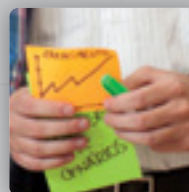


ANNUAL REPORT 2011

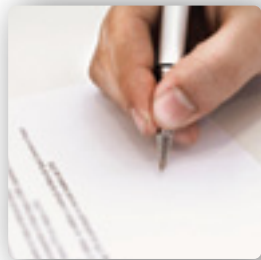


Joining efforts,
ensuring results

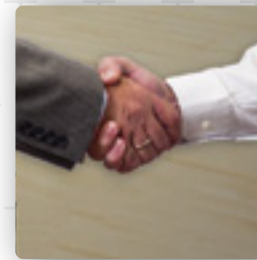
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Joining efforts, ensuring results

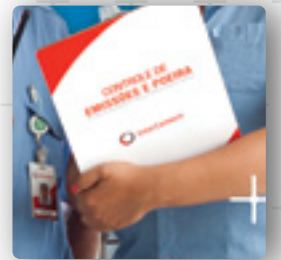
InterCement believes in collective effort to achieve full operational efficiency. Integration of efforts is a commitment from all those who are part of the company. The internal processes are guided by a team spirit with systemic management and adapted to the reality of the many countries where InterCement operates. Shareholders, employees, customers, and suppliers interact harmoniously, taking the company to consistent and sustainable results.



14 MESSAGE FROM
THE CHAIRMAN

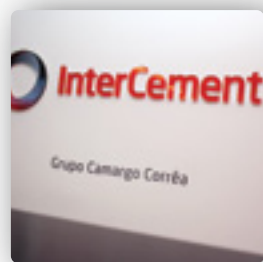


34 STRENGTH OF
RELATIONSHIPS

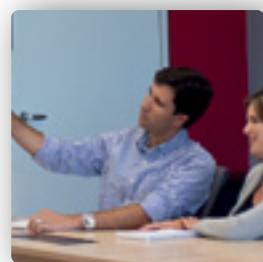


52 SUSTAINABLE
ATTITUDE

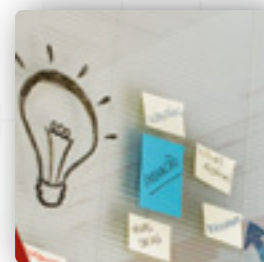
06 PROFILE



16 RESULT-
ORIENTED



28 CULTURE OF
INNOVATION



42 DIVERSITY
THAT BUILDS



Corporate profile

InterCement Participações S.A. (InterCement) is a privately owned Brazilian company set up for the purpose of controlling the business of producing and distributing cement, concrete, and aggregates that belongs to the Camargo Corrêa Group. Controlled by Camargo Corrêa S.A., it holds 99.90% of InterCement Brasil and 94.53% of the Argentine cement company Loma Negra, and has strategic holdings in other companies in Brazil and abroad linked directly or indirectly to the sector. Also noteworthy are the shared control of Yguazú Cementos in Paraguay and Palanca Cimentos in Angola, as well as minority holdings in companies that generate electricity as self-producers.

Also relevant is a majority stake in InterCement Austria Holding GmbH and its subsidiaries, created in 2011 with the objective of giving support to the trading activities, and InterCement Portugal, set up to monitor the growth of investment made by Camargo Corrêa Group in Cimpor and to give support the investments in Angola. Also in Argentina, it owns the concession of Ferrosur Roca, a railroad more than 3,000 kilometers long that is responsible for transporting raw materials, finished products, and other goods.

InterCement has one of the largest manufacturing facilities in Latin America with 16 cement production units, 27 concrete plants, and 3 aggregate mines. Its installed capacity is 16 million metric tons of cement a year. Loma Negra is the leader in the Argentine market and has been in operation for over 85 years. InterCement Brasil, founded in 1968, ranks third in the cement segment through the brands Cauê and Cimento Brasil, and it is the fifth concrete supplier in the country. Furthermore, a new plant is under construction in Cubatão,

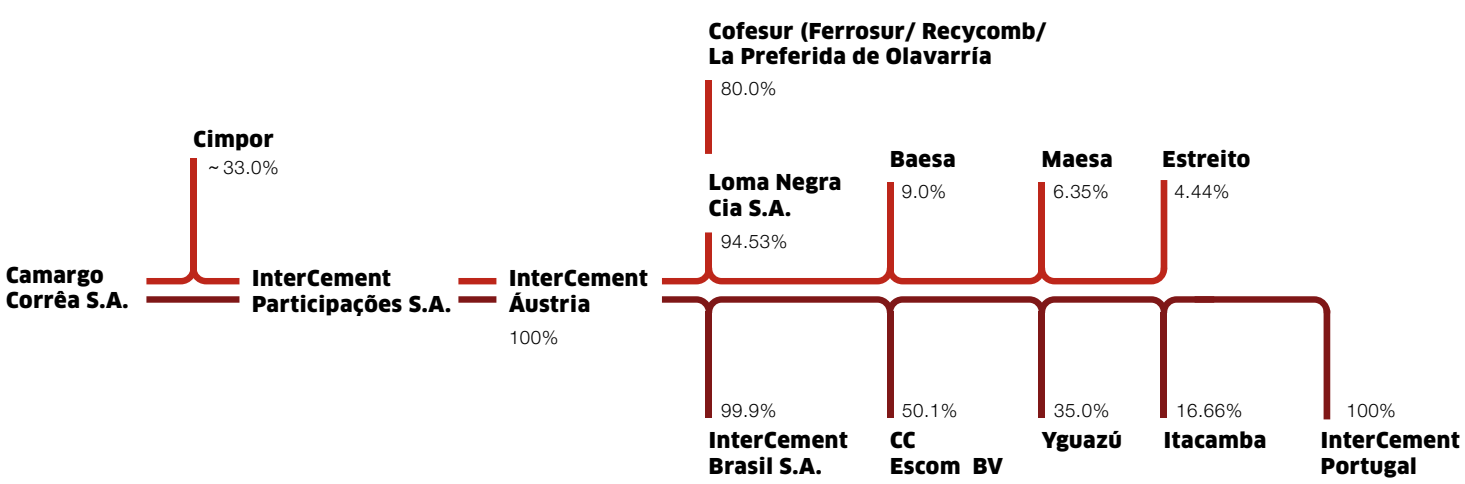
which will have a crushing capacity of 880,000 metric tons per year.

As part of its international expansion, it is currently building an integrated factory of cement production in Paraguay under the name Yguazú Cementos, and another one, also integrated, in Angola under the name Palanca Cimento.

InterCement stands for ethics and for respect in the development of its operations and relationship with its stakeholders, values that it considers fundamental to the sustainability of business. Its actions are based on strict principles of sustainability aimed at creating value for the entire production chain and reducing the impact of its activities on the environment.

Various social and environmental initiatives undertaken with national and international organizations strengthen this commitment. Among them is the Global Compact led by the United Nations (UN), of which it has been a signatory since 2010, and the Cement Sustainability Initiative (CSI), an arm of the cement segment on the WorldBusiness Council for Sustainable Development (WBCSD), of which it has been a member since 2008. Investments are continually being made in new technologies to reduce and mitigate emissions of greenhouse gases (GHGs). The company has ISO 9001, ISO 14001, and OHSAS 18001 certifications in several units in Brazil and Argentina.

On December 31, 2011 the company had 5,061 direct employees, of which 2,076 in Brazil and 2,985 in Argentina, and a portfolio of over 5,000 active clients. Its net income for the year totaled R\$ 2.88 billion and net profit was R\$ 257 million. Cash flow, expressed by EBITDA, was R\$ 695 million.



MISSION

To operate in the value chain of the cement industry in a sustainable way, with innovation and excellence in management, committed to customers' needs and people's fulfillment while generating value for our shareholders and respecting the environment and the community.

VISION

To be one of the 20 largest cement companies in the world, and one of the 5 most profitable and efficient.

VALUES

RESPECT FOR PEOPLE AND THE ENVIRONMENT

To always act fairly and properly towards its shareholders, employees, customers, suppliers, governments, communities and society as a whole. To act responsibly towards the environment.

RESPONSIBLE CONDUCT

To comply with the established laws of the countries and regions where it operates; to assimilate the values defined herein; to act with integrity and in accordance with the universal standards of good human relations without discrimination on account of race, sex, creed, religion, job, position, or any other motive.

TRANSPARENCY

To provide clear and ample information on its activities, accomplishments, policies, and performance in a systematic and accessible way.

FOCUS ON RESULTS

To always strive to maximize performance as a way of ensuring its permanence, its investments, return for shareholders, and suitable conditions for its employees.

QUALITY AND INNOVATION

To ensure customers the highest possible quality in the execution of services and the supply of products and to invest continually in the improvement of its activities and that of its employees.

InterCement has 16 cement production units, 27 concrete plants, and 3 aggregate mines.

CIMPOR

Still aligned to the strategy to grow consistently in Brazil and abroad, the parent company Camargo Corrêa S.A. acquired in 2010 approximately 33% of the shares of the Portuguese cement company Cimpor that operates in 12 countries, including Brazil, where it holds 9% of market share. In March 2012, InterCement presented a public offering on the Portuguese Securities Market Commission (CMVM) in Lisbon to acquire the entire share capital of the cement company. Thus, the integration of the cement and concrete assets and operations of Cimpor in South America and Angola is in

the planning. The goal is to provide Cimpor with a stable shareholder structure and a strong and effective growth strategy.

The reorganization, once approved, will result in the expansion and strengthening of this cement company, especially in markets with a high growth potential. InterCement will support the human resources policy based on the motivation of Cimpor's employees in line with the people management policy from the Camargo Corrêa Group. In compliance with the laws, the company will provide more information about the operation only after the preliminary analysis by CMVM.

Main Indicators

	2007	2008	2009	2010	2011	Var. % 2011/2010
Gross income (R\$ million)	1,946	2,660	3,036	3,132	3,584	14%
Net income (R\$ million)	1,598	2,042	2,362	2,474	2,884	17%
EBITDA (R\$ million)	400	420	641	616	695	13%
EBITDA Margin (%)	25%	21%	27%	25%	24%	-
Net profit attributable to controlling shareholders (R\$ million)	211	186	538	225	257 ⁽²⁾	15%
Investments (R\$ million)	177	270	263	302	579	92%
Sales of cement and by products (millions of tons)	8.8	10.2	10.1	11.5	12.7	10.0%
Sales of concrete (millions of m³)	2.2	2.4	2.5	2.3	2.1	-9.1%
Volume of aggregates (millions of tons)	-	-	-	1.3	2.9	124.3%
Tons transported (millions of tons) ⁽¹⁾	5.5	5.6	5.1	5.2	5.6	7.7%
Employees (at end of period)	4,000	4,808	4,751	4,787	5,061	5.7%
Income per employee (R\$ thousand)	487	553	639	654	708	8.3%
EBITDA per employee	100	87	135	129	137	6.5%

The information from 2009 is in line with international accounting standards (IFRS).
The information of 2011 includes the values of InterCement Participações, from InterCement Austria Holding, and its subsidiaries.
(1) Values refer to railroad concession.
(2) In 2011, the consolidated net profit of InterCement Participações S.A. suffered non-recurring financial and tax expenses valued at approximately R\$ 46 million.



InterCement

COMPETITIVE ADVANTAGES

- + Has a consolidated position as the third largest cement company in Brazil and Argentina's leader with well-known brands in the market.
- + Owns the third largest industrial park in South America and one of the most modern and efficient.
- + Has programs in place for innovation and continuous improvement through a replicable management model focused on operational excellence, which has provided solid, systematic, and above-market-average financial results.
- + Has one of the lowest rates worldwide of emission of greenhouse gases (GHGs) per metric ton of cement on its production lines.
- + Member of the Cement Sustainability Initiative (CSI) and a signatory of the UN Global Compact since 2008 to encourage companies to adopt policies for sustainability and corporate social responsibility.
- + Invests in increasing the thermal substitution rate (co-processing) in Brazil and Argentina.

- + In Brazil it is a self-producer of hydroelectric energy, which directly impacts the cost savings and emissions of CO₂. The total power of the plants and investments owned by InterCement are as follows: Machadinho HPP (1,140 MW - 6.35%), Barra Grande HPP (690 MW - 9%), and Estreito HPP (1,087 MW - 4.4%). With this InterCement became 100% independent of third parties in electric power generation, owning assets with an installed capacity of 170 MW.
- + In Argentina it has a railroad concession of 3,300 kilometers that connects its main plants to part of the market, thereby increasing its logistic competitiveness.
- + Owns reserves of limestone with guaranteed extraction for several decades and wide availability of raw materials and other inputs.
- + Its controlling shareholder is a solid family group recognized internationally.
- + Has easy access to its own resources and that of others through support agencies, bank loans, and capital markets.

- + Is strategically positioned in the value chain with operations in the relevant markets of concrete in Brazil and Argentina. Has two gravel quarries in São Paulo and one in the province of Buenos Aires, supplying the market and ensuring the supply of this raw material for the proper operation of concrete.
- + Has teams prepared to execute the projects of expansion and internationalization
- + Has planned investments of over R\$ 3 billion over the next years not including mergers and acquisitions, which ensures substantial growth in production volume in the countries where it operates and new capacity in Paraguay and Angola.
- + Is the largest individual shareholder of Cimpor, a company present in 12 countries in South America, Africa, Asia, and Europe.
- + It has a risk management process that, among other objectives, identifies and monitors the risks critical to the business and process.

InterCement Production
Only cement transactions



HIGHLIGHTS 2011

+ JANUARY

Restarted operations of the aggregate deposits with very favorable performance in the year.

+ MARCH

Reached 23% market share of cement in Paraguay, opening opportunities for the plant being built in the country.



+ APRIL

Launched the InterCement brand and consolidated the objectives of InterCement Participações, reflecting the company's internationalization and its ability to unite people and culture.

+ MAY

Developed new sustainable products in Argentina: pervious concrete, concrete with recycled aggregates, compound cement, and blast furnace cement in Catamarca.

+ JUNE

Obtained a deployment license and a permit to start the construction of cement grinding in Cubatão (SP) with a capacity of 880,000 metric tons of cement per year.

+ JULY

Implemented SAP 6.0 in its integrated version in Brazil and Argentina, making it possible to increase the synergies between the operations.

+ AUGUST

Organized the Day of Doing Good at InterCement with the participation of 4,353 volunteers, benefiting more than 20,000 people in Brazil, Argentina, and Paraguay.

+ SEPTEMBER

Was recognized in the Silver Category in the Brazil GHG Protocol Program for Inventory of Greenhouse Gases in Brazil in 2010.

Reached a record in the thermal substitution rate by co-processing (burning waste) at the Ijaci (MG) plant by 20.01%.

Implemented the risk management process of business and processes.

+ OCTOBER

Identified opportunities to improve processes through the program Reduce to Add with reductions of costs and expenses of R\$ 10.2 million.



+ NOVEMBER

Differentiated participation of InterCement Brasil in the Concrete Show in São Paulo.

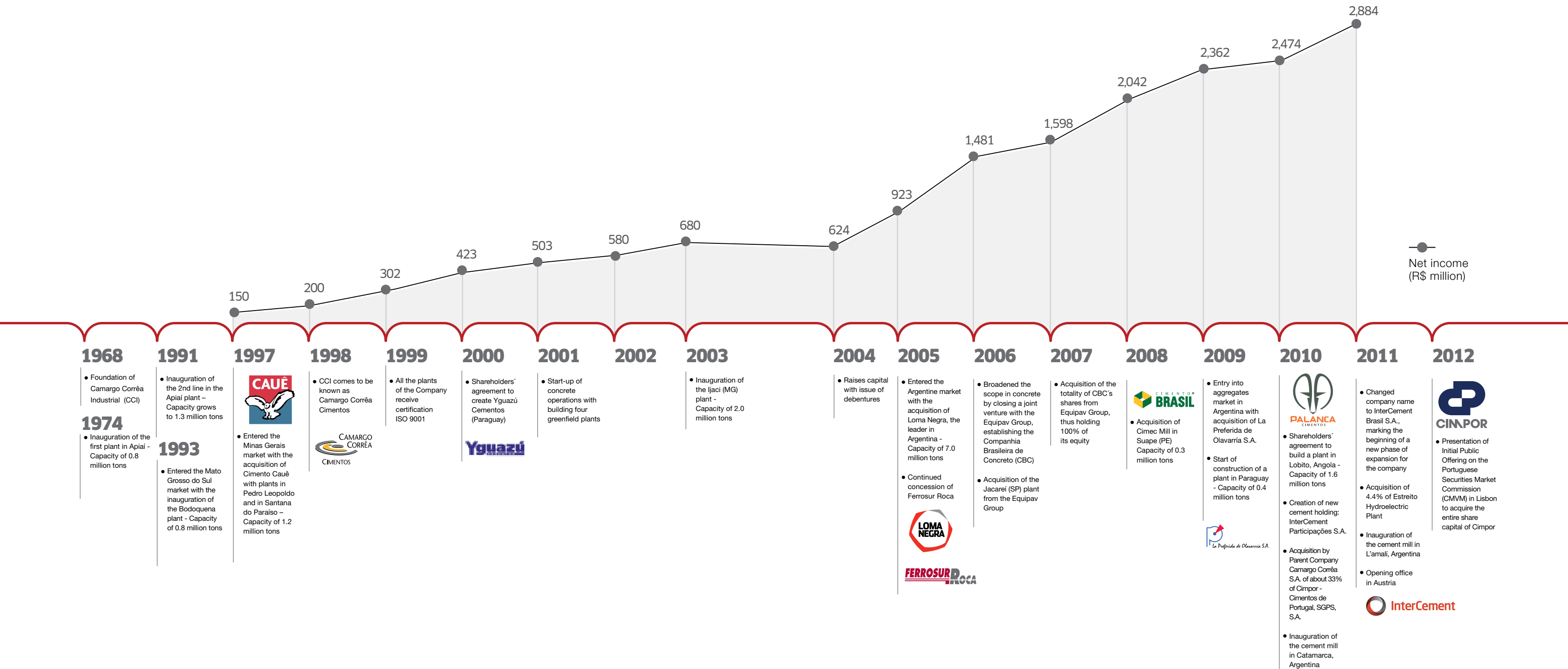
+ DECEMBER

Signed the contract for building an integrated cement plant in Angola with operational startup scheduled for December 2014.

Record yearly sales for InterCement of 12.7 million metric tons with a growth of 10% over the previous year (10% in Argentina and 7% in Brazil).



Timeline



Message from the Chairman

READY FOR THE FUTURE

The growth of our business in recent years is significant—we know, however, that all development needs to be paced. It is not enough to just grow in volume if that is not translated into results for the company. That is why we adjusted our vision in 2011. Besides being one of the 20 largest companies in the segment, we want to be among the five most profitable and efficient in the world.

This affirmation of excellence is in harmony with the institutional reorganization consolidated in the year, which included all businesses in the area of cement under the leadership of InterCement Participações. The change in the institutional design provided more clarity to the challenges and responsibilities and expanded the corporate vision through alignment of the business units. The standardization of procedures and concentration of demands improves our performance and qualifies us for growth and internationalization.

Working together with the appropriate methodology and tools, we put into practice transforming actions that generate results. Our improvement groups conducted projects that can significantly increase productivity with safety through the program Let's Do More, which used open innovation as a method to obtain higher output in the short term, and the risk management project that allowed greater safety in conducting business and its processes.

Our direct contact with customers in all the markets that we operate allows us to be ahead in the development of products tailored to the needs of the sector, such as the sustainable initiatives of Loma Negra in Argentina and the Cauê Trends meetings in Brazil. Our market share in Paraguay also grew significantly in 2011.

With this performance, we reached a net income of \$ 2.88 billion, an increase of 17% over the previous year. The growth in net profit, which reached R\$ 257 million (15% higher than in 2010), was in line with the increase in the volume of cement and byproducts (10%) sold.

The suggestions made by the teams in the program Reduce to Add deducted more than R\$ 10 million of expenses in the fourth quarter, re-dimensioning habits and priorities. This initiative is being incorporated as a permanent tool for InterCement, preserving the most advantageous relations of cost over benefit in all its areas and subsidiaries. Our comfortable financial situation, with net debt at low levels, gives us room for important strategic actions and leaves us ready for development.

All actions were coordinated with the premise of being result oriented. Activities of reflection and improvement strengthened the competence among the company's executives and brought this commitment to the everyday activities. This process will still be deepened and

shared with others throughout the entire organization in 2012. We believe in people and invest in their improvement, as well as in enhancing the institutional climate and quality of life.

Our Corporate Social Responsibility Policy was introduced in 2011 and we formed the Committees of Volunteer Incentives and Interaction with the Community in all units. The highlight of the year was the Day of Doing Good promoted in partnership with the Camargo Corrêa Institute, which benefited more than 20,000 people.

New challenges await us in 2012 with the expansion of activities in different countries. In alignment with our strategy, we submitted a public offering in the Portuguese Securities Market Commission in Lisbon to acquire the entire share capital of Cimpor with the aim of achieving a shareholder composition leading to the company's stable situation, thus strengthening its capacity for growth. This initiative demonstrates our commitment to develop an international presence and be among the largest global producers of cements. Industrial units will be built over the next few years in Brazil, Argentina, Paraguay, and Angola, marking the presence of InterCement in emerging countries and its important market share in Latin America and Africa. To do so, we will continue to depend on the interaction among our stakeholders, who are the ones responsible for all these achievements.

José Édison Barros Franco
Chairman

Result-oriented



Focus on results

The focus on results promotes consistent and sustainable performance, being present in InterCement's strategy, management, and institutional culture. Guided by its corporate goals, the company reaches new heights in the market from collective construction and management based on best global practices.

Our orientation toward results is supported by a matrix management system that provides the intersection between strategy and execution in an integrated way and adapted to

the different countries of operation and products offered. Implemented in 2005, the Integrated and Replicable Management System allows decisions to be taken in a decentralized manner and in line with the objectives and corporate goals, while still respecting local characteristics and peculiarities. The decision process is shared with the Executive and Management Committees, made up of directors, superintendents, and managers. All business units have complete operational structures that are supported by the corporate areas for strategic issues.

The sum of efforts is evident in the improvement projects and gains in efficiency that bring higher occupancy levels. This performance is mostly a result of continuous improvement groups, demonstrating that the orientation to results is already in the culture of the people who make up InterCement.

The company has intensified its actions of efficiency and cost containment in order to be among the most profitable companies in the world. Among the instruments used for this purpose is the annual assessment of the budget forecast using the zero base model: all expenses must be justified each year, without taking into account only the reference of the previous year. The process produces annual reflection about the expenses of the business units, adjusts the budget to new situations, and eliminates comfort zones by encouraging systematic analyses of the resources.

Strategic vision

InterCement follows rigorous sustainability principles that ensure its financial strength, discipline the use of capital, and respect the ethical, legal, social-environmental criteria in actions aimed at creating long-term value. Managers and employees are aware of the internal processes to take any corrective actions with speed with a focus on objectives and goals in order to maintain the company's growth and its competitive advantages.

InterCement has constantly invested in processes for improving and expanding its productive capacity and infrastructure while keeping a focus on operational excellence in order to position itself among the 20 largest cement producers in the world and be among the five most profitable and efficient companies. The allocation of resources is planned according to market trends and customer demand.

Among the goals established is to maintain the market share gained in Brazil and the leadership position in Argentina. Furthermore, InterCement foresees expanding its business through acquisitions into developing countries, primarily in Africa and Latin America. An example was the recent acquisition by the parent company Camargo Corrêa S.A. of approximately 33% of the shares of Cimpor, a Portuguese company that has an important participation in emerging markets.

INTEGRATED MANAGEMENT
In August 2011, all units in Brazil and Argentina were given guidelines and a checklist for assessing their Integrated and Replicable Management System (SGIR). This process is fundamental to measure the level of adhesion of the respective units to the good management practices established by InterCement. The assessment takes into account eight aspects: Daily Routine Management, Matrix Management of Expenses, Matrix Management of Variable Cost, Matrix Management of Revenue, Management by Guidelines, Certifications, Project Management, as well as Health, Safety and Environment.

Compliance Reports are prepared based on assessments and are submitted to the managers. Last year, the level of compliance was 65%, up from 50% in 2010, which demonstrates the maturity of the process and the high degree of commitment of the teams involved. The goal is to reach 80% by 2014.

The management process at InterCement also has the support of multidisciplinary groups brought together in cycles of analysis of results and alignment - PDCA's (Plan-Do-Check-Act), aimed at continuously improving the management actions. Applied consistently across all business units, the tool makes the processes involved in the execution of the management more clear and agile. The best PDCA projects, those that are translated into gains of efficiency and cost reductions, receive awards during the



The management system allows decentralized decisions in line with corporate objectives.

A InterCement wants
to be among the
TOP 20
cement companies in the
world and also among
the most efficient.

The Reduce to Add program added approximately

5%

gains in EBITDA earnings in the last quarter of 2011.

year, encouraging the good results and collective participation of employees and leaders.

MANAGEMENT TOOLS

In 2011, InterCement gave a further important step in the process of unification of its operations between Brazil and Argentina when it migrated to a new integrated version of SAP on a single platform. The initiative was developed over a year's period and sets a standardized and integrated working model. The benefits expected include cost saving, simplification and standardization of operational routines, integration of InterCement's international business, gains in synergy, along with higher quality in managing information. The development and deployment actions included the dedication of more than 100 of the company's professionals and from the consulting company.

The rigorous management of expenses is a focus of InterCement towards excellence and because of this much of its investments goes to creating mitigation tools and improving processes. In 2011, for example, it promoted the enhancement of the Matrix Management of Expenses (GMD) program adopted over five years ago. The initiative included hiring an external consulting company that was responsible for mapping the processes and establishing new actions. The advantage of the GMD is the grouping of accounts into "packages" that are managed using a matrix. This makes it so that the item is much more relevant and the manager can rely on more data



to analyze the nature of expenses, better evaluate the practices, and propose opportunities for improvement.

In line with the GMD program, the company launched in 2011 the program Reduce to Add, which aims to identify possible gaps in processes in order to reduce operating costs and establish actions for short and medium term improvements especially with processes and tasks that do not add to the business result. In the last quarter of the year there was a reduction of costs and expenses of R\$ 10.2 million, which led to gains in the generation of EBITDA for the period of almost 5%. The tool becomes effective beginning in 2012.

Also in the year, InterCement adopted a computerized system for managing the sustainability indicators of the cement operations (Business Intelligence - BI). The tool allows tracking the updated sustainability indicators of each industrial unit, as well as the consolidation of this data by country and for all business units, providing constant management while striving for continuous improvement.

Operational performance

InterCement maintains a strategic direction focused on sustainable growth and the internationalization of its business, seeking to generate value for its shareholders and other audiences. In 2011, the total volume of cement and its byproducts sold by the business units, adding the operations in Argentina, Brazil, and Paraguay, reached 12.7 million tons, up 10% over 2010. In Brazil, the increase was 7% and in Argentina 10%. In both countries the volumes sold represent new records in annual sales and were above the average market growth.

To achieve these results, InterCement has one of the most modern industrial parks in South America, which brings together state-of-the-art technology, automated processes, and experienced teams. Also part of this broad infrastructure are limestone mines strategically located within a radius of up to 20 kilometers from the operating units and close to

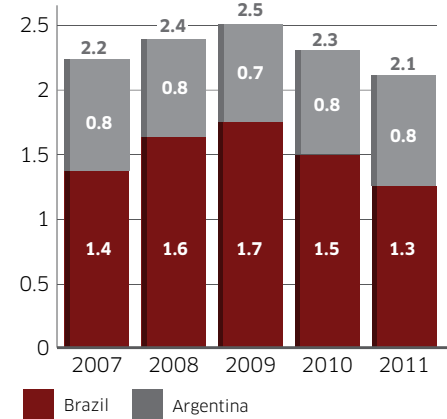
major consumer markets, the railroad network in Argentina managed by Ferrosur Roca, and the trading activities at the subsidiary in Austria.

CEMENT

With a 10% market share in the Brazilian market of cement and leadership in Argentina, InterCement sold 12.7 million metric tons of cement in 2011. In Brazil sales totaled 6.4 million metric tons, while in Argentina the volume totaled 6.1 million metric tons.

Among the factors that contributed to the results for the year are several improvement projects for gaining in efficiency and increase capacity. Some examples were the inauguration of new cement mill in L'Amali, Argentina, which doubled the milling capacity from 1 million to 2 million metric tons a year. To receive an additional volume, the Lomaser unit, also in Argentina, had a project to expand

Sales of concrete
(millions of m³)



its shipping capacity, which led to an additional 800,000 metric tons a year, raising the annual capacity to 1.8 million metric tons.

Another action in Argentina that resulted in a gain of productivity was the installation of burning fuel oil in the Zapala factory. This initiative will make it possible to keep the furnace running during the winter when there is a restriction on the supply of natural gas. The action resulted in a 12% increase in plant capacity, meaning an extra 26,000 metric tons of clinker per year.

CONCRETE

In 2011, the concrete operation in the region of São Paulo was 100% supplied by the input of aggregates from InterCement’s own quarries. The action reduced manufacturing costs and provided gains in the quality of the product. The company continues optimizing the portfolio of mills with a focus on customers who recognize the value added in the operation.

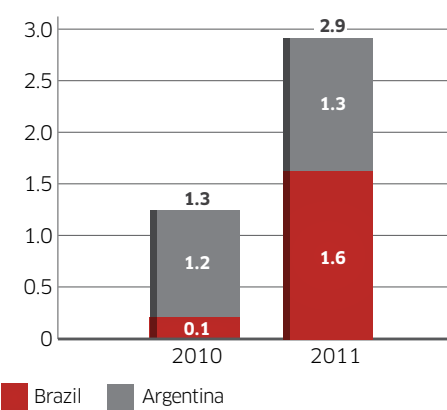
The Loma Negra Technical Center in Argentina ran a test during the year on an industrial scale for the production of pervious concrete. The product, which is an important solution for parking lots, will be commercially available in 2012. Another novelty was the manufacturing of concrete with recycled aggregates, which offer a positive contribution to the environment.

The volume shipped in 2011 reached 2.1 million cubic meters, 9% lower than the performance achieved in 2010 due to two mills closing and the lack of pace of major infrastructure projects underway in Brazil.

AGGREGATES

Recognizing the importance of the segment to the strategy of its business, InterCement resumed operations in 2011 of the deposits of aggregates of Guarulhos and Barueri in Greater São Paulo. Even in an atypical year marked by adjustments for raising the standards of operation, the volume shipped in 2011 reached 2.9 million metric tons with an EBITDA margin of 21.3%. Considering that the market showed an average performance in 2011 without highlights of volume or price, the result is significant and demonstrates the robustness of business of aggregates. The year 2011 was one of learning and implementing the management model for harvesting results in the years to come.

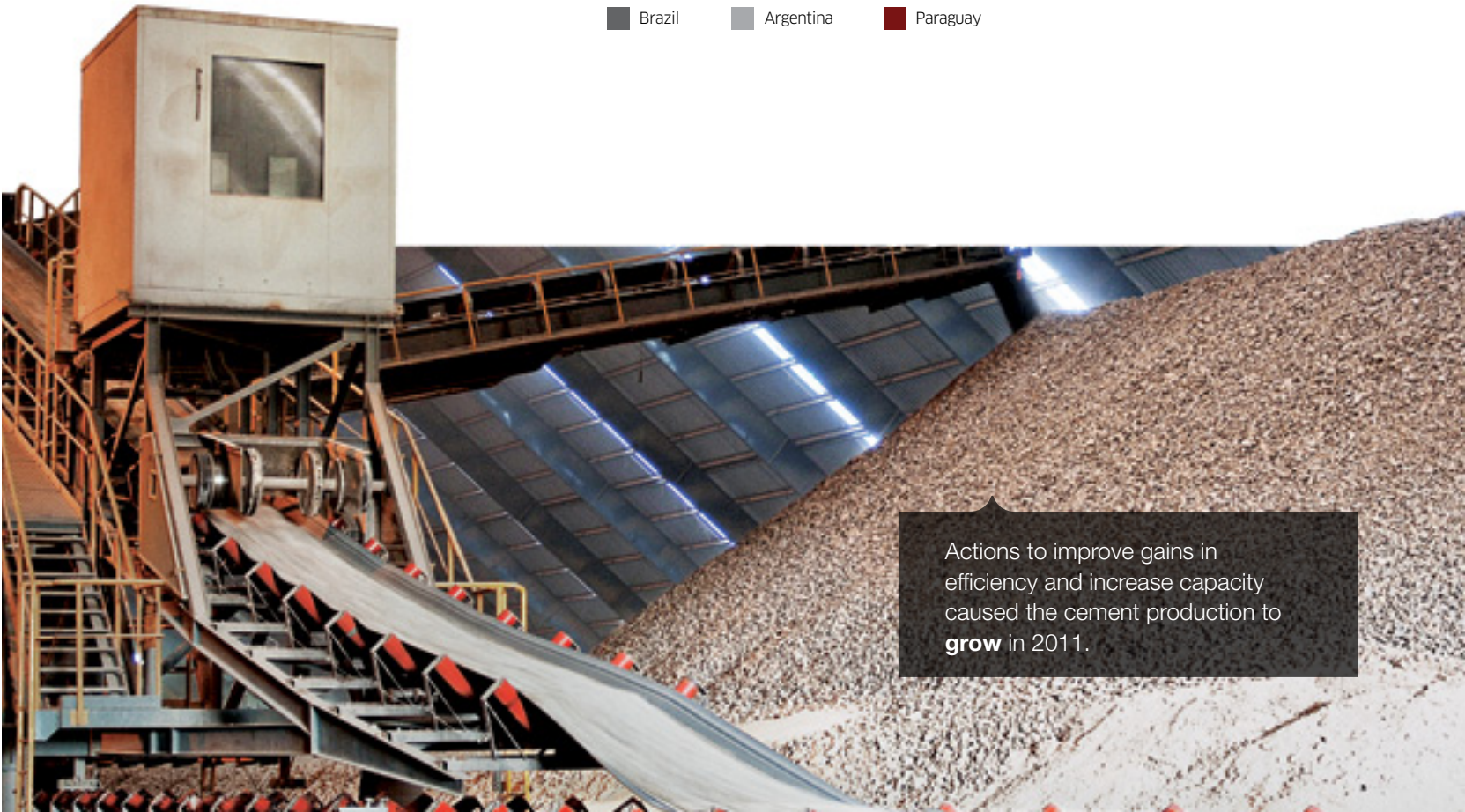
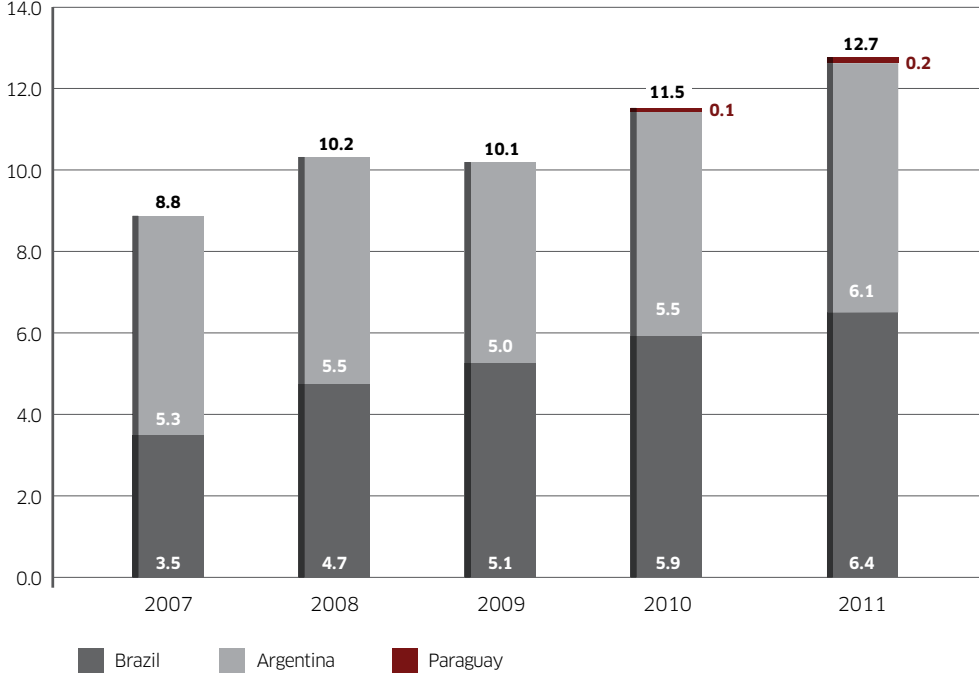
Sales of aggregates
(millions of tons)



InterCement sold

12.7
million tons
of cement in 2011.

Sales of cement
(millions of tons)



Actions to improve gains in efficiency and increase capacity caused the cement production to grow in 2011.

Financial performance

With high levels of efficiency in using the installed capacity, InterCement obtained excellent results in 2011 in cement sales volume while maintaining market share—the volume grew 7% in Brazil and 10% in Argentina. In Paraguay, with significant expansion of demand, the company increased its share and reached 23% of the local market.

To achieve these results, the company invested in maintenance in recent years, reaching the highest level of reliability needed for the equipment at a time with a strong market demand. The high fixed cost of maintenance gave the result expected and was still below the growth in revenue in 2011. The level of general and administrative expenses on net income is very low and did not increase compared to 2010. In Argentina, the business has been growing in recent years with a strong growth in energy costs and other items, which generated an impact on financial results.

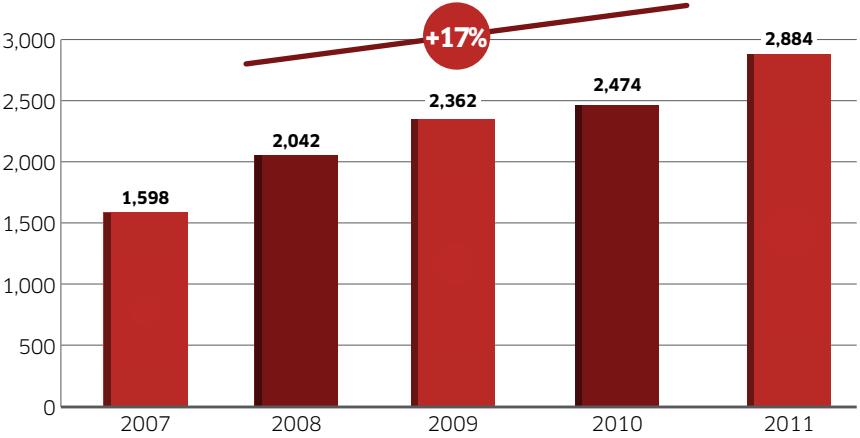
The year was also marked by increased prices of petroleum coke, which gained relevance in the variable costs. To compensate the increase in energy costs at least in part, the company increased the thermal substitution, which increased more than 30% in 2011 to levels that open up the opportunity for establishing more challenging goals.

The repurchase of bonds from InterCement Brasil and Loma Negra worth US\$ 161 million improved the debt profile and got the company ready for its growth projects.

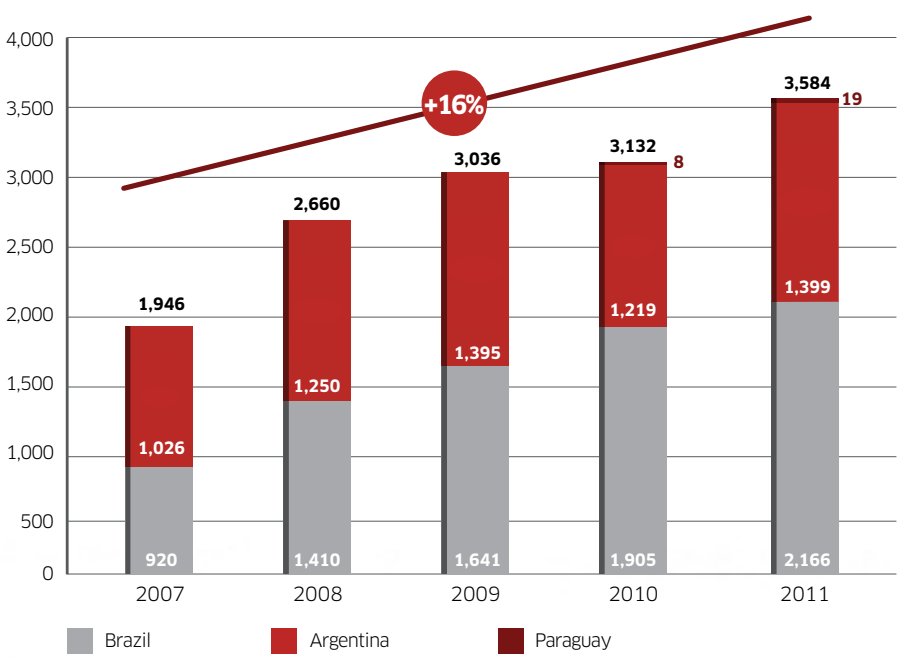
REVENUE

The company's consolidated gross income reached R\$ 3.58 billion, 14% above the R\$ 3.13 billion from the previous year. The result stems from the increased volume and price with a higher demand from the markets and the prominent position of the brands, having a guaranteed supply because of the high level of occupation. Net income rose 17% to R\$ 2.88 billion.

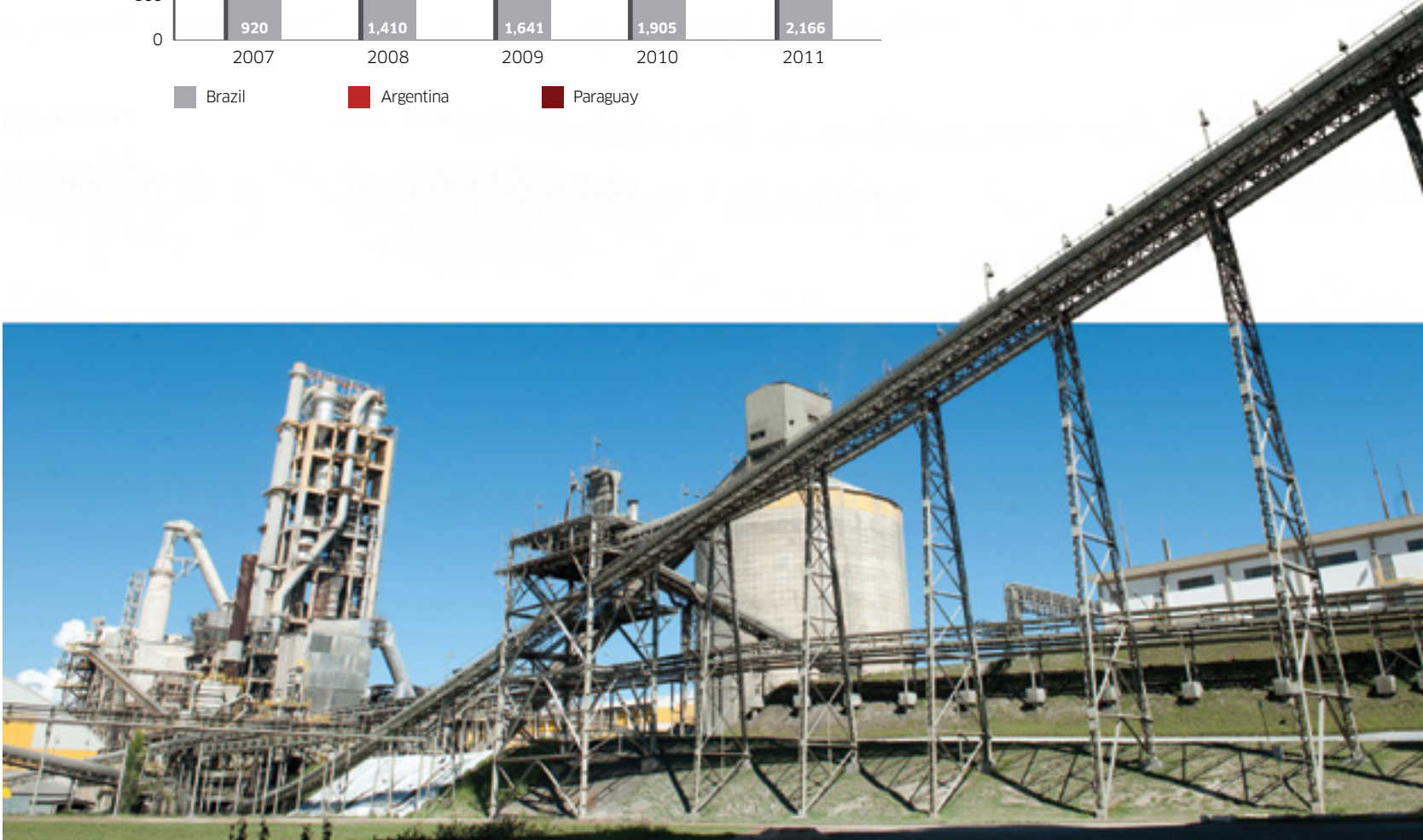
Net income (R\$ million)

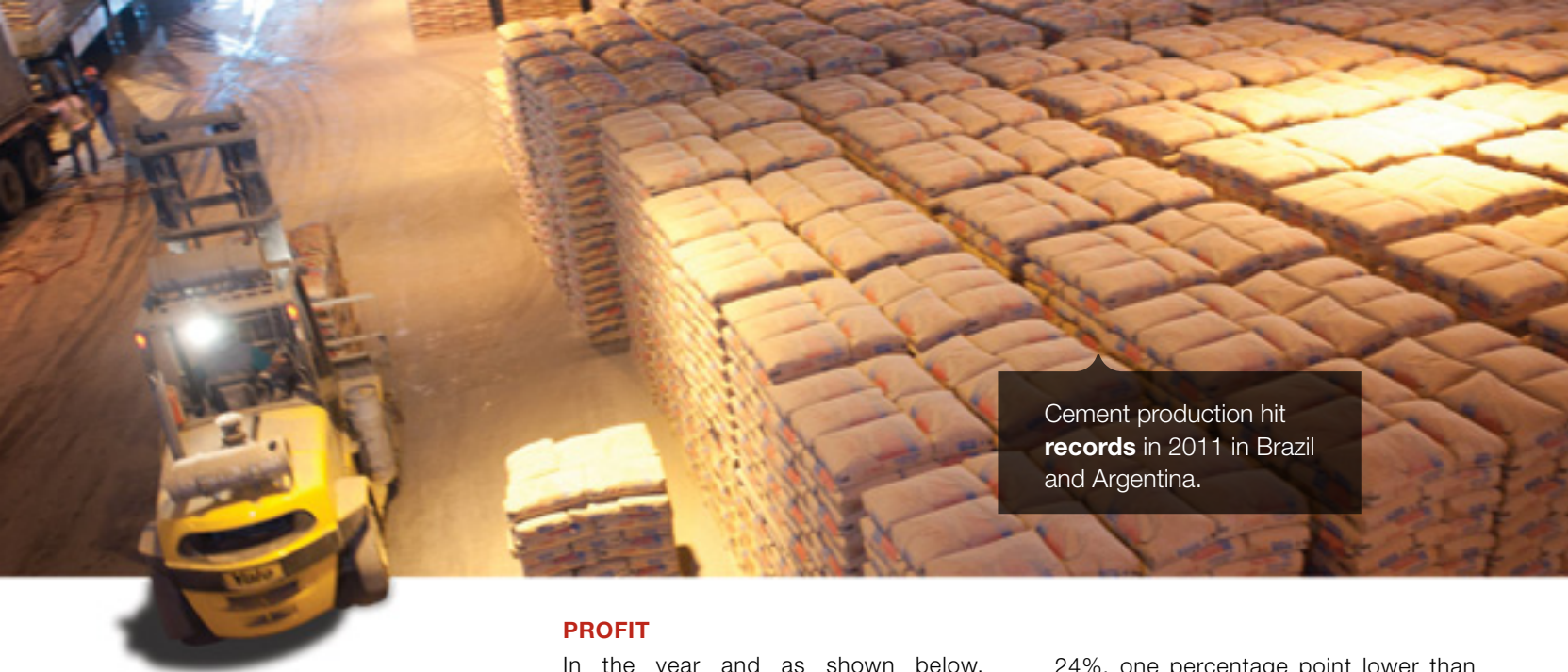


Gross income by country (R\$ million)



The company's gross income in 2011 was **14%** higher than the previous year.





Cement production hit **records** in 2011 in Brazil and Argentina.

PROFIT

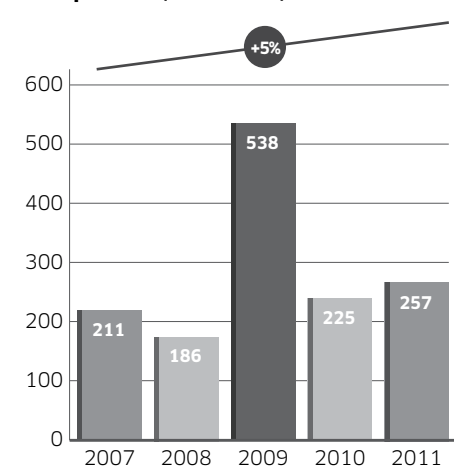
In the year and as shown below, InterCement reached an EBITDA of R\$ 695 million (13% higher than in 2010), and the EBITDA margin was

24%, one percentage point lower than that reached the previous year. The company's net profit was R\$ 257 million in 2011, 15% more than in 2010.

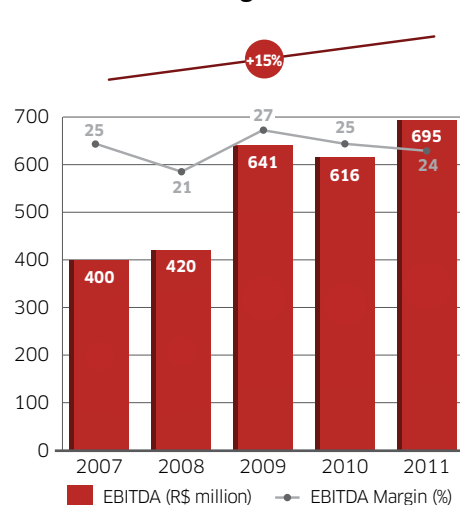
Reconciliation of EBITDA

	2010	2011
Net Profit	224,524	257,387
Minority Interest	1,880	4,514
Income Tax and Social Contribution	127,476	151,643
Net Financial Income	87,439	230,530
Depreciation, Amortization, and Goodwill	136,359	126,983
Other Operating Expenses (Revenues)	38,536	(75,886)
EBITDA	616,214	695,171

Net profit (R\$ million)



EBITDA and margin



Improved performance in milling

THE “ORIENTATION TO RESULTS” DEFINES THE HIGH-PERFORMANCE IN MANAGEMENT AND THE PURSUIT OF SUSTAINABLE GROWTH, SUCH AS IN THE PDCA, FOR IMPROVING IJACI’S TECHNICAL INDEX

Teamwork once again proved to be an excellent tool for reaching corporate goals and efficiency in the business. This is what a multidisciplinary group from Ijaci made up of eight employees from various areas (Process, Operation, Maintenance, and Laboratory) proved while leading a PDCA project to improve the unit's technical index—productivity and availability of maintenance of the chains.

The development of the project, which lasted about three months, included four methodological steps: Analysis of the phenomenon, Process analysis, Action plan, Standardization of processes, and Team training. A goal was set after identifying opportunities for improvements: increase the operating performance index of mill I and II from 92.8% to 94% (cumulative target by December 2010).

The next step of the PDCA was to replace the bushing (one of the parts of the mill) that was worn from the effect of high temperature. This action made it possible to reduce the volume of water injected, ensured a greater stability in the product quality and fewer downtimes due to high temperature.

The Ijaci team reached an increase of **241,600** metric tons a year



Culture of innovation



Continuous process of innovation

Innovation, established as a collective and continuous process, is a major factor in the development of InterCement and is present in all corporate structures, from strategy to technology. In addition to stimulating innovative behavior among its employees, the company seeks to interact with customers and research institutions in order to create the solutions that are most adequate to the sector's needs.

InterCement ensures the quality of its products and processes through the consolidated process of continuous improvement, which has provided high levels of excellence in the operations, surpassing industry standards. Because of this, in recent years it has invested in the relationship with its stakeholders in order to identify trends and demands. Partnerships arise through initiatives such as Let's Do More,

an internal program to receive suggestions for increasing productivity, and Cauê Trends meetings held with industrial customers, which include discussions about products. Loma Negra was a sponsor of Tecnópolis Del Bicentenario, Ciencia, Tecnologia Y Arte 2011, an event that celebrated 200 years of scientific and technological activities in Argentina.

In addition to maintaining the incentive for continuous improvement, in 2012 the company will deepen the concept of innovation at the strategic level. Much beyond the operational aspects that follow under constant monitoring and qualification, the purpose is to reach the disruptive innovation, enabling InterCement to structure its projects in the long term, anticipating market strategies.



The company encourages **innovative** behavior among its employees, customers, and partners.

Methodology to generate results

As part of its Management System, InterCement began in 2009 the implementation of Innovation Management, encouraging the practice of continuous improvement and the use of creativity with accountability among employees. In 2010 it went to the field to better understand the expectations of its customers. Through interviews with businessmen and professionals, opportunities to meet specific demands were selected, which began to be tested for their viability with the use of prototypes. Conducted jointly with research institutions, they included operational and commercial activities and have been under evaluation until 2011 with the purpose of being transformed into new processes, products, and services.

In order to reach a new level of innovation, the company will adopt a new methodology to obtain permanent, sustainable, and increasingly more radical results. The process implemented in 2012 will become part of the organization's culture, making disruptive innovation a habit among employees.

Through reflection about its place in the market and its strategy, InterCement looks to the future, reinterpreting its challenges. From the observation of external factors such as customer needs, technologies from other industries, trends, and paradigms, an innovation network made up of the company's professionals will work in cycles for analyzing issues. The groups will be transversal and multidisciplinary

with the support of communication actions, human resources, and strategy. Integration is the keyword of the system based on the production of ideas from collaboration.

The movement causes one to look at the strategy from another perspective, bringing new concepts and possibilities. This process adds value to the brands of InterCement, which begin to be recognized for their innovative character. The new methodology also has at its center a focus on results, which must be robust, not just incremental, in all the initiatives taken.

The innovation program
Let's Do More received
in 2011

39

suggestions from
different areas.

Let's Do More

Launched in April, the program Let's Do More promotes gathering ideas to increase cement production in reduced time. The proposals, which are submitted through the company's intranet portal, can be individual or collective and must result in at least 10,000 additional metric tons of the product in 30 days.

All suggestions received are analyzed by the Area of Innovation and by a Committee of Specialists, the technical

team responsible for defining the feasibility of implementing each project. Those whose ideas are selected are rewarded with points that can be redeemed for merchandise such as televisions and other electronic devices.

Were received 39 suggestions in 2011 from many areas and two of them were put into practice in the same year. The program, initially implemented in Brazil, should be taken to the Argentina units in 2012.

Research partnerships

In addition to having consultants specialized in setting up innovation programs, InterCement is associated with educational and research institutions to elaborate prototypes and other technologies. New partnerships were initiated in 2011:

+ **Federal University of Minas Gerais (UFMG):** construction of the Center for Nanotechnology in order to centralize the main research in this field and its applications for the cement industry.

+ **Federal University of Rio de Janeiro (UFRJ):** partnership with the Foundation for the Coordination of Projects, Research, and Technology Studies (Copptec/UFRJ) for the study of sustainable technologies of packaging.

+ **Institute for Technological Research (IPT):** development of a new technological route for the utilization of construction and demolition waste. The project, which has 50% of its cost financed by BNDES, has its research initiated in the first quarter of 2012.

+ **VHSC Cement:** the association with the American company will result in studies of better technologies for the activation of pozzolana, a volcanic rock that can be added to the cement.

+ **Universidad Nacional de Cuyo:** construction of a pilot system to capture carbon dioxide by microalgae. The project will be developed at the Loma Negra factory in San Juan.

Creativity and efficiency

THE "INNOVATION CULTURE" BECAME EVEN MORE PRESENT IN 2011 WITH THE ACTIONS OF LET'S DO MORE PROGRAM. THE IJACI AND BODOQUENA UNITS SHOWED THAT GOOD IDEAS ARE TRANSLATED INTO GAINS FOR THE ENTIRE PRODUCTION CHAIN

Through the program Let's Do More created in 2011 to gather ideas that contribute to increasing the volume of cement production in the short term, employees from two plants presented innovative solutions to improve the production processes.

The Ijaci project, proposed by a group of ten people, developed an action for using the dust from the cement mill's bag filter and generated an additional volume in the production of cement of 10,800 metric tons (August to October), which is an average of 3,600 metric tons (5.7%) more per month, plus a 4.7% reduction in the consumption of specific energy (kWh/t).

In Bodoquena, the idea was to increase the quantity of material utilized in the mill. The average productivity before the project was 104,600 metric tons/h of cement, rising to 106,200 metric tons/h after the change. With this, the monthly production gained an increase of about 3,000 metric tons.



Together, the Ijaci and Bodoquena units increased their monthly production by almost 14,000 tons

Strength of
relationships



Respect and trust

Respect and trust are the foundations of InterCement's relationship with its stakeholders. Whether in its routines with suppliers and customers or in its interaction with society, the company seeks to establish strong partnership relations, developing joint solutions through teamwork. With customers, the daily contact is intensified in actions

directed to research, discussion, and training. The social actions cause the company to grow nearer to the communities where it operates, taking structured programs in partnership with the Camargo Corrêa Institute and Loma Negra Foundation, aligned with local needs.

Costumers and suppliers

Several actions intensify the company's links with its value chain. The Trade Marketing program conducted by Loma Negra with Austral University trained 100 business people who distribute or use the company's products in their concrete manufacturing process. Directed to the owners or their children, the course considers family aspects of small and medium-sized companies and promotes loyalty and better performance of the sales channels. Subjects such as models for business analysis, people management, negotiation, and sales were addressed.

In order to discuss the course of the civil construction market in Brazil with leading representatives of the industrial sector, four Cauê Trends meetings were held on the themes of interlocking floor tiles, concrete roof tiles, mortars, and industrialized building systems. InterCement has a department of specialized technical consulting for this consumer audience that assists in the process of reducing costs and reaching gains from improving products and services.

The area of concrete also has a strong proximity with the Brazilian and Argentine markets. The development of special solutions designed according to the need of more sophisticated building projects that require special characteristics of the product enables a personalized and effective customer service. Loma Negra has the largest technical center in the country for studies on concrete technology.

The relationship with customers is driven by marketing initiatives. During the Concrete Show held in São Paulo, the world's second largest event for

technology in concrete products, nine large customers from the industry channel demonstrated the versatility of Cauê cement through their products by using booths integrated into the stand of InterCement Brasil.

In the media, the promotional campaign entitled "Cauê More: Fast drying, resistance + Quality" focused increasing sales of CPIII 40 RS in the region of Belo Horizonte, and it also encompassed an incentive campaign with prizes for the retailers. The distributors gained prominence with a promotional ad developed by Loma Negra that won the 2011 POPAI Award granted by an international organization that encourages communication and promotional activities at the point of sale.

The Suppliers' Workshops promoted an exchange of experiences and consolidation of the Supplier Relations Policy of the business unit in Brazil. The policy deals with the assessment and approval system of the contractors, which emphasizes the reliability of social and environmental aspects. In Argentina, the Value Program has encouraged since 2009 the adoption of sustainability practices among its business partners, supporting social responsibility programs. The strategic procurement department was created in 2011, which negotiates purchase volumes jointly from the countries where InterCement has operations, thus increasing the company's bargaining power and obtaining commercial advantages. Currently part of strategic purchasing includes solid fuels such as petroleum coke and coal, as well as refractory, packaging, grinding media, and additives.



The development of special solutions for the market also applies in the area of concrete.

Social management

The company has **11 Community Development Committees** that bring together representatives and community leaders.

In addition to promoting the development of the communities where it operates through partnerships and local recruitment, InterCement established its Corporate Social Responsibility (CSR) Policy in 2011. The initiative defines the standardization of actions and ensures their alignment with the objectives of the business.

The CSR governance, in line with the Camargo Corrêa Institute model, has four structures:

+ Civic (Committee to Encourage Volunteerism and Community Interaction): strengthens the company's ties with the community and encourages voluntary actions among the company's professionals. Its formal actions in all InterCement units total 18 groups and 129 members.

+ Gaiv (Ideal Volunteer Action Group): comprised of volunteer professionals interested in working more directly in social activities, this group develops and coordinates activities aligned in their priority to projects and actions underway in the community.

+ CDC (Community Development Committee): brings together representatives and community leaders from social organizations, the government, and private sector to develop projects that contribute to the good of the community. Works with the concept of giving support and has 11 CDCs, which includes most plants.

In 2011, the Civic was installed in all units of InterCement in Brazil, Argentina, and Paraguay. These committees are responsible for monitoring all CSR actions in their units.

The model proposed by the CSR Policy included the restructuring of the Loma Negra Foundation with the redefinition of the programs and strengthening of the team. The change allowed the expansion of the programs to all locations where Loma Negra has operations and increased social investment in Argentina. The Foundation integrates RedEAmérica, which is made up of private entities that work to reduce poverty and on social inclusion.

The fight against child labor and exploitation is also the subject of commitments. Loma Negra participates in the Convention to Combat Child Labor led by the Ministry of Labor, Employment, and Social Security of Argentina. With a focus on protecting children against sexual abuse and exploitation, InterCement is a partner of

Childhood Brasil, an organ of the World Childhood Foundation, an entity that defends the rights of children around the world.

Aware of the importance of road transport in its business, InterCement joins its commercial operations with social initiatives in order to actively participate in the On the Right Track Program, created by Childhood Brasil with a focus on protecting children against sexual abuse and exploitation.

VOLUNTEERISM
InterCement encourages the participation of its employees in volunteer actions, even those that are not related to the company. The Ideal Volunteer Program values and supports the volunteer efforts from

the professionals of the group and creates opportunities in line with the programs developed by the Camargo Corrêa Institute, including also the participation of the employee's family. In 2011, the company included the volunteering aspect as one of its sustainability indicators.

One of the main actions of the program is the Day of Doing Good held since 2009. At InterCement, the event was attended by 4,353 volunteers and 348 partners, benefiting 52 entities and 20,649 people in Brazil, Argentina, and Paraguay. The participation level was a record and the numbers have grown each year, especially in smaller communities.





InterCement employees are volunteers in activities of the Day of Doing Good.

In Argentina, the Loma Negra Foundation has the Volunteers in Action program that reinforces other three projects, increasing its impact and reaching confluence of goals and interests. It is different because of its focus on social projects as an opportunity for growth and personal realization of employees, family members, customers, and suppliers. In 2011, there were 63 volunteering actions that benefited directly over 17,595 people and more than 52,000 indirectly.

STRUCTURAL PROGRAMS

In Brazil, the actions in the communities are organized in accordance with the structural programs of the Camargo Corrêa Institute:

- + **Ideal Childhood:** a program aimed at protecting the rights of early childhood (birth to six years old) present in the municipalities of Ijaci, Apiaí, Bodoquena, Santana do Paraíso, Pedro Leopoldo, and Cabo de Santo Agostinho. It has 22 projects that complement the actions of government and communities.
- + **Ideal School:** directed at improving

the management of public schools and improving the quality of education. In action in the cities of Apiaí (SP), Pedro Leopoldo, and Ijaci (MG), it assists children and adolescents ages 6 to 16.

- + **Ideal Future:** encourages entrepreneurship and creating jobs and income for young people between the ages of 16 and 29 in partnership with entities such as Senac, Senai, and Sebrae.

An action plan has been created in Argentina with the following program structure:

- + **RecreAcción:** a program aimed at encouraging activities to promote sports, entertainment, and culture. Its proposal is the responsible use of free time as a tool to promote human and social values, teamwork, and development of creativity.
- + **EducAcción:** supports projects that propose actions to promote education in both a formal and informal way.
- + **Jóvenes en Acción:** supports innovative projects that propose actions that promote job market integration of young people at social risk.

Shared leadership

BELIEF IN THE “POWER OF RELATIONSHIPS” HAS MADE INTERCEMENT REACH RESULTS THROUGH THE ENGAGEMENT OF ALL ITS STAKEHOLDERS. BUSINESS, GOVERNMENT, AND ORGANIZED SOCIETY DEMONSTRATED IN CATAMARCA THAT THE SUM OF EFFORTS PRODUCES SUBSTANTIAL RESULTS

In July 2011, the agreement signed by Loma Negra with the Ministry of Education of the Province of Catamarca, Argentina was the first step of an initiative to bring together various local structures in the promotion of vocational training courses for the community. The partnership was led by the Civic Unit of Catamarca. The agreement provided teachers and the equipment necessary. But the logistical support and dissemination of the courses were the responsibility of the municipalities of Santa Rosa and El Alto where the InterCement plant is located. The support of the School Monotécnica No. 71 had a fundamental role in the speed of implementation of the activities. El Club Independiente in the city of El Alto and Loma Negra Foundation also collaborated with the activity.

In addition to community integration, the project promoted education as a path of development and equal opportunities, resulting in the inclusion of young people into the job market. The virtuous circle created by the initiative is spreading to neighboring cities and in September the CDC of El Alto was formed composed of 17 entities. Social integration activities of young people in the region are already in the planning with funding from the Loma Negra Foundation.

179
STUDENTS
completed
vocational
courses



Diversity
that builds



Multiculturalism and integration

Multiculturalism and integration are the keys to the development of InterCement. Knowledge and practices come together in different countries with diversity at its essence. The sum of the collective efforts and the combination between global and local are present in the integrated management system, which encourages the formation of work groups and brings together ideas and values.

An important step in the strategy of sustainable growth was the corporate

restructuring, which resulted in the formation of a new holding, InterCement Participações S.A., with 99.9% of the shares held by Camargo Corrêa S.A., the holding company of the Camargo Corrêa Group. The alignment of the business units and standardization of procedures brought gains of synergy and efficiency. The new corporate identity, sealed with the launching of the InterCement brand, reflects the movement of internationalization and the ability to bring people and cultures together.

The company had

5,061

employees in
December 2011.



The reorganization process done by the company in 2011 made the managing of all the processes more agile and efficient.

Corporate governance

Committed to transparency of information to the market and to equal treatment to its stakeholders, InterCement conducts its business based on good practices of corporate governance. Its actions are decided based on the guidelines of sustainability expressed in its Sustainability Policy and on principles of ethics and corporate responsibility.

In the quest for operational excellence, InterCement initiated in 2011 the organizational restructuring process approved at the end of last year. The initiative aims to make decision-making more agile and efficient, contributing to the generation of value for its shareholders and other strategic publics. The idea is to form a more participatory structure that is capable of making feasible effective strategic actions with a focus on lasting growth of the business.

BOARD OF DIRECTORS

This is InterCement's highest organ of governance. It is up to it to establish the general business strategies and decisions such as electing directors, defining investment projects, and approving the multiannual plan and annual budget. The board consists of five members: the chairman, three vice-presidents, and one counselor, all with a term of two years.

EXECUTIVE COMMITTEE

It consists of 12 executives who have the responsibility to put into practice the actions necessary or convenient for managing the business in line with the decisions of the Board of Directors and to propose investment plans and programs to expand and modernize the company. The directors meet twice a month and extraordinarily whenever necessary.

BUSINESS UNIT COMMITTEES

InterCement has six standing Committees: Executive, Sustainability, Audit and Risk Management, Occupational Health and Safety, Management, and Ethics. They are responsible for giving support to the decision-making processes. These committees are made up of members from the Board of Directors and by executives and they have the mission of ensuring the quality for checking relevant information related to the Company's business and developing long-term strategies.

CONDUCT AND ETHICS

InterCement's actions are also guided by the Code of Business Conduct adopted by the Camargo Corrêa Group, which is available on the Internet and widely circulated among employees, suppliers, customers, and other stakeholders. The document establishes standards and principles that should guide the behavior in the relationship with different publics: Ethics, Legality, Respect for human beings, Repudiation of any form of discrimination, Stimulation of personal and professional development, as well as Social, environmental, and cultural responsibility. The management of the Code rests with the Ethics Committee.

The company also maintains an Ethics Hot Line, a direct communication channel that is accessible to employees and other stakeholders. This tool can be used to make suggestions, comments, and complaints of improper

behavior. The management is done by the Ethics Committee that uses an external consulting company to receive the communications and feedback of the actions taken. Confidentiality is entirely guaranteed. The channels for contact are by phone; **0800-7022312** in Brazil and **0800-6660120** in Argentina. The email address for both countries is linhaetica@pwco.com.br.



In 2011, 27% of the job openings in Brazil and 26% of those made available in Argentina were filled by
INTERNAL RECRUITMENT.

Management of human capital

The people management policy at InterCement values skills and results, providing fair working conditions and compensation, as well as giving priority to those already in the company for career advancement decisions. Continuous improvement is encouraged and has alignment with the company's strategic objectives.

In 2011, 27% of the job openings in Brazil and 26% of those made available in Argentina were filled by internal recruitment. The Hay system gives support to the remuneration policy and is in agreement with the industry standards. The variable compensation is based on reaching targets and is adopted for all employees in Brazil and for managers and middle managers in Argentina in accordance with the specificities of each country.

With competence reaffirmed with the company's leaders in the year, focus on results has been the target of training activities and reflection at various levels of the organization.

RECOGNITION PROGRAM

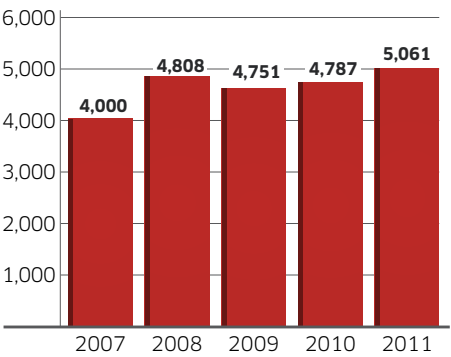
InterCement created the Recognition program to give credit to employees who have attitudes in line with its values and behaviors, strengthening the management model and contributing to the organizational climate. The recognition criteria are based on communication and presentation, and are defined according to the characteristics of each activity based on topics such as safety, loss, and absenteeism.

The award involves employees at all levels and takes place quarterly and annually. The recognition does not provide cash prizes. Developed in 2011, the Recognition Program will be put into practice beginning in 2012.

QUALITY OF LIFE

InterCement's administrative reorganization, with the installation of new headquarters in São Paulo, has brought gains to the routine of employees along with providing a better conformity of its infrastructure to its growth plans. Parallel to the change is that the Quality of Life Program was launched in the administrative headquarters in São Paulo (districts of Nações Unidas and Jaguaré). Activities of health, leisure, and sports were adopted as a pilot project to be extended to all units. In the administrative areas, the program includes workplace exercise programs, ergonomic analysis, quick massage, and encouraging the creation of jogging groups, but the unfolding of the program will bring specific actions according to the characteristics of each unit. ações específicas de acordo com as características de cada unidade.

Employees (at end of period)



DEVELOPMENT ACTIONS

- + Job Openings and You:** intended to announce the job openings in the company, giving priority to internal recruitment and selection of professionals.
- + Young Professionals:** a selection program of young professionals including training future specialists and project leaders.
- + Succession Maps:** constructed based on the evaluation of performance, these maps identify gaps, career

- interests, skills, and opportunities for occupational mobility.
- + Development Scholarship:** annual training program for professionals in the process of succession, recent promotion, or other situations of changing positions and functions that require specific or intensified training.
- + Development Program:** in partnership with Dom Cabral Foundation and INSEAD, in 2011 the program focused Orientation

- on Results, covering several levels from top management to coordinators. The initiative includes semiannual meetings of executives from InterCement.
- + Portal + Integration:** this intranet tool was redesigned in the second half of 2011 with lighter interface and new services. The portal, which is widely used by employees, brings together people, makes it possible to promote actions, and strengthens the institutional culture.



The integrated management system allows synergies and efficiency wherever the company is located.



HEALTH AND SAFETY

Safety is a priority for InterCement, which has a full tool to protect the physical integrity of its employees. The company now has the challenge to internalize the precepts of safety in its institutional culture.

Routines and processes to be followed by all permanent employees and contractors are set out in the Single Policy of Health, Safety, and Environment. Best practices are monitored by indicators and checked by a specialized consulting company.

The development of two skills is in focus in order to bring about better performance: the ability to perceive risks and safe behavior. To do so, four fronts were created: technical, structural, communication, and relationships with suppliers. Training was given to internal consultants and multipliers of health and safety, leaders were engaged, and internal committees were set up with the unification of management tools in all units.

The methodology adopted includes reviewing real situations with field audits and identification of critical positions, collecting data through observation of everyday procedures, and signaling the causes of risky behaviors. Group and individual coaching along with moments of reflection in daily practice are instruments used for cultural change. The measurements have everyone's involvement, our own employees and contractors, as well as commitment from all levels, especially for the leaders. Disciplinary actions are avoided. The intention is to reinforce positive

behaviors and encourage motivation and commitment.

The Golden Rules have been launched in Brazil and reinforced in Argentina, which highlight ten key points to minimize the risk of accidents at the production units and are based on the history of occurrences in the cement industry. The employees signed their commitment to preventive actions that involve changes in their behavior and being concerned with their colleagues.

Two workshops on Transportation Safety sought to build closer ties with the carriers, giving greater attention and mobilization to the topic. Among the relevant actions are signing the terms of agreement on safety of the operations, speed limits on flows, training, and audits.

The Golden Rules highlight 10 key points **to minimize the risk of accidents** on the production units.

On-the-job safety

THE “DIVERSITY THAT BUILDS” IS APPLIED TO ALL THE COMPANY’S PROCESSES, WHICH INCLUDE THE CREATION OF MULTIDISCIPLINARY TEAMS SUCH AS THE OHSAS COMMITTEE OF IJACI

The OHSAS 18001 certification process makes it possible for the companies to critically evaluate their activities to detect and control risks to health and safety. Through an integrated management system, the focus of the work is on the zero accident rate in order to ensure the integrity of the professionals working at the Ijaci unit.

To organize the action, the OHSAS Committee was created with members in the area of Health, Safety, and Environment (HSE), as well as Operation and Management. Beyond the committee, the hard work had the collaboration of the entire HSE team and representatives from the areas that were active in identifying the hazards and risks.

The activities started in January 2011. Over 1,000 activities were mapped identifying 12,343 hazards— 242 significant risks were identified and are being treated with an action plan for mitigation or elimination. New control systems, training, procedures, and tools were created for OHSAS compliance. The external audit took place in two parts with it beginning in December and ending in February 2012 with a recommendation for certification.

All areas cooperated to identify risks



Sustainable
attitude



Strategy of sustainability

Sustainability is part of InterCement's strategy and it involves all of its stakeholders from the perspective that business continuity includes being responsible in economic, social, and environmental aspects. The company combines giving attention to results in the present with the preparation of a better future both for business and for society, while being aware of the risks inherent to its activities and the investments required to constantly qualify its operations.

The fulfillment of this precept can be seen all the way from hiring suppliers to launching products, leading to a collective commitment with sustainable development. This view is consistent with the Cement Sustainability Initiative (CSI), the cement arm of the World Business Council for Sustainable Development - WBCSD, an organization of which InterCement has been a part since 2008. Among the commitments and indicators to be monitored by the company with CSI is the reduction of

CO₂ emissions per metric ton of cement produced, which in 2011 was among the lowest (531 kg CO₂/ton of cement) from CSI's global database (average 653 kg CO₂/ton of cement). Another significant advance occurred with the installation of continuous monitoring of pollutants in all of the company's furnaces, which will enable pollution control in real time in the cement kilns. The link with WBCSD also takes place in Argentina with Loma Negra's participation as a founding member of the Argentinean Business Council for Sustainable Development (CEADS) since 1992.

The Global Compact, an international initiative to mobilize the business community led by the United Nations (UN), also guides the conducts of InterCement. Human rights, labor relations, environment, and anticorruption are topics treated in the Compact's ten principles taken on by the signatory companies.

Risk management

In its management processes, InterCement has tools that identify, parameterize, evaluate, and propose contingency or elimination plans of adverse factors on its results. The analysis of potential risks in all of its operations is done by representatives from various internal areas and follows a methodology of controls of the Committee of Sponsoring Organizations of the Treadway Commission (Coso).

In 2011, the Integrated Risk Management project was completed that produced the Corporate Risk Map and the Critical Processes Map. This initiative has enabled InterCement to prioritize actions to mitigate the risks that are critical to the business. The new process, which was adopted corporately, includes unique compliance techniques such as self-assessment of risks and continuous auditing. A strict Policy of Relations with Competition (Antitrust) was also adopted that strengthens proper behavior of employees and the company's practices in relation to the market, avoiding situations that could be misinterpreted.

The Board of Risk Management and Audit, which has a manager for each business unit in Brazil and Argentina, is responsible for defining and updating the methodologies involved in the management project, as well as monitor and train the teams so they can participate effectively. InterCement believes that risk management is an activity inherent to all those involved in each process (directors,

managers, coordinators, leaders, and outsourced professionals).

Added to this structure is an Audit and Risk Committee responsible for discussing and directing solutions for themes related to risks, crises, safety, accounting, and auditing.

The emission of CO₂ per metric ton of cement produced at InterCement of 531 kg is among the lowest in the world.



InterCement follows the principles of **eco-efficiency** by using less and less natural resources and reducing impacts.

The
ISO 9001
certification is present in
all cement plants.

The main critical risks to the business identified during the mapping process, and their mitigation processes, are as follows:

+ **Unethical conduct and fraud**

These risks are mitigated by an extensive set of corporate policies, standards, and procedures that inform, among other things, what and how InterCement understands that the activities and attitudes should be carried out. The main ones are as follows: Code of Conduct, Corporate Policy of Relations with Competition (Antitrust), Corporate Policy of Sustainability, and Crisis Management Manual. The company at the same time carries out compliance processes in order to make sure that these policies and standards are met. They are Ethics Line, Continuous auditing, Self-assessment of controls, and Audit of processes.

+ **Reputation and image**

InterCement established a crisis management and communication policy providing contingency plans applied in different situations that may represent an impact on its image or reputation.

+ **Business continuity**

The Risk Management methodology defines and monitors the tolerance levels for each critical risk identified.

+ **Cost management**

InterCement conducts activities to monitor the evolution of costs and expenses through the processes of Matrix Management of Expenses (GMD) and Matrix Management of Variable Cost (GMCV). These tools organize the management of package of fixed costs (e.g. personnel, maintenance, transportation, communications, etc.) and variable costs (e.g. energy and raw materials), which are monitored by those responsible for each group of expenses.

+ **Environment**

In its production processes, InterCement follows the principles of eco-efficiency with continually less use of natural resources and reducing impacts arising from its operation. Its performance in this regard is based on a sound corporate policy of its own as well as common to the Camargo Corrêa Group. All environmental aspects involved in the processes and facilities in the industrial units are identified, registered, and managed on the basis of an environmental management system that follows the provisions of ISO 14001, as well as relying on independent audits.

Management of sustainability

Internally, the engagement with the theme manifests itself in different structures. The Sustainability Policy and Code of Conduct define the principles of action together with the Sustainability Committee and by specific corporate management. Beginning at hiring, the professionals receive orientation on these guidelines, which are reinforced with training and capacity building. The system of evaluation and approval of suppliers increases the reliability of the companies contracted. In the financial area, the program Matrix Management of Expenses strengthens the monitoring of costs and expenses.

The management of indicators is done through a computerized system that allows you to track the overall performance and of each unit as well. The “traffic light”, as it is called, brings together economic, social, and environmental aspects such as water consumption and energy, and management of diversity. The sustainability indicators of the concrete operations were defined in 2011, and will be integrated into the system in 2012. A routine for the presentation and discussion of indicators at the units was also created

with practice in visual management. The tool “Sustainability Meter” completes the system, providing an immediate reading of how close InterCement, a business unit, or a plant is toward reaching the targets.

Aligned with the Camargo Corrêa Group, InterCement uses specially designed instruments to promote sustainable practices among its employees. The Sustainability Radar did the mapping of the current practices in the group and of its short and medium-term objectives, setting goals and guiding the multi-annual planning and budget. On the other hand, the Sustainability Academy promotes expansion of knowledge and provided training during the year for internal audiences about climate change and carbon management. There is the Forum of Directors Guardians of Sustainability to implement the corporate strategy, which, among other responsibilities, takes care of the engagement of leaders and employees. All executive officers have their variable compensation linked to sustainability, which can serve as a reducer or multiplier.

Sustainability Commitments

Scope	Theme	Target	Status/Results/Comment
Environment	CO ₂ emissions (in kg CO ₂ /ton of cement)	Keep the CO ₂ emissions of InterCement among the companies part of the CSI with the lowest emissions (1st quartile) considering the "Global" and "Geographic Regions" indexes	Met: The emissions from InterCement's cement activity resulted in 531 kg CO ₂ /ton. Cement in 2011, below the 1st quartile of CSI global (585 kg CO ₂ /ton. Cement). See the charts and additional information on page 60.
	NOx, SOx and PM (continuous monitoring)	Reach 100% of continuous measurement of NOx, SOx, and particulate matter in cement kilns by 2011	Partially met: The installation of the last online gas analyzer took place in March 2012. All furnaces that were in operation in 2009 are with this continuous monitoring equipment. Information on emissions of these pollutants will already be available by next report.
	Restoration of degraded areas	Have restoration plans in the CSI format for 100% of the mines by 2012	In progress: Initiatives are underway to develop corporate guidelines for the theme in order to develop and consolidate the restoration plans by December 2012.
Social	Safety	Reach in 2012 the targets of TF and TG proposed below (*):	Four fatal accidents occurred in the operations of Argentina and Brazil in the cement, concrete, and railroad business. In order to make the company a benchmark in safety, a specific group was formed to achieve this goal by implementing the best practices in the market. The plan is to develop a vision of excellence in safety and health at all levels, to ensure that safety aspects are embedded into the processes / procedures, and ensure safe conditions at the workplace.
		InterCement: TF = 2.22 and TG = 66	InterCement: TF = 2.33 and TG =1,198
		Cement Operations: TF = 0.9 and TG =13	Cement Operations: TF = 1.29 and TG = 1,079
		Concrete and Aggregates Operations: TF = 4.25 and TG =137	Concrete and Aggregates Operations: TF = 5.75 and TG = 1,640
		Railroad Operations: TF = 5.97 and TG = 258	Railroad Operations: TF = 7.24 and TG = 3,017
	Stakeholders	Have in 2011 Engagement Plans with stakeholders developed and implemented for 100% of the plants of cement, concrete, Recycomb, and Ferrosur.	Partially met: Plans were drawn up for 90% of InterCement's operations. For 2012, the goal is to have Engagement Plans for all units of Cement, Ferrosur, Recycomb, and Concrete. The aggregate business will have its plan drawn up by the end of 2013.
		Have projects from the Camargo Corrêa Institute and Loma Negra Foundation implemented in all locations where there are cement plants.	Partially met: In 2011, 67% of the cement factories implemented the programs of the Camargo Corrêa Institute. InterCement is expanding the introduction of its social projects as well to other businesses such as Concrete and Ferrosur.
Management	Certifications	Certify cement factories as listed below:	
		9001 - 100% by 2010	Met: All cement factories are ISO 9001 certified.
		14001 - 100% by 2014**	In progress: 53% of the cement plants are certified
		18001 - 100% by 2015***	In progress: The Ijaci factory received this certification, representing 7% of the units.

(*) Considering own employees and contractors of all operations
(**) The original target of 2012 was revised due to the decision to focus efforts in the unification and integration of systems and databases.
(***) The original target of 2014 was revised due to the decision to focus efforts in the unification and integration of systems and databases.

Environmental management

Environmental management at InterCement is structured on the values of caring and respect for life based on principles of mitigation of impacts and risks to health and safety. To this end, the company has adopted technological advances of production and process control in order to reduce the negative effects that its actions could cause in places where it is installed. Among the advances made in 2011 was the consolidation of the waste recycling project.

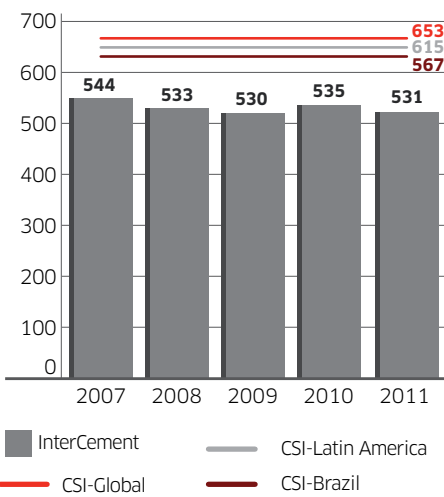
Loma Negra has developed cutting-edge products to the Argentine market by combining innovation and sustainability. In addition to porous concrete, an important solution to prevent flooding in urban centers, and the concrete with recycled aggregates, which is environmentally beneficial, the company has also developed

blast furnace cement. Produced in the factory of Catamarca, the cement has a high content of blast furnace slag that reduces the consumption of clinker in its composition by about 50%, making it the most sustainable cement currently sold in Argentina: its production generates less greenhouse gases and has a lower consumption of energy and limestone. The blast furnace cement is used for building large structures such as dams, bridges, and high resistance construction projects.

CONTROL OF EMISSIONS
Cement production, because of the characteristics of its process, causes high emissions of carbon dioxide (CO₂) during decarbonation (burning of raw materials for the composition of the clinker, cement based) and the burning of fuels to power the furnaces. In Brazil, however, the industry has some



Evolution of the specific emission of CO₂ (kg CO₂ / ton cement)



environmental advantages due to the possibility of adding more slag and other materials that reduce the emissions. InterCement, through its strict control and monitoring systems, manages to remain below the national average and be a benchmark for its low emissions.

Since 2007, the monitoring of certain work fronts with greenhouse gases (GHG) is done on annual inventories conducted in accordance with the protocol of CSI and the Green House Gases Protocol, a set of standards and tools to measure these emissions. The inventories are subject to external verification and cover 100% of the operations. The company increased its scope to include indirect emissions

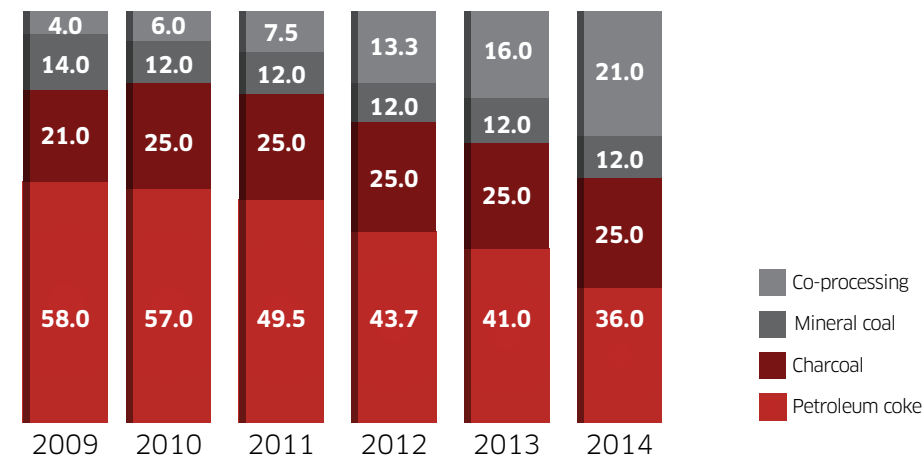
of polluting gases resulting from its logistics and air travel. Member of the public record of the Brazilian GHG Protocol Program, the inventory for 2010 obtained the Silver Category for the quality of data submitted.

The company has the challenge of becoming one of the companies with the lowest emissions of GHG in the world, and to do this it has defined work fronts with actions, responsibilities, and targets. It develops several research and development projects in order to reduce emissions and it is part of the Brazilian platform of Companies for the Climate, taking on the commitment to create policies and management plans of polluting gases. The sustainability

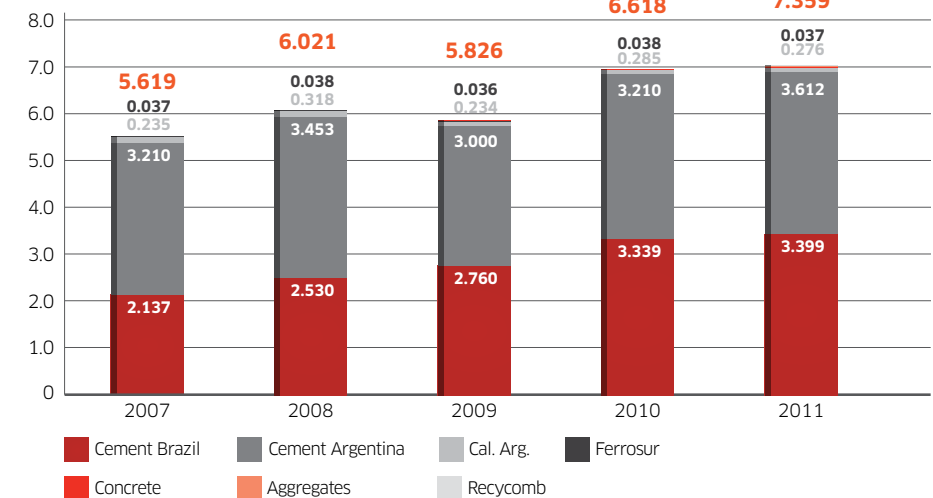
Thermal substitution by co-processing in Brazil reached

9.96%
surpassing the target for the year.

Thermal matrix (%)



Evolution of absolute emissions (million tons of CO₂)



Aggregates began to be recorded in the year 2011 and there were emissions of 8,800 tons, equivalent to 0.1%.
At Recycomb, the emissions reached 631 tons in 2011, equivalent to 0.01% of total emissions.
With Concrete, there were 25,556 tons of emissions of CO₂, representing 0.3% of InterCement's emissions.

project in concrete called 8k was continued in 2011. The result for the year was 8.9 kilograms of cement per MPa (Mega Pascal, a measurement of compressive strength), a 4.5% reduction compared to 2010. The goal is to reach 8 kilograms per MPa by 2014 with the application of all the environmental possibilities of the product such as recovery of aggregates, use of recycled water, and waste minimization.

ENERGY PRODUCTION

Energy for production is another factor strongly monitored at InterCement. To ensure the use of renewable and reliable energy, the company invests in the industry by participating in three initiatives in the area: Machadinho HPP (1,140 MW - 6.35%), Barra Grande HPP (690 MW - 9%), and Estreito HPP (1,087 MW - 4.4%).

The latter, acquired in 2011, made the company self-sufficient in energy.

The higher consumption in production, however, is thermal energy. In order to replace traditional fuels that are more pollutant, InterCement is increasing its use of co-processing, which is a system of burning industrial and urban waste such as tires, plastics, and paints. The supply of waste is secured by long-term contracts with industrial generators that provide even favorable costs for the company.

In 2011, InterCement reached a thermal substitution by co-processing record in Ijaci with 20.01%. The overall rate in Brazil reached 9.96%, an increase of 25% over the previous year and exceeded the target, which was 7.5%.

There was an increase of 50% in the rate of thermal substitution in the units of Brazil. R\$ 35 million was allocated during the year to building projects related to co-processing such as building a platform for blending (mixing and preparation of waste for processing into fuel) at Ijaci and structural improvements to enhance the co-processing in the units of Pedro Leopoldo and Apiaí.

In Argentina this practice is still in the initial development stage. Actions were taken in 2011 to expand the shredder and bulk cargo of Solid fuel at the Recycomb Plant, installation of solid injection system to the furnace at the L'Amali Plant, and acquisition of mobile equipment for grinding scrap pallets at Recycomb.

Investment and future vision

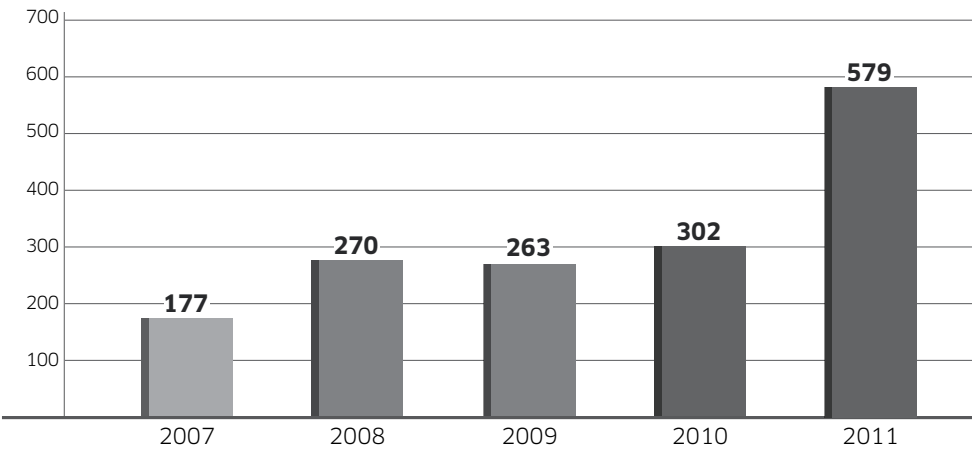
InterCement's investments are focused on sustainable growth and the internationalization of the business. Because of this, R\$ 579 million were invested along these lines, which is 91% higher than the amount invested in 2010 (R\$ 302.3 million). The size of investments, both in proportion and in absolute numbers, gains even more prominence with the company's low level of indebtedness, which makes room for new market movements.

The funds were directed in 2011 to strategic projects aimed at ensuring market share in Argentina and preparing Brazil's operations for the growth planned of the markets. Among the initiatives contemplated by the investment plan are the construction of new units and increased production capacity, the development of programs to improve products, services, processes, and systems, as well as the improvement of corporate governance and training of personnel.

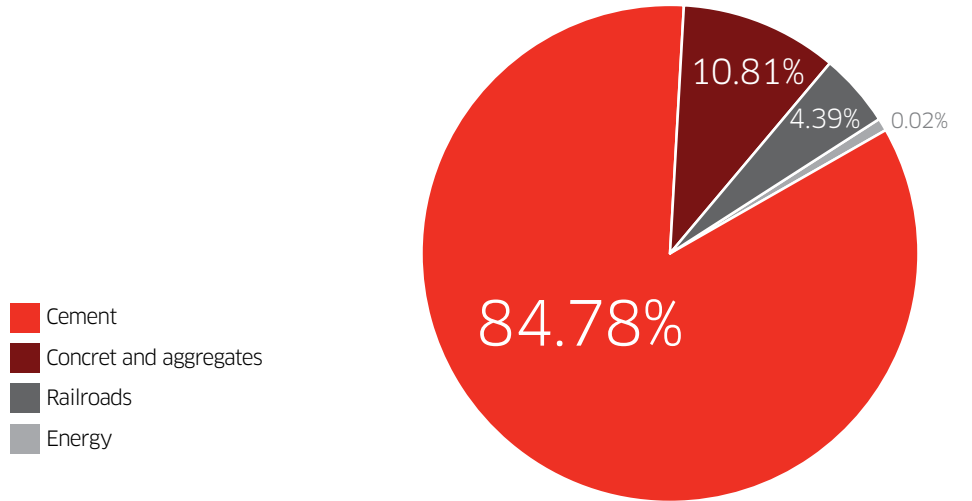
The volume of investments grew
91%
over 2010.



Investments (R\$ million)



Distribution of investments



IN BRAZIL

InterCement obtained a deployment license and a permit to start the construction of cement grinding in Cubatão (SP), expected to begin operations in October this year. The project includes a mill, packaging center, and a pallet machine with a capacity of up to 880,000 tons of cement/year. The new unit will allow the company to increase its production capacity and improve logistics efficiency and the quality of its customer service in the southeast region.

Funds were also approved for the expansion of the production capacity of a clinker in one of the furnaces of Apiaí (SP) and Pedro Leopoldo (MG), an action that will result in an additional 94,000 tons/year and 400,000 tons/year, respectively. Likewise, the cable car at Apiaí underwent an overhaul in order to increase its limestone transportation

capacity from 325 to 400 metric tons per hour.

InterCement also invested in improving the energy efficiency in its Brazilian factories. R\$ 35 million was allocated for construction projects such as building a platform for blending, mixing and preparation of waste for processing into fuel, at Ijaci (MG), and structural improvement projects to increase co-processing at Pedro Leopoldo (MG) and Apiaí (SP). The idea is to increase by 50% the thermal substitution rate in the units.

Another action was to acquire a 4.4% stake in Estreito Energy Consortium (CESTE), formed to build and operate the Estreito Hydroelectric Power Plant (Estreito HPP). Considered one of the largest power generation projects currently underway in Brazil, the Estreito HPP has an installed capacity of 1,087 MW and assured energy average of 584.9 MW.

A credit line of
US\$ 52 million
will enable the
construction of the
Yguazú Cement factory
in Paraguay.

Located on the border between the states of Maranhão and Tocantins, the first turbine started commercial operation in April 2011 and in December there were already four machines in operation, and the last one (eighth) should be connected by October this year. With this acquisition, InterCement reaches almost 100% of self-sufficiency in electricity production.

OTHER COUNTRIES

Investments were announced in Argentina to increase capacity for the next five years. Among the actions highlighted is the construction of a new plant in San Juan (region of Cuyo) with a production capacity of 900,000 tons of cement a year. Also in Argentina, resources of US\$ 75 million were allocated for expansion projects. Among them was the inauguration of a new cement mill in L'Amali, which doubled the production capacity to 2 million

tons / Buenos Aires. The investments also covered improvement projects in logistics with the duplication of Ferrosur railways and increasing the number of wagons and locomotives in order to improve the transportation capacity between Lomaser and L'Amali.

In Paraguay, efforts were focused on approving a credit line of US\$ 52 million from the Interamerican Development Bank for the construction of the Yguazú Cement factory. The new unit will become operational in 2013 with a production capacity of 400,000 tons a year of cement.

In December 2011 the company signed a contract for the construction of an integrated cement plant in Angola with a production capacity of 1.9 million tons a year and the beginning of operations by December 2014.

L'Amali Unit in
Argentina will have a
new cement mill.



InterCement wants to reach a
20%
market share in Brazil
by 2016.

OUTLOOK

InterCement believes that 2012 will be the year of maturity in its transformation process. With the new consolidated organizational structure, lower costs, healthy cash generation, and especially appropriate capital structure and investment discipline, InterCement is prepared for growth in the coming years.

The company is investing heavily to grow consistently and not only be among the top 20 cement companies in the world by 2016, but also to be one of the five most profitable and efficient. To reach this it needs committed, qualified, and motivated people, as well as a strong and efficient management system. Added to this structure is the Reduce to Add program launched in 2011 in order to identify opportunities for process

improvement and establish new actions that translate into productivity gains and cost savings.

Among the major challenges that InterCement must face to reach its target is the search for continuous increase of the productive capacity of its units. That is why it has prepared an investment plan of over R\$ 3 billion over the next years, which does not include mergers and acquisitions. This volume of resources will ensure substantial growth in production volume in the countries where it operates and new capabilities in Paraguay and Angola through expansion projects and construction of new factories.

InterCement expects to reach a 20% market share in Brazil by 2016, taking on the second position. In Argentina, the focus is to be the first in profitability while maintaining market leadership. In Paraguay, the effort will be to consolidate second place in the ranking. The strategic objective also includes becoming the second largest cement company in South America with a selective participation in Africa.

To increase its presence in the Brazilian market, InterCement plans on starting to have operations in the north part of the country by building a cement factory and a logistics infrastructure. To do this, it is carrying out feasibility studies of the project, which involves environmental issues and infrastructure, as well as technical and operational aspects of the business.



Teams of the good

TO HAVE A “SUSTAINABLE ATTITUDE” MEANS TO THINK OF THE BUSINESS IN ALL ITS DIMENSIONS, INCLUDING ITS INTEGRATION IN THE COMMUNITY. A REAL “ARMY OF GOOD” BROUGHT ABOUT IMPROVEMENTS IN 19 INSTITUTIONS IN THE CITY OF PEDRO LEOPOLDO IN THE DAY OF DOING GOOD.

Created by the Camargo Corrêa Institute, the program brought together 1,920 volunteers in Pedro Leopoldo including own and third-party employees, family members, and people from the community. The actions focused on schools, daycares, and maternity clinics for pregnant women benefiting more than 7,000 people from the local communities. Among the activities carried out, we highlight the changing of roofs, painting, facility improvements, and general remodeling.

To make the day even more special, a large Street Entertainment was organized with several attractions. It was the space for presentations of the own students (with parade of recycled clothing, hip hop shows, among others), environmental awareness work with the distribution of seedlings, health care with measurement of blood pressure and glucose levels, and many toys such as a ball pool and trampoline. To top it off the participants received free cotton candy, popcorn, hot dogs, and soft-drinks.

The Army of Good had
1,920
VOLUNTEERS



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