, health and social matters. The Social Solidarity and Productive Reactivation Law No. 27,541, regulated on December 27, 2019 by Decree No. 99/2019, introduced important foreign exchange restrictions and tax modifications. Decree No. 99/2019 provided measures regarding employer contributions, applicable rates for foreign goods and resolved that, in regard to the tax for an Inclusive and Solidary Argentina, digital services will be taxed by a 8% rate, and the acquisition of certain services abroad and passenger transport services destined outside the country at a 30% rate. As a consequence of these measures, the president of Argentina and the National Congress have gain considerable powers to alter governmental policies and measures related to the Argentine economy. Consequently, our operations and financial condition may be significantly affected.

Since the end of 2019, the Argentine government adopted measures regarding sovereign debt, including a "reprofiling" or restructuring of certain public debt bonds subject to Argentine law. On February 13, 2020, Law No. 27,544 was published in the Official Gazette, granting powers to the Ministry of Economy to carry out the restructuring of the external public sovereign debt. Likewise, such law authorizes the Ministry of Economy to issue new public securities to modify the maturity profile of interest and capital amortizations, as well as to determine terms and procedures for the issuance of such new securities, and to appoint institutions or financial advisors for the restructuring process. Following Law No. 27,544, on March 10, 2020, Decree No. 250/2020 issued by the Argentine Executive was published in the Official Gazette, which defined the universe of bonds subject to restructuring and provided that the nominal value of USD 68,842,528,826 or its equivalent in other currencies is the maximum amount of the operations of liability management and/or exchanges and/or restructurings of the Argentine public bonds issued under foreign law existing as of February 12, 2020 detailed in the annex of said decree. See "Item 3.D - Risk Factors - The Argentine

government's ability to obtain financing from international markets may be limited, which may negatively impact our financial condition and our ability to grow".

On April 6, 2020, Decree No. 346/2020 issued by the Argentine Executive was published in the Official Gazette, that provided for the deferral of the payments of interest and amortizations of principal, of the Argentine public debt instrumented by bonds denominated in United States Dollars (USD) issued under Argentine law, until December 31, 2020, or until any previous date to be determined by the Ministry of Economy, considering the level of progress and execution of the process for the restoration of the sustainability of the public debt. See "The Argentine government's ability to obtain financing from international markets may be limited, which may negatively impact our financial condition and our ability to grow". However, due to the COVID-19 pandemic, the timeline published initially by the Ministry of Economy for the restructuring of the public external debt which provided, among other steps, the launch of the offer to exchange bonds governed by foreign law, has been postponed.

Since December 2019, a novel strain of coronavirus (COVID-19) has spread throughout the world. The ongoing COVID-19 pandemic has negatively impacted global economy, disrupted financial markets and international trade, resulted in increased unemployment levels and significantly impacted global supply chains, all of which has had an adverse impact in Argentina's economy and may negatively materially impact our industry and our business. See "The measures taken or to be implemented by the Argentine government in response to the COVID-19 pandemic have had and will likely continue to have an adverse effect on our business and operations" and "Public health threats or outbreaks of communicable diseases, including the COVID-19, have had and will likely continue to have an adverse effect on our operations and financial results".

On April 16, 2020, the Argentine government announced an exchange offer with respect to outstanding debt securities issued by the Republic of Argentina in the international capital markets. Investors were asked to accept a 62% decrease in interest payments, which would represent savings of approximately U.S.\$37.8 billion for the Argentina government, and a 5.4% reduction (or U.S.\$3.6 billion) in the face value of the foreign debt securities. The Argentine government also proposed a grace period of three years (through 2023) with respect to payments of interest. As of the date of this annual report, the reaction of investors to the exchange offer were negative.

On April 21, 2020, Decree No. 391/2020, as amended, was published in the Official Gazette providing the restructuring of USD and EUR denominated bonds issued under foreign law and invites to exchange them for new bonds establishing the maximum amount of issuance for the aggregate series denominated in: i) US\$ shall not be superior to nominal value US\$ 44,500,000,000; and ii) EUR could not be superior to nominal value EUR 17,600,000,000. The prospectus for the exchange offer was already filed within the SEC and the bondholders will have until May 8, 2020, to accept the offer. Also, the Economy Ministry has confirmed that Argentina did not make fulfil US\$500 million in debt repayments on three foreign bonds due on April 22, 2020, starting a 30-day countdown to a possible default. That could only be avoided should the government and bondholders reach a deal on restructuring Argentina's foreign debt. We cannot estimate the impact that the measures currently adopted by the government, or those that it may implement in the future, will have on the Argentine economy as a whole and on our business, equity and results of our operations.

Continuing inflation, increase of unemployment, decline in GDP, peso depreciation, and/or other future economic, social and political developments in Argentina, over which we have no control, may adversely affect our financial condition or results of operations.

***The impact of the Argentine congressional and presidential elections on the future economic and political environment of Argentina remains uncertain.***

On August 11, 2019, presidential and legislative primary elections were held in Argentina, by which Alberto Fernández from the "Frente de Todos" coalition received 47.65% of the votes while Mauricio Macri's party obtained 32.08%. On October 27, 2019, the presidential elections were held. Alberto Fernández of the Frente de Todos won and took office on December 10, 2019. After the primary elections, there was a considerable increase in the currency exchange rate. As a result, a "restructuring" of the maturities of certain local public debt securities was announced and foreign exchange restrictions were reinstated.

Since taking office in December 2019, the Alberto Fernández administration announced the following measures:

- **Law of Social Solidarity and Productive Reactivation.** On December 23, 2019, Law No. 27,541 (the "Solidarity Law") declaring the public emergency in economic, financial, fiscal, administrative, social security, tariff, energy, health and social matters was published in the Official Gazette. The Solidarity Law, which was regulated on December 27, 2019 by Decree No. 99/2019, introduced important foreign exchange restrictions and tax modifications. Decree No. 99/2019 provided measures regarding employer contributions, applicable rates for foreign goods and resolved that, in regard to the Tax for an Inclusive and Solidary

- Argentina, digital services will be taxed by a 8% rate, and a 30% rate for the acquisition services abroad and passenger transport services destined outside the country. Furthermore, the Solidarity Law fixed, for 180 days, electricity rates under national jurisdiction (of the companies that operate in the Buenos Aires metropolitan area (AMBA)) and gas rates throughout the country.
- *Price Control Program.* On January 7, 2020, the national government of Alberto Fernández unveiled the 2020 price control program with the intention of fostering consumption and establishing reference prices for products with the highest consumption in households. The plan for 2020 had over 310 products and decreases of 8% on average.
  - *Law of Sustainability of Public Debt under Foreign Law.* On February 13, 2020, Law No. 27,544 was published in the Official Gazette, granting powers to the Ministry of Economy to carry out the restructuring of the external public sovereign debt. Likewise, the law authorizes the Ministry of Economy to issue new public securities to modify the maturity profile of interest and capital amortizations, as well as determine terms and procedures for issuance, and appoint institutions or financial advisors for the restructuring process. Following the Law No. 27,544, on March 10, 2020, the Argentine Executive published Decree No. 250/2020 in the Official Gazette. The aforementioned decree defined the universe of bonds subject to restructuring and provided that the nominal value of USD 68,842,528,826 or its equivalent in other currencies is the maximum amount of the operations of liability management and/or exchanges and/or restructurings of the Argentine public bonds issued under foreign law existing as of February 12, 2020 detailed in the annex of said decree. Due to the outbreak of the coronavirus pandemic, the original deadline (March 31, 2020) was postponed for at least two more weeks. On April 16, 2020, the Argentine government announced an exchange offer with respect to outstanding debt securities issued by the Republic of Argentina in the international capital markets. Investors were asked to accept a 62% decrease in interest payments, which would represent savings of approximately U.S.\$37.8 billion for the Argentina government, and a 5.4% reduction (or U.S.\$3.6 billion) in the face value of the foreign debt securities. The Argentine government also proposed a grace period of three years (through 2023) with respect to payments of interest. On April 21, 2020, Decree No. 391/2020, as amended, was published in the Official Gazette providing the restructuring of USD and EUR denominated bonds issued under foreign law and invites to exchange them for new bonds establishing the maximum amount of issuance for the aggregate series denominated in: i) US\$ shall not be superior to nominal value US\$ 44,500,000,000; and ii) EUR could not be superior to nominal value EUR 17,600,000,000. The prospectus for the exchange offer was already filed within the SEC and the bondholders will have until May 8, 2020, to accept the offer. Also, the Economy Ministry has confirmed that Argentina did not make fulfil US\$500 million in debt repayments on three foreign bonds due on April 22, 2020, starting a 30-day countdown to a possible default. That could only be avoided should the government and bondholders reach a deal on restructuring Argentina's foreign debt.
  - *Deferral of payments of sovereign debt denominated in U.S. dollars issued under Argentine Law.* On April 6, 2020, Decree No. 346/2020 issued by the Argentine Executive was published in the Official Gazette, providing the deferral of the payments of interest and amortizations of principal, of the national public debt instrumented by bonds denominated in U.S. dollars issued under the Argentine law, until December 31, 2020, or until any previous date to be determined by the Ministry of Economy, considering the level of progress and execution of the process for the restoration of the sustainability of the public debt. On April 16, 2020, the Argentine government announced an exchange offer with respect to outstanding debt securities issued by the Republic of Argentina in the international capital markets. Investors were asked to accept a 62% decrease in interest payments, which would represent savings of approximately U.S.\$37.8 billion for the Argentina government, and a 5.4% reduction (or U.S.\$3.6 billion) in the face value of the foreign debt securities. The Argentine government also proposed a grace period of three years (through 2023) with respect to payments of interest. The exchange offer will be valid for a 20-day period commencing on April 17, 2020 for creditors to accept its terms.
  - *New Supermarket Shelves Law.* On March 17, 2020, Supermarkets' Shelves Law No. 27,545 was published in the Official Gazette, which had been previously approved by the Argentine Senate on February 28, 2020. This law establishes rules and restrictions for the display of products in certain commercialization centers' shelves and also provides certain conditions that must be fulfilled in the commercial relationship between the commercialization centers and their suppliers, including compliance with the good commercial practices' code which is also created by the law.

- *Coronavirus measures.* The Argentine government has taken and continues taking measures in response to the COVID-19 pandemic.

We have no control over the implementation of the reforms to the regulatory framework that governs our operations and cannot guarantee that these reforms will be implemented or, if implemented, that such implementation will benefit our business. The failure of these measures to achieve their intended goals could adversely affect the Argentine economy, which, in turn, may have an adverse effect on our business, results of operations and financial condition.

This political uncertainty in respect of economic measures could lead to volatility in the market prices of securities of Argentine companies, and could have a negative impact in domestic consumer markets such as ours, which, in turn, could have a negative effect on our business, results of operations and financial condition.

***If current levels of fiscal deficits are not reduced, the Argentine economy could be adversely affected, negatively impacting our business and results of operation.***

In the past, Argentina has had important macroeconomic imbalances, including frequent and critical fiscal deficits. Since 1961, the Argentine government has had yearly fiscal deficit in approximately 90% of the time (47 years out of 53), which has led to very vulnerable macroeconomic conditions. The Argentine government has financed its fiscal deficit mainly in two ways: (i) by issuing foreign debt, which has historically led to rapid increments in national debt levels; and (ii) by monetary emission through the BCRA, which has led to periods of high inflation and, even in some cases, hyperinflation.

The Macri administration took office in December 2015 and inherited a rising fiscal deficit that reached 5.2% of GDP in 2015, 5.8% of GDP in 2016, 6.0% of GDP in 2017, 5.2% for 2018, and 3.9% for 2019. The government of the Macri administration targeted a primary fiscal deficit (defined as the difference between current government spending on goods and services and total current revenue from all types of taxes net of transfer payments) of 0% of the GDP for 2019 and a primary fiscal surplus of 1% for 2020. Although the primary deficit seemed to have decreased by 2019, the financial deficit was still significant due to the lack of adoption of structural changes to reduce government's spending, increase of inflation and the deficit of the balance of payment among others.

On February 12, 2020, the Minister of Economy appointed by President Alberto Fernandez, Martín Guzmán, stated that a reduction in the primary fiscal deficit in 2020 is neither realistic nor sustainable. Although Alberto Fernandez's government may intend to stabilize the nation's accounts, they also maintain expansionary policies that imply further increases in public spending. The Minister of Economy stated that the Alberto Fernandez's administration will aim to achieve fiscal balance by the end of the current President's term in 2023. See "Item 3.D Key Information-Risk Factors-Fluctuations in the value of the peso could adversely affect the Argentine economy, and consequently our results of operations or financial condition".

Failing to reduce fiscal deficits could lead to growing levels of uncertainty regarding Argentina's macroeconomic conditions. In particular, it could lead to growing inflation rates and unanticipated foreign exchange depreciation and balance of payments crisis, higher local vulnerability to international credit crisis or geopolitical shocks, higher interest rates and erratic monetary policies, a reduction in real salaries and as a consequence, in private consumption, and a reduction in growth rates. This level of uncertainty, over which we have no control, may adversely affect our financial condition or results of operations.

See "Argentina's current account and balance of payment imbalances could lead to a depreciation of the Argentine peso, and as a result, affect our results of operations, our capital expenditure program and our ability to service our foreign currency liabilities".

***If the current levels of inflation do not decrease, the Argentine economy could be adversely affected, negatively impacting our results of operations and margins.***

Historically, inflation has materially undermined the Argentine economy and the Argentine government's ability to create conditions for long-term economic growth. In recent years, Argentina has experienced high inflation rates.

In the past, and particularly in the Fernández de Kirchner administration, the Argentine government has implemented programs to control inflation and monitor prices for essential goods and services, including attempts to freeze the price of certain supermarket products by means of price support arrangements between the government and the private sector. These programs, however, did not address the structural causes for Argentina's inflation and, consequently, failed to reduce inflation. Again, more recently, in April 2019, the Macri administration adopted similar programs, as further described below.

Since 2008, the Argentine economy has been subject to strong inflationary pressures that, according to private sector analysts, reached an average annual rate of 28.2% between 2010 and 2015. Given INDEC's recent institutional and methodological reforms, controversy has arisen regarding the reliability of the information that it produced since 2007, including inflation estimates. On January 7, 2016, the Macri administration declared a state of administrative emergency with respect to the national statistical system and INDEC, which lasted until December 31, 2016. Since the declaration of the state of emergency, the INDEC ceased publishing certain statistical data and resumed publication of the CPI on June 16, 2016. Based on the new and revised information provided by INDEC, inflation reached an annual rate of 40.9% at the end of fiscal year 2016, an annual rate of 24.8% at the end of fiscal year 2017, and an annual rate of 47.6% at the end of fiscal year 2018. In 2019, the annual inflation rate in Argentina was of 53.8%. In the first three months of 2020, the accumulated annual inflation in Argentina was 7.8%.

In 2016, the government reported a primary fiscal deficit of 4.6% of GDP in 2017 reported a primary fiscal deficit of 3.9% of GDP, and in 2018 reported a primary fiscal deficit of 2.4%. Moreover, the primary fiscal balance could be negatively affected in the future if public expenditures continue to grow at a rate higher than revenues. For example, public expenditures grew due to social security benefits, financial assistance to provinces with financial problems and increased spending on public works and subsidies, including subsidies provided to the energy and transportation sectors. A further deterioration in fiscal accounts could negatively affect inflation rates and the government's ability to access the long-term financial markets, which could, in turn, result in limited access to such markets by Argentine companies.

Due to several internal and external factors, including, but not limited to, the raising of the interest rate by the US Federal Reserve, the inability of the government to implement all required structural changes to reduce the fiscal deficit, the increasing need of international financing to finance the fiscal deficit, the increase of the government's inflation target for 2018, a historical drought that affected the crops production (main export of Argentina) and the Turkish crisis, during the first half of 2018 the peso suffered a new sharp depreciation, which, as of December 31, 2018 accumulated 103.83% and that fostered the inflation levels again to 47.6% in 2018. In March 2019, the inflation reached 4.7%, and accumulated an aggregate of 22.4% during the first semester of 2019. On April 17, 2019 the Macri administration announced a series of economic measures to control inflation, including the temporarily freezing of retail prices for 60 basic products, the commitment to avoid tariffs increases above those already announced during 2019 and the freezing of the US Dollar intervention zones fixed as of April 16, 2019, equal to Ps.39.755 per U.S. dollar in the lower bound and Ps.51.448 per U.S. dollar in the upper bound. Nonetheless, in April 29, 2019, the committee of monetary policy (COPOM) of the BCRA announced that the BCRA will be able to sell foreign currency even if the exchange rate is below Ps.51.448, the amount and frequency will depend on the market dynamics, and if the exchange rate is above Ps.51.448, the BCRA will increase from US\$ 150 to US\$ 250 million the amount of the daily sale stipulated so far. Likewise, it may determine the performance of additional interventions to counteract episodes of excessive volatility if deemed necessary. Finally, the COPOM confirmed its decision not to buy foreign currency until June 2019 if the exchange rate was below Ps.39.755.

Inflation remains a challenge for Argentina and the Argentine government has announced its intention to reduce the primary fiscal deficit as a percentage of GDP over time and to reduce the Argentine government's reliance on BCRA financing. If these measures fail to address Argentina's structural inflationary imbalance, the current levels of inflation may continue to rise, which may have an adverse effect on Argentina's economy, while also leading to an increase in Argentina's debt levels.

High inflation rates affect Argentina's foreign competitiveness, increase social and economic inequality, negatively impact employment, consumption and the level of economic activity, and undermine confidence in Argentina's banking system, which could further limit the availability of and access by local companies to domestic and international credit.

Inflation in Argentina has contributed to a material increase in our costs of operation, in particular labor costs; it also enables a reduction in the purchasing power of the population, thus increasing the risk of a lower level of product consumption from our customers in Argentina, which could negatively impact our financial condition and results of operations. Inflation rates could continue to grow in the future, and there is uncertainty regarding the effects that any measures adopted by the government could have to control inflation.

**As of July 1, 2018, the Argentine peso qualifies as a currency of a hyperinflationary economy under IAS 29, and we are required to apply inflationary adjustments to our financial statements for the periods ending on and after December 31, 2018.**

IAS 29 (Financial Reporting in Hyperinflationary Economies) requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost method or on the current cost method, be stated in terms of the measuring unit current at the end of the reporting period. IAS 29 does not establish an absolute rate at which hyperinflation is deemed to arise but includes several characteristics of hyperinflation. The International Accounting Standards Board ("IASB") does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality, which monitors "highly inflationary countries", among other activities, categorized Argentina as a country with projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing prima facie evidence that the Argentine economy is hyperinflationary for purposes of IAS 29. Therefore, Argentine companies using International Financial Reporting Standard as adopted by the IASB ("IFRS") are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018.

Similarly, Argentine Generally Accepted Accounting Principles ("Argentine GAAP") (Technical Resolutions No. 17, 39 and 41 ("TR 17")) also requires the adjustment of financial statements to reflect the changes in general price index in the context of hyperinflation. The Argentine Federation of Economic Sciences Professionals Bodies (Federación Argentina de Consejos Profesionales de Ciencias Económicas), after finding the presence of the qualitative requirements of Argentine GAAP for the adjustment, stated that the adjustment should be applied to all Argentine companies' financial statements for periods ending on or after July 1, 2018.

Adjustments to reflect inflation, such as those required by IAS 29 and TR 17, were prohibited by law No. 23,928 (the "Law 23,928"). Additionally, Decree No. 664/03, issued by the Argentine government (the "Decree"), instructed regulatory authorities, such as the CNV, to accept only financial statements that comply with the prohibition set forth by the Law 23,928. However, on December 4, 2018, Law 27,468 abrogated Decree No. 664/03 and amended Law 23,928 indicating that the prohibition of indexation no longer applies to the financial statements. According to the foregoing, on December 26, 2018, the CNV amended its rules to adopt the adjustments to reflect inflation under IAS 29 for the periods ending on and after December 31, 2018, and on February 4, 2019, extended the term for the filing of the interim unaudited financial statements ended on December 31, 2018 until March 6, 2019. For purposes of the determination of the indexation for tax purposes, Law 27,468 substituted the Wholesale Price Index for the CPI, and modified the standards for triggering the tax indexation procedure. During the first three years as from January 1, 2018, the tax indexation will be applicable if the variation of the CPI exceeds 55% in 2018, 30% in 2019 and 15% in 2020. From January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29 and TR 17. To the extent that the CPI increased by 47.6% in 2018 (below the statutory threshold for this year), the tax indexation procedure was not triggered for 2018.

As a result, beginning with the period ending on December 31, 2018, we and our Argentine subsidiaries prepare financial statements in compliance with IFRS or Argentine GAAP, adopting IAS 29 and TR 17 for regulatory purposes in Argentina. However, our and our Argentine subsidiaries' interim financial statements as of September 30, 2018 were prepared, for regulatory purposes, to comply with IFRS or Argentina GAAP without adopting IAS 29 or TR 17, and will differ from our and our Argentine subsidiaries' financial statements prepared in connection with IFRS or Argentine GAAP adopting IAS 29 and TR 17.



We cannot predict the full future impact that the application of IAS 29 and TR 17 and the application of the tax indexation procedure and related adjustments will have on our and our Argentine subsidiaries' financial statements or the effects on our business, results of operations and financial condition.

***Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfers of funds abroad.***

Argentina has a history of high volatility in its foreign exchange markets, including sharp and unanticipated devaluations, tight foreign exchange controls and severe restrictions on foreign trade. The devaluation of the peso may have a negative impact on the ability of certain Argentine businesses to service their foreign currency denominated debt. It could also lead to higher inflation rates, significantly reduce real wages and jeopardize our business, which depends on domestic market demand.

After a significant devaluation in the first half of 2002, the Peso stabilized around Ps.3 per US dollar in early 2003. Despite the positive effects of the real devaluation of the Peso in 2002, regarding the competitiveness of certain sectors in the Argentine economy, this had a negative impact in the long term, with a significant effect upon the Argentine economy and the financial situation of companies and the general Argentine population. The devaluation of the Peso had a negative impact on the ability of Argentine companies to honor their debts in foreign currency, generated high levels of inflation, reduced real wages significantly, and had a negative impact on companies oriented to the domestic market, such as public services and the financial industry. After several years of moderate variations in the nominal exchange rate, the peso depreciated 32.6% and 31.2% in 2013 and 2014, respectively, with respect to the U.S. dollar. In 2015, the peso lost 51.3% of its value with respect to the U.S. dollar, including a 10.1% devaluation from January 1, 2015 to September 30, 2015 and a 38.1% devaluation during the last quarter of the year ended December 31, 2015. This devaluation occurred mainly in the period after December 16, 2015 and before fiscal year end, which was when the Macri administration eliminated exchange controls imposed by the prior administration. In 2016, the peso lost 22.15% of its value with respect to the U.S. dollar and in 2017, the peso lost approximately 18.45% of its value with respect to the U.S. dollar.

Due to several factors, including but not limited to the raising of the interest rate by the US Federal Reserve, the inability of the Argentine government to perform structural changes and reduce the fiscal deficit, the Argentine government's increasing need for international financing, the increase of the Argentine government's inflation goals for 2018, a historical drought that affected the crops production (main export of Argentina) and the Turkish crisis, during the first half of 2018 the Argentine peso suffered a new sharp depreciation, which accumulated 103.83% in 2018.

On September 28, 2018, the U.S. dollar exchange rate reached a peak of Ps.40.8967 per U.S. dollar. Effective October 1, 2018, the BCRA defined foreign exchange intervention and non-intervention zones for the U.S. dollar exchange rate until the end of 2018, at Ps.34 per U.S. dollar in the lower band and Ps.44 per U.S. dollar in the upper band. Such rates were adjusted daily, provided that if the exchange rate was above the upper band, the BCRA could sell foreign currency for a daily amount of up to US\$150 million, and below the lower band, the BCRA could increase the monetary base backed with the increase of the Argentine federal reserves. On April 16, 2019, the BCRA froze the non-intervention zones levels until December 31, 2019, and announced that until June 30, 2019, it would abstain from purchasing U.S. dollars below the lower band. As of April 29, 2019, the non-intervention zones were fixed at Ps.39.755 per U.S. dollar in the lower band and Ps.51.448 per U.S. dollar in the upper band. In addition, starting on April 15, 2019, the BCRA offered to sell up to US\$60 million on two daily auctions up to an aggregate of US\$9,600 from the funds disbursed by the IMF. See "Fluctuations in the value of the peso could adversely affect the Argentine economy, and consequently our results of operations or financial condition" and "Additional Information-Exchange Controls". However, on April 29, 2019, the committee of monetary policy (COPOM) of the BCRA also announced that the BCRA would be able to sell foreign currency even if the exchange rate was within Ps.51.448, the amount and frequency would depend on the market dynamics, and if the exchange rate was above Ps.51.448, the BCRA would increase from US\$ 150 to US\$ 250 million the amount of the daily sale stipulated so far. Likewise, the BCRA may determine the performance of additional interventions to counteract episodes of excessive volatility if deemed necessary. Finally, the COPOM also confirmed on April 29, 2019, its decision not to buy foreign currency until June 2019 if the exchange rate was below Ps.39.755. During 2019, the Argentine peso depreciated approximately 58.4% against the U.S. dollar.

After the results of the primary elections were announced on August 11, 2019, the markets reacted negatively, and the dollar price jumped from Ps.45.2 to Ps.59 at the exchange rate published by the BCRA as of August 15, 2019. Consequently, the shares of Argentine companies in the New York stock exchanges and the value of national bonds dropped.

Given the political and economic landscape, the Government of former President Macri re-introduced rigid restrictions and foreign exchange controls in September 1, 2019, which among other things, significantly curtailed access to the official foreign exchange market (the "FX Market") by individuals and entities. See *"Additional Information-Exchange Controls"*. Since these restrictions were implemented, until the date of this annual report, the Argentine peso depreciated against the U.S. dollar by 16.5%, but an unofficial U.S. dollar trading market developed in which the Argentine peso/U.S. dollar exchange rate is significantly higher than the one in the official one. We cannot predict future fluctuations in the Argentine peso/U.S. dollar exchange rate or further foreign exchange restrictions. We cannot predict future fluctuations in the Argentine peso/U.S. dollar exchange rate or further foreign exchange restrictions.

Despite the positive effects of the depreciation of the Argentine peso on the competitiveness of certain sectors of the Argentine economy, including our business, it has also had a negative impact on the financial condition of many Argentine businesses and individuals. The devaluation of the Argentine peso has had a negative impact on the ability of certain Argentine businesses to honor their foreign currency-denominated debt, and has also led to very high inflation initially and significantly reduced real wages. The devaluation has also negatively impacted businesses whose success is dependent on domestic market demand, and adversely affected the Argentine government's ability to honor its foreign debt obligations. If the Argentine peso is significantly depreciated, the Argentine economy and our business could be adversely affected.

Additional volatility, appreciation or depreciation of the peso, or reduction in the BCRA's international reserves due to currency interventions could adversely affect the Argentine economy, which in turn may have an adverse effect on our financial conditions and results of operations. Any further devaluation of the Argentine peso could have material adverse effects on the Argentine economy, which could have a material adverse effect on our results of operations and financial condition.

Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the peso may depreciate or appreciate against the U.S. dollar, the euro or other foreign currencies. We cannot predict how these conditions will affect our capital expenditure program, the consumption of products we provide to local costumers or our ability to meet our liabilities denominated in currencies other than the peso. Furthermore, our ability to transfer funds abroad and our ability to pay dividends to shareholders located abroad may be jeopardized if high exchange rate volatility continues and exchange controls are increased in Argentina. Finally, we cannot predict whether the Argentine government will further modify its monetary, fiscal or exchange rate policy in the future.

***Government measures, as well as pressure from labor unions, could require private companies to implement salary increases or provide workers with additional benefits, all of which could increase our operating costs.***

In the past, the Argentine government has enacted laws and regulations requiring private companies to maintain certain wage levels and provide added benefits to their employees. Additionally, both public and private sector employers have been subject to strong pressure from the workforce and trade unions to grant salary increases and certain additional benefits.

Labor relations in Argentina are governed by specific legislation, such as Labor Law No. 20,744 and Collective Bargaining Law No. 14,250, which, among other things, dictate how salary and other labor negotiations are to be conducted. Every industrial or commercial activity in Argentina is regulated by a specific collective bargaining agreement, or CBA, that groups companies together according to industry sector and trade union. Although the process of negotiation is standardized, each chamber of industrial or commercial activity separately negotiates the increases of salaries and labor benefits with the relevant trade union covering such commercial or industrial activity. In the cement industry, salaries are established on an annual basis through negotiations between the chambers that represent the cement producers and the cement industry employees' trade union. The National Labor Ministry mediates between the parties and ultimately approves the annual salary increase to be applied in the cement industry. Parties are bound by the final decision once it is approved by the labor authority and must observe the established

salary increases for all employees that are represented by the cement union and to whom the collective bargaining agreement applies.

In addition, each company is entitled, regardless of union-negotiated mandatory salary increases, to give its employees additional merit increase or variable compensation scheme. Argentine employers, in both the public and private sectors, have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional benefits. In June 2017, the Ministry of Labor raised the minimum salary to Ps.10,000, effective in three tranches: Ps.8,860 as of July 2017, Ps.9,500 as of January 2018, Ps.10,000 as of July 2018, Ps. 10,700 as of September 2018 and Ps. 11,300 as of December 2018. The Argentine government has also approved additional increases of the minimum salary to Ps.12,500 as of March 2019, to Ps.14,125 as of August 2019, Ps.15,625 as of September 2019, and Ps. 16,875 as of October 2019 (all previous figures are nominal not adjusted per inflation). Due to high levels of inflation, both public and private sector employers are experiencing significant pressure from unions and their employees to further increase salaries. In 2015, the INDEC published the *Coefficiente de Variación Salarial* (Salary Variation Index), an index that shows the evolution of salaries. The Salaries Index showed an increase of approximately 33.0% and 27.3% in registered private sector salaries in 2016 and 2017, respectively, of 39.4% in 2018, and 44.3% in 2019. During this period, the average wages in the cement industry increased in line with the average of private sector salaries, according to the Argentine Ministry of Labor, Employment and Social Security. On January 2020, the Argentine government issued a decree imposing the payment of an extraordinary non-remuneratory bonus of Ps.4,000 to all workers in the private sector, payable in two installments in January 2020 and February 2020. This bonus and similar salary increases and additional payments could also have an effect on inflation, and, if, as a result of such measures salaries exceed local inflation and/or devaluation of the Argentine peso, whatever is higher, this could have a material and adverse effect on our costs and business, results of operations and financial condition. High inflation rates could continue to increase demand for wage increases. In the future, the Argentine government could take new measures requiring salary increases or additional benefits for workers, and the labor force and labor unions may apply pressure for such measures. Any such increase in wage or worker benefit could result in added costs and reduced results of operations for Argentine companies, including us. Such added costs could adversely affect our business, financial condition and result of operations.

By means of Decree No. 34/2019 issued on December 13, 2019, the Argentine Executive Branch duplicated the amount of the statutory severance payments payable to employees hired before December 13, 2019 and fired between December 13, 2019 and June 13, 2020.

On March 31, 2020, due to the COVID-19 pandemic, the Argentine government issued Decree No. 329/2020, which prohibits layoffs and dismissals due to *force majeure* or lack or decrease work during the next 60 days from the date of publication of the decree.

The Argentine Government may adopt new measures that determine salary increases or additional benefits for workers, and workers and their unions can pressure employers to comply with such measures. Any salary increase or additional benefit could result in an increase in costs and a decrease in the results of the operations of Argentine companies, including those of Loma Negra.

***Argentina's economy has undergone a significant slowdown, and any further decline in Argentina's rate of economic growth could adversely affect our business, financial condition and results of operations.***

After recovering from the 2001-2002 crisis, the pace of growth of Argentina's economy diminished, suggesting uncertainty as to whether the growth experienced between 2003 and 2011 was sustainable. Economic growth was initially fueled by a significant devaluation of the peso, the availability of excess production capacity resulting from a long period of deep recession and high commodity prices. In spite of the growth following the 2001-2002 crisis, the economy has suffered a sustained erosion of direct investment and capital investment. The global economic crisis of 2008 led to a sudden economic decline in Argentina during 2009, accompanied by inflationary pressures, depreciation of the peso and a drop-in consumer and investor confidence.

Economic conditions in Argentina from 2012 to 2015 included increased inflation, continued demand for wage increases, a rising fiscal deficit and limitations on Argentina's ability to service its restructured debt in accordance with its terms due to its ongoing litigation with holdout creditors. In addition, beginning in the second half of 2011, an increase in local demand for foreign currency caused the Argentine government to strengthen its foreign exchange controls. During 2013, 2014 and 2015, the government implemented price controls on certain goods and

services to curb inflation. Starting in December 2015, the Macri administration has maintained certain price controls over necessary goods, such as foods, cleaning products and toiletries. According to the revised calculation of the GDP published by the INDEC, Argentina's real GDP decreased by 2.1% in 2016 and increased by 2.7% in 2017. However, due to the foreign exchange crisis suffered during the first semester of 2018, and the measures adopted by the Argentine government to control such crisis, according to the INDEC, Argentina's real GDP decreased by 2.5% in 2018, while the decrease of GDP was 2.2% for 2019.

At the beginning of May 2018, following the rate increase in the United States and the taxation of financial income from foreign residents, until August 2018, the Argentine Peso depreciated 110.3% with respect to the U.S. Dollar. The Argentine Government reacted by consecutively raising interest rates from 27.25% to 60% annually.

As a way to alleviate the ensuing crisis, in June 2018, Argentina and the International Monetary Fund (IMF) agreed to a stand-by loan for US\$50.0 billion with duration of 36 months from the approval by the board of directors of the IMF (the "Stand-By Agreement"). The IMF requested the Argentine Government to implement the following measures: (i) reduce the primary deficit to 1.3% in 2019 and achieve the primary fiscal balance by 2020; and (ii) strengthen the autonomy of the BCRA. The reduction of the deficit implied a cut in public spending, reduction of energy and transportation subsidies, reduction of public works, transfers to the provinces, among other measures.

The IMF released the first part, of US\$15.0 billion, of the Stand-By Agreement. Due to the devaluation that occurred after the release, and in order to further stabilize the currency, the Argentine Government requested the IMF an additional release of the stand-by loan. On September 25, 2018, Luis Caputo, resigned from the BCRA presidency, being replaced on the same day by Guido Sandleris.

On September 26, 2018, Christine Lagarde, former president of the IMF, and Nicolas Dujovne, former finance minister of the Argentine Republic, announced the expansion of the stand-by loan by US\$7.1 billion to US\$57.1 billion, and advancing the delivery period to 2019. This implied, as explained by the former minister, that the delivery of US\$6.0 billion planned for 2018 increased to US\$13.4 billion, and from US\$11.4 billion to US\$22.8 billion in 2019.

In early September 2018, and for further control over inflation, the administration of the former president Mauricio Macri expanded price controls over necessary goods with the incorporation of 127 new products. Consequently, the price control program had over 550 products, with an average increase of only 3.1%. This agreement was valid until January 6, 2020 and included supermarkets, hypermarkets and wholesale stores.

On January 7, 2020, the national government of Alberto Fernández unveiled the 2020 price control program with the intention of fostering consumption and establishing reference prices for products with the highest consumption in households. The plan for 2020 had over 310 products and decreases of 8% on average. Our products are not included in the 2020 price control program.

Despite the measures adopted, we cannot assure you that the Argentine Government will successfully control inflation.

A decline in international demand for Argentine products, a lack of stability and competitiveness of the peso against other currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties, among other factors, may affect the development of the Argentine economy, which could lead to reduced demand for our services and adversely affect our business, financial condition and results of operations.

***The implementation of new exchange controls and restrictions on capital inflows and outflows could limit the availability of international credit and could threaten the financial system, adversely affecting the Argentine economy and, as a result, our business.***

From 2011 and until President Macri took office, the Argentine government increased controls on the sale of foreign currencies and the acquisition of foreign assets by residents, limiting the possibility of transferring funds abroad. Through a combination of foreign exchange and tax regulations, the Fernández de Kirchner administration significantly curtailed access to the MULC (single and free foreign exchange market) by individuals and private-sector entities. In addition, during the Fernández de Kirchner administration, the BCRA exercised a *de facto* prior approval

power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations, such as dividend payments or repayment of principal of intercompany loans as well as the import of goods, by means of regulating the amount of foreign currency available to companies to conduct such transactions. The number of exchange controls introduced in the past and in particular after 2011 during the Fernández de Kirchner administration gave rise to an unofficial U.S. dollar trading market, and the unofficial peso to U.S. dollar exchange rate in such market differed substantially from the official peso to U.S. dollar exchange rate. Due to the foreign exchange crisis generated in August 2019 and the continued reduction of the BCRA's foreign currency reserves, since September 1, 2019 the Argentine government imposed once again rigid exchange controls and transfer restrictions, substantially limiting the ability to obtain foreign currency or make certain payments or distributions out of Argentina See "Item 10.D Additional Information-Exchange Controls".

Notwithstanding the measures adopted by the Argentine government in the recent months, in the future the Argentine government could reinstate further exchange controls, transfer restrictions, restrictions on the free movement of capital, and may implement other measures in response to capital flight or a significant depreciation of the peso, which could limit our ability to access the international capital markets and impair our ability to make interest, principal or dividend payments abroad. Such measures could lead to renewed political and social tensions, and could undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth and, consequently, adversely affect our business and results of operations, and could impair our ability to make dividend payments to holders of the ADSs, which may adversely affect the market value of the ADSs. See "Additional Information-Exchange Controls".

**Argentina's current account and balance of payment imbalances could lead to a depreciation of the Argentine peso, and as a result, affect our results of operations, our capital expenditure program and our ability to service our foreign currency liabilities.**

Between 2007 and 2015, Fernández de Kirchner's administration significantly increased public spending. In the eleven-month period ended on November 30, 2015, the fiscal deficit increased by 363% annualized. During that period, the Fernández de Kirchner administration turned to the BCRA and the ANSES (*Administración Nacional de la Seguridad Social*) to finance part of the public administration. Inflation continues to be a challenge for Argentina given its persistent nature in recent years. The Macri Administration had announced its intention to reduce the primary fiscal deficit as a percentage of GDP over time and also reduce the government's dependence on BCRA financing. Given the difficulties of the Argentine public finances, the administration of former President Macri adopted several measures to finance their public spending, for example, the revision of subsidy policies (in particular those related to energy, electricity and gas, water and public transport) and the implementation of an expansive monetary policy. These measures resulted in a further increase in prices and, therefore, adversely affected, consumer purchasing power and the overall economic activity.

In August 2018, the government of former President Macri announced the following measures to reduce public expenditure:

- a) Decrease of subsidies. The decrease in public expenditures through the decrease of subsidies, reduction of public works and lower expenses in political structure;
- b) Further cuts for the Administration;
- c) Approval of new rates of export duties; and
- d) Reduction of employee contributions, in other words, the reduction of the non-taxable minimum of said contributions.

As for the measures announced by the government of President Alberto Fernandez, among them the implementation of Law No. 27,541 called "Law of Social Solidarity and Productive Reactivation in the Framework of Public Emergency", see "Risk Factors - Risks Relating to Argentina - Argentina's growth and stability may not be durable" and "Additional Information - Taxation".

According to INDEC, Argentina has a structural current account deficit that reached US\$3.5 billion by the end of 2019, and reached US\$27.3 billion in 2018, US\$31.2 billion in 2017, US\$15.1 billion in 2016, and US\$17.6

billion in 2015. The account deficit between 2015 and 2017 originates in the stagnation of exports of goods, which have only increased by 1.4%, taking into account the compounded average growth rate, CAGR, between 2015 and 2017; in contrast, imports of goods have been increasing at a much faster speed, reaching a CAGR of 5.8% in the same period.

The account deficit was financed in recent years with external debt issuances in the international debt markets by the Macri administration. According to BCRA statistics, net external debt issued and/or incurred by Argentina consisted of approximately US\$28.3 billion, US\$26.6 billion and US\$25.5 billion in 2018, 2017 and 2016, respectively. In addition, the settlement of the disputes over the 2001 defaulted debt crisis has allowed several provinces of Argentina and certain Argentine private companies to issue new debt securities in foreign markets. This has contributed to offset the current account deficit and has allowed the BCRA to accumulate international reserves of US\$10.7, US\$16.3 billion and US\$12.7 billion in 2018, 2017 and 2016, respectively.

Because foreign direct investment remains stagnant in Argentina, amounting to only US\$3.2 billion, US\$2.3 billion, US\$2.5 billion and US\$1.3 billion in 2018, 2017, 2016 and 2015, respectively, it may become impossible for Argentina and its provinces to meet their debts obligations in the future, since Argentina's foreign currency needs would severely overcome its foreign currency sources. If this level of uncertainty prevails on international investors, Argentina may suffer a "sudden stop" event, where investors stop lending money to Argentinean institutions. This, in turn, may result in large capital outflows that could not only force the Argentine government to default on its debt, but also generate a rapid and unanticipated depreciation of the Argentine peso, a hike in local interest rates and a probable banking system crisis if bank deposits are largely withdrawn following social unrest.

The events described above have already taken place in recent decades in Argentina, and although the actual administration intends to address the situation, as of the date of this annual report, the impact that the measures taken by the present administration will have on the Argentine economy as a whole cannot be predicted. As of the date of this report, the results of the measures already implemented and the Argentine government's measures related to the outbreak of COVID-19, are unknown. On February 12, 2020, the Minister of Economy, Martín Guzmán, stated that a reduction in the primary fiscal deficit in 2020 is neither realistic nor sustainable. Alberto Fernández's government measures aims to stabilize state accounts, but in principle they intend to maintain expansive policies that would mean initially even more increases in public spending. The economy minister said he would aim to reach fiscal balance by the end of the term of current president Alberto Fernández in 2023.

The failure to reduce fiscal deficits could increase the level of uncertainty regarding the macroeconomic conditions in Argentina. In particular, it could lead to an increase in the inflation index, devaluation of the Argentine peso with respect to foreign currencies and a subsequent crisis in the balance of payments, greater local vulnerability to the international credit crisis or geopolitical shocks, rising rates of interest, erratic monetary policies, reduction in real wages and, as a consequence, in private consumption and reduction in growth rates. This level of uncertainty, over which we have no control, can affect our financial condition or the results of operations.

If a balance of payments crisis were to occur, a large depreciation of the Argentine peso against the U.S. dollar could adversely affect our ability to meet our foreign currency obligations. Furthermore, the negative effect such a crisis could have on the growth rates of the Argentine economy and its consumption patterns could have a material adverse effect on our business, financial condition and result of operations.

***The Argentine government's ability to obtain financing from international markets may be limited, which may negatively impact our financial condition and our ability to grow.***

The Argentine government's ability to obtain financing from international markets has been limited:

- The Argentina's sovereign default in 2001 limited Argentina's ability to access to international financing. Through exchange offers conducted between 2005 and 2010, Argentina restructured over 92% of the sovereign defaulted debt. However, holdout holders that declined to participate in the restructuring commenced litigation against Argentina. The Argentine government settled US\$9.2 billion outstanding principal amount of the untendered debt held by some of these holdout holders in April 2016 with the proceeds from a US\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds. Although the size of the outstanding claims has decreased significantly, as of the date of this report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in

several jurisdictions. However, after the settlement with the holdouts and offering Argentina regained access to the international capital markets.

- Additionally, foreign shareholders of several Argentine companies, including those of our controlling shareholder, have filed claims before the International Center for Settlement of Investment Disputes or the ICSID alleging that the emergency measures adopted by the Argentine government since the crisis in 2001 and 2002 differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. The ICSID has ruled against Argentina with respect to many of these claims.
- In July 2017, in a split decision, an ICSID tribunal ruled that Argentina had breached the terms of a bilateral investment treaty with Spain, alleging the unlawful expropriation by the Federal Government of Aerolíneas Argentinas and affiliates (including Optar, Jet Pad, Austral, among others). The ICSID tribunal has fined Argentina for an approximate amount of US\$328.8 million, awarding plaintiffs about 20% of the US\$1.6 billion they had initially claimed.

Future access to debt and equity financings in international markets may be limited as litigation with holdout bondholders as well as ICSID and other claims against the Argentine government continues, which in turn could limit economic growth, adversely affecting our business, results of operations and financial condition.

In late May 2018, the Macri administration requested the IMF financial support to help strengthen the Argentine economy in light of the financial market turbulence suffered in early 2018. In June 2018, Argentina and the IMF reached an agreement on an economic plan that could be supported by IMF financing in the form of a Stand-By Agreement for US\$50 billion, and on June 20, 2018, the IMF's Executive Board approved such plan and the consequent three-year Stand-By Agreement. On September 2018 the Argentine government negotiated an extension to the Stand-By Agreement from US\$50 billion to US\$57.1 billion. As of December 2019, the IMF disbursed an aggregate of US\$44.70 billion and as of the date of this annual report there were additional disbursements pending for a total of US\$12.40 billion.

The purpose of the Stand-By Agreement was to support the Argentine government's economic priorities, which include strengthening the Argentine economy and protecting the living standards of the Argentine citizens. The Fernández administration announced that would not request the disbursements of the pending amounts under the Stand-By Agreement and is negotiating the extension of the repayment terms that mature in 2021 and 2022.

As of the date of this annual report, we cannot guarantee that the Argentine government and the IMF will reach an agreement on the restructuring of the Stand-By Agreement, nor are we able to predict the future consequences for the Argentine economy in general or our business in particular if such agreement fails.

Pursuant to a report issued by the Ministry of Economy of the Argentine government, as of December 2019, Argentina's foreign debt amounted to US\$311.25 billion, which represented 91.6% of Argentina's GDP. In 2020 the Argentine government must make payments of about US\$52 billion on sovereign debt in U.S. dollar and Argentine pesos, including about US\$37 billion in foreign sovereign; and in 2021 the Argentine government must make payments of about US\$37.1 billion on sovereign debt in U.S. dollars and Argentine pesos.

In addition, in January 26, 2020 the Province of Buenos Aires, the largest estate in Argentina, also had a maturity of provincial sovereign debt for US\$277 million in principal amount and interests that, after the failure of the negotiations for an extension, cancelled within the curing period in February 5, 2020. The Province of Buenos Aires has additional payments under its sovereign debt for US\$110 million maturing in May 2020 and US\$750 million maturing in June 2020. The Province will seek to restructure its sovereign debt in U.S. dollars simultaneously with the restructuring of the Argentine sovereign debt.

Because the Argentine government is facing maturities of sovereign debt in U.S. dollars and Argentine pesos for about US\$11 billion during the first quarter of 2020 and US\$26 billion during the second quarter of 2020, the Argentine Executive Power proposed a restructuring deadline of March 31, 2020. The sovereign debt maturing has collective action clauses pursuant to which the restructuring of their maturities requires the consent of holders holding at least 75% of the aggregate principal amount of each of the bonds. It has been reported the existence of holders' committees holding blocking positions in some or all of the bonds to be restructured.

On February 13, 2020 the Argentine government had a maturity of principal and interest under the US\$1.637 Million Dual Currency AF Bonds due 2020. During February the Argentine government launched an offer for the exchange of the AF20 Bonds by new Argentine Pesos Bonds due 2021, but only about 10% in principal amount of the AF20 Bonds were tendered. However, the Argentine government launched the placement of another Argentine Peso Bond due 2021 seeking to apply their proceeds to the cancellation of the remaining outstanding principal amount of the AF20 Bonds, but the placement was cancelled due to the lack of offers. Then the Argentine government issued Decree No. 141/2020 pursuant to which postponed the payment of principal and suspended the accrual of interest under the AF20 Bonds until September 30, 2020.

Due to these payment obligations and the lack of the Argentine government's access to additional international or multilateral private financing, as of the date of this report, the country risk index published by JP Morgan amounted to 4955 basis points, which represents a high uncertainty on the ability of the Argentine government to make the payments due under its sovereign debt in the short and medium term.

On February 12, 2020, the Argentine Congress enacted the Law No. 27,544 for the Restoration of the Sustainability of the Public Debt issued under Foreign Law which granted the Ministry of Economy the powers to restructure the Argentine government external public debt. On March 9, 2020, the Executive Branch issued decree No. 250/2020 that authorizes the Ministry of Economy to restructure debt for US\$68,842 million.

Following Law No. 27,544, on March 10, 2020, Decree No. 250/2020 issued by the Argentine Executive was published in the Official Gazette. Such decree defined the universe of bonds subject to restructuring and provided that the nominal value of USD 68,842,528,826 or its equivalent in other currencies is the maximum amount of the operations of liability management and/or exchanges and/or restructurings of the Argentine public bonds issued under foreign law existing as of February 12, 2020 detailed in the annex of said decree. However, due to the COVID-19 pandemic, the timeline initially published by the Ministry of Economy for the restructuring of the public external debt which provided, among other steps, the launch of the offer to exchange bonds governed by foreign law, has been postponed.

On April 6, 2020, Decree No. 346/2020 ("Decree 346") issued by the Argentine Executive was published in the Official Gazette, setting forth: i) the deferral of interest payments and amortizations of principal, of the national public debt instrumented by bonds denominated in United States Dollars (USD) issued under the Argentine law, until December 31, 2020, or until any previous date to be determined by the Ministry of Economy, considering the level of progress and execution of the process for the restoration of the sustainability of the public debt; ii) that the Ministry of Economy is authorized to carry out the transactions of liability management and/or exchanges and/or restructurings of the instruments which payments are being deferred as provided by this decree, with the purpose of recovering and ensuring the sustainability of the public debt, which must be compatible with the recovering of the productive economy and with the improvement of the basic social indexes, in accordance with the provisions of Subsection a), Section 2 of the Solidarity Law within the framework of the Argentine public emergency; and iii) that the Ministry of Economy will issue the clarifying and complementary regulations necessary to implement the provisions set forth in Decree 346.

Furthermore, by means of Section 2 of Decree 346, certain intra-public sector public debt instruments issued under Argentine law and denominated in USD, were excluded from the deferral of payments. Decree 346 also provided that the payments under certain public debt instruments (mainly instruments held by the Argentine Central Bank and the *Fondo de Garantía de Sustentabilidad*, or the FGS) will be replaced, at their date of maturity, by new public debt instruments which conditions will be defined by the Secretariat of Finance and the Secretariat of Treasury, both within the scope of the Ministry of Economy.

On April 16, 2020, the Argentine government announced an exchange offer with respect to outstanding debt securities issued by the Republic of Argentina in the international capital markets. Investors were asked to accept a 62% decrease in interest payments, which would represent savings of approximately U.S.\$37.8 billion for the Argentina government, and a 5.4% reduction (or U.S.\$3.6 billion) in the face value of the foreign debt securities. The Argentine government also proposed a grace period of three years (through 2023) with respect to payments of interest.

On April 21, 2020, Decree No. 391/2020, as amended, was published in the Official Gazette providing the restructuring of USD and EUR denominated bonds issued under foreign law and invites to exchange them for new bonds establishing the maximum amount of issuance for the aggregate series denominated in: i) US\$ shall not be superior to nominal value US\$ 44,500,000,000; and ii) EUR could not be superior to nominal value EUR 17,600,000,000. The prospectus for the exchange offer was already filed within the SEC and the bondholders will have until May 8, 2020, to accept the offer.

Also, the Economy Ministry has confirmed that Argentina did not make fulfill US\$500 million in debt repayments on three foreign bonds due on April 22, 2020, starting a 30-day countdown to a possible default. That could only be avoided should the government and bondholders reach a deal on restructuring Argentina's foreign debt.

If the Argentine government does not restructure the sovereign bonds with the required majority of holders (at least 75% in principal amount) Argentina may default on the sovereign debt again. In such event, Argentina's ability to obtain international or multilateral private financing or direct foreign investment may be limited, which may in turn impair its ability to implement reforms and public policies to foster economic growth, impair the ability of private sector entities to access the international capital markets or make the terms of such financing much less favorable than those accessible by companies in other countries in the region and may accelerate the depreciation of the Argentine peso, foster inflation and deepen the economic crisis and recession. In addition, Argentina may face again litigation from sovereign debt holdout holders.



Lack of access to international or domestic financial markets could affect the projected capital expenditures for our operations in Argentina, which, in turn, may have an adverse effect on our financial condition or the results of our operations.

**Government intervention may adversely affect Argentine economy, Argentine companies and, as a result, our business and results of operations.**

During recent years, the federal government has exercised substantial control over the Argentine economy. The two administrations of President Fernández de Kirchner, who governed from 2007 through December 9, 2015, increased state intervention in the Argentine economy, including through expropriation and nationalization measures, price controls and pervasive exchange controls.

In 2008, the Fernández de Kirchner administration absorbed and replaced the former private pension system for a public “pay-as-you-go” pension system. As a result, all resources managed by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund (*Fondo de Garantía de Sustentabilidad*), or the FGS, to be administered by the National Social Security Administration (*Administración Nacional de la Seguridad Social*), or the ANSES. The dissolution of the private pension funds and the transfer of their financial assets to the FGS have had important repercussions on the financing of private sector companies. Debt and equity instruments that previously could be placed with pension fund administrators are now entirely subject to the discretion of the ANSES. Since acquiring equity interests in privately owned companies, through the process of replacing the pension system, the ANSES is entitled to designate representatives of the Argentine government to the boards of directors of those entities. Pursuant to Decree No. 1,278/12, issued by the executive branch on July 25, 2012, the ANSES’s representatives must report directly to the Ministry of Economy and are subject to a mandatory information-sharing regime, under which, among other obligations, the representatives must immediately inform the Ministry of Economy of the agenda for each board of directors’ meeting and provide related documentation.

In April 2012, the Fernández de Kirchner administration decreed the removal of directors and senior officers of YPF S.A., or YPF, the country’s largest oil and gas company, which was controlled by the Spanish group Repsol, and submitted a bill to the Argentine Congress to expropriate shares held by Repsol representing 51% of the shares of YPF. The Argentine Congress approved the bill in May 2012 through the passage of Law No. 26,741, which declared the production, industrialization, transportation and marketing of hydrocarbons to be activities of public interest and fundamental policies of Argentina and empowered the Argentine government to adopt any measures necessary to achieve self-sufficiency in hydrocarbon supply. In February 2014, the Argentine government and Repsol announced that they had reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totaled approximately US\$5.0 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which the Argentine government ratified pursuant to Law No. 26,932, settled the claim filed by Repsol with the ICSID.

On September 28, 2014, Law No. 26,991 (“Supply Law”) came into effect. The Supply Law covers the economic process related to goods, facilities and services that directly or indirectly satisfy the basic or essential needs of the population. The Supply Law also grants broad delegations of powers on its enforcement authority. Moreover, the Supply Law provides that in a situation of shortage or scarcity of goods or services which satisfy basic or essential needs destined to the general welfare of the population, the governmental authorities may order their sale, production, distribution and delivery throughout the territory of the Argentine nation.

In February 2015, the Fernández de Kirchner administration filed a bill to the Argentine Congress in order to revoke certain train concession and nationalize the train services. The bill also provides powers to examine concessions actually in course. This bill was passed by the National Congress on May 20, 2015 as Law No. 27,132.

Moreover, on September 23, 2015 the Argentine Congress passed Law No. 27,181 that deems as public interest the protection of the company shares owned by the Argentine Government as part of the Sustainability Guaranty Fund of the Argentine Integrated Social Security System and the company shares in which the Argentine Government is a minority partner, prohibiting its transfer or any action that may limit, alter, eliminates or modifies its destiny, domain or nature, or its outcome, without the previous authorization of two thirds of the members of the Argentine Congress except for the shares that the National Government owns in YPF S.A. This law also created the National Agency of share capital owned by the Argentine state as decentralized body in the orbit of the executive branch whose main activities are the implementation of policies to exercise the rights attached to the underlying shares. On July 22, 2016, Law No. 27,260 was passed by the Argentine Congress that repeals parts of the Law No. 27,181 and authorized the sale of shares owns by the Sustainability Guaranty Fund of the Argentine Integrated Social Security System when the sales are done in order to pay amounts due under the Argentine Integrated Social Security System.

As for our activities, in the 2008-2015 period, the former Secretariat of Interior Commerce, Guillermo Moreno, agreed with the most important cement manufacturers, including us, to limit to 8% the price increase of cement, in order to limit the price increase of the inputs that are used to build.

Since taking office in December 2019, the newly elected Fernández Administration also announced the following measures that increased the government intervention: i) the Solidarity Law published on December 23, 2019; ii) the Price Control Program announced on January 7, 2020; iii) the Law of Sustainability of Public Debt under Foreign Law, published on February 13, 2020; and iv) the Supermarkets' Shelf Law published on March 17, 2020. As of the date of this report it is not possible to predict whether the current administration will promote actions related to price controls of products elaborated by us. In case it does, we cannot predict how these measures will affect our results of operations.

Expropriations and other interventions by the Argentine government similar to those described above can have an adverse impact on the level of foreign investment in Argentina, the access of Argentine companies to the international capital markets and Argentina's commercial and diplomatic relations with other countries and, consequently, could adversely affect our business, financial condition and results of operations.

***The Argentine economy could be adversely affected by economic developments in other markets and by more general "contagion" effects.***

Weak, flat or negative economic growth in any of Argentina's major trading partners, such as Brazil, could adversely affect Argentina's balance of payments and, consequently, economic growth.

The Argentine economy may also be affected by conditions in developed economies, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles and over short-term evolution of commodity prices. If interest rates increase significantly in developed economies, including the United States, Argentina and its developing economy trading partners, such as Brazil, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth from Argentina's trading partners could have a material adverse effect on the markets for Argentina's exports and, in turn, adversely affect economic growth. Any of these potential risks to the Argentine economy could have a material adverse effect on our business, financial condition and result of operations.

The economy of Brazil, Argentina's largest export market and the principal source of imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from ongoing political crisis. After the economic crisis of 2015 and 2016, the Brazilian economy is slowly recovering. The real growth per capita has fallen 8% since the recession started, and the poverty and inequality are growing. Even though the unemployment rate has fallen this year, it is still high in comparison with the rate before the crisis. On January 1, 2019, Jair Bolsonaro assumed office as a neoliberal and conservative politician. The Brazil economy is showing slow signs of recuperation sustained principally by higher consumption, low interest rates, controlled inflation and the expansion of credit operations. Nevertheless, Brazil faces serious obstacles such as the high unemployment rate and the ongoing political crisis. While

the impact of Brazil's downturn on Argentina cannot be predicted, we cannot exclude the possibility that the Brazilian political and economic crisis could have a further negative impact on the Argentine economy.

In a referendum on membership of the European Union held on June 23, 2016, the United Kingdom voted in favor of the British government taking the necessary action for the U.K. to leave the European Union (commonly known as "Brexit"). On January 31, 2020, the U.K. left the European Union. There are still 11 months of transition that the parties will take to negotiate their future relationship. Even though it is expected that London will not continue to be the financial center of Europe, being probably replaced by Germany, we cannot predict the concrete impact that these circumstances will have for the European Union or which are the terms that the parties will agree on. As a consequence of the Brexit, the economic conditions in general and of the financial and capital market in particular of the European Union may be adversely affected, all of which may cause instability in the rest of the global financial markets, such as Argentina. Any of these effects or other that we cannot predict, may have a negative impact on our business, results of operations and financial condition.

Since Donald J. Trump took office in January 2017, the policies implemented by the Trump administration have tended to impose greater restrictions on free trade generally and immigration. Since Trump took office the unemployment rate of the U.S. has fallen to 3.5%, the lowest level in half a century, and the economy created approximately 266,000 in November 2019, according to the U.S. Department of Labor. On November 3, 2020, political elections will take place in the U.S. As of the date of this report, it is still unknown who the main candidate will be. Changes in social, political, regulatory and economic conditions in the United States, or in laws and policies governing foreign trade, could create uncertainty in the international markets and could have a negative impact on emerging market economies, including the Argentine economy, which in turn could have a negative impact on our business, results of operations and financial condition.

On February 5, 2018, Jerome H. Powell took office as the chair of the Federal Reserve of U.S., succeeding Janet L. Yellen. Mr. Powell has expressed its intention to continue with the policies of the Federal Reserve to gradually rise the interest rates as the economic conditions of the U.S. improve. In case that the U.S. economy improves, the recent tax reform that reduced the income tax rate may cause an overheat in the U.S. economy and that the Federal Reserve becomes more aggressive as to the rise of the interest rates. The Trump administration has recently passed tariffs on certain products that alter the international commerce, that with the rise of the interest rate, has created an additional volatility in the U.S. and internationally.

Finally, the ongoing COVID-19 pandemic has negatively impacted global economy, disrupted financial markets and international trade, resulted in increased unemployment levels and significantly impacted global supply chains, all of which has had an adverse impact in Argentina's economy and may negatively materially impact our industry and our business. See "The measures taken or to be implemented by the Argentine government in response to the COVID-19 pandemic have had and will likely continue to have an adverse effect on our business and operations" and "Public health threats or outbreaks of communicable diseases, including the COVID-19, have had and will likely continue to have an adverse effect on our operations and financial results".

***The Argentine banking system may be subject to instability, which may affect our operations.***

The Argentine banking system has experienced several crises in the past, and even collapsed in 2001 and 2002. However, in more recent years, the Argentine banking system has shown a recovery in credit activity, driven by increases in loans and deposits. However, most of the deposit growth is in short-term deposits and the sources of medium- and long-term funding for financial institutions are currently limited. As of December 2018, deposits in pesos to the private sector increased 42.4% over the prior year and loans in pesos to the private sector increased 19.0%. In particular, mortgage loans experienced a high growth rate in 2017, rising at an annual rate of 106% year over year and 71.5% in 2018; also expanding rapidly were consumer loans, which increased 60% year over year, according to BCRA. The average interest rate for fixed-term deposits of more than Ps.1,000,000 with maturities between 30 and 35 days paid by private banks in Argentina, as published by the BCRA, averaged 20.6% during 2017, 34.3% in 2018 and 48.8% in 2019. Despite improvements in stability, we cannot be certain that another banking system crisis will not occur in the future.

Financial institutions are particularly subject to significant regulation from multiple Regulatory Authorities, all of whom may, among other things, establish limits on commissions and impose sanctions on the financial

institutions. The lack of a stable regulatory framework could impose significant limitations on the activities of the financial institutions and could induce uncertainty with respect to the financial system stability.

A new crisis or the consequent instability of one or more of the larger banks, public or private, could have a material adverse effect on the prospects for economic growth and political stability in Argentina, resulting in a loss of consumer confidence, lower disposable income and fewer financing alternatives for consumers. These conditions would have a material adverse effect on us by resulting in lower sales of products and the possibility of a higher level of uncollectible accounts or increase the credit risk of the counterparties regarding our investments in local financial institutions.

Exchange controls and restrictions on transfers abroad and capital inflows have limited, and could continue limiting, the availability of international credit. The continued limitation of international credit could have a material adverse impact on our financial condition, results of operations and cash flows.

***Current investigations with respect to the involvement of politicians and several construction companies in the so-called Notebooks Investigation ("Escándalo de los Cuadernos"), may have a material adverse effect on construction activity and on the trading price of our ordinary shares and ADSs.***

As of the date of this annual report, the Office of the Argentine Federal Prosecutor is conducting several investigations, which are ongoing, into allegations of money laundering and bribery of public officials. The largest of these investigations relates to *Los Cuadernos de las Coimas*, or the Notebooks Investigation. This investigation relates to notebooks kept by a driver who worked for public officials during the Kirchner Administration. The notebooks allegedly document a widespread corruption scheme involving illegal cash payments by businessmen to government officials in order to win government contracts.

As a result of these investigations, several businessmen (including construction company executives) and former public officials have been detained and prosecuted, including the former president of Argentina (and current vice president), Mrs. Cristina Fernández de Kirchner, who was prosecuted for illicit association.

On September 2019, judge Bonadio, who had been in charge of the Notebook Investigation, decided that a part of the case shall move on to an oral trial, including more than 50 defendants, former public officers and company's officers, and another part would continue under investigation. As judge Bonadio passed away early this year, the criminal investigation will be now in charge of judge Marcelo Martínez De Giorgi. The part of the case that was sent to trial will be in charge of the Federal Oral Court no. 7.

Considering the change of government, the measures to be taken in corruption enforcement are unclear and we are not able to foresee if these changes would affect ongoing investigations such as the Notebooks Investigation. Moreover, the Notebooks Investigation and other subsequent investigations may affect: (i) the access of construction companies to local and international financing; and (ii) awards of public works contracts to several construction companies. We cannot predict what impact these investigations might have or what other measures may be adopted by the courts, the current administration or any future administration, each of which could adversely affect our business, financial condition and the results of our operations.

***The measures taken or to be implemented by the Argentine government in response to the COVID-19 pandemic have had and will likely continue to have an adverse effect on our business and operations.***

On March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. This pandemic, as well as the reality or fear of any other adverse public health developments, is having and will likely continue to have a negative and material effect on, among other things, our manufacturing and supply chain operations, including due to the reduction or closure of our production units and the interruption of the supply of raw materials. The local, national and international response to the pandemic continues to rapidly evolve. Responses have included voluntary and, in some cases, mandatory quarantines as well as shutdowns and other restrictions on travel and commercial, social and other activities. These and other responses have disrupted our transportation and logistics services. In the event the number of infected patients increases, or any sort of quarantine or shutdown prevails in the markets in which we operate, our financial condition and results of operations will be affected.

The Argentine government has taken several measures to address the COVID-19 pandemic outbreak. On March 18, 2020, through Decree No. 287/2020 ("Decree 287") and Administrative Decision No. 409/2020, the Executive Branch introduced amendments to Decree No. 260/2020 ("Decree 260"), which extended the public health emergency established by Law No. 27,541, following the pandemic declared by the World Health Organization in relation to the COVID-19 and its increasing spread in Argentina. Decree 287 authorized the direct contracting of goods, services and equipment necessary to attend to the public health emergency for jurisdictions and entities that comprise the Argentine Public Sector pursuant article 8, paragraphs a) and b) of Law No. 24,156. During the term of the public health emergency, such entities and jurisdictions would not be subject to the Federal Public Administration Procurement Framework approved by Decree No. 1,023/2001 ("Decree 1023") or other specific procurement regimes, which provides public bidding as a rule. This measure reinforced and expanded the powers conferred by the Solidarity Law and the original text of Decree 260 to the Federal Ministry of Health, with the same scope and effects, to proceed with the direct contracting of goods, services or equipment necessary to deal with the public health emergency.

Subsequently, on March 19, 2020, through Disposition No. 48/2020, a complementary procedure was approved to speed up the practical implementation of the Emergency Procurement Framework and to facilitate the management of all stakeholders involved in such procedure.

On March 20, 2020, the Decree No. 297/2020 ("Decree 297") was published in the Official Gazette by which the President of the Republic of Argentina implemented a social, preventive and mandatory isolation regime in Argentina, from March 20, 2020 until March 31, 2020, prohibiting the circulation of people on routes, roads and public spaces (the "Mandatory Isolation Regime"). By means of Decree No. 325/2020, such Mandatory Isolation Regime was extended until April 12, 2020. Later on, by means of Decree No. 355/2020 the Mandatory Isolation Regime was extended until April 26, 2020.

Pursuant to Decree 297, individuals must remain in their habitual residence or in the residence where they were at 00:00 hours on March 20, 2020. They must refrain from going to their workplaces and may not travel along routes, roads or public spaces, all with the aim of preventing the circulation and spread of the COVID-19 virus and the consequent effect on public health and other derived subjective rights, such as the life and physical integrity of persons. Those who are complying with the isolation ordered by the Decree 297 may only make minimal and indispensable displacements to stock up on cleaning supplies, medicines and food. During the period of "social, preventive and mandatory isolation", no cultural, recreational, sports, religious or any other type of event involving the participation of people may be held. The opening of business premises, shopping centers, wholesale and retail establishments, and any other place requiring the presence of persons is also suspended.

The violation of the Mandatory Isolation Regime, or of any other regulations provided in order to maintain the framework of the health emergency, the offending conduct shall be immediately ceased and action shall be taken by the competent authority, within the framework of Sections 205, 239 and concordant of the Argentine Criminal Code, for the possible commission of crimes against public health, disobedience and/or resistance to authority.

According to Section 6 of Decree 297 businesses and individuals within the activities and services declared essential in the emergency are exempt from compliance with the Mandatory Isolation Regime if their circulation on routes, roads and public spaces is restricted to the compliance with those essential activities and services. The Chief of Cabinet of Ministers may extend or reduce the exceptions provided. The construction of public works, the transportation of goods, and urban hazardous, dangerous and pathogenic waste treatment activities were included as essential services in section 6 of Decree 297, therefore a marginal operational activity in some of our cement facilities, in Ferrosur Roca and in Recycomb remained active in order to supply this potential demand.

Pursuant to Decree 297, employers must guarantee the hygiene and safety conditions established by the Ministry of Health to preserve the health of their employees. Furthermore, during the Mandatory Isolation Regime all employees in the private sector shall be entitled to the full enjoyment of their normal income, under the terms to be established by the regulations of the Ministry of Labor, Employment and Social Security.

Furthermore, by means of Decree No. 329, published in the Official Gazette on March 31, 2020, the National Executive Branch prohibited for a period of 60 days from the date of its publication: (i) employment terminations without cause; (ii) employment terminations and/or suspensions for lack of workload; (iii) employment terminations and/or suspensions due to reduced workload; and/or (iv) employment terminations and/or suspensions for *force majeure*. Suspensions pursuant to Section 223 bis of the Employment Contract Law are exempt from this prohibition.

On April 3, 2020, Administrative Decision No. 450/2020 (the "Decision") was published in the Official Gazette, expanding the list of activities and services declared essential during the health emergency, including the sale

of building supplies and materials provided by building materials depots, and activities related to production, distribution and commercialization of forestry and mining.

On April 6, 2020, Resolution No. 135/2020 of the Ministry of Labor of the Province of Buenos Aires (the "Resolution") was published in the Official Gazette of said Province, which establishes that employers must prepare and implement, within two working days, a Protocol on Health and Safety in the Workplace within the framework of the health emergency. The Resolution states that the Protocol must comply with the provisions in force and with the special needs of the activity developed by the company and/or the tasks performed by the workers in each of the employer's premises and/or workplaces, such as, (a) social distancing, (b) frequent hand washing with soap and water, (c) provision of hand sanitizer when handling things because of or in the occasion of work, (d) ventilation of the workplace and/or the disinfection of frequently used objects and work tools, and (e) display at least one Protocol per establishment, in prominent places that allow easy viewing by all workers. The Protocol must be communicated within a 24-hour term to the Joint Health and Safety Committee at Work, or to the trade union representing the workers in the establishment. The penalty for non-compliance is up to 2,000% of the minimum wage for each affected employee may be imposed on employers. Additionally, inspectors may adopt measures of immediate application in the event of serious and/or imminent danger to the health or safety of the worker, including the suspension of work.

Moreover, on April 11, 2020, Decree No. 355/2020 and decision 490/2020 of the Chief of Cabinet of Ministers included the following activities and services as essential and therefore allowed under the current lockdown: (i) auto-repair shops, tire manufacturing and auto parts manufacturers, (ii) short outings for people with disabilities, (iii) banks, and (iv) stationery shops (only home delivery).

#### **Risks Relating to Our Indirect Controlling Shareholder**

***Adverse events affecting affiliates of our indirect controlling shareholder, Mover Participações S.A., including with respect to the involvement by a subsidiary of Mover Participações S.A. in the so-called Operation Car Wash investigation in Brazil ("Operação Lava Jato"), may have a material adverse effect on our reputation and on the trading price of our ordinary shares and ADSS.***

Construções e Comércio Camargo Corrêa S.A., or CCCC, a construction and engineering subsidiary of Mover Participações S.A. (formerly named Camargo Corrêa S.A.) and certain of its former senior management and employees have been the subjects of a Brazilian Federal Police investigation referred to as Operation Car Wash, which is an investigation into widespread allegations of corruption, including the Brazilian federal government controlled national oil company Petróleo Brasileiro S.A.-Petrobras, where certain of its employees accepted bribes from a number of construction companies, including CCCC.

In connection with the Operation Car Wash investigation and comprehensive internal investigations undertaken by CCCC with the assistance of external experts, CCCC and certain of its former senior management and employees entered into leniency and plea bargain agreements with the Brazilian authorities pursuant to which they admitted to violations of Brazilian antitrust and anti-corruption laws and agreed to pay compensation totaling more than 1,400 million Brazilian Reals, which included fines and other indemnification, and committed to continue to cooperate with Brazilian authorities. In addition, CCCC continues to conduct internal investigations on an ongoing basis regarding its anti-corruption compliance.

The news of Operation Car Wash also had repercussions in other Latin America countries where CCCC operates besides Brazil, including Peru, Argentina and Venezuela. According to certain media reports, government investigations are underway in those countries for alleged acts of corruption involving Brazilian construction companies. CCCC's management has conducted internal investigations with the help of external experts and to-date has not identified evidence of any wrongdoing performed by CCCC in these countries.

Any additional violations of anti-corruption and/or antitrust laws involving CCCC may result in additional fines and/or indemnification obligations. In addition, any additional adverse events or developments could have a material adverse impact on CCCC and the Mover investment portfolio, which may subject us to reputational damage and could materially adversely affect the trading price of our ordinary shares and ADSS. Moreover, although we have been informed by Mover Participações and its counsels that CCCC should be solely liable for any violations by CCCC

of antitrust and/or anti-corruption laws, no assurances can be given that affiliates of CCCC will not also be found to be liable for any such violations of law.

**Risks Relating to Our Business and Industry**

***The cyclical nature of the cement industry may lead to decreases in our revenues and profit margin.***

The cement industry is cyclical and sensitive to changes in supply and demand that are, in turn, affected by political and economic conditions in Argentina, Paraguay and elsewhere. This cyclical nature may decrease our profit margin. In particular:

- downturns in general business and economic activity may cause demand for our products to decline;
- when demand falls, we may be under competitive pressure to lower our prices; and
- if we decide to expand our plants or construct new plants, we may do so based on an estimate of future demand that may never materialize or may materialize at levels lower than we predicted.

The prices we are able to obtain for cement depend in large part on prevailing market prices. Cement is subject to price fluctuations resulting from production capacity, inventories, the availability of substitutes and other factors relating to the market such as the level of activity in residential construction markets, and, in some cases, government intervention. If the price of cement were to decline significantly from current levels, it could have a material adverse effect on us and our profit margin.

***We are subject to the possible entry of domestic or international competitors into our market, which could decrease our market share and profitability.***

The cement market in Argentina is competitive and is currently served by four principal groups which together supply substantially all of the cement consumed in the country. In the cement industry, the location of a production plant tends to limit the market that a plant can serve because transportation costs are high, reducing profit margins. Historically, we have been the clear leader in Argentina and the only player with a relevant presence across all regions in the country. However, competition could intensify if other players decide to try to enter our market.

We may face increased competition if the other Argentine cement manufacturers, despite incremental freight costs, decide to increase their existing capabilities (whether greenfield or brownfield) in the manufacturing and/or distribution ends of the cement market. Certain of our local competitors are executing investments to expand their production capacity levels in Argentina. According to available public information, Molcim Argentina S.A. is expanding the "Malagueño" plant, located in the province of Córdoba, by 0.73 million tons. In the case of Avellaneda S.A., a similar expansion capacity of 0.7 million tons is underway in the "El Gigante" plant in the province of San Luis.

We also face the possibility of competition in Argentina from the entry into our market of imported clinker, cement or other materials (such as slag) or products from foreign manufacturers, which may have significantly greater financial resources than us, particularly as production capacity continues to exceed depressed demand in other parts of the world and transportation costs decrease.

We face competition in our cement business in Paraguay by Industria Nacional de Cementos, or INC, a Paraguayan state-owned company, which is the largest producer and supplier and the historical market leader in the cement business in Paraguay, with a historical market share of around 47%. We are the second largest producer of cement in Paraguay with a market share of approximately 44%. We may also face additional competition in Paraguay either from imports or from incremental local production capacity.

We may not be able to maintain our market share if we cannot match our competitors' prices or keep pace with the development of new products. If any of these events were to occur, our business, financial condition and results of operations could be adversely affected.

***Demand for our cement products is highly related to residential and commercial construction in Argentina and Paraguay and is dependent upon public infrastructure developments, which, in turn, is affected by economic conditions in those countries.***

Cement consumption is highly correlated to construction levels. Demand for our cement products depends, in large part, on residential and commercial construction and infrastructure developments. Residential and commercial construction, in turn, is highly correlated to prevailing economic conditions in the country. An eventual decline in economic conditions would reduce household disposable income, cause a reduction in residential construction and potentially delay infrastructure projects, leading to a decrease in demand for cement. As a result, a deterioration in the economic conditions would have a material adverse effect on our financial performance. We cannot assure you that growth in Argentina's GDP will rebound, or growth in Argentina's and Paraguay's GDP, or the contribution to GDP growth attributable to the construction and infrastructure sectors, will continue at the recent pace or at all.

***A reduction in private or public construction projects in Argentina and/or Paraguay could have an adverse effect on our business, financial condition and results of operations.***

Significant interruptions or delays in, or the termination of, private or public construction projects may adversely affect our business, financial condition and results of operations. Private and public construction levels in our market depend on investments in the region which, in turn, are affected by economic conditions.

We cannot assure you that the Argentine and/or Paraguayan governments will execute the infrastructure plans as communicated. A reduction in public infrastructure spending in the markets in which we operate or delay in the execution of these projects could have an adverse effect on the general growth of the economy and, therefore, could adversely affect our business, financial condition and results of operations.

***Volatility and uncertainty in fuel prices and availability may affect our operating costs and competitive position, which could materially and adversely affect our results of operations, cash flows and financial condition.***

All of the locomotives we operate are diesel-powered, and our fuel expenses are significant. If increases in fuel prices cannot be passed on to our customers through our tariffs, our operating margins could be materially and adversely affected.

Fuel prices have historically been volatile and may continue to be volatile in the future. Fuel prices are subject to a variety of factors that are beyond our control, including, but not limited to, consumer demand for, and the supply of, oil, processing, gathering and transportation availability, price and availability of alternative fuel sources, weather conditions, natural disasters and political conditions.

***Changes in the cost or availability of raw materials supplied by third parties may adversely affect our business, financial condition and results of operations.***

We use certain raw materials in the production of cement, such as gypsum, slag, iron ore, steel slabs, clay, sand and pozzolana that we obtain from third parties. In 2019, our cost of raw materials supplied by third parties as a percentage of our total cost of sales was 9.9% and 10.4% in 2018 and 2017, respectively. Should existing suppliers cease operations or reduce or eliminate production of these by-products, sourcing costs for these materials could increase significantly or require us to find alternative sources for these materials, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Energy accounts for a significant portion of our total cost of sales, so higher energy prices or governmental regulations that restrict energy available for our operation could materially adversely affect our operations and financial condition.***

We consume substantial amounts of energy in our cement production processes and currently rely on third-party suppliers for a significant portion of our total energy needs. During the year ended December 31, 2019, in Argentina, thermal energy cost and electricity cost represented approximately 15.7% and 10.0% of our total cost of sales, respectively, and in 2018 and 2017, thermal energy cost and electricity cost represented approximately 15.9% and 10.2% and 13.3% and 8.4% of our total cost of sales, respectively. Our results of operations may be adversely affected by higher costs of electricity or unavailability or shortages of electricity, or an interruption in energy supplies.



Electricity shortages have occurred in Argentina and Paraguay in the past and could occur again in the future, and there can be no assurance that power generation capacity will grow sufficiently to meet our demand. In recent years, the condition of the Argentine electricity market has provided little incentive to generators to further invest in increasing their generation capacity, which would require material long-term financial commitments. As a result, Argentine electricity generators are currently operating at near full capacity and could be required to ration supply in order to meet a national energy demand that exceeds the current generation capacity.

In addition, the 2001 economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities. In an attempt to address this situation, in January 2016, the Argentine Government unified and increased wholesale energy prices for all consumption in Argentina. As a result of this and other measures implemented by the Argentine government, investments have been made in conventional and renewable energy, increasing the installed capacity almost 3500 MW in the last two years. This increase in capacity has occurred both in thermal and renewable energy (wind and solar), the latter being enhanced by the renewable energy tenders, reaching 6% of the Argentine generation matrix in 2019, with a peak of 8.17% in December 2019.

On December 21, 2019, the National Congress approved the Social Solidarity and Productive Reactivation Law (*Ley de Solidaridad Social y Reactivación Productiva*). This law grants powers to the national government to intervene the Electricity Regulating Entity (ENRE) and the National Gas Regulatory Entity (ENARGAS). Moreover, the national government has the power to maintain electricity and natural gas tariffs that are under federal jurisdiction and to initiate a comprehensive tariff revision process or to initiate a review of an extraordinary nature, aiming at a reduction of the real tariff load on households, businesses and industries by 2020. Finally, in March 2020, by means of an executive decree, the national government declared the government intervention of ENRE and ENARGAS.

Electricity generators may still not be able to guarantee the supply of electricity to distribution companies, which, in turn, could prevent these companies from experiencing continued growth in their businesses and could lead to failures to provide electricity to customers; and we may not have access to the gas necessary to maintain our cement production processes. Shortages and government efforts to respond to or prevent shortages may materially adversely impact the cost and supply of energy for our operations, which could materially adversely affect our operations and financial condition.

***Public health threats or outbreaks of communicable diseases, including the COVID-19, have had and will likely continue to have an adverse effect on our operations and financial results***

We may face risks related to public health threats or outbreaks of communicable diseases. The outbreak of communicable diseases could result in a widespread health crisis that could adversely affect the global economy and our ability and our business partners' ability to conduct business in Argentina and Paraguay for an indefinite period of time.

Since December 2019, a novel strain of coronavirus has spread throughout the world. On March 3, 2020, COVID-19 was categorized as a pandemic by the World Health Organization. The COVID-19 pandemic has resulted in numerous deaths and the imposition of local, municipal and national governmental "shelter-in-place" and other quarantine measures, border closures and other travel restrictions, causing unprecedented commercial disruption in a number of jurisdictions, including Argentina and Paraguay. This outbreak has resulted in a global economic slowdown and a temporary shutdown of production and supply chains and disrupt international trade, all of which has negatively impacted our industry and our business. In addition, the COVID-19 pandemic poses risks that our employees, contractors, suppliers, customers and other business partners may be prevented from conducting business activities for an indefinite period of time, including shutdowns that have been requested or mandated by governmental authorities, which have had and will likely continue to have a material adverse effect on our results of operations, financial condition and liquidity.

Several measures have been undertaken by the Argentine government and other governments around the globe, including the use of quarantine, declaring state of national emergency, screening at airports and other transport hubs, travel restrictions, suspension of visas, nation-wide lockdowns, closing of public and private institutions,

suspension of sport events, restrictions to museums and tourist attractions and extension of holidays, among many others. However, the virus continues to spread globally and, as of the date of this Annual Report, has affected virtually every country and territory around the world, including Argentina and Paraguay. To date, the outbreak of the COVID-19 has caused significant social and market disruption. For example, the Dow Jones declined by about 17% between February 20 and April 27, 2020. The long-term effects to the global and the Argentine economy and to us of epidemics and other public health crises, such as the on-going COVID-19 pandemic, are difficult to assess or predict, and may include a further decline in the market prices of our ordinary shares and ADSs, risks to employee health and safety, risks to our production process and operations and reduced sales in geographic locations impacted.

These and other responses could impact the ability to market our products, the availability of those who make the decision to purchase our products and the ultimate demand for our products. In the event the number of infected patients increases in the markets in which we operate, it is possible that these disruptions would affect the economy and the financial markets, consequently affecting our financial condition and results of operations. On a business level, this could mean that our or other companies' operations may be suspended.

In response to the outbreak and business disruption, first and foremost, we have prioritized the health and safety of our employees and we have developed and implemented a plan covering several preventive measures required to minimize the effects of the pandemic. The main items of said plan are listed below:

- Creation of an executive committee ad-hoc to address the challenges of COVID-19 and to manage and deploy our actions in response to the COVID-19 pandemic, which is closely monitoring the outbreak and ensuring that the company complies with guidance from the government.
- Suspension or postponement of national and international business trips; and
- Definition of staggered home office rotation for all employees as of March 17, 2020. The measure aims to safeguard our employees, reducing the number of people in the same workspace and the exposure to public spaces, such as buses, subways and elevators, to mitigate the risks of virus transmission.

In compliance with the Decree No. 297/2020 issued by the Argentine government on March 19, 2020, which provided for social, preventive and mandatory isolation, in the context of the COVID-19 pandemic, we undertook the following measures: (i) suspension of production and dispatch of cement, concrete and aggregates until the lockdown ends, (ii) temporary suspension of the construction of the second line of L'Amali plant in Olavarría, Province of Buenos Aires, Argentina, (iii) home-office for all of our administrative staff

According to Section 6 of Decree 297 businesses and individuals within the activities and services declared essential in the emergency are exempt from compliance with the Mandatory Isolation Regime if their circulation on routes, roads, and public spaces is restricted to the compliance with those essential activities and services. The construction of public works, the transportation of goods, and urban hazardous, dangerous and pathogenic waste treatment activities were included as essential services in section 6 of Decree 297, therefore a marginal operational activity in some of our cement facilities, in Ferrosur Roca and in Recycomb remained active in order to supply this potential demand.

On April 3, 2020, Administrative Decision No. 450/2020 was published, expanding the list of activities and services declared essential in the emergency, including the sale of building supplies and materials provided by building materials depots, and activities related to production, distribution and commercialization of forestry and mining. However, at the time of this annual report the speed and extent of the recovery in cement demand in the markets where we are present is still unclear.

This situation is already causing a decline on the demand of our products. Over time, these measures may also have a negative impact on our activities including our revenue, supply and profitability but also on the recoverability of our receivables and long-lived assets. In light of the current situation and in addition to the measures above mentioned, we have initiated proactive cost management strategies and an action plan focused on liquidity and liability management, which consists mainly of securing our working capital needs, tightening our fixed cost structure, including labor costs, and reformulating our priorities regarding maintenance capital expenditure needs.

We may also be affected by a decline in the demand of our products due to significant interruptions or delays in, or the termination of, private or public construction projects, or the need to further implement additional policies limiting our production or limiting the efficiency and effectiveness of our operations, including home office policies for a prolonged period of time. Furthermore, it is not possible to measure impacts on the health of our employees, even if the appropriate measures have been taken. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Additionally, we cannot predict the duration of the pandemic, how the disease will evolve (and potentially, spread) in Argentina and Paraguay, or anticipate any additional protective measures or restrictions the Argentine government may impose. Given the uncertainty around the extent and timing of the potential future spread or mitigation and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows or financial condition. However, COVID-19 virus is having and will likely continue to have, for so long as the health crisis and the virus impact continue, a negative impact on our activities, the demand of our products and our results of operations, financial position and cash flows.

The deterioration of Argentine and global economic conditions could, among other things:

- further negatively impact demand for cement, concrete and aggregates, or further lower market prices for our products, which could result in a continued reduction of our sales, operating income and cash flows;
- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future;
- cause us to experience an increase in costs as a result of our emergency measures, delayed payments from our customers and uncollectable accounts;
- impact our liquidity position and cost of and ability to access funds from financial institutions and capital markets;
- cause delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain construction projects;
- cause delays and disruptions in the construction of new cement facilities and the expansion of our existing facilities;
- impair the financial condition of some of our customers, suppliers or counterparties, thereby increasing customer bad debts or nonperformance by suppliers or counterparties;
- decrease the value of certain of our investments; and
- cause other unpredictable events.

At the time of this annual report there is uncertainty around the duration of these disruptions, the possibility of any government intervention or other measures, or the possibility of other economic effects on the stock market, foreign exchange rates and otherwise. Any such negative impact could result in a material adverse effect on our business, liquidity, financial conditions and results of operations as well as our ability to achieve our previously disclosed expectations for the year of 2020. The extent to which COVID-19 could impact our business depends on future developments, which are highly uncertain and cannot be predicted and are outside of our control, including new information which may quickly emerge concerning the severity of the virus, the scope of the outbreak and the actions to contain the virus or treat its impact, among other developments.

#### Paraguay

On March 9, 2020, the national government took measures to mitigate the spread of the coronavirus (COVID-19) by means of Decree No. 3442, ordering all the institutions of the executive branch, the Armed Forces of the Nation, the National Police and other dependencies of the Central Administration, to collaborate with the Ministry of Public Health and Social Welfare, in order to put into practice the 2020 National Plan for Response to Respiratory Viruses.

The Ministry of Public Health and Social Welfare, in accordance with the Decree No. 3,442, which provides for the implementation of preventive actions against the risk of expansion of the COVID-19 into the national territory, has established sanitary measures to mitigate the spread of COVID-19, ordering the suspension of all kinds of public

activities indoors and orders the implementation of hygiene, safety and sanitation measures to mitigate the circulation of the virus. These measures were initially ordered for a term of 15 days.

In order to alleviate the economic effects that the implementation of public and private preventive actions in view of the risk of expansion of COVID-19 could cause, different entities have issued extraordinary and transitory regulations to promote the economy, credit and, in general, consumption.

On March 26, 2020, Law No. 6524 was issued declaring a state of emergency in Paraguay and establishing measures with impact in various areas (the State of Emergency Law), labor and social security, tax, private contracts, and the financial system. On April 9, 2020, by Decree No. 3525, it was ordered the extension of general preventive isolation from April 13 to April 19, 2020. Exceptions were established to certain activities and services, including people affected by public works and their logistics chain, preserving social distancing.

In compliance with the aforementioned legal provisions, we have developed and implemented a plan that covers various preventive measures necessary to minimize the effects of the pandemic in our operations in Paraguay. Our industrial operation has remained active, although we have reduced maintenance tasks that are not critical to the industrial equipment.

***We may be materially adversely affected if our transportation, storage and distribution operations are interrupted or are more costly than anticipated.***

Our operations are dependent upon the uninterrupted operation of transportation, storage and distribution of our cement products. Transportation, storage or distribution of our cement products could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- disasters or catastrophic events;
- extreme weather conditions;
- hostilities or political uncertainty;
- strikes or other labor difficulties;
- acts of terrorism;
- widespread illnesses or epidemics, including the COVID-19 pandemic; and
- other disruptions in means of transportation.

In addition, we rely on third-party services providers for the transportation of our products to our customers. Our ability to service our customers at reasonable costs depends, in many cases, upon our ability to negotiate reasonable terms with carriers, including trucking companies. To the extent that third-party carriers were to increase their rates, we may be forced to pay these higher rates before we are able to pass such increases onto our customers, if at all.

Any significant interruption at these facilities or an inability to transport our products to or from these facilities or to or from our customers for any reason would materially adversely affect us.

***Our business strategies require substantial capital and long-term investments, which we may be unable to fund competitively.***

Our business strategies to continue to expand our cement production capacity and distribution network will require substantial capital investments, which we may finance through additional debt and/or equity financing. However, adequate financing may not be available or, if available, may not be available on satisfactory terms, including as a result of adverse macroeconomic conditions. We may be unable to obtain sufficient additional capital in the future to fund our capital requirements and our business strategy at acceptable costs. If we are unable to access additional capital on terms that are acceptable to us, we may not be able to fully implement our business strategy,

which may limit the future growth and development of our business. If our need for capital were to arise due to operating losses, these losses may make it more difficult for us to raise additional capital to fund our expansion projects.

The implementation of our growth strategies depends on certain factors that are beyond our control, including changes in the conditions of the markets in which we operate, actions taken by our competitors and laws and regulations in force in Argentina and Paraguay. Our failure to successfully implement any part of our strategy may have a material adverse impact on us.

***Management's plans to obtain sufficient funds to settle current liabilities may not be accomplished and hence we may continue to have negative working capital in the near future.***

Our board of directors has the ultimate responsibility for liquidity risk management and has established an appropriate framework allowing our management to handle financing requirements for the short-, medium- and long-term.

Weaker economic conditions could adversely affect our business, results of operations and financial condition. In addition, if we are unable to access the capital markets to finance our operations in the future, this could adversely affect our ability to obtain additional capital to grow our business.

***Delays in the construction of new cement facilities and the expansion of our existing facilities may materially adversely affect our operating results.***

We may construct new cement production facilities or expand existing ones. The construction or expansion of a cement production facility involves various risks. These risks include engineering, construction, regulatory and other significant challenges that may delay or prevent the successful operation of a project or significantly increase its cost. Our ability to successfully complete any construction or expansion project on schedule also may be subject to financing and other risks.

The import of the capital goods and machinery to expand our production capacity are exempted from import duties under the Mining Investment Regime pursuant to Law No. 24,196 and the Large Investment Projects Regime set forth by Resolution No. 256/2000 of the Ministry of Economy. The loss of those benefits could significantly increase the project costs.

Our financial condition and results of operations may be adversely affected if:

- we are not able to complete our construction or expansion projects on time or within budget;
- our new or expanded facilities do not operate at their designed capacity or cost more to construct, expand or operate than we anticipated; or
- we are unable to sell our additional production at attractive prices.

As of the date of this annual report, and in compliance with Decree No. 297/2020 issued by the Argentine Government, as amended and extended from time to time, which provides for social, preventive and mandatory isolation, we have temporarily suspended the construction project of the second line of cement production in our L'Amali plant. Once the current restrictions are lifted, and the necessary conditions to resume the execution of the project are in place, we expect to set a new timetable to complete the expansion project. See *"The measures taken or to be implemented by the Argentine government in response to the COVID-19 pandemic may cause adverse effect on our business and operations"* and *"Public health threats or outbreaks of communicable diseases, including the COVID-19, have had and will likely continue to have an adverse effect on our operations and financial results"*.

**We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.**

The nature of our business exposes us to litigation relating to product liability claims, labor, health and safety matters, environmental matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, among other matters. In the past, we have been subject to antitrust and tax proceedings or investigations including by the Argentine Antitrust Commission, or the CNDC (see “Item 8. Financial Information—Legal Proceedings—Antitrust Proceedings”), while we contest these matters vigorously and make insurance claims when appropriate, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

In 2018, two investors who purportedly purchased our ADSs pursuant and/or traceable to our initial public offering, or IPO, commenced two different putative class actions before US courts on behalf of all persons and/or entities who purchased or otherwise acquired our ADSs pursuant and/or traceable to our prospectus and registration statement issued in connection with the IPO and, in the case of the Federal Class Action (defined below), on behalf of all persons and/or entities who purchased our ADSs on the open market between November 2, 2017 and May 23, 2018, inclusive. Loma Negra, its directors and some members of its senior management at the time of the IPO and Loma Negra Holding GmbH (now Caue Austria Holding GmbH) are named as defendants in both actions. A lawsuit does not become a class action unless and until the court enters an order certifying that the case satisfies certain criteria. As of the date of this annual report none of the complaints have been certified as class actions. See “Item 8.A. Consolidated Statements and Other Financial Information—Legal proceedings—Securities Complaints Commenced Against Loma Negra under US Jurisdiction”. On April 27, 2020, the United States District Court for the Southern District of New York issued an opinion granting defendants’ motion to dismiss in respect of the Federal Class Action. However, we cannot assure you that our position will prevail. If our position does not prevail, the case may have substantial adverse effects on our business, financial condition and results of operations.

**We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Argentina and the United States and our internal policies and procedures might not be sufficient to ensure compliance with such laws and regulations.**

The United States Foreign Corrupt Practices Act (FCPA), the Argentine Anti-Money Laundering Law (Ley de Prevención del Lavado de Activos), the Argentine Corporate Criminal Liability Law (Ley de Responsabilidad Penal Empresarial) and other applicable anti-corruption laws prohibit companies and their intermediaries from offering or making improper payments (or giving anything of value) to government officials and/or persons in the private sector for the purpose of influencing them or obtaining or retaining business and require companies to keep accurate books and records and maintain appropriate internal controls. In particular, the Argentine Corporate Criminal Liability Law provides for the criminal liability of corporate entities for criminal offences against public administration and transnational bribery committed by, among others, its attorneys-in-fact, directors, managers, employees, or representatives. In this sense, a company may be held liable and subject to fines and/or suspension of its activities if such offences were committed, directly or indirectly, in its name, behalf or interest, the company obtained or may have obtained a benefit therefrom, and the offence resulted from a company’s ineffective control.

Although we have a Compliance Program with internal policies and procedures designed to ensure compliance with applicable laws and regulations, potential violations of anti-corruption laws could be identified on occasion as part of our compliance and internal control processes. In case such issues arise, we plan to attempt to act promptly to learn relevant facts and take any appropriate remedial action to address the risk. Given the size of our operations and the complexity of the production chain, there can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our employees, directors, officers, partners, agents and service providers or that such persons will not take actions in violation of our policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which we or they may be ultimately held responsible.

If we or individuals or entities that are or were related to us are found to be liable for violations of applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we

or other individuals or entities could face civil and criminal penalties or other sanctions, which in turn could have a material adverse impact on our reputation and business. Further, litigations or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could be costly.

***Environmental, health and safety regulation may adversely affect our business.***

The pollutants generated by cement producers are mainly dust and gas emissions from the use of fossil fuels. Our operations often involve the use, handling, disposal and discharge of hazardous materials into the environment and the use of natural resources. Most of our operations are subject to extensive environmental, health and safety regulations.

In Argentina, regulations regarding gas emissions and air quality are enacted at both the national and provincial levels. We are required to obtain permits and licenses from governmental authorities for many aspects of our operations, and we may be required to purchase and install expensive pollution control equipment or to make operational changes to limit the actual or potential environmental, health and safety impacts of our operations to the environment and our employees. The Province of Buenos Aires, where our principal plants are located, requires that all production facilities have an environmental compliance certificate issued by the Provincial Organism for Sustainable Development, and similar certifications are required by relevant municipal authorities in the other provinces in which we operate. As part of these requirements, local environmental authorities ordinarily make information requests to each of our plants relating to their compliance with environmental laws and regulations and, in the ordinary course of our business, we collaborate with such national and provincial environmental authorities in the conduct of their regulatory activities.

If we were to violate these laws and regulations or the conditions of our permits and licenses, we may be subject to sanctions that may result in substantial fines or criminal sanctions, revocations of operating permits and licenses and possible closings of our facilities.

We could be subject to administrative and criminal sanctions, including warnings, fines and closure orders for our failure to comply with these environmental regulations, which, among other things, limit or prohibit emissions or spills of toxic substances that we emit in connection with our operations. We also may be required to modify or retrofit our facilities at substantial cost in order to comply with waste disposal and emissions regulations. We are subject to inspection by environmental agencies in the various jurisdictions that we operate, which may impose fines, restrictions on our operations or other sanctions. In addition, we are subject to environmental laws that may require us to incur significant costs to mitigate any damage that a project may cause to the environment, which costs may adversely impact the viability or projected profitability of the projects that we intend to implement.

In addition, as a result of possible changes to environmental regulations, the amount and timing of our future environmental compliance expenditures may vary substantially from those we currently anticipate. Certain environmental laws impose liability on us for any and all consequences arising out of exposure to hazardous substances or other environmental damage. We cannot assure you that the costs we incur to comply with existing current and future environmental, health and safety laws, and liabilities that we may incur from past or future releases of, or exposure to, hazardous substances will not materially and adversely affect us.

***Compliance with mining regulations or the revocation of our authorizations, licenses and concessions could adversely affect our operations and profitability.***

We engage in certain mining operations as part of our cement production processes. These activities are dependent on authorizations and concessions granted by the Argentine and Paraguayan governmental authorities or regulatory agencies. The extraction, mining and mineral processing activities are also subject to applicable laws and regulations, which change from time to time. Although we believe that we are in substantial compliance with applicable laws relating to these activities as well as the terms of our current authorizations and concessions, the effect of any future applicable regulatory changes regarding such matters on our mining activities or mining rights cannot presently be determined. In addition, if our authorizations and licenses are revoked, we may be unable to maintain or improve our cement production levels, which could adversely impact our results of operation and financial condition.

Governmental agencies or other authorities may adopt new laws or regulations that are more stringent than existing laws or regulations or may seek to more stringently interpret or enforce existing laws and regulations that would require us to expend additional funds on environmental or other regulatory compliance or delay or limit our ability to operate as we intend. In addition, these actions could increase the costs associated with the renewal of our existing licenses and permits or the cost of seeking new licenses or permits. We cannot assure you that these additional costs will not be material or that our existing permits will be renewed.

***Our railway concession operates in a regulated environment, and measures taken by public authorities may impact our activities.***

Our transportation operation take place in a regulated environment. The Argentine federal government has the legal authority to regulate rail activities in the country (by means of the enactment of applicable laws and regulations). Therefore, actions taken by the public administration in general may affect the services rendered by us.

Law No. 27,132 in effect since May 20, 2015, provides for important changes in the regulatory framework of the railway system and empowered Argentina's federal government to renegotiate and, if necessary, terminate concessions currently in force.

We cannot be certain of the effects on the terms of our concession or any changes to the current regulatory framework that the competent authorities of the federal government may issue and whether these changes will adversely affect our results of operations.

***The early termination of our railway concession or our inability to extend our concession may have a material adverse effect on our business.***

Argentina's railway concessions are subject to early termination in certain circumstances, including the competent authorities' decision to reassume control of the service or to terminate the concession for breach of contract. Upon termination of a concession, the leased or operated assets must revert to the federal government. The amount of the compensation may not be sufficient to cover all the losses suffered by us as a result of such early termination. In addition, certain creditors may have priority with regards to such compensation. Likewise, upon termination, the competent authority may claim compensation alleging a purported breach in the concession contract.

In addition, Law No. 27,132 (passed in April in 2015), inter alia, established that the Federal Executive Branch must adopt all necessary measures to recover the administration of railways infrastructure, provide for open access for the Freight Railroad Transportation system and empowers the Ministry of Transport to terminate and to renegotiate the railways concession contracts.

The full implementation of the open access scheme entails the re-assumption by the Government of the administration of the railways infrastructure and, once in place, would be a significant change in the Argentine railway system. This regulatory change may benefit those sectors which are interested in operating railways in Argentina, as well as those that wish to transport commodities and other products through them.

On November 2018, Decree No. 1027/2018 was enacted. Decree No.1027/2018 regulates several provisions of Law No. 27,132. On the one hand, it establishes that the renegotiation processes of the current railways concession contracts may allow for an extension of their terms for up to ten years and, inter alia, regulate the investments to be made by the concessionaires. On the other hand, Decree No. 1027/2018 establishes that the open-access scheme will be fully implemented once all the current railways concession agreements have expired, including, if it were the case, the term of their extension.

Ferrosur Roca's concession expires in 2023. The Argentine government may, upon our request at least five years prior to the expiration of the concession, choose to extend this term once for an additional 10 years (based on the fulfillment of obligations related to the concession, such as investments, maintenance and fines imposed, among others). Ferrosur Roca is obliged to invest the equivalent to 10.7% of its gross revenues every year.

On March 8, 2018, Ferrosur Roca duly filed before the Ministry of Transport a request for an extension of the term of validity of the concession for ten more years. On March 20, 2019, the Ministry responded, informing



Ferrosur Roca that the Special Commission created by Decree No. 1027/2018 would be in charge of the renegotiation of the concession agreement and that such process would include analysis of the concession term extension in order to enable the implementation of the open access scheme (as explained above).

In light of the provisions of Ferrosur Roca concession contract and the applicable legislation, we cannot guarantee that the Argentine authorities will not terminate our railway concessions prior to their stated terms in the future. Any such action by the Argentine authorities could have a material adverse effect on our business, financial condition and results of operations.

***Our estimates of the volume and grade of our limestone deposits could be overstated, and we may not be able to replenish our reserves.***

Our limestone reserves described in this annual report constitute our estimates based on evaluation methods generally used in our industry and on assumptions as to our production. Our proven and probable reserve estimates are based on estimated recoverable tons. We did not employ independent third-parties to review reserves over the five-year period ended December 31, 2019. Our mineral reserves data are prepared by our engineers and geologists and are subject to further review by our corporate staff. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured precisely, and the accuracy of any reserve estimate is a function of the quality of available data, as well as engineering and geological interpretation and judgment. As a result, we cannot assure investors that our limestone reserves will be recovered or that they will be recovered at the rates we anticipate. We may be required to revise our reserve and mine life estimates based on our actual production and other factors. If our limestone reserves are lower than our estimates, this may have a material adverse effect on us, particularly if as a result we have to purchase limestone from third-party suppliers.

***Our business is subject to a number of operational risks, which may adversely affect our business, financial condition and results of operations.***

Our cement business is subject to several industry-specific operational risks, including accidents, natural disasters, labor disputes and equipment failures. Such occurrences could result in damage to our production facilities, and equipment and/or the injury or death of our employees and others involved in our production process. Moreover, such accidents or failures could lead to environmental damage, loss of resources or intermediate goods, delays or the interruption of production activities and monetary losses, as well as damage to our reputation. Any prolonged and/or significant disruption to our production facilities, whether due to repair, maintenance or servicing, industrial accidents, unavailability of raw materials such as energy, mechanical equipment failure, human error, natural disasters or otherwise, will disrupt and adversely affect our operations.

Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity or any fire, flood or other natural calamities or communal unrest or acts of terrorism or disease outbreaks may disrupt our operations or damage our production facilities or inventories and could adversely affect our business, financial condition and results of operations. Our insurance may not be sufficient to cover losses from these events, which could adversely affect our business, financial condition and results of operations.

Our rail transportation and handling of cargo also exposes us to risks of catastrophes, mechanical and electrical failures, collisions and loss of assets. Fires, explosions, fuel leaks and other flammable products as well as other environmental events, cargo loss or damage, railroad, cargo loading and unloading terminal, accidents, business interruptions due to political events as well as labor claims, strikes, adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. Moreover, our operations may be periodically affected by landslides and other natural disasters.

We typically shut down our facilities to undertake maintenance and repair work at scheduled intervals. Although we schedule shutdowns such that not all of our facilities are shut down at the same time, the unexpected shut down of any facility may nevertheless affect our business, financial condition and results of operations from one period to another. In addition, key equipment at our facilities, such as our mills and kilns, may deteriorate sooner than we currently estimate. Such deterioration of our assets may result in additional maintenance or capital expenditures, and could cause delays or the interruption of our production activities. If these assets do not generate the cash flows

we expect, and we are not able to procure replacement assets in an economically feasible manner, our business, financial condition and results of operations may be materially and adversely affected.

***Our insurance coverage may not cover all the risks to which we may be exposed.***

We face the risks of loss and damage to our products, property and machinery due to fire, theft and natural disasters such as floods. Such events may cause a disruption to or cessation of our operations. Our insurance may not be sufficient to cover losses from these events, which could adversely affect our business, financial condition and results of operations. We also face risks related to cyber security threats, however, as of December 31, 2019, our insurance does not cover losses associated with cyber security risks.

***Our success depends on key members of our management.***

Our success depends largely on the efforts and strategic vision of our executive management team. The loss of the services of some or all of our executive management could have a material adverse effect on our business, financial condition and results of operations.

The execution of our business plan also depends on our ongoing ability to attract and retain additional qualified employees. For a variety of reasons, particularly with respect to the competitive environment and the availability of skilled labor, we may not be successful in attracting and retaining the personnel we require. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or capitalize on growth opportunities and, as a result, our business, financial condition and results of operations could be adversely affected.

***The introduction of substitutes for cement in the markets in which we operate and the development of new construction techniques could have a material adverse effect on us.***

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction to substitute cement. In addition, other construction techniques, such as the use of dry wall, could decrease the demand for cement and concrete. In addition, new construction techniques and modern materials may be introduced in the future. The use of substitutes for cement could cause a significant reduction in the demand and prices for our cement products and have a material adverse effect on us.

***We are subject to restrictions due to our non-controlling interests in certain of our consolidated subsidiaries.***

We conduct some of our business through subsidiaries. In some cases, other shareholders hold non-controlling interests in these subsidiaries. Non-controlling shareholders' interests may not always be aligned with our interests and, among other things, could result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

***Changes in labor laws and in case law interpretations of labor laws in Argentina that tend to favor employees could negatively affect our results of operations.***

In the past, the Argentine government has introduced laws, regulations and decrees requiring private companies to maintain certain minimum wage standards and provide specific benefits to employees. The Argentine government may implement again such policies in the future. We cannot guarantee that the Argentine government will not take measures that will increase wages or require us to provide additional benefits. This would result in an increase in our costs and expenses, which could have a material adverse effect on our financial condition and results of operations.

In addition to our own employees, we require third-party contractors to perform certain activities that are part of our business. Therefore, we maintain strict control policies on the compliance of these contractors with their activities. However, due to changes in the interpretation of labor laws made by case law that tend to favor employees, our labor and social security obligations to our employees and to the employees of its third-party contractors have increased significantly. As a result, the risk of being required to pay severance to our employees and to the employees of our third-party contractors has increased. Consequently, our labor and social security costs could increase to the

extent that our severance costs and labor-related liabilities are increased by future changes in the interpretation of labor laws, adversely affecting our operating results.

***Failures in our information technology systems and information security (cybersecurity) systems can adversely impact our operations and reputation.***

Our operations are to a certain extent dependent on information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on outage time. Our systems may be vulnerable to damage, disruption or intrusion caused by circumstances beyond our control, such as physical or electronic break-ins, catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, unauthorized access and cyberattacks. We are constantly implementing new technologies and solutions to assist in the prevention of potential and attempted cyber-attacks, as well protective measures and contingency plans in the event of an existing attack. We analyze the risks we face on an ongoing basis and, accordingly, strengthen our information technology infrastructure, update our policies, and raise awareness among our employees, to enhance our ability to prevent and respond to such risks. Although we take actions to secure our systems and electronic information and also have disaster recovery plans in case of incidents that could cause major disruptions to our business, these measures may not be sufficient.

As of December 31, 2019, we have not detected, and our third-party service providers have not informed us of, any relevant event that has materially damaged, disrupted or resulted in an intrusion of our systems. Any significant information leakages or theft of information could affect our compliance with data privacy laws and damage our relationship with our employees, customers and suppliers, and also adversely impact our business, financial condition and results of operation. As of December 31, 2019, our insurance does not cover any risk associated with any cyber security risks. In addition, any significant disruption to our systems could adversely affect our business, financial condition and results of operations.

**Risks Relating to Our Ordinary Shares and the ADSs**

***The market price of our ADSs may fluctuate significantly, and you could lose all or part of your investment.***

Volatility in the market price of our ADSs may prevent you from being able to sell your ADSs at or above the price you paid for them. The market price and liquidity of the market for our ADSs may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. The market price of our ADSs declined by 52% and 28% in 2018 and 2019, respectively. This decrease in value has been largely attributed to Argentina's most recent macroeconomic crisis. Other factors include:

- actual or anticipated changes in our results of operations, or failure to meet expectations of financial market analysts and investors;
- investor perceptions of our prospects or our industry;
- operating performance of companies comparable to us
- increased competition in our industry;
- new laws or regulations or new interpretations of laws and regulations applicable to our business;
- general economic trends in Argentina;
- departures of management and key personnel;
- catastrophic events, such as earthquakes and other natural disasters;
- widespread illnesses or epidemics, including the COVID-19 pandemic; and

- developments and perceptions of risks in Argentina and in other countries.

Market fluctuations, as well as general political and economic conditions in the markets in which we operate, such as recession or currency exchange rate fluctuations, may also adversely affect the market price of our ordinary shares and the ADSs. Although our ADSs listed on the New York Stock Exchange are U.S. dollar-denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company. Following periods of volatility in the market price of a company's securities, that company may often be subject to securities class-action litigation. This kind of litigation may result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our business, results of operations and financial condition.

***The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell shares underlying the ADSs at the price and time you desire.***

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. As of December 31, 2019, the ten largest Argentine companies in terms of market capitalization represented approximately 58% of the aggregate market capitalization of the Mercado de Valores de Buenos Aires S.A., or Merval, the predecessor market of Bolsas y Mercados Argentinos, or BYMA, which began trading in May 2017. Accordingly, although you are entitled to withdraw the shares underlying the ADSs from the ADR facility, your ability to sell such shares at a price and time at which you wish to do so may be substantially limited. Furthermore, new capital controls imposed by the Argentine Central Bank could have the effect of further impairing the liquidity of the BYMA by making it unattractive for non-Argentines to buy shares in the secondary market in Argentina. See "Item 10.D Additional Information—Exchange Controls".

***Interpretation of Argentine tax laws may adversely affect the tax treatment of our ordinary shares and the ADSs.***

Argentine income tax law provides that the income resulting from the sale, exchange or other transfer of shares and other securities is subject to tax at a rate of 15% for Argentine resident individuals or 30% (25% as from 2020) for Argentine companies. Argentine residents are exempted from such tax in case of shares issued by Argentine companies which are listed in capital markets authorized by the CNV and have authorization for public offering by the CNV as long as such transactions are carried out through stock exchanges or stock markets authorized by the CNV.

Income obtained by non-Argentine residents is subject to income tax rate of 15% of the net income or 13.5% of the gross income. In case of a sale or other transfer between two non-Argentine residents, the law provided that the buyer was in charge of the payment of the tax but did not provide any payment mechanism. On December 29, 2017 the Law No. 27,430, or the Tax Reform, established: (i) that the income tax derived from transactions occurred between September 2013 and December 29, 2017 will be borne by the buyer through international wire transfer as indicated in General AFIP Resolution No. 4227/2018; and (ii) that the income tax derived from transactions occurred from December 29, 2017 will be borne by the seller through its legal representative in Argentina, by means of the following two payment mechanisms: (a) if the seller has a legal representative in Argentina, then such representative will pay the tax through the tax authority's webpage in the terms of General Resolution No. 3726; and (b) if the seller does not have a legal representative in Argentina, then the seller itself should pay the tax through an international wire transfer as indicated in General AFIP Resolution No. 4227/2018.

The Tax Reform also exempted non-Argentine residents from the payment of the income tax on the sales, exchanges or other transfers of shares issued by Argentine companies which are listed in capital markets authorized by the CNV and have authorization for public offering by the CNV as long as such transactions are carried out through stock exchanges or stock markets authorized by the CNV. Also, non-residents are exempt from the income tax deriving from the sale or other kind of disposition regarding ADSs which underlying security are shares issued by Argentine companies that comply with the requirements described above.

The holders of our ordinary shares and the ADSs are encouraged to consult with their tax advisers as to the particular Argentine income tax consequences of owning our ordinary shares and ADSs. See “Item 8. Financial Information–Dividends and Dividend Policy” and “Item 10.E Additional Information–Taxation–Material Argentine Tax Considerations”.

***Restrictions on transfers of foreign exchange and the repatriation of capital from Argentina may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the shares underlying the ADSs.***

Since the beginning of December 2001, the Argentine government implemented monetary and foreign exchange control measures that included restrictions on the withdrawal of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Argentine Central Bank, some of which are still in effect. The exchange controls were reinstated by the Argentine government in September 2019.

However, starting on January 17, 2020, local companies may transfer funds abroad in order to pay annual dividends only to foreign shareholders and the depositary for the benefit of the ADS holders, in an amount that (including the amount of the payment being made at the time of the access) does not exceed 30% of the value of new capital contributions of foreign direct investments. These contributions must be made to the local company and must be transferred to Argentina and sold for Argentine Pesos through the foreign exchange market as from such date. Access to the foreign exchange market for the payment of dividends in cases not above contemplated will require prior approval of the BCRA.

Furthermore, the Argentine Central Bank has exercised in the past a de facto prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations, such as dividend payments or repayment of principal of intercompany loans as well as the import of goods, by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions.

Payments of cash dividends and distributions, if any, will be made in pesos, although we reserve the right to pay in other currency to the extent permitted by applicable law. The ADS depositary will convert such dividends received in pesos into U.S. dollars and pay such amount to holders of ADSs, net of any dividend distribution fees, ADS depositary’s fees and expenses, currency conversion expenses and taxes or governmental charges, if any. In the event that the ADS depositary is unable to convert immediately the amount in pesos received as cash dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by depreciation of the peso.

Since the foreign exchange controls were reinstated, the depositary for the ADSs is prevented from converting pesos it receives in Argentina into U.S. dollars for the account of the ADS holders. Since the conversion is not practicable, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is practicable to do so. If the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the dividend distribution.

***Your voting rights with respect to the shares are limited.***

Holders may exercise voting rights with respect to the shares underlying ADSs only in accordance with the provisions of the deposit agreement. There are no provisions under Argentine law or under our by-laws that limit ADS holders’ ability to exercise their voting rights through the depositary with respect to the underlying shares. However, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, Law No. 26,831 requires us to notify our shareholders by publications in certain official and private newspapers of at least 20 and no more than 45 days in advance of any shareholders’ meeting. ADS holders will not receive any notice of a shareholders’ meeting directly from us. In accordance with the deposit agreement, we will provide the notice to the depositary, which will in turn, as soon as practicable thereafter and subject to legal limitations, provide to each ADS holder upon the terms of the deposit agreement:

- the notice of such meeting;

- voting instruction forms; and
- a statement as to the manner in which instructions may be given by holders (including an express indication that such instructions may be deemed given upon the terms specified below).

To exercise their voting rights, ADS holders must then provide instructions to the depositary how to vote the shares underlying ADSs. Because of the additional procedural step involving the depositary, the process for exercising voting rights will take longer for ADS holders than for holders of shares.

If we timely request the depositary to distribute voting materials to the ADS holders and the depositary does not receive timely voting instructions from an ADS holder on or before the date established by the depositary for such purpose, the depositary shall deem such ADS holder to have instructed the depositary to give a discretionary proxy to a person designated by our board of directors with respect to the deposited securities represented by the holder's ADSs. The cutoff time for ADS holders to provide voting instructions to the depositary bank is typically up to two business days prior to the cut-off date to vote shares in Argentina so as to enable the depositary bank to tally the ADS voting instructions received from ADS holders and to provide the corresponding voting instructions at the share level in Argentina through the custodian of the shares represented by ADSs.

Except as described in this annual report, holders will not be able to exercise voting rights attaching to the ADSs.

Holders of ADSs who wish to propose matters or vote on any matters directly should cancel their ADSs and withdraw their underlying ordinary shares to attend and vote at the shareholders meetings.

***If we do not file or maintain a registration statement and no exemption from the Securities Act registration is available, holders of ADSs may be unable to exercise preemptive rights with respect to our ordinary shares.***

Under the Argentine General Companies Law, if we issue new shares as part of a capital increase, our shareholders will generally have the right to subscribe for a proportional number of shares to maintain their existing ownership percentage, which is known as preemptive rights. However, pursuant to the Capital Markets Law, our shareholders will not be entitled to the right to subscribe for the unsubscribed shares at the end of a preemptive rights offering, known as accretion rights. We may not be able to offer our ordinary shares to holders of ADSs residing in the U.S., or U.S. holders, pursuant to preemptive rights granted to holders of our ordinary shares in connection with any future issuance of our ordinary shares unless a registration statement under the Securities Act is effective with respect to these shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file or maintain a registration statement relating to any preemptive rights offerings with respect to our ordinary shares, and we cannot assure you that we will file or maintain any such registration statement. If we do not file and maintain a registration statement and there is no exemption from registration, the depositary for our ADSs, may attempt to sell the preemptive rights and provide holders of our ADSs with their pro rata share of the net proceeds from any such sale. However, these preemptive rights may expire if the depositary does not sell them on a timely basis, and holders of ADSs will not receive any benefit from such preemptive rights. Even if a registration statement were effective, we may decide to not extend any preemptive or subscription rights to U.S. Persons (as defined in Regulation S under the Securities Act) that are holders of our ordinary shares and holders of ADSs. Furthermore, the equity interest of holders of shares or ADSs located in the United States may suffer dilution of their interest in us upon future capital increases.

***We are entitled to amend and supplement the deposit agreement and to change the rights of ADS holders under the terms of such agreement, without the prior consent of the ADS holders.***

We are entitled to amend and supplement the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. Any amendment or supplement that imposes or increases any fees or charges (other than charges in connection with foreign exchange regulations and taxes and other governmental charges, delivery and other expenses) or that otherwise materially prejudice any substantial rights of holders of ADSs will not become effective until the expiration of 30 days after notice of such amendment or supplement has been given to holders of outstanding ADSs. Any other amendments and supplements may be effective prior to the expiration of the 30-day period.

***The substantial share ownership position of our controlling shareholder will limit your ability to influence corporate matters.***

Our controlling shareholder beneficially owns approximately 51.04% of our outstanding ordinary shares as of the date of this annual report. As such, our controlling shareholder has the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including, among others, the following:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our executive officers;
- determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- cause us to issue additional equity securities;
- whether we limit the exercise of preemptive and accretion rights to holders of our ordinary shares in the event of a capital increase to the extent and terms permitted by the applicable law;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

Furthermore, our controlling shareholder's interests may conflict with your interests as a holder of ordinary shares or ADSs, and it may take actions that might be desirable to it but not to other shareholders and may be able to prevent other shareholders, including you, from blocking these actions or from causing different actions to be taken. Also, our controlling shareholder may prevent change of control transactions that might otherwise provide you with an opportunity to dispose of or realize a premium on your investment in our ADSs. We cannot assure you that our controlling shareholder will act in a manner consistent with your interests.

***Our status as a "foreign private issuer" and as a "controlled company" allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.***

The NYSE's rules require domestic listed companies that are not "controlled companies" to have, among other requirements, a majority of their board of directors be independent and to have independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a "foreign private issuer", we are permitted to, and we will, follow home country practice in lieu of the above requirements.

Argentine law, the law of our home country, does not require that a majority of our board consist of independent directors or the implementation of a compensation committee or nominating/corporate governance committee. In addition, under the NYSE rules, a "controlled company" in which over 50% of the voting power is held by an individual, a group or another company is also not required to have a majority of its board of directors be independent directors and to have a compensation committee or a nominating/corporate governance committee, or to have such committees be composed entirely of independent directors.

We currently follow certain Argentine practices concerning corporate governance and intend to continue to do so. As a "controlled company", we are eligible to, and, in the event we no longer qualify as a "foreign private issuer", we intend to, elect not to comply with certain of the NYSE corporate governance standards, including the requirement that a majority of directors on our board of directors are independent directors and the requirement to maintain a compensation and a nominating/corporate governance committee consisting entirely of independent directors. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements and our status as a "foreign private issuer" and a

“controlled company” may adversely affect the trading price for our ADSs. For more information, see “Item 16G. Corporate Governance”.

***We are an “emerging growth company” and we cannot be certain whether the reduced requirements applicable to emerging growth companies will make our ADSs less attractive to investors.***

We are an “emerging growth company”, as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements that are applicable to other publicly-listed companies that are not “emerging growth companies”. For so long as we remain an “emerging growth company”, we will not be subject to the provision of Section 404(b) of the Sarbanes-Oxley Act that requires our independent registered public accounting firm to provide an attestation report on the effectiveness of our internal control over financial reporting. This may increase the risk that we fail to be aware of and remedy any material weaknesses or significant deficiencies in our internal control over financial reporting. We have irrevocably elected not to avail ourselves of the election to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Nevertheless, as a foreign private issuer that is an emerging growth company, we are not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act for up to five fiscal years after the date of completion of the offering on October 31, 2017. We will remain an emerging growth company until the earliest of: (a) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of the offering on October 31, 2017; (c) the date on which we have, during the previous three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act, with at least US\$700 million of equity securities held by non-affiliates. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act.

We cannot predict if investors will find our ADSs less attractive as a result of our reliance on exemptions under the JOBS Act. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and our ordinary share price may be more volatile.

***Under Argentine corporate law, shareholder rights and obligations may be fewer or less well defined than in other jurisdictions.***

Our corporate affairs are governed by our by-laws and by the Argentine corporate law, as amended, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States (such as Delaware or New York), or in other jurisdictions outside Argentina. Thus, your rights or the rights of holders of our ordinary shares or ADSs under the Argentine corporate law to protect your or their interests relative to actions by our board of directors may be fewer and less well defined under Argentine corporate law than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the U.S. securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, or other jurisdictions outside Argentina, putting holders of our ordinary shares and the ADSs at a potential disadvantage.

***The protections afforded to minority shareholders in Argentina are different from and more limited than those in the United States and may be more difficult to enforce.***

Under Argentine law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States. For example, the legal framework with respect to shareholder disputes, such as derivative lawsuits and class actions, is less developed under Argentine law than under U.S. law as a result of Argentina’s short history with these types of claims and few successful cases. In addition, there are different procedural requirements for bringing these types of shareholder lawsuits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company.