



PRESS RELEASE

**Consolidated Financial
Report**

2019



InterCement

Building sustainable partnerships

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Backed by significant operational improvement in Brazil,

Adj. EBITDA raised 14% YoY in 2019 and 58% in 4Q19

1. 2019 Performance

- Cement and clinker volumes fell 2.0% YoY in 2019, reaching 20.1 million tons, mainly driven by weakness on Argentina (due to macroeconomic volatility), South Africa (declining demand), and Egypt (affected by an oversupply environment). Meanwhile, Brazil saw volume expansion of 7% YoY, reaching 8.4 million tons, helped by sequential recovery in recent quarters – 4Q19 was up 9% vs. 4Q18 – but still 33% below 2014 peak level. In 4Q19, volumes decreased 1.6% vs. 4Q18, mostly due to declining volumes on Argentina and South Africa.
- Total Sales amounted for 1,385 million euros, a 4.9% YoY decline in 2019, affected by Argentinian Peso depreciation during the year, and also due to declining volumes. In 4Q19 sales were 5.0% up vs. 4Q18, mostly driven by a rising average cement price (helped by Argentinian inflation behavior).
- Adjusted EBITDA reached 297 million euros, an expansion of 13.7% YoY, mostly driven by Brazil recovery, which has posted sequential significant operational improvements in recent quarters. Thus, Adjusted EBITDA margin increased to 21.4% in 2019, a 3.5 p.p. expansion from 17.9% in 2018. In 4Q19, Adj. EBITDA surged 57.5%, boosted by Brazilian improvement (increase of 27.8 million euros in the period).
- Free Cash Flow to the company totaled 295 million euros, mostly as result of the sale of assets in the beginning of the year. In the 4Q19, FCF to the company reached 58 million euros, driven by a better EBITDA along with working capital initiatives more than offsetting Capex disbursement (mostly related to L'Amali II project) and interest payment in the period. Total cash flow was negative by 86 million euros in 2019.
- Net Debt totaled 1,404 million euros, a reduction of 12% YoY when compared to 4Q18, as result of company focus on strengthening its capital structure, leading to significant reduction of Gross Debt. Management is currently discussing with main lenders the refinancing of Company's bank indebtedness. When the negotiation is concluded, it is expected an extension of 3 years of current maturities and an interest rate incremental.

KEY FIGURES

(mn €, unless otherwise expressed)	4Q19	4Q18 Restated ¹	Var. %	YTD 2019	YTD Restated ¹	Var. %
Cement and Clinker Sales ('000 ton)	5.060	5.139	(1,6%)	20.083	20.498	(2,0%)
Sales	350	333	5,0%	1.385	1.457	(4,9%)
EBITDA	65	47	38,5%	239	250	(4,7%)
Adjusted EBITDA ²	100	64	57,5%	297	261	13,7%
Net Debt ³	1.404	1.603	(12,4%)	1.404	1.603	(12,4%)
Net Debt (31 Dec)	-	1.595	(12,0%)	-	1.595	(12,0%)
FCF	58	78	(25,4%)	295	(218)	235,2%

¹ Please refer to explanatory Note 3 of Consolidated Financial Statements

² Adjusted EBITDA = EBITDA excluding non-recurring expenses, also taxes on financial transactions in Argentina

³ Net Debt = gross debt (which excludes interest payable), less cash and cash equivalents and securities

2. Profit and Loss

INCOME STATEMENT

	4Q19	4Q18 Restated	Var. %	YTD 2019	YTD 2018 Restated	Var. %
Sales	350	333	5%	1.385	1.457	(5%)
Net Operational Cash Costs	285	286	(0%)	1.146	1.206	(5%)
Operational Cash Flow (EBITDA)	65	47	39%	239	250	(5%)
Deprec. Amort. and Impairments	84	101	(17%)	208	205	1%
Operating Income (EBIT)	(19)	(54)	65%	31	46	(32%)
Financial Results	(22)	(33)	35%	(148)	(215)	31%
Pre-tax Income	(40)	(87)	54%	(117)	(170)	31%
Income Tax	6	8	(31%)	31	33	(7%)
Net Inc. from continuing Operations	(46)	(95)	52%	(148)	(203)	27%
Net Inc. from discontinuing Operations	(4)	4	(201%)	301	7	3964%
Net Income	(50)	(92)	46%	153	(196)	178%
Attributable to:						
Shareholders	(63)	(96)	35%	109	(193)	156%
Minority Interests	13	4	218%	43	(2)	1992%

Volumes Sold fell 1.6% in the quarter, mostly affected by declining volumes in Argentina, driven by rising macroeconomic volatility, and in South Africa, due to weaker demand as consequence of large period of severe rains. On the other hand, Brazil reached high-single digit pace of growth in the period, helped by better economic conditions, signaling a potential economic recovery. Furthermore, Mozambique also saw rising

volumes, mainly as result of the resume of infrastructure projects throughout the country, mostly in Northern region and associated with potential natural gas exploration. For 2019, volumes were down 2.0% YoY, result of weaker volumes in Argentina and South Africa as mentioned, but also affected by declining volume in Egypt (challenging scenario persists, due to oversupply environment in the country). On the positive side, Brazil posted in 2019 a mid-single digit pace of growth, mostly benefitted by the recovery of housing sector.

Sales reached 350 million euros in 4Q19, a 5.0% YoY expansion in euros, benefitted by a rising average cement price (mostly at Argentina, due to its inflation behavior), but harmed by currencies devaluation and declining volumes. In 2019, although average cement price in local currency expanded around 18%, sales dropped 4.9% when compared to 2018, as result of declining volumes (down 2% YoY) along with significant Argentinian Peso depreciation.

Despite Brazilian significant improvement in 2019 (EBITDA in Brazil was up 70% YoY), **EBITDA** decreased 4.7% YoY, totalling for 238.8 million euros, mostly harmed by the deterioration in African operations throughout the year. As consequence, margins were stable, at 17.2%, in spite of Brazilian margins expansion of 4.3 p.p. in the period. In 4Q19, a combination of rising top line and decreasing cash cost led EBITDA to expand 38.5% YoY, reaching 65.5 million euros in the quarter, led by a recovery on Brazilian performance. Thus, consolidated EBITDA margin in 4Q19 raised by 4.5 p.p. to 18.7%, mainly boosted by Brazil improvement, on which margins increased to 15.3% from 1.1% in 4Q18.

Adjusted EBITDA¹, considering continuing operations, expanded by 13.7% vs. 2018, to reach 297 million euros, with an Adjusted EBITDA margin of 21.4%, up 3.5 p.p. from 17.9% in 2018. Non-recurring items totalled 57.8 million euros in 2019, mostly explained by: (i) the sale of recoverable taxes with discount in Brazil, which had a negative net impact of 11.2 million euros in the period; (ii) expenses associated with the sale of assets in Portugal; and (iii) taxes on financial transactions in Argentina, reclassified from financial expense to operational expense, in the amount of 3.7 million euros. For 4Q19, Adjusted EBITDA amounted for 100 million euros, and registered a margin of 28.6%, a jump of 9.5 p.p., mostly explained by significant improvement in Brazil.

Depreciation and Amortizations was relatively stable in 2019 when compared to 2018, only 1% up, totalling for 208 million euros – affected by IFRS16 implementation, which became effective on Jan 1st 2019 (see more details in explanatory note 2.2 of consolidated financial statement). For the quarter, it reached 84 million euros, a decrease of 17% YoY, as result of lower value of impairment in 4Q19, related to Egyptian operations, vs. 4Q18, when we saw larger impairment in Brazilian assets.

Financial Results reduced 35% YoY in the quarter and 31% YoY in 2019 vs. 2018, reflecting the execution of InterCement Deleveraging and Liability Management Plan, which led to a significant reduction of 12% on net debt in the period, and due to the reduction of the Brazilian Interest Rate (CDI) in the period to the lowest historical level.

¹ EBITDA excluding non-recurring items

Income taxes reached 31 million euros in 2019, a 7% YoY decrease and represented a 27% effective tax rate. For 4Q19 it came at 6 million euros, registering an effective tax rate of 14%, helped by deferred taxes in Brazil and Egypt.

Net Income from continuing operations registered a loss of 148 million euros in 2019, 27% better than 2018, while in the 4Q19 it reported a loss of 46 million euros, if considered only continuing operations, a 52% improvement vs. 4Q18 – mostly as result of operational performance improvement along with leverage reduction during the period.

3. Free Cash Flow

Free Cash Flow generation is presented in an Integral Basis, reflecting in 2018 the contribution from the Portuguese and Cape Verde operations.

FREE CASH FLOW GENERATION MAP

	4Q19	4Q18*	YTD 2019	YTD 2018*
Adjusted EBITDA	100	82	297	322
Fluctuation in Operational Assets/Liabilities	89	69	(37)	(109)
Others	(43)	16	(71)	(12)
Operating Activities	146	168	188	200
Interests Paid & Derivative Unwinding	(16)	(5)	(140)	(174)
Income taxes Paid	(3)	(30)	(28)	(58)
Cash Flow before investments	127	133	20	(32)
CAPEX	(70)	(56)	(251)	(192)
Assets Sales / Others ¹	1	1	643	5
Intersegment payments to carved-out companies	-	-	(117)	-
Free Cash Flow to the company	58	78	295	(218)
Borrowings, financing and debentures	59	32	191	80
Repayment of borrowings, financ. and debent.	(38)	(101)	(423)	(680)
Capital Increases/Decreases	-	68	(67)	68
Dividends	(16)	-	(63)	-
Other investment activities	(12)	(1)	(19)	(14)
Changes in cash, equivalents & securities	52	77	(86)	(765)
Exchange differences	2	23	0	(34)
Cash, equivalents and securities, End of the Period	314	401	314	401

* Integral Basis

¹ please refer to explanatory note 2.28 of Consolidated Financial Statement

Cash flow from operations was positive at 188 million euros, benefitted by better management of working capital, which had a disbursement 66% lower than in 2018. In 4Q19 cash flow from operations registered a generation of 146 million euros, helped by a better operational performance (i.e. higher EBITDA) along with

working capital management initiatives, which led to a generation of 89 million euros – mostly result of improvement on payables and suppliers accounts in Argentina (mostly L'Amali II) and South Africa.

Interests paid in 2019 totalled 140 million euros, a decrease of 19% when compared to interest paid in 2018 of 174 million euros, reflecting the LM efforts to decrease leverage and the lower CDI rate in Brazil. In 4Q19 this line represented 16 million euros, higher by 11 million vs. 4Q18 due to the debentures postponement interest reset and Argentinian new debt interest payments.

CAPEX disbursement in 2019 amounted by 251 million euros, 31% higher than in 2018, mostly associated to larger investments in L'Amali II project, which totalled alone for around 170 million euros in 2019, vs. nearly 80 million euros in 2018. In 4Q19, CAPEX reached 70 million euros vs. 56 million euros in 4Q18, given the acceleration on the pace of disbursements related to L'Amali II project. L'Amali II is expected to be concluded in mid-2020 and total investments are estimated to reach around 300 million euros.

Total Cash Flow represented a cash burn of 86 million euros in 2019, significantly lower than the 765 million euros cash burn in 2018, mainly explained by the sale of operations in Portugal and Cape Verde. In 4Q19 the total cash flow registered a positive amount of 52 million euros, a decrease of 25 million euros vs. 4Q18.

The Company already cash collected from the sale of Portugal and Cape Verde discontinued operations the total amount of 707 million euros (11 million euros during 4Q19), see more details in explanatory note 2.28 of consolidated financial statement).

Cash and Cash Equivalents including financial instruments such as securities at December 2019 totalled 314 million euros, an increase of 52 million euros vs. previous quarter while Cash, Cash Equivalents and Securities in 2018, on an Integral Basis (including Portugal and Cape Verde), were 401 million euros.

4. Balance Sheet

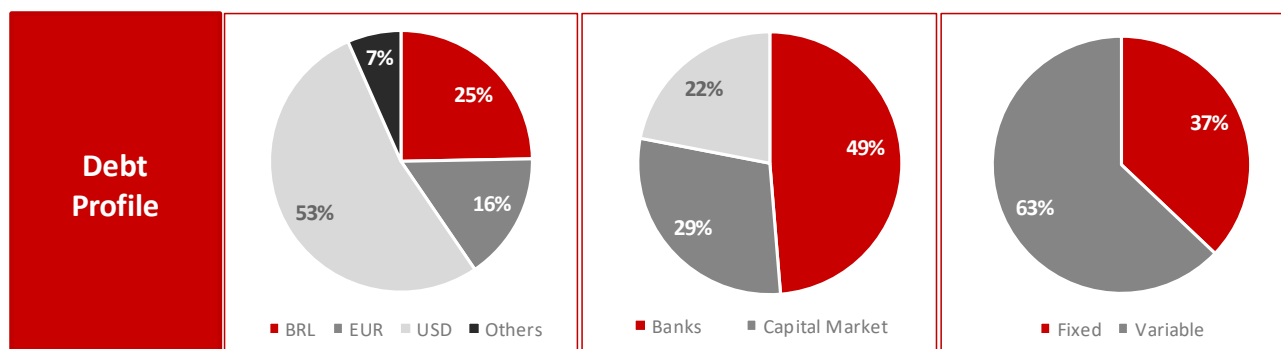
Total Assets was 3,539 million euros at December 2019, a contraction of 642 million euros when compared to December 2018, mostly as result of a reduction in assets for sale (Portugal and Cape Verde operations), that were partially offset by the increase in non-current assets.

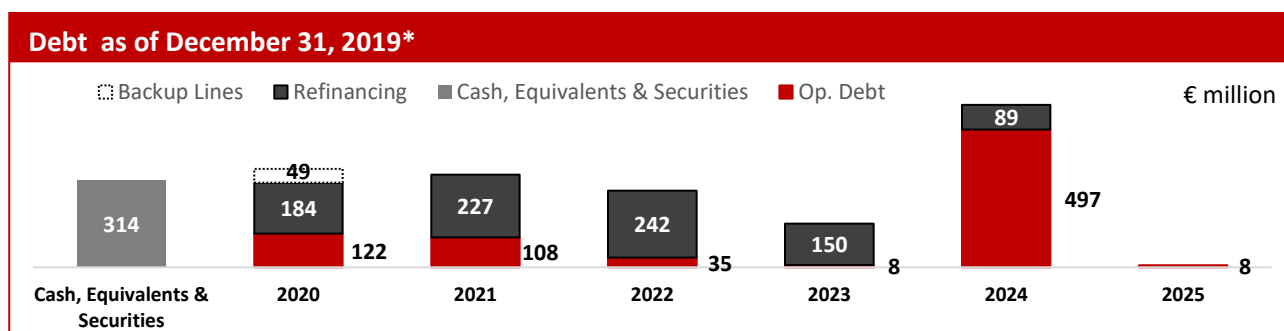
Gross Debt, registered 1,718 million euros, and net debt of 1,404 million euros, representing a decrease of 191 million euros when compared to 4Q18, when net debt registered 1,595 million euros. The debt reduction is based on the liability management program initiatives. The IPO of Loma Negra by 1,097 million dollars, in 2018, and the sale of Portugal and Cape Verde operations by 707 million euros, in 2019, were key milestones achieved, combined with additional actions to reduce gross debt.

CONSOLIDATED BALANCE SHEET SUMMARY

(€ million)	2019	2018	Var. %
Assets			
Non-current Assets	2.817	2.673	5,4%
Derivatives	6	3	86,8%
Current Assets			
Cash and Equivalents	314	342	(8,0%)
Derivatives	-	-	0,0%
Other Current Assets	401	416	(3,7%)
Assets classified as held for sale	-	747	(100,0%)
Total Assets	3.539	4.181	(15,4%)
Shareholders' Equity attributable to:			
Equity Holders	703	879	(20,1%)
Minority Interests	301	281	6,9%
Total Shareholders' Equity	1.004	1.161	(13,6%)
Current Liabilities			
Loans & Obligations	355	491	(27,7%)
IFRS 16	27	-	0,0%
Derivatives	-	0	(100,0%)
Provisions & Employee benefits	-	0	(100,0%)
Other Current Liabilities	419	427	(1,9%)
Non-Current Liabilities			
Loans & Obligations under finance leases	1.363	1.447	(5,8%)
IFRS 16	35	-	0,0%
Derivatives	-	0	(100,0%)
Provisions & Employee benefits	72	70	2,0%
Other Liabilities	264	278	(5,1%)
Liabilities assoc. w/ assets classified as held for	-	307	(100,0%)
Total Liabilities	2.535	3.021	(16,1%)
Total Liabilities and Shareholders' Equity	3.539	4.181	(15,4%)

The profile of Debt as of December 31, 2019 was as follows:





The Company is currently discussing with its main lenders to refinance approximately €900,000 of its Outstanding Debts with amortization dates of approximately €184,000 and €227,000 in 2020 and 2021, respectively and €480,000 in following years. When the negotiation is concluded, it is expected an extension of 3 years of current maturities and an interest rate incremental.

The negotiation is part of its ongoing deleveraging plan and it is expected to be concluded within the first semester of 2020. This initiative should release amortization pressure for the following years.

5. Operations in-depth look – 2019

Brazil

Industry’s volume in Brazil remained on its positive trend, backed by the pick-up of the launches in housing sector, seen in recent months. Total market volume accelerated its pace of growth to around ~5% in the quarter, driving 2019 volume to expand around 3.5% vs. 2018. InterCement’s performance was even better, reaching +8.5% YoY expansion in 4Q19, outpacing the industry – fourth sequential quarter that it registered YoY growth. Pricing trend had improved, as Dec19 prices were 4% higher than Jan19, helped by a better economic dynamic throughout the year.

EBITDA in 2019 totalled 45.9 million euros, driven by stronger volume and lower cash costs, leading EBITDA to expand by 15.6 million euros in the period, and margins to reach 10.7% (up 4.3 p.p.). Regarding 4Q19, EBITDA reached 16.7 million euros, expanding by 15.6 million euros when compared to 4Q18, led by improvements in top line and better costs control, while being negatively affected by the sale of recoverable taxes with discount (net negative impact of 11.2 million euros). Excluding such effect and other adjustments, adjusted EBITDA registered an expansion of 27.8 million euros, from 8.5 million euros in 4Q18 to 36.3 million euros in 4Q19. Therefore, adjusted EBITDA margin reached 33.2% from 8.1%.

Argentina & Paraguay

Argentina and Paraguay business unit reported a growth of 1.3% on Adjusted EBITDA in 2019, reaching 178 million euros, and being negatively affected by the significant Argentinian Peso depreciation during the year. Margins were up 2.8 p.p. to 30.1%. For 4Q19, Adjusted EBITDA expanded by 29.5%, helped by the difference in the quarter among Argentinian inflation and Argentinian Peso depreciation, what led to an 8 million euros

contribution. Excluding such effect, Adj. EBITDA would have increased only 6% vs. 4Q18. Adjusted EBITDA margin for the region reached 30.9% in the 4Q19, increasing by 2.7 p.p. from 28.1% one year ago.

Argentina political and economic context remained challenging in the period, and continued to weigh on demand, driving cement and clinker sales to shrink 11.8% YoY (equivalent to 170k tons) in the 4Q19, leading 2019 volume to drop 10.8% YoY. Nevertheless, Loma Negra's solid market approach allowed price adjustments in order to mitigate inflationary pressure. Additionally, renegotiations on energy contracts related to natural gas supply led to better costs, and drove Adj. EBITDA margins to improve significantly during the year. L'Amali plant expansion on track to be concluded in mid-2020, which should add 2.7mn tons per year capacity and is expected to raise business unit profitability.

Paraguayan cement and clinker sales were relatively stable, increasing by 0.4% vs. 2018 and fell 3.8% YoY in 4Q19. Adjusted EBITDA was up 5.7% in the year and decreased 3.8% during 4Q19, while margins remained on a positive trend, expanding by 2.9 p.p. in 2019.

Africa

InterCement's African operations posted a decrease of 4.6% YoY of cement and clinker volumes sold in 4Q19, slightly improving from prior quarters, as 2019 volumes reported an YoY fall of 5.1%. Improvement was result of Mozambique's strong performance during the period along with a softer decline in Egypt, while, on the other hand, South Africa reported weak figures due to a long period of heavy rains during November and December.

In Mozambique, volumes sold persisted on a recovery trend, potentially driven by economic activity pick up and the resume of infrastructure projects, mostly in Northern region and associated of potential natural gas exploration, leading cement volumes to expand by 9.6% and further accelerating its pace of growth from 3Q19, at +6.6% YoY. Thus, volumes for 2019 were 0.5% up vs. 2018. Additionally, prices also expanded during the year, benefitting top line. However, given the tough base of comparison of 4Q18 (on which it was reported provisions reversions in the amount of 3 million euros), Adjusted EBITDA posted an YoY decrease of 4.0 million euros.

South Africa went through a long period of heavy rains during November and December, which severely affected volumes sold in 4Q19 – shrank 15% YoY, and led 2019 volume to decrease 6.2% vs. 2018. On the other hand, average price expanded around 5% YoY in the quarter, contributing to total sales. Higher fuel costs persisted during the quarter, leading Adj. EBITDA to drop by 2.6 million euros in 4Q19 while margins fell by 5.2 p.p. in 4Q19 compared to 4Q18 and dropped 4.1 p.p. in 2019 vs. 2018.

Although the heated competitive environment and weak demand persisted in Egypt during the 4Q19, a lighter period of rains in Alexandria (location of InterCement's main production) in Oct19 while the most part of the country was under heavy rains benefitted volumes, slightly improving from prior quarters. Volume was down 4.4% YoY in 4Q19 while dropping 6.6% YoY in 2019. Revenues were up by 2% YoY in 4Q19 and 3% in 2019, helped by EGP appreciation. There were some costs reclassifications in Egypt, which affected both 2019 and 2018 figures, bringing down 2018 result. As consequence, 2019 Adjusted EBITDA registered an expansion of 25.1%, in spite of weakening volumes and declining average cement price, due to a lower 2018 figure after costs reclassifications.

CEMENT AND CLINKER VOLUMES SOLD

	4Q19	4Q18 Restated	Var. %	YTD 2019	YTD 2018 Restated	Var. %
BRA	2.141	1.972	8,5%	8.418	7.878	6,9%
ARG & PAR	1.409	1.584	(11,1%)	6.027	6.683	(9,8%)
AFRICA	1.510	1.583	(4,6%)	5.637	5.937	(5,1%)
Sub-Total	5.060	5.139	(1,6%)	20.083	20.498	(2,0%)
Intra-Group Eliminations	-	-	s.s.	-	-	s.s.
Consolidated Total	5.060	5.139	(1,6%)	20.083	20.498	(2,0%)
Operations in Continuation	5.060	5.139	(1,6%)	20.083	20.498	(2,0%)
Discontinued Operations	-	672	(100,0%)	-	3.089	(100,0%)

NET REVENUES

(€ million)	4Q19	4Q18 Restated	YoY	YTD 2019	YTD 2018 Restated	YoY
BRA	109	105	3,9%	428	420	1,9%
ARG & PAR	148	125	18,1%	592	644	(8,1%)
AFRICA	93	95	(2,1%)	358	358	(0,0%)
Others	4	5	(20,3%)	70	68	2,6%
Sub-Total	355	332	7,1%	1.448	1.490	(2,8%)
Intra-Group Eliminations	(5)	2	(424,9%)	(63)	(33)	(86,7%)
Consolidated Total	350	333	5,0%	1.385	1.457	(4,9%)
Operations in Continuation	350	333	5,0%	1.385	1.457	(4,9%)
Discontinued Operations	-	62	(100,0%)	-	247	(100,0%)

ADJ. EBITDA - BU OPENING

(€ million)	4Q19	4Q18 Restated	Var. %	YTD 2019	YTD 2018 Restated	Var. %
BRA	36	9	325,2%	66,2	21,0	215,7%
ARG & PAR	46	35	29,5%	178,4	176,1	1,3%
AFRICA	19	20	(2,5%)	61,4	69,7	(11,9%)
Others	(1)	0	(532,0%)	-9,4	-5,8	61,7%
Consolidated Total	100	64	57,5%	296,7	260,9	13,7%
EBITDA Margin	28,6%	19,1%	9,5 p.p.	21,4%	17,9%	3,5 p.p.
Operations in Continuation	100	64	57,5%	296,7	260,9	13,7%
Discontinued Operations	-	14	(100,0%)	-	60,8	(100,0%)

6. Corporate and subsequent events

In January 2020, management agreed: (i) with debenture holder to extend the instalment in the amount of 55 million euros (or 250 million reais) that was due on January 2019 to April 2020 and (ii) with Itaú to extend in 60 days the bilateral loan amortization of 44 million dollars. The above extensions is part of management's efforts to refinance its bank indebtedness. In this way, in December 2019, a term sheet agreement was signed with terms and conditions of the debt refinance.

In January 2020, 7 million dollars were amortized on Caue Austria Bilateral Loan. In February 2020, the Company totally amortized the Commercial Paper issuance at InterCement Portugal (former Cimpor SGPS) by 35 million euros. The credit line was refinanced by a new unsecured debt issued in March 16th, totaling 115 million reais, for the period of 1 year at the rate of CDI + 3%.

Corona virus

In the beginning of 2020, a new virus (Corona Virus) spread out across the globe resulting in several actions taken by different countries to contain the virus dissemination. Such actions include, among others, restrictions of people agglomeration and travels. Furthermore, the situation brought a severe market volatility and uncertainties about Global Gross Domestic Product ("GDP") in 2020.

Management is continually monitoring any possible impact in the Company's business and has created a Crisis Committee in order to monitor and evaluate the implementation of measures to mitigate the effects derived from this situation.

As of the issuance date of the financial statements, based on our internal assessments and actions taken by Authorities in each region that the Company is located, the operation was reduced in production lines to minimize the risks, even though it was not deemed necessary to suspend any operation with exception to Argentina business segment, as described below.

The Argentinian Government announced on March 19, 2020 social, preventive and mandatory isolation until March 31, 2020, therefore, the production and dispatch of cement, concrete and aggregates operations were suspended until the conditions necessary to resume activities are in place. Necessary measures to supply its products in accordance with the exceptions described in the Decree will be taken shortly. It was also suspended the construction of L'Amalí Plant.

Disclaimer:

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

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

You should not rely upon forward-looking statements as predictions of future events. Although we believe in good faith that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in our expectation.

It is also important to bear in mind that independent auditors have not audited non-financial data and non-accounting metrics.

Building sustainable partnerships



2019

FINANCIAL STATEMENTS



Independent auditor's report on the consolidated financial statements

To the Shareholders, Board of Directors and Management of
InterCement Participações S.A.
São Paulo - SP

Opinion

We have audited the consolidated financial statements of InterCement Participações S.A. (the "Company"), which comprise the statement of financial position as of December 31, 2019, and the statements of operations, of comprehensive operations, of changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InterCement Participações S.A. as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the *Code of Professional Ethics for Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

- **Goodwill impairment test**

As of December 31, 2019, as described in Note 9, the Company has recorded goodwill of EUR957,451 thousand, generated in business combinations from prior years, representing 27% of total assets, on that date. At least once a year, the Company performs impairment test of goodwill, based on estimates of future profitability that take in consideration the business plans and annual budget, adopted by management. The methodology and modeling used to determine the recoverable value of this asset, which was based on the Company's discounted cash flows of each cash-generating unit, refer to estimates that include subjective assumptions that were used by Management and involve a high degree of judgment, information and expected market and economic conditions, determination of discount rates, country risks and company specific risk premiums (at the component levels), among others.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved in relation to the total assets and the potential risks to the Company's profit and loss for the year, in the event of identification of impairment of this asset, in addition to the uncertainties inherent to the determination of the estimate of expected recovery values, given the use of market information and a high degree of judgment exercised by management, in determining the assumptions on the different impairment models. A change in any of these assumptions may have a significant impact on the Company's consolidated financial statements.

How our audit conducted this matter

Our auditing procedures included, but were not limited to, the involvement of valuation specialists to assist in the analysis and review of the methodologies and models used by management, evaluation of the assumptions that supported the projections that determined the business plan, budget, technical studies and analyzes of the recoverable amount of the Company's asset related to each cash-generating unit. Our procedures also included an evaluation of the reasonableness and consistency of the data and assumptions used in the preparation of such models, including discount rates, country risk, company specific risk premiums and cash flow projections, among others, as provided by Company's management, and we also analyzed corresponding accuracy of arithmetic and mathematical calculations of the models. We analyzed information that could contradict the most significant assumptions and methodologies selected.

Additionally, we compared the recoverable amounts determined by Company's management, based on the discounted cash flows for each cash-generating unit, with the corresponding carrying amounts, and evaluated the adequacy of the disclosures in Note 9 to the consolidated financial statements as of December 31, 2019.

Based on the results of the auditing procedures performed on the goodwill impairment test, which is consistent with management's assessment, we considered the criteria and assumptions of goodwill impairment test used by management, as well as the respective disclosures in Note 9, are acceptable, in the context of the consolidated financial statements taken as a whole.

- **Restrictive clauses on debentures - “covenants”**

As of December 31, 2019, as described in Notes 10 and 11, the Company has recorded debentures and senior notes contracts in the total amount of EUR1,718,183 thousand, out of which EUR1,362,946 thousand classified as non-current liabilities, representing 48% and 39%, respectively, of total liabilities on that date. These debentures and senior notes are subject to compliance with annual restrictive covenants, which are calculated using certain financial ratios agreed with the creditors. The failure to comply with these covenants may result in the declaration of early maturity of such contracts, as well as other loans and borrowings due to cross default, which would require the Company to pay the respective outstanding amounts immediately on the date of any default, significantly impacting its equity and financial position, reason why we considered the compliance with the referred restrictive clauses as a significant risk to our audit.

How our audit conducted this matter

Our audit procedures included, among others: (i) reading and understanding the annual restrictive clauses (“covenants”) from such debentures and senior notes, including any amendments that contain changes to these covenants, which were renegotiated during December 2019; (ii) analysis and review of the covenants' calculation performed by management, and; (iii) evaluation of information made available by the fiduciary agents and subsequent events, which include understanding of debt restructuring negotiations, as mentioned in notes 1 and 28. We also assessed the adequacy of the disclosures in Notes 10 and 11 to the consolidated financial statements as of December 31, 2019.

Based on the result of the audit procedures carried out on the covenants compliance, we considered that the criteria and premises adopted by management, as well as the respective disclosures in Notes 10 and 11, are acceptable, in the context of the consolidated financial statements taken as a whole.

- **Deferred tax assets impairment test**

As of December 31, 2019, as described in Note 17, the Company has recorded deferred tax assets in the amount of EUR 70,639 thousand, which recognition and recoverability are based on analysis prepared by the management, in respect of generation of future taxable income. The preparation of such a study requires significant judgment in determining the projection of future taxable income.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved and the potential effects on the Company's profit and loss for the year, and the degree of judgment used in the projections of future taxable income, its estimates and assumptions, and the potential impact that any changes in these estimates and assumptions could bring to the deferred tax assets recorded in the consolidated financial statements.



How our audit conducted this matter:

Our auditing procedures included, but were not limited to, the use of specialized tax professionals to analyze the income tax bases according to current tax legislation. Additionally, we performed analysis and evaluation of the assumptions and methodology used by management in the projections of future taxable income, such as changes in sales and costs, tax rates, arithmetic and mathematical calculations, as well as comparing certain projection data, when available, with other external sources and alignment of these premises with the business plans approved by the Company's management. Additionally, we have analyzed the adequacy of the disclosures made in Note 17 to the consolidated financial statements.

Based on the results of the audit procedures performed on the recognition, measurement and recoverability of deferred tax assets through the availability of future taxable income, which is consistent with management's assessment, we considered that the criteria and assumptions of recoverable values of deferred tax assets adopted by the Company's management, as well as the respective disclosures in Note 17, are acceptable, in the context of the consolidated financial statements taken as a whole.

Other matters

The consolidated financial statements for the year ended December 31, 2018, originally prepared before the adjustments described in Note 3, were audited by another auditor, who expressed an unmodified opinion dated April 26, 2019. The auditor's report included an "emphasis of matter" related to the restatement due to errors on the December 31, 2018 consolidated financial statements. As part of our audit of the consolidated financial statements for the year ended December 31, 2019, we also audited the adjustments described in Note 3 that were applied to amend the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2018 consolidated financial statements other than to the respect to the referred adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2018 consolidated financial statements taken as a whole.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

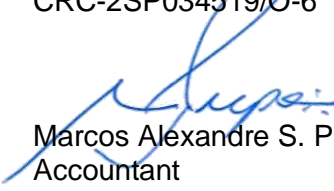
We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including significant deficiencies in internal control that we may have identified during our audit.



From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 25 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6



Marcos Alexandre S. Pupo
Accountant
CRC-1SP221749/O-0

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Financial Position as of December 31, 2019 and 2018
 (In thousands of euros - €)

ASSETS	Notes	12.31.2019	12.31.2018 (Restated)	01.01.2018 (Restated)	LIABILITIES AND SHAREHOLDER'S EQUITY	Notes	12.31.2019	12.31.2018 (Restated)	01.01.2018 (Restated)
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	4	297,037	326,303	1,137,502	Trade payables		263,012	249,605	291,649
Securities	5	17,363	15,498	62,292	Debtentures	11	158,917	105,822	105,682
Trade receivables	6	67,162	73,202	82,324	Borrowings and financing	10	196,320	385,538	467,604
Inventories	7	248,313	265,509	333,403	Interest payable	10 and 11	24,583	39,389	57,571
Recoverable taxes		52,187	42,547	40,998	Obligations under finance leases	14	27,263	-	-
Other receivables		33,535	35,220	40,252	Taxes payable		48,734	57,982	75,225
		<u>715,597</u>	<u>758,279</u>	<u>1,696,771</u>	Payroll and related taxes		29,897	25,116	43,962
					Dividends and interest on capital		204	159	4,162
					Advances from customers		8,914	12,548	19,280
					Actuarial liabilities		-	38	773
					Other payables		43,617	42,272	42,221
							<u>801,461</u>	<u>918,469</u>	<u>1,108,129</u>
Assets classified as held for sale	2.28	-	747,031	-	Liabilities directly associated with assets classified as held for sale	2.28	-	307,057	-
Total current assets		<u>715,597</u>	<u>1,505,310</u>	<u>1,696,771</u>	Total current liabilities		<u>801,461</u>	<u>1,225,526</u>	<u>1,108,129</u>
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Securities	5	1,270	1,337	2,053	Trade payables		2,698	9,948	6,142
Trade receivables	6	448	745	1,137	Debtentures	11	695,277	792,905	895,403
Inventories	7	71,714	46,985	34,924	Borrowings and financing	10	667,669	653,901	1,244,050
Recoverable taxes		31,328	62,423	8,273	Obligations under finance leases	14	35,328	-	-
Deferred income tax and social contribution	17	9,525	15,211	16,860	Provision for tax, civil and labor risks	12	52,465	53,883	83,612
Escrow deposits		15,664	16,675	18,323	Provision for environmental recovery	13	18,462	15,625	38,637
Derivatives	25.10	6,281	3,362	6,690	Taxes payable		6,388	4,060	12,684
Other receivables		35,250	35,281	20,541	Deferred income tax and social contribution	17	228,653	234,636	232,758
Property investment		1,204	4,033	7,079	Actuarial liabilities		645	639	15,740
Investments		429	562	9,350	Derivatives	25.10	-	303	16,589
Right-of-use assets	14	54,048	-	-	Other payables		26,007	29,133	16,252
Property, plant and equipment	8	1,504,263	1,349,894	1,548,720	Total noncurrent liabilities		<u>1,733,592</u>	<u>1,795,033</u>	<u>2,561,867</u>
Intangible assets:					TOTAL LIABILITIES		<u>2,535,053</u>	<u>3,020,559</u>	<u>3,669,996</u>
Goodwill	9	957,451	984,754	1,399,695					
Other intangible assets	9	134,082	154,871	201,001	SHAREHOLDER'S EQUITY				
Total noncurrent assets		<u>2,822,957</u>	<u>2,676,133</u>	<u>3,274,646</u>	Capital	16	1,081,588	1,081,588	1,080,949
					Capital reserves	16	393,091	459,978	393,034
					Earnings reserves	16	218,326	460,894	1,183,224
					Retained earnings (accumulated loss)	16	109,132	(195,834)	(715,863)
					Other comprehensive loss	16	(1,099,609)	(927,158)	(877,269)
					Shareholder's equity attributable to the Company's owners		<u>702,528</u>	<u>879,468</u>	<u>1,064,075</u>
					Non-controlling interests	16	300,973	281,416	237,346
					Total shareholder's equity		<u>1,003,501</u>	<u>1,160,884</u>	<u>1,301,421</u>
TOTAL ASSETS		<u>3,538,554</u>	<u>4,181,443</u>	<u>4,971,417</u>	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>3,538,554</u>	<u>4,181,443</u>	<u>4,971,417</u>

The accompanying notes are an integral part of this consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements Operations for the years ended December 31, 2019 and 2018

(In thousands of euros - €, except per earnings (loss) per share)

	Notes	12.31.2019	12.31.2018 (Restated)
<u>CONTINUING OPERATIONS</u>			
NET REVENUE	18	1,385,153	1,456,627
COST OF SALES AND SERVICES	19	(1,182,859)	(1,269,526)
GROSS PROFIT		202,294	187,101
OPERATING EXPENSES			
Administrative and selling expenses	19	(159,754)	(141,521)
Other income (expenses)	19	(11,376)	(67)
INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND INCOME TAX AND SOCIAL CONTRIBUTION		31,164	45,513
FINANCIAL INCOME (EXPENSES)			
Foreign exchange, net	20	(16,117)	(78,931)
Financial income	20	50,138	46,262
Financial expenses	20	(181,957)	(182,504)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(116,772)	(169,660)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	17	(26,806)	(38,323)
Deferred	17	(4,353)	4,987
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(147,931)	(202,996)
<u>DISCONTINUED OPERATIONS</u>			
NET INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS	2.28	300,534	7,394
INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO			
Company's owners		109,132	(193,303)
Non-controlling interests		43,471	(2,299)
LOSS PER SHARE FOR CONTINUING OPERATIONS			
Basic/diluted loss per share	22	(8.25)	(8.79)
EARNINGS / (LOSS) PER SHARE FOR CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS			
Basic/diluted earnings / (loss) per share	22	4.81	(8.52)

The accompanying notes are an integral part of this consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (loss) for the years ended December 31, 2019 and 2018

(In thousands of euros - €)

	Notes	12.31.2019	12.31.2018 (Restated)
<u>CONTINUING OPERATIONS</u>			
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(147,931)	(202,996)
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Employee benefits	16	83	14
Items that might be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations	16	(357,844)	(224,843)
Hyperinflation effects (IAS29)	2.1 / 16	175,117	218,804
Hedging derivatives financial instruments	16	2,923	9,617
TOTAL COMPREHENSIVE LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(327,652)	(199,404)
<u>DISCONTINUED OPERATIONS</u>			
NET INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS	2.28	300,534	7,394
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Employee benefits	16	-	(4,958)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS		300,534	2,436
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Company's owners		(359,571)	(246,672)
Non-controlling interests		31,919	47,268
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO:			
Company's owners		(63,319)	(244,222)
Non-controlling interests		36,201	47,948

The accompanying notes are an integral part of this consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2019 and 2018

(In thousands of euros - €)

Notes	Share capital	Capital Reserves	Earning reserves				Other comprehensive income (loss)	Retained earnings (Accumulated losses)	Total attributable to the Company's owners	Non-controlling interests	Total equity
			Legal	Capital budget	Transactions with noncontrolling interests						
BALANCE AS OF DECEMBER 31, 2017 (Originally presented)	1,080,949	393,034	-	-	1,183,224	(877,269)	(714,314)	1,065,624	237,837	1,303,461	
Adjustment (note 3)	-	-	-	-	-	-	(1,549)	(1,549)	(491)	(2,040)	
BALANCE AS OF JANUARY 01, 2018 (RESTATED)	1,080,949	393,034	-	-	1,183,224	(877,269)	(715,863)	1,064,075	237,346	1,301,421	
Capital increase	16	639	66,944	-	-	-	-	67,583	-	67,583	
Loss for the year	16	-	-	-	-	-	(193,303)	(193,303)	(2,299)	(195,602)	
Loss absorption through earning reserves	16	-	-	-	-	(714,314)	-	714,314	-	-	
Other comprehensive income	16	-	-	-	-	-	(155,998)	(155,998)	(64,172)	(220,170)	
Realization of deemed cost of property, plant and equipment		-	-	-	-	-	1,708	(1,708)	-	-	
Sale of noncontrolling interests	16	-	-	-	-	6,522	-	6,522	746	7,268	
Acquisition of noncontrolling interests	16	-	-	-	-	(13,595)	-	(13,595)	10,623	(2,972)	
Other		-	-	-	-	(943)	-	726	(217)	942	
Dividends paid to noncontrolling interests	16	-	-	-	-	-	-	-	(16,173)	(16,173)	
Hyperinflationary monetary adjustment	2.1	-	-	-	-	-	104,401	-	104,403	218,804	
BALANCE AS OF DECEMBER 31, 2018 (RESTATED)	1,081,588	459,978	-	-	460,894	(927,158)	(195,834)	879,468	281,416	1,160,884	
Loss absorption through earnings reserves	16	-	-	-	-	(195,834)	-	195,834	-	-	
Capital decrease	16	-	(66,887)	-	-	-	-	(66,887)	-	(66,887)	
Net income for the year	16	-	-	-	-	-	-	109,132	109,132	152,603	
Appropriation of net income to reserves	16	-	-	5,457	103,675	-	-	(109,132)	-	-	
Other comprehensive loss	16	-	-	-	-	-	(256,329)	(256,329)	(98,509)	(354,838)	
Acquisition of noncontrolling interests	16	-	-	-	-	239	-	239	(331)	(92)	
Dividends to preferred shares - paid	16	-	-	-	-	(46,973)	-	(46,973)	-	(46,973)	
Dividends paid to noncontrolling interests	16	-	-	-	-	-	-	-	(16,313)	(16,313)	
Hyperinflationary monetary adjustment	2.1	-	-	-	-	-	83,878	-	91,239	175,117	
BALANCE AS OF DECEMBER 31, 2019	1,081,588	393,091	5,457	103,675	218,326	(1,099,609)	-	702,528	300,973	1,003,501	

The accompanying notes are an integral part of this consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

(In thousands of euros - €)

	Notes	12.31.2019	12.31.2018 (Restated)
Profit / (Loss) before income tax and social contribution from continuing and discontinuing operations		183,762	(165,490)
Adjustments to reconcile income before income (loss) tax and social contribution with net cash used in operating activities:			
Depreciation, amortization and impairment losses	19	207,649	253,353
Allowance for probable losses, net		(2,790)	(6,898)
Interest (income) expenses, exchange differences and other finance charges	20	147,935	228,832
Loss (gain) on sale of property, plant and equipment	19	(9,147)	(7,114)
Gain on sale of discontinued operations and reversal of exchange differences	2.28	(300,534)	-
Equity pick-up		-	(1,003)
Other noncash operating gain (losses)		(1,691)	(1,619)
Decrease (increase) in operating assets:			
Related parties		-	(4,613)
Trade receivables		(11,012)	(30,233)
Inventories		(53,873)	(40,504)
Recoverable taxes		102	2,271
Other receivables		(255)	(103)
Increase (decrease) in operating liabilities:			
Related parties		-	456
Trade payables		(17,893)	34,569
Payroll and related taxes		2,450	(338)
Other payables		45,760	(61,716)
Taxes payable		(2,559)	439
Cash generated by operating activities		187,904	200,289
Income tax and social contribution paid		(27,870)	(57,815)
Interest paid		(140,438)	(151,544)
Net cash generated by (used in) operating activities		<u>19,596</u>	<u>(9,070)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		(269)	43,990
Purchase of property, plant and equipment		(247,536)	(190,158)
Increase in intangible assets		(3,538)	(1,676)
Cash received from discontinued operations, net o cash balance received	2.28	648,141	-
Intersegment payments to carved-out companies	2.28	(116,674)	-
Cash received from sale of property, plant and equipment		6,174	5,307
Other		(11,179)	(177)
Net cash generated by (used in) investing activities		<u>275,119</u>	<u>(142,714)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures	10	190,680	79,983
Swap transactions	25.10	-	(22,508)
Acquisition of noncontrolling interests	16	(92)	(2,972)
Capital decrease	16	(66,887)	67,583
Repayment of borrowings, financing and debentures	10 and 11	(422,588)	(680,482)
Dividends paid	16	(63,286)	-
Sale of noncontrolling interests	16	-	11,444
Payment of principal portion of lease liabilities	14	(21,515)	-
Other instruments		808	(19,359)
Net cash used in financing activities		<u>(382,880)</u>	<u>(566,311)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(88,165)</u>	<u>(718,095)</u>
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		199	(34,404)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	385,003	1,137,502
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>297,037</u>	<u>385,003</u>

The accompanying notes are an integral part of this consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements for the year ended December 31, 2019**

(Amounts in thousands of euros - €, unless otherwise stated)

1. General Information

InterCement Participações, S.A. (“Company” or “ICP”) is a privately-held company headquartered in the City of São Paulo, State of São Paulo, Brazil, engaged in holding equity interests and investments abroad, leading a business group operating in 6 countries (“ICP Group” or “Group”). Its ultimate parent company is Mover Participações S.A. (previously named Camargo Corrêa S.A.). The Group is primarily engaged in the manufacture and sale of cement and cement by-products, in addition to the extraction of the minerals used to manufacture these products.

The Company owns 35 cement plants, 33 concrete plants, and 7 aggregates plants (located in Brazil, Argentina, Paraguay, Egypt, Mozambique and South Africa). Additionally, in Brazil it holds participation in hydroelectric power generation equity interests and assets.

Sale of business operations

On January 17, 2019 the final closing agreement was signed, completing the sale of business operations in Portugal and Cape Verde to the Turkish group “Ordu Yardimlasma Kurumu” (OYAK). The sale included 3 integrated cement plants and 2 independent milling facilities, with a total cement production capacity of 9.1 million tons, 46 concrete units, 2 dry mortar units, 17 quarries and a cement bagging plant.

With a reference price of €707,000, the final selling price for the transaction was determined in the quarter ended September 30, 2019, in the amount of €703,720, after considering the closing net debt, related party balances and changes in working capital since June 30, 2018. At the date of the issuance of such financial statements, full amount have been received and used mainly to reduce Corporate indebtedness, consequently, materially strengthening Company’s capital structure. This transaction is an important component of InterCement’s Liability Management program, which was publicly announced in early 2017 and included, among other actions, the initial public offering of Loma Negra – the cement market leader in Argentina – in NYSE and Merval.

As a result, Portugal and Cape Verde segment is present as “Discontinued operations” in 2019 and 2018 in the statements of operations and as “Assets held for sale” in the Consolidated Financial Statements as of December 31, 2018, as required by International Financial Reporting Standard 5 (“IFRS 5”) – Non Current Assets Held for Sale and Discontinued Operating Units (Note 2.13).

Refinancing of debts

The Company is currently discussing with its main lenders to refinance approximately €900,000 of its Outstanding Debts with amortization dates of approximately €184,000 and €227,000 in 2020 and 2021, respectively and €480,000 in following years. If, and when, the negotiation is concluded, it is expected an extension of 3 years of current maturities and an interest rate incremental.

The negotiation is part of its ongoing deleveraging plan and it is expected to be conclude within the first semester of 2020. With this initiative, working capital will be strengthen by postponing current portion to noncurrent in the amount of €184,000 in 2020 and releasing amortization pressure for the following years.

2. **Basis of Preparation and Significant Accounting Policies**

2.1. Basis of presentation

The accompanying consolidated financial statements were prepared on a going concern basis from the books and accounting records of the Company and the companies included in the consolidation prepared in accordance with International Financial Reporting Standards (“IFRS”). Such standards include the IFRS issued by the International Accounting Standards Board (“IASB”), the International Accounting Standards (“IAS”) issued by the Accounting Standards Committee (“ASC”) and the interpretations issued by the IFRS Interpretation Committee (“IFRIC”). These standards and interpretations are hereinafter referred to collectively as “IFRS”.

All relevant information in the financial statements is being evidenced and corresponds to that used by the Administration in the conduct of the Company.

The Company’s functional currency is the Brazilian real (R\$) and the financial statements are presented in euros (presentation currency), for the convenience of stakeholders outside Brazil and, as prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial statements in any currency.

Note on the accounting practice for the effects of inflation on the financial statements of Loma Negra CIASA.

Inflation levels in Argentina have been high these past years and the inflation rate accumulated over these past three years has exceeded 100% without the expectation of a significant decrease in the short-term. Therefore, such situation had triggered the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies, or IAS 29, applicable to our segment whose functional currency is the Argentine peso. Such adjustments were required to be shown from July 1, 2018 (period in which hyperinflation was identified).

IAS 29 requires that the financial statements recorded in a hyperinflationary currency be adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of the reporting period. As a result of the above, our consolidated financial statements for the year end December 31, 2019 and 2018 reflect hyperinflation accounting for our Argentinean subsidiaries applying IAS 29 rules.

The impacts of such accounting standard in our consolidated financial statements for the year ended December 31, 2019 were an equity increase of €175,117 (€218,804 as of December 31, 2018), with reference to the opening balance, reported in other comprehensive income (loss), mainly arising from the revaluations of Tangible and Intangible assets (Notes 8 and 9) and also the impact of the year presented in financial results, amounting of €16,942 (€5,355 as of December 21, 2018) (Note 20).

2.2. New standards and interpretations, revisions and amendments

a) New standards and interpretations came into effect during the year ended December 31, 2019:

Standard	Effective date	Description
IFRS 16 – Leasing Operations	January 1, 2019	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 “Lease Operations”. This standard defines a single model that results in the lessee recognizing assets and liabilities of all leases except leases less than 12 months old or leases related to low value assets. Lessors continue to classify leases as operating or financial, and IFRS 16 will not entail any substantial changes to those entities as defined in IAS 17.
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019	This standard clarifies how IAS 12 Income Tax recognition and measurement requirements are applied when there is uncertainty about income tax treatment. “Uncertain tax treatment” is a tax treatment for which there is uncertainty as to whether the relevant tax authority will accept tax treatment in accordance with tax law.
Amendments to IFRS 9 - Financial Instruments (Negative Offset Prepayment Characteristics)	January 1, 2019	These amendments will allow financial assets with contractual conditions that, as a result of a prepayment feature, allow the creditor to pay a considerable amount, can be measured at amortized cost or fair value through other comprehensive income (depending on business model) if two conditions are met: (i) when the entity initially recognizes the financial asset, the fair value of the prepayment characteristic is insignificant; and (ii) the assessment that the prepayment amount is not only principal payments and interest on the outstanding principal amount depends solely on the fact that the party who decides to terminate the contract early may receive reasonable additional compensation.

IFRS 16 – Leasing Operations

On January 13, 2016, the International Accounting Standards Board (IASB) published IFRS 16, a new lease standard instead of IAS 17, IFRIC 4, SIC-15 and SIC-27, effective for years beginning on or after 1st. January 2019.

IFRS 16 introduces that lease agreements are recognized in lease accounting under a single model, eliminating the distinction between operating and finance leases and requires recognition of the right to use asset of lease agreements and a liability reflecting obligation to make future payments for such leases.

Management has applied IFRS 16 using the retrospective method of adoption, with the date of initial application January 1, 2019. Under this method, IFRS 16 is retroactively adopted with the cumulative effect of the initial order recognized on the date of the initial period and comparative information is not updated.

For leases previously classified as operating, the Group recognized the right-of-use assets and liabilities for leases, except for agreements containing a lease term of less than twelve months (short-term leases), for those associated with the exploitation of natural resources and for those leases where the underlying asset has a low value. Right-of-use assets were recognized at an amount equivalent to the corresponding liability for these leases. Leasing liabilities were measured at the present value of payments not yet paid, using the borrowing rate of each contracting entity (lessee) until the date of initial application.

Subsequently, right-of-use assets are depreciated in accordance with the corresponding contractual terms of the lease agreements or the useful lives of the assets, if shorter. Financial liabilities consider the interest rate on borrowings of contracting entities. Lease payments are recorded as a reduction in lease liabilities. (Note 2.7 for further accounting practices adopted)

The impacts of the implementation of IFRS 16 are demonstrated in Note 14.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9

Management evaluated the respective amendments to the pronouncements and concluded that no adjustments were required in the Consolidated Financial Statements ended December 31, 2019 due to their adoptions.

- a) New standards and interpretations that will take effect in future years

Standard	Effective date	Description
IFRS 17 – Insurances Contracts	January 1, 2022	This standard requires that all insurance contracts be accounted for consistently. Insurance obligations are recognized and measured based on current values, providing more useful information to users of the insurers' financial statements, while at the same time increasing the insurers' earnings and equity volatility.

The evaluation of the impact of the referred improvements on the Group's financial statements is not yet completed. It is expected that IFRS 17 adoption would have impact on the Group financial statements, which is still under analysis.

2.3. Critical accounting judgements/estimates

The preparation of the consolidated financial statements in accordance with IFRS recognition and measurement principles requires the Board of Directors ("Management") to make judgements, estimates and assumptions that can affect the presented amount of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as of income and expenses.

These estimates are based on the best knowledge existing at each moment and the planned actions, and are regularly reviewed based on the information available. Changes in facts and circumstances can lead to a revision of the estimates and so actual results may differ from these estimates.

The significant estimates and assumptions made by the Management in preparing these financial statements include assumptions used in estimating the following items:

- Impairment of non-current assets (excluding Goodwill)

The determination of a potential impairment loss can arise as result from the occurrence of several events, many of them external to the ICP Group, such as macroeconomic conditions, industry and market considerations, cost factors, financial performance or any other changes, either internal or external, to ICP Group.

The identification of impairment indicators and the determination of the assets' recoverable amount, are subject to a Management's judgement referring to the identification and evaluation of the different impairment indicators, cash-generating units, expected cash flows, applicable discount rates, growth rates, useful lives and transaction values.

- Impairment of goodwill

Goodwill is subjected to annual impairment tests or whenever there are indications of a possible loss in value. The recoverable amounts of the cash-generating units to which goodwill has been allocated, is the higher between the market value, determined according with recent transaction multiples, and the value in use, determined according to the expected future discounted cash flows. The calculation of these amounts requires the use by Management of estimates regarding the projections of expected future discounted cash flows and the determination of discount rates considered.

- Accounts receivable impairment

The credit risk associated to accounts receivable is evaluated at the end of each reporting period, taking into consideration the debtor's historical information and his risk profile. The accounts receivable are adjusted by the assessment of the estimated collection risks at the balance sheet dates, which might differ from the effective risk to incur.

- Useful lives of intangible and tangible fixed assets

The useful life of an asset is the time period during which an entity expects that an asset will be available for use and it must be reviewed at least at the end of each year.

The determination of the assets useful lives, amortization/depreciation method to apply, its residual value and of the estimated losses resulting from the early replacement of equipment, due to technological obsolescence, is essential to determine the amount of amortization/depreciation charge to the statement of operations of each year.

These parameters are defined according to Management's best estimate, for the assets and businesses in question, also considering the best practices adopted by companies operating in the same business activity.

- Provisions recognition and contingent liabilities disclosure

The Group periodically analyses possible obligations that arise from past events that should be recognized or disclosed. The inherent subjectivity to the determination of the probability and amount of internal resources required to settle the obligations, might lead to significant adjustments, either by the variation of the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.

- Recognition of deferred tax assets

Deferred tax assets are only recognised when there is strong expectation that there will be sufficient future taxable income to utilise them or when there are deferred tax liabilities whose reversal is expected to occur in the same period of the reversal of the deferred tax assets. The carrying amount of deferred tax assets is reviewed by Management at the end of each year and takes into consideration the expectation about the future performance.

- Measurement of derivative financial instruments

The measurement of derivative financial instruments involves a number of estimates and assumptions, in particular expectations about interest rate and exchange rates, as well as estimates of the Group's credit risk and the various involved counterparties, which may differ from the original ones.

2.4. Consolidation principles

a) Controlled entities – Subsidiaries

Subsidiary companies have been consolidated in each accounting period. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Although the Group generally holds a majority of voting rights in the companies that are controlled, this applies irrespective of the percentage of interest in the share capital if control is obtained through agreements with other shareholders.

Third party participation in shareholders' equity and net profit of such companies is presented separately in the consolidated statement of financial position and consolidated statement of comprehensive income under the caption "Non-controlling interests".

The results of controlled companies acquired or sold during the period are included or excluded in the consolidated statement of comprehensive income from the date of their control is obtained to the date of their control is lost, respectively.

Significant balances and transactions between controlled companies are eliminated in the consolidation process. Capital gains or losses within the Group on the sale of subsidiary and associated companies are also eliminated.

Whenever necessary, adjustments are made to the financial statements of subsidiaries and associated companies to conform to the Group's accounting policies.

b) Business combinations

Business combinations, namely the acquisition of controlled companies are recorded in accordance with the purchase method.

Acquisition cost is determined by the sum of the fair value of the assets given, liabilities and contingent liabilities incurred or assumed and equity instruments issued by the Group in exchange for the assumption of control in the entity acquired. Costs relating to the acquisition are recognized as expenses when incurred. Where applicable, cost includes the fair value of the contingent payments measured as of the date of acquisition. Subsequent changes in the value of the contingent payments or deferred payments, measured in accordance with IFRS 13, are recorded in the statements of operations.

The identifiable assets, liabilities and contingent liabilities of a subsidiary that meet the criteria to be recognised in accordance with IFRS 3 - Business Combinations ("IFRS 3"), are measured by their fair value as of the purchase date, except for non-current assets (or groups of assets) that are identified as held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognised and measured by their respective fair values less costs to sell.

Any excess of cost plus the amount of the non-controlling interests over the fair value of the identifiable assets and liabilities acquired as of the purchase date is recorded as Goodwill. Where acquisition cost increased with non-controlling interests is lower than the fair value of the net assets identified, the difference is recorded as a gain in the statements of operations for the period in which the acquisition is made after reconfirmation of the fair value attributed.

If the process for recording combinations of business activities is incomplete at the end of the year in which the combination occurs, the Group discloses the situation and the amounts provided can be adjusted during the provisional measuring period (the period between the date of acquisition and the date the Group obtains complete information on the facts and circumstances that existed as of the date of acquisition, up to a maximum of 12 months).

Non-controlling interests are reflected separately in equity from the interests of the shareholders. Non-controlling interests can initially be measured at their fair value or by the proportion of the fair value of the assets and liabilities of the subsidiary acquired. This option is made separately for each transaction.

After initial recognition, the book value of the non-controlling interests is determined as the amount initially recognized plus the proportion of changes in equity of the subsidiary. Comprehensive income of a subsidiary is attributed to non-controlling interests even if it is negative.

The results of subsidiaries acquired or sold during the period are included in the statement of comprehensive income as from the date of acquisition or up to the date of sale.

In specific situations in which the Group has in substance control of other entities created for a specific purpose, even if it does not have participations directly in the entities, they are consolidated.

Changes in the percentage of control over subsidiaries that do not result in loss of control are recorded as equity transactions. The value of the Group's non-controlling interests is adjusted to reflect changes in percentages. Any difference between the amount for which the non-controlling interests is adjusted and the fair value of the transaction is recorded directly in equity and attributed to the shareholders of the parent company.

When the Group loses control over a subsidiary, the gain or loss on the sale is calculated as the difference between (i) the aggregated amount of the fair value of the assets received and the fair value of the interests retained and (ii) the book value of the assets (including goodwill) and liabilities of the subsidiary and the non-controlling interests. Amounts previously recognized in equity as "Other comprehensive income", namely the exchange effect resulting from the translation of foreign currency financial statements as set in the Note 2.9 below, are transferred to the statements of operation or to retained earnings in the same way as would happen if related assets or liabilities were sold. The fair value of the interests retained corresponds to the fair value at the initial recognition for purposes of the subsequent recording in accordance with IAS 39 – Financial instruments or, where applicable, cost for purposes of the initial recognition of an investment in an associate or joint venture.

c) Goodwill

Differences between the cost of investments in subsidiaries, plus the fair value of non-controlling interests, and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies as of the date of acquisition, if positive, are recognized as goodwill.

Goodwill is stated in the functional currency of the respective cash-generating unit, being translated to the Company functional currency (Brazilian Reais) at the rate of exchange as of the balance sheet date. Exchange differences generated in that translation are recorded in the equity caption "Currency translation adjustments".

Goodwill on acquisition prior to December 31, 2008 was maintained at the former amount and denominated in reais, being subject to annual impairment tests as from that date.

Where cost is lower than the fair value of the net assets and contingent liabilities identified, the difference is recorded as a gain in the consolidated statement of operations and other comprehensive income (loss) for the period in which the acquisition takes place.

2.5. Intangible assets

Intangible assets, which comprise essentially contractual rights and costs incurred on specific projects with future economic value, are stated at cost less accumulated amortisation and impairment losses. Intangible assets are only recognised if it is probable that they will produce future economic benefits for the Group, they are controlled by the Group and their value can be determined reliably.

Internally generated intangible assets, namely current research and development costs, are recognised as costs when incurred.

Internal costs relating to the maintenance and development of software are recorded as costs in the statements of operations and other comprehensive income when incurred, except where such costs relate directly to projects which will probably generate future economic benefits. In such cases these costs are capitalised as intangible assets.

Amortisation of such assets is provided on a straight-line basis as from the date the assets are available for use, in accordance with their estimated useful life, as follows:

	Useful life in years
Software licenses	3 to 5
Project development costs	3 to 5
Concession-related assets	10 to 35

2.6. Property, Plant and Equipment

Property, plant and equipment used in production, rendering services or for administrative use are stated at cost, including expenses incurred with their purchase, less accumulated depreciation and impairment losses, when applicable.

Depreciation of tangible fixed assets is provided on a straight-line basis over their estimated useful lives (reviewed when evidence of inadequacy exists), except when another method is shown to be more adequate based on its use, as from the date the assets become available for their intended use and in the proper place, in accordance with the following estimated periods of useful life:

	Useful life in years
Buildings and other constructions	3 to 50
Machinery and equipment	2 to 50
Vehicles	2 to 16
Furniture and fixtures	2 to 33
Mines and ore reserves	(*)
Reservoirs, dams and feeders	50
Furnaces, mills and silos	30 to 53

(*) The depletion of mines and ore reserves is conducted: (a) based on actual output as compared to total expected yield; or (b) on a straight-line basis over the mine's useful life.

Land relating to stone quarry operations and mineral resources is depreciated on a straight-line basis over their expected operating periods less, where applicable, their residual amount.

The amount subject to depreciation does not include, when determinable and significant the estimated residual value of the assets at the end of their useful lives. Additionally, the assets stop being depreciated when they are classified as assets held for sale.

Improvements are only recognised as assets when they increase the useful life or efficiency of the assets, resulting in increased future financial benefits.

Tangible assets in progress correspond to tangible assets under construction/production and are recorded at acquisition or production cost less possible impairment losses. These assets are depreciated as from the date they become available for their intended use.

Gains and losses arising from the sale or write off of tangible assets, which are determined by the difference between the proceeds of the sale of the assets and their net book value at the date of sale, are recognised by its net amount in the statements of operations as "Other operating income" or "Other operating expenses".

2.7. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (Note 2.6).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. See accounting policies for impairment of non-financial assets in Note 2.8.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (nominal rate) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.8. Impairment of non-current assets, excluding goodwill

Impairment valuations are made whenever an event or change in circumstances is identified that indicates that the book value of an asset may not be recovered. Where such indications exist, the Group determines the recoverable value of the asset, so as to determine the possible extent of the impairment loss. In situations in which the individual asset does not generate cash flows independently of other assets, the recoverable value is estimated for the cash generating unit to which the asset belongs.

Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised by charge to the consolidated statement of comprehensive income caption “Depreciation, amortisation and impairment losses on goodwill, tangible and intangible assets”.

The recoverable amount is the higher between the net selling price (selling price, less costs to sell) and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between knowledgeable independent entities, less the costs directly attributable to the sale. The value in use is the present value of the estimated future cash flows resulting from the continued use of the asset and sale thereof at the end of its useful life. The recoverable amount is estimated for each asset individually or, where this is not possible, for the unit generating the cash flows to which the asset belongs.

Impairment losses recognised in prior periods are reversed when there are indications that such losses no longer exist or have decreased. The reversal of impairment losses are recognised in the consolidated statement of comprehensive income caption “Depreciation, amortisation and impairment losses on goodwill, tangible and intangible assets”. However, the impairment loss is reversed up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in prior periods.

2.9. Foreign currency assets, liabilities and transactions

Transactions in currencies other than the functional currency of the respective subsidiary are recorded at the exchange rates in force on the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet dates are translated to the functional currency of the respective subsidiary at the rates of exchange in force on that dates.

Exchange gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those in force on the dates of collection, payment or the Financial Position date are recognised as income or expenses in the consolidated statement of comprehensive income, except for those relating to non-monetary items where the change in fair value is recognised directly in shareholders’ equity (“Other comprehensive income (loss)”).

The foreign currency financial statements of subsidiary and associated companies are translated as follows: assets and liabilities at the exchange rates in force on the balance sheet dates; shareholders’ equity captions at the historical exchange rates; and consolidated statements of operations and other comprehensive income (loss) and statement of cash-flows captions at the average exchange rates.

The exchange differences arising on translating foreign operations are recognized in the shareholders' equity within "Other comprehensive income (loss)" caption in the case of subsidiary companies and in the shareholders' equity caption "Reserves - Adjustments in investments in associates" in the case of investments in associated companies, and is transferred to the statements of operations when the corresponding investments are sold.

In accordance with IAS 21, goodwill and fair value corrections determined on the acquisition of foreign entities are considered in the reporting currency of such entities, and are translated to Brazilian Reais at the exchange rate in force on the Financial Position date. Exchange differences arising from these translations are reflected in the equity caption "Other comprehensive income (loss)", except when they correspond to a discontinued operation, in which case they are included in net result of discontinued operations.

2.10. Borrowing costs

Costs incurred on loans obtained directly to finance the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale ("qualifying assets") are capitalised as part of the cost of the assets during that period.

To the extent that variable interest rate loans, attributable to finance the acquisition, construction or production of qualifying assets, are being covered through a cash flow hedge relation, the effective portion of fair value of the derivative financial instrument is recognized in Reserves and transferred to the statements of operations when the qualifying asset has an impact on results. Additionally, to the extent that fixed interest rate loans used to finance a hedged item are covered by a fair value hedge relation, the financial burden in addition to the cost of the asset should reflect the interest rate covered.

Any financial income generated by loans obtained in advance to finance specific capital expenditure is deducted from the capital expenditure subject to capitalisation.

2.11. Subsidies

Subsidies are recognised based on their fair value, when there is reasonable certainty that they will be received and that the Group will comply with the conditions required for them to be granted.

Investment subsidies relating to the acquisition of tangible fixed assets are recorded in the caption "Other Payables" within noncurrent liabilities line item" or deducted from the asset cost and transferred to the statements of operations for the year on a consistent straight-line basis in proportion to depreciation of the subsidised assets.

2.12. Inventories

Merchandise and raw, subsidiary and consumable materials are stated at average cost using the average cost as the costing method.

Finished and semi-finished products and work in progress are stated at production cost, which includes the cost of the raw materials incorporated, labour and production overheads.

Inventories are adjusted when net realisable value is lower than book value, through the recognition of an impairment loss, the reduction being reversed when the reasons that gave rise to it cease to exist.

2.13. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their value is realizable through a sale transaction rather than through its continued use. This situation is only considered to arise when: (i) the sale is highly probable; (ii) the asset is available for immediate sale in its present condition; (iii) the management is committed to a plan of sale; and (iv) the sale is expected to take place within a period of twelve months.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of the book value or their fair value less the costs incurred in their sale, and are presented separately in the consolidated statement of financial position.

A discontinued operation is a component of an entity which was either sold or is classified as available for sale and:

- Represents a significant separate operating or geographic business line;
- Is part of a single coordinated plan to sell a significant separate business line or geography;
- Is a subsidiary acquired exclusively to be resold.

The amounts included in the consolidated statements of operations and other comprehensive income and consolidated statement of cash flows relating to these discontinued operations are presented separately for the current period and all earlier periods that are presented in the financial statements.

Assets and liabilities relating to discontinued operations (not yet sold) are presented in separate lines for the latest year presented, without readjustment of prior years.

2.14. Segment reporting

An operating segment is a distinguishable component of an entity that is engaged in providing a product or service or a group of related products or services which are different from those of other segments.

The Group reports its assets and liabilities, as well as its operations, as geographical segments, following the way Management carries out businesses.

2.15. Balance sheet classification

Assets to be realized and liabilities to be settled within one year of the balance sheet date are classified as current assets and current liabilities, respectively.

In addition, the liabilities are also classified as current, when there is no unconditional right to defer its settlement for a period of at least twelve months after the balance sheet date.

2.16. Net operating income

Net operating income includes operating income and expenses, including restructuring costs and operating income and expenses associated to tangible assets and intangible assets. Also comprise gains or losses on the sale of direct or indirect subsidiaries and joint operations. As such, the net financial expenses, the share of results of associates, other financial investments and income tax are excluded.

2.17. Provisions

Provisions are recognised when: (i) exists an obligation (legal or constructive) resulting from a past event; (ii) under which it is probable that it will have an outflow of resources to settle the obligation; and (iii) the amount of the obligation can be reasonably estimated. At each balance sheet date provisions are reviewed and adjusted to reflect the best estimate as of that date.

When one of the conditions described is not completed the Group discloses the events in question as contingent liabilities, unless the possibility of outflow of resources is remote, in which case they are not subject to disclosure.

a) Provisions for restructuring costs

Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan which has been communicated to the parties involved.

b) Environmental recovery

In accordance with current legislation and practices in force in several business areas in which the Group operates, land used for quarries must be environmentally rehabilitated.

In this regard, provisions are recorded to cover the estimated cost of environmentally recovering and rehabilitating the land used for quarries, whenever this can be reasonably determined. Such provisions are recorded together with a corresponding increase in the amount of the underlying assets, based on the conclusions of landscape rehabilitation studies, being recognised in the statements of operations as the corresponding assets are depreciated.

In addition, the Group has the procedure of progressively rehabilitating the areas freed up by the quarries, using the recorded provisions.

2.18. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

The main financial assets as of December 31, 2019 and 2018 are:

a) Cash and cash equivalents and securities

The caption "Cash and cash equivalents" includes cash, bank deposits, term deposits and other treasury applications which mature in the short term (three months or less), highly liquid and immediately convertible into cash with insignificant risk of change in value. Securities includes mainly by exclusive and investments funds, which are determined as amortized cost or at fair value depending on its characteristics and portfolio.

b) Accounts receivable

Accounts receivable are measured at fair value on the initial recognition and are subsequently stated at amortised cost in accordance with the effective interest rate method. Correspond to receivable from sale in the normal course of business, net of the allowance for doubtful accounts, which is evaluated at the end of each reporting period, taking into consideration the debtor's historical information and his risk profile. The accounts receivable are adjusted by the assessment of the estimated collection risks at the balance sheet dates, which might differ from the effective risk to incur.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contract independently of its legal form. Equity instruments are contracts that have a residual interest in the Group's assets after deducting its liabilities.

Equity instruments issued are recorded at the amount received net of costs incurred to issue them.

The Company also has contracts, which contains components of equity instruments and financial instruments, these components are classified separately according to their contractual characteristics. Equity instruments are measured at historical cost and derivative financial instruments at fair value through profit or loss.

The main financial liabilities and equity instruments as of December 31, 2019 and 2018 are as follows:

a) Borrowings, financing and debentures

Borrowing, financing and debentures are initially recorded as liabilities at the amount received, net of loan issuing costs, which corresponds to their fair value on that date. Borrowing, financing and debentures are subsequently measured at amortised cost, being the corresponding financial costs calculated at the effective interest rate.

Accrued interest is recognized on an accruals basis and is presented in the consolidated statement of financial position caption "Interest payable".

b) Trade payables and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost in accordance with the effective interest rate method.

Trade and other payables relates to payables to services rendered or goods received in the normal course of business and includes "drawee risk" transactions with maturities within 12-months, therefore, are classified as current trade payables. "Drawee risks" represents €17,831 and €18,401 as of December 31, 2019 and 2018, respectively.

c) Derivative financial instruments and hedge accounting

The Group has the policy of using financial derivative instruments to hedge the financial risks to which it is exposed as a result of changes in interest and exchanges rates, when deemed necessary.

The Group contracts financial derivative instruments in accordance with internal policies set and approved by the Board of Directors.

Financial derivative instruments are measured at fair value. The method of its recognition depends on the nature and purpose of the transaction.

Hedge instruments

Derivative financial instruments are designated as hedging instruments in accordance with the provisions of IFRS 9, as regards their documentation and effectiveness.

Changes in the fair value of derivative instruments designated as “fair value hedging” are recognised as financial income or expense for the period, together with changes in the fair value the asset or liability subject to the risk.

Changes in the fair value of derivative financial instruments designated as “cash flow hedging” instruments are recorded in “Other comprehensive income” as hedging operations reserves regarding their effective component and in financial income or expense for the period regarding their non-effective component. The amounts recorded are transferred to financial income or expense in the period in which the effect on the hedged item is also reflected in the statements of operations.

Changes in the fair value of derivative financial instruments hedging net investments in a foreign, entity are recorded in “Other comprehensive income” as currency translation adjustments regarding their effective component. The ineffective component of such changes is recognised immediately as net financial expenses for the period. If the hedging instrument is not a derivative, the corresponding variations resulting from changes in the exchange rate are recorded in “Other comprehensive income” as currency translation adjustments.

Hedge accounting is discontinued when the hedging instrument matures, is sold or exercised, or when the hedging relationship ceases to comply with the requirements of IFRS 9.

Trading instruments

Changes in the fair value of derivative financial instruments which are contracted for financial hedging purposes in accordance with the Group’s risk management policies, but do not comply with all the requirements of IFRS 9 to qualify for hedge accounting, are recorded as net financial expenses in the statements of operations for the year in which they occur.

Determination of Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions;

Derecognition of financial assets and liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statements of operations. In addition, on derecognition of an investment in a debt instrument classified as at Fair Value through Other Comprehensive Income "FVTOCI", the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statements of operations. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statements of operations, but is transferred to retained earnings.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statements of operations.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in the statements of operations as the modification gain or loss within other gains and losses.

2.19. Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses for trade receivables and other receivables. The expected credit losses on these financial assets are estimated based on the business segment historical credit loss experience, adjusted for factors that are specific to the debtors. For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2.20. Contingent assets and liabilities

A contingent liability is (i) a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events; or (ii) a present obligation that arises from past events, but that is not recognized because an outflow of funds are not probable or the amount cannot be reliably measured.

Contingent liabilities are not recognised in the financial statements but are disclosed in their notes, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events.

Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements when a future economic benefit is probable.

2.21. Revenue recognition and accruals basis

Income resulting from sales is recognised in the statements of operations when delivered has occurred and the transfer of control of the goods or services has being completed and there are no other significant performance obligation to be fulfilled thereafter. Sales are recognised at the fair amount received or receivable, net of taxes, discounts and other costs incurred to realise them, by the fair value of the amount received or receivable.

Income from services rendered is recognised in the statements of operations in the period in which they are rendered considering the phase of completion of the transaction as of the balance sheet date.

Interest and financial income are recognised on an accrual basis in accordance with the effective interest rate.

Costs and income are recognised in the period to which they relate regardless the date of invoicing. Costs and income, the amount of which is not known, are estimated.

Costs and income attributable to the current period which will only be paid or received in future periods, as well as amounts paid and received in the current period that relate to future periods and will be attributed to each of the periods by the amount corresponding to them, are recorded in the captions “Other current assets” and “Other current liabilities”.

Dividends relating to investments recorded at cost or in accordance with IFRS9 are recognized when is given the right to receive them.

2.22. Income tax

Tax on income for the year is calculated based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current income tax is calculated based on the taxable results (which could differ from the accounting results) of the companies included in the consolidation, in accordance with the tax rules applicable to the area in which the tax jurisdiction of each Group company.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes and are recorded in the statements of operations, except when they are related with items registered as other comprehensive income recognised directly in equity, in which case the deferred tax is recorded in equity.

Deferred tax assets and liabilities are calculated and assessed periodically using the tax rates expected to be in force when the temporary differences reverse, and are not subject to discounting.

Deferred tax liabilities are recognised for all the taxable temporary differences. Deferred tax assets are only recognised when there is reasonable expectation that there will be sufficient future taxable income to utilise them. At each balance sheet date a reappraisal is made of the temporary differences underlying the deferred tax assets so as to recognize or adjust them based on the current expectations of their future recovery. The compensation of deferred tax assets and liabilities is not allowed, except if: i) there is a legal right to compensate such assets and liabilities or there is the intention and its allowed to do such compensation; ii) such assets and liabilities are related to income taxes due to the same tax authority; iii) there is an intention to clear those balances for settlement purposes.

Deferred income taxes assets are recognized by unused tax losses when it is probable that future income subject to taxation will be available and against which they will be used in accordance with each subsidiary's tax regulations.

2.23. Earnings (loss) per share

Earnings (loss) per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period.

The diluted earnings per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period, adjusted by potential ordinary diluting shares.

Potential ordinary diluting shares can result from options over shares and other financial instruments issued by the Group, convertible to shares of the parent company.

2.24. Subsequent events

Events that occur after the date of the balance sheet that provide additional information on conditions that existed as of the balance sheet date are reflected in the financial statements.

Events that occur after the balance sheet date, that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements.

2.25. Interest on capital

Stated as allocation of profit for the year directly in equity, and interest received or receivable from investments in subsidiaries, joint ventures, and associates is recorded as investment credit, when applicable. For tax purposes, interest on capital is treated as financial income or expenses, thus reducing or increasing the income tax and social contribution tax base.

2.26. Exchange rates

The main exchange rates used to translate the financial information were as follows:

Currency		Closing exchange rate (R\$)		Average exchange rate (R\$)	
		12.31.2019	12.31.2018	12.31.2019	12.31.2018
USD	US Dollar	4.03070	3.87480	3.95685	3.64976
EUR	Euro	4.53050	4.43900	4.42869	4.30371
MZN	Mozambique Metical	0.06592	0.06316	0.06437	0.06203
EGP	Egyptian Pound	0.25190	0.21660	0.23858	0.20418
ZAR	South African Rand	0.28760	0.26990	0.27160	0.27735
ARS	Argentinian Peso (*)	0.06730	0.10278	0.06730	0.10278
PYG	Paraguayan Guaraní	0.00062	0.00065	0.00063	0.00064

(*) As a result of the application of IAS 29, non-monetary assets and liabilities, shareholders' equity and income statement of subsidiaries operating in highly inflationary economies shall be expressed in terms of the unit of measurement current at the balance sheet date and translated at the period-end exchange rate (rather than the average rate), thus resulting in year-to-date effects on the income statement of both inflation and currency conversion.

2.27. Consolidation

The consolidated financial statements incorporate the following direct and indirect subsidiaries and joint operations:

			12.31.2019		12.31.2018	
			Equity interest - %		Equity interest - %	
			Direct	Indirect	Direct	Indirect
SUBSIDIARIES:						
HOLDINGS AND BUSINESS AND CORPORATE SUPPORT COMPANIES SEGMENT						
InterCement Austria Holding GmbH	1	Austria	100	-	100	-
InterCement Portugal, S.A.	2	Portugal	-	94.84	-	94.84
Intercement Trading e Inversiones S.A.	3	Spain	-	94.84	-	94.84
Intercement Trading e Inversiones Egipto S.L.	4	Spain	-	94.84	-	94.84
InterCement Austria Equity Participation GmbH	5	Austria	a)	-	-	94.84
Caue Austria Holding GmbH	6	Austria	-	94.84	-	94.84
Loma Negra Holding GmbH	7	Austria	a)	-	-	94.84
Intercement Financial Operations B.V.	8	Netherlands	-	94.84	-	94.84
Intercement Reinsurance S.A.	9	Luxembourg	-	94.84	-	94.84
Intercement Imobiliária S.A.	10	Portugal	-	100.00	-	100.00
BRAZIL SEGMENT						
InterCement Brasil S.A.	11	Brazil	-	94.84	-	94.84
Cauê Finance Limited	12	Virgin Islands	c)	-	-	94.84
Neogera Investimentos em Inovação Ltda.	13	Brazil	-	94.84	-	94.84
Barra Grande Participações, S.A.	14	Brazil	-	75.93	-	75.93
Estreito Participações S.A.	15	Brazil	-	76.65	-	76.65
Machadinho Participações S.A.	16	Brazil	-	77.01	-	77.01
CECC - Incorporadora e Administradora de Bens, Ltda.	17	Brazil	-	94.84	-	94.84
Ecoprocessa - Tratamento de resíduos, Ltda.	18	Brazil	-	94.84	-	94.84
Comican - Companhia de Mineração Candiota, Ltda.	19	Brazil	-	97.52	-	97.52
ARGENTINA AND PARAGUAY SEGMENT						
Loma Negra C.I.A. S.A.	20	Argentina	-	48.41	-	48.40
Cofesur S.A.	21	Argentina	-	48.41	-	48.40
Recycomb S.A.	22	Argentina	-	48.41	-	48.40
Ferrosur Roca S.A.	23	Argentina	-	48.41	-	48.40
Cementos del Plata S.A.	24	Uruguay	-	0.09	-	0.09
Yguazu Cementos S.A.	25	Paraguay	-	24.69	-	24.69
EGYPT SEGMENT						
InterCement Egypt for Cement Company SAE	26	Egypt	-	94.84	-	94.84
Amreyah Cement Company, S.A.E.	27	Egypt	-	94.02	-	94.02
InterCement Amreyah Co. (IAC)	28	Egypt	-	94.22	-	94.22
Cement Services Company, S.A.E.	29	Egypt	-	94.47	-	94.47
InterCement Sacs Co. (INTSACS)	30	Egypt	-	94.74	-	94.74
Amreyah Dekheila Terminal Company, S.A.E.	31	Egypt	-	94.24	-	94.24
Amreyah Cimpor Ready Mix Company, S.A.E.	32	Egypt	-	94.13	-	94.13
MOZAMBIQUE SEGMENT						
Cimentos de Moçambique, S.A.	33	Mozambique	-	88.10	-	88.10
Cimbetão - Moçambique S.A.	34	Mozambique	-	88.10	-	88.10
Imopar - Imobiliária de Moçambique, S.A.	35	Mozambique	-	100.00	-	100.00
Cimentos de Nacala, S.A.	36	Mozambique	-	88.14	-	88.14
SOUTH AFRICA SEGMENT						
Natal Portland Cement Company (Pty) Ltd.	37	South Africa	-	94.84	-	94.84
NPC Intercement (Pty) Limited.	38	South Africa	-	70.18	-	70.18
Simuma Rehabilitation Trust	39	South Africa	-	31.58	-	31.58
NPC Concrete (Pty) Ltd.	40	South Africa	-	70.18	-	70.18
South Coast Stone Crushers (Pty) Ltd.	41	South Africa	-	52.16	-	52.16
Sterkspruit Aggregates (Pty) Ltd.	42	South Africa	-	52.16	-	52.16
Intercement South Africa (Pty) Ltd.	43	South Africa	-	94.84	-	94.84

				12.31.2019		12.31.2018	
				Equity interest - %		Equity interest - %	
				Direct	Indirect	Direct	Indirect
JOINT OPERATIONS:							
BRAZIL SEGMENT							
BAESA - Energética Barra Grande S.A.	44	Brazil		-	8.54	-	8.54
CONSORTIUM:							
BRAZIL SEGMENT							
Consórcio Estreito Energia - OESTE	45	Brazil		-	4.21	-	4.21
Consórcio Machadinho	46	Brazil		-	5.01	-	5.01
PORTUGAL AND CAPE VERDE SEGMENT							
Cimpor Portugal, SGPS, S.A.	47	Portugal	b)	-	-	-	94.84
Cement Trading Activities – Comércio Internacional, S.A.	48	Portugal	b)	-	-	-	94.84
Cimpor - Indústria de Cimentos, S.A.	49	Portugal	b)	-	-	-	94.84
Cimentaçor - Cimentos dos Açores, Lda.	50	Portugal	b)	-	-	-	94.84
Betão Liz, S.A.	51	Portugal	b)	-	-	-	93.41
Agrepor Agregados - Extração De Inertes, S.A.	52	Portugal	b)	-	-	-	94.84
Ibera - Indústria de Betão, S.A.	53	Portugal	b)	-	-	-	47.42
Sacopor - Sociedade de Embalagens e Sacos de Papel, S.A.	54	Portugal	b)	-	-	-	94.84
Ciarga - Argamassas Secas, S.A.	55	Portugal	b)	-	-	-	94.84
Nova Cimpor - Serviços Portugal, S.A.	56	Portugal	b)	-	-	-	94.84
Cimpor Cabo Verde, S.A.	57	Cape Verde	b)	-	-	-	93.07
INVESTMENT IN ASSOCIATES:							
PORTUGAL AND CAPE VERDE SEGMENT							
Setefrete - Sociedade Gestora de Participações Sociais, S.A	58	Portugal	b)	-	-	-	23.71
AVE- Gestao Ambiental e Valorização Energética, S.A.	59	Portugal	b)	-	-	-	33.19

Changes in ownership in 2019 and 2018 were mainly as follow:

- Changes occurred resulting from mergers with no equity effect in the consolidated financial statements.
- Relates to Portugal and Cape Verde segment disposal previously determined as “discontinued operation”. See Note 2.28 for further information regarding the sales terms and accounting treatment in accordance with IFRS5.
- It was approved by tax authorities the dissolution of the entity on December 5, 2019. It did not have any impact on consolidation figures, since the entity was dormant.

2.28. IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Following the announcement on October 26, 2018 of a definitive agreement to sell its operations in Portugal and Cape Verde segment to Ordu Yardmalasma Kurumu (OYAK) of Turkey on January 17, 2019 the final closing agreement was signed.

As a result, Portugal and Cape Verde segments were considered as “discontinued operation” and the financial information became subject to the requirements of IFRS 5. Therefore, such segments are presented in the financial information as “discontinued operations” for the year ended December 31, 2019 and as “Assets classified as held for sale” as of December 31, 2018.

The following main changes existing in relation to the normal presentation of the remaining continuing operations:

- The total profit or loss for the years from “Discontinued Operations” are presented in a single line in the Consolidated Statements of Operations under the caption “Net Income for the year from Discontinued Operations”;
- The total assets and total liabilities included in the Group subject to sale are also presented in two lines in the Consolidated Statements of Financial Position, under the captions “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale”;
- This note includes details on the “Profit or Loss from Discontinued Operations” and details on the related “Assets and Liabilities of Discontinued Operations”, as well as information on the cash flow generated by these operations;
- Notes to the financial statements were adjusted to present the profit or loss, assets and liabilities of the continuing operations, even if in some cases, whenever considered significant for a proper understanding of the effects, details on the “Discontinued operations” are also presented therein;
- “Discontinued operations” correspond to the Group’s business in the countries mentioned to and are consistent with the Group’s operating geographic segments and, consequently, Note 26 - “Operating Segments” includes the geographic segments not already detailed;
- The valuation criteria used for the “Discontinued operations” are consistent with those used for continuing operations.

Details of the net operations from discontinued operations

	12.31.2019	12.31.2018
DISCONTINUED OPERATIONS		
NET REVENUE	-	247,232
COST OF SALES AND SERVICES	-	(187,832)
GROSS PROFIT	-	59,400
OPERATING INCOME (EXPENSES)		
Administrative and selling expenses	-	(70,018)
Other income	-	21,372
Equity pick-up	-	1,003
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION	-	11,757
FINANCIAL INCOME (EXPENSES)		
Foreign exchange gains/(losses), net	-	(349)
Financial income	-	856
Financial expenses	-	(8,095)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	-	4,169
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	-	(4,880)
Deferred	-	8,105
Gain on the sale of "Assets held for sale"	130,152	-
Reversal of accumulated exchange differences	170,382	-
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	300,534	7,394
PROFIT FOR THE YEAR ATTRIBUTABLE TO		
Company's owners	296,252	6,231
Non-controlling interests	4,282	1,163

The impacts in the cash flow statement originally presented had we segregated the impacts of the continued and discontinued operations as of December 31, 2018 is as follows:

	12.31.2018		
	Presented	Discontinued operation	Continued operation
Net cash used in operating activities	(9,070)	34,999	(44,069)
Net cash used in investing activities	(142,714)	(5,742)	(136,972)
Net cash used in financing activities	(566,311)	(54,460)	(511,851)
Decrease in cash and cash equivalents	(718,095)	(25,203)	(692,892)
Cash and cash equivalents from discontinuing operations		58,700	

Details of the assets and liabilities of the discontinued operations as of December 31, 2018:

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	58,700
Trade receivables	11,226
Inventories	54,549
Recoverable taxes	3,493
Other receivables	6,544
Total current assets	134,512
NONCURRENT ASSETS	
Deferred income tax and social contribution	1,565
Other receivables	207
Investments	9,008
Property, plant and equipment	250,402
Intangible assets:	
Goodwill	304,861
Other intangible assets	46,476
Total noncurrent assets	612,519
Assets from discontinued operations	747,031
LIABILITIES	
CURRENT LIABILITIES	
Trade payables	60,369
Borrowings and financing	679
Interest payable	774
Taxes payable	8,766
Payroll and related taxes	8,200
Advances from customers	462
Actuarial liabilities	730
Other payables	7,324
Total current liabilities	87,304
NONCURRENT LIABILITIES	
Trade payables	1,657
Borrowings and financing	133,830
Provision for tax, civil and labor risks	10,126
Provision for environmental recovery	13,402
Deferred income tax and social contribution	39,462
Actuarial liabilities	21,246
Other payables	30
Total noncurrent liabilities	219,753
Liabilities from discontinued operations	307,057
Net assets	439,974

The reconciliation of the referred sales prices to the cash already received and the amount presented in the cash flow statements is demonstrated below:

	12.31.2019
Cash received	706,841
Cash balance carved-out	(58,700)
	648,141
Intersegment payments to carved-out companies	(116,674)
Cash received, net	531,467
Final sales price	703,720
Intercompany working capital adjustment	3,121

3. Change in accounting policies and errors

During the year ended December 31, 2019, Management reassessed some accounting practices in relation to those considered in the preparation of the financial information for the year ended on December 31, 2018. As a result, the Company decided to restate certain comparative financial information as of and for the year ended December 31, 2018 and its respective opening balance (January 01, 2018).

The restatement of financial information as of and for the year ended December 31, 2018 is a result of the following:

Classification of freight expenditures on sales in Brazilian Segment ("freight reclass")

Management revised its accounting practices related to the classification of freight expenses on sales, in which the Company is responsible for the delivery of goods, previously classified as sales and administrative expenses, in the statements of operations. In accordance with IFRS15 - Revenue from customer contracts effective from January 1, 2018, these freight charges are considered as part of the total selling price charged to customers; therefore, it should be classified as part of the cost of sales and services instead of administrative and selling expenses as previously recorded.

Classification of taxes on financial operations tax in Argentinian Segment ("Argentina reclass")

The entities in Argentina incurs in taxes on financial operations, which the respective amounts were being classified as financial expenses. Even though the previous accounting choice was not a departure from IFRS literature, Management decided to present such taxes as selling, administrative and general expenses in order to better align with best practices currently adopted by Argentinian public entities.

Profit not realized and expenditures recognition in Brazilian Segment ("Brazil Adjustment")

Management identified profit not realized between related companies that should had been eliminated in 2018 and 2017 as part of the consolidation procedures of such years and identified custom clearances expenses recognized during 2019 that relates to 2018.

Limestone and Clay capitalization in Egypt Segment (“Egypt reclass”)

Management revised its accounting practices related to the expenditures attributable to limestone and clay extraction and consumption in Egypt segment. Management determined that any variable and fixed licenses expenditures that are needed to have the right to extract limestone and clay should be recorded as “Intangible assets” and any expenditure to extract the raw materials from the quarries to the production plants should be recorded as part of production costs (inventory or noncurrent inventory, when consumption is expected for a period over 12 months). During 2018, variable licenses expenditures were recorded as production costs and extraction expenditures were recorded as “Property, plant and equipment” and amortized as consumed within the year. The impact in the statements of operations for the year ended December 31, 2018 is demonstrated at Note 19.

The impact in the statements of operations for the year ended December 31, 2018 for the changes aforementioned is demonstrated below:

	12.31.2018				Restated
	Originally presented	Adjustments			
	Freight reclass	Argentina Reclass	Brazil Adjustment		
<u>CONTINUING OPERATIONS</u>					
NET REVENUE	1,456,627	-	-	-	1,456,627
COST OF SALES AND SERVICES	(1,215,410)	(53,176)	-	(940)	(1,269,526)
GROSS PROFIT	241,217	(53,176)	-	(940)	187,101
OPERATING INCOME (EXPENSES)					
Administrative and selling expenses	(188,625)	53,176	(6,071)	-	(141,521)
Other income (expense)	(67)	-	-	-	(67)
Equity result	-	-	-	-	-
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION	52,525	-	(6,071)	(940)	45,513
FINANCIAL INCOME (EXPENSES)					
Foreign exchange gains/(losses), net	(78,931)	-	-	-	(78,931)
Financial income	46,262	-	-	-	46,262
Financial expenses	(188,575)	-	6,071	-	(182,504)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(168,719)	-	-	(940)	(169,660)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	(38,323)	-	-	-	(38,323)
Deferred	4,987	-	-	-	4,987
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(202,055)	-	-	(940)	(202,996)
<u>DISCONTINUED OPERATIONS</u>					
INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS	7,394	-	-	-	7,394
LOSS FOR THE YEAR ATTRIBUTABLE TO					
Company's owners	(192,434)	-	-	(869)	(193,303)
Non-controlling interests	(2,228)	-	-	(71)	(2,299)
LOSS PER SHARE FOR CONTINUING OPERATIONS					
Basic/diluted loss per share	(8.76)				(8.79)
LOSS PER SHARE FOR CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS					
Basic/diluted loss per share	(8.48)				(8.52)

The impact in the Statements of Comprehensive Operations and Cash flow are not relevant to the financial statements as a whole, therefore it is not being presented the reconciliation between original and restated financial information for the year ended December 31, 2018.

The impact in the Financial Position as of December 31, 2018 and January 1, 2018 is demonstrated below:

	12.31.2018			Restated
	Originally presented	Adjustments		
		Egypt reclass	Brazil Adjustment	
CURRENT ASSETS				
Inventories	263,911	4,334	(2,736)	265,509
Other current assets not restated	1,239,801	-	-	1,239,801
	<u>1,503,712</u>	<u>4,334</u>	<u>(2,736)</u>	<u>1,505,310</u>
NONCURRENT ASSETS				
Inventories	31,295	15,690	-	46,985
Property, plant and equipment	1,369,918	(20,024)	-	1,349,894
Other noncurrent assets not restated	1,279,254	-	-	1,279,254
	<u>2,680,467</u>	<u>(4,334)</u>	<u>-</u>	<u>2,676,133</u>
TOTAL ASSETS	<u>4,184,179</u>	<u>-</u>	<u>(2,736)</u>	<u>4,181,443</u>
CURRENT LIABILITIES	<u>1,225,526</u>	<u>-</u>	<u>-</u>	<u>1,225,526</u>
NONCURRENT LIABILITIES	<u>1,795,033</u>	<u>-</u>	<u>-</u>	<u>1,795,033</u>
SHAREHOLDER'S EQUITY				
Capital	1,081,588	-	-	1,081,588
Capital reserves	459,978	-	-	459,978
Earning reserves and Accumulated losses	267,479	-	(2,419)	265,060
Other comprehensive loss	(927,349)	-	191	(927,158)
Shareholder's equity attributable to the Company's owners	881,696	-	(2,228)	879,468
Non-controlling interests	281,924	-	(508)	281,416
Total shareholder's equity	<u>1,163,620</u>	<u>-</u>	<u>(2,736)</u>	<u>1,160,884</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>4,184,179</u>	<u>-</u>	<u>(2,736)</u>	<u>4,181,443</u>

	01.01.2018			Restated
	Originally presented	Adjustments		
		Egypt reclass	Brazil Adjustment	
CURRENT ASSETS				
Inventories	334,128	1,315	(2,040)	333,403
Other current assets not restated	1,363,368	-	-	1,363,368
	<u>1,697,496</u>	<u>1,315</u>	<u>(2,040)</u>	<u>1,696,771</u>
NONCURRENT ASSETS				
Inventories	19,730	15,194	-	34,924
Property, plant and equipment	1,565,229	(16,509)	-	1,548,720
Other noncurrent assets not restated	1,691,002	-	-	1,691,002
	<u>3,275,961</u>	<u>(1,315)</u>	<u>-</u>	<u>3,274,646</u>
TOTAL ASSETS	<u>4,973,457</u>	<u>-</u>	<u>(2,040)</u>	<u>4,971,417</u>
CURRENT LIABILITIES	<u>1,108,129</u>	<u>-</u>	<u>-</u>	<u>1,108,129</u>
NONCURRENT LIABILITIES	<u>2,561,867</u>	<u>-</u>	<u>-</u>	<u>2,561,867</u>
SHAREHOLDER'S EQUITY				
Capital	1,080,949	-	-	1,080,949
Capital reserves	393,034	-	-	393,034
Earning reserves and Accumulated losses	468,910	-	(1,549)	467,361
Other comprehensive loss	(877,269)	-	-	(877,269)
Shareholder's equity attributable to the Company's owners	1,065,624	-	(1,549)	1,064,075
Non-controlling interests	237,837	-	(491)	237,346
Total shareholder's equity	<u>1,303,461</u>	<u>-</u>	<u>(2,040)</u>	<u>1,301,421</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>4,973,457</u>	<u>-</u>	<u>(2,040)</u>	<u>4,971,417</u>

4. Cash and Cash Equivalents

	12.31.2019	12.31.2018
Cash and bank accounts (*)	173,994	143,039
Short-term investments	123,043	183,264
Total cash and cash equivalents	<u>297,037</u>	<u>326,303</u>
Cash and cash equivalents from discontinued operations (Note 2.27)		58,700
	<u>297,037</u>	<u>385,003</u>

(*) It includes an amount of €10,796 related to Portugal and Cape Verde sales (Note 2.28), which was restricted as of December 31, 2019 and such restrictions were cleared in January, 2020.

Short-term investments were as follows:

	12.31.2019	12.31.2018
Certificate of Bank Deposit (CDBs)	23,545	2,159
Short Term Investment in Brazilian Reais (a)	55,464	27,447
Fixed-income funds in Brazilian Reais (b)	16,591	77,278
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos (c)	13,834	26,393
Short-term investments in US dollars (d)	1,312	22,119
Short-term investments in euro	13	-
Short-term investments in Egyptian pounds	1,009	930
Short-term investments in South African rand (e)	11,275	20,905
Short-term investments in Mozambique metical	-	6,033
Total short-term investments	<u>123,043</u>	<u>183,264</u>

- (a) Short-term investments in Brazilian Reais have a yield between 70% and 98.75% of the Interbank Deposit Certificate (CDI) (50% and 65% as of December 31, 2018).
- (b) Fixed-income funds in Brazilian Reais have a yield of 100% of the Interbank Deposit Certificate (CDI) (101.31% as of December 31, 2018).
- (c) Represents short-term investments in Argentinean pesos with interest of 49.7% per annum (between 40.5% and 59.1% per annum as of December 31, 2018).
- (d) Short-term investments in US dollar with yields of 0.1% to 0.86% per annum (0.1% to 2.5% per annum at December 31, 2018).
- (e) Deposit in Rands yielded interest from 6.30% to 6.55% per year (6.55% to 6.7% as of December 31, 2018).

Short-term investments are available for immediate withdraws, without significant risks of changes.

5. Securities

Securities are classified as financial assets, as follows:

	12.31.2019	12.31.2018
Market investments	1,491	1,337
Investment funds	17,142	15,498
Total	18,633	16,835
Total - current	17,363	15,498
Total - noncurrent	1,270	1,337

“Market investments” are held by the Brazilian subsidiaries, which are composed mainly by exclusive funds that have in their portfolios debentures and Interbank Deposit Certificates (CDB).

“Investment funds” consists in a portfolio of investment funds held by InterCement Reinsurance, which is presented at fair value as of December 31, 2019 and 2018.

6. Trade Receivables

	12.31.2019	12.31.2018
<u>Current</u>		
Domestic and foreign customers	88,124	95,332
(-) Allowance for doubtful accounts	(20,962)	(22,130)
Trade receivables	67,162	73,202
<u>Noncurrent</u>		
Domestic and foreign customers	1,143	1,470
(-) Allowance for doubtful accounts	(695)	(725)
Trade receivables	448	745

As of December 27, 2019, the Company derecognized receivables in the amount of €20,051 at a marginal discount, due to corresponding securitization with a financial institution (true sale).

As of December 31, 2018, the Company derecognized receivables subject to securitization with the related parties CCSA Finance, Ltda. and Camargo Corrêa Desenvolvimento Imobiliário S.A. in the amount of €21,567 and €23,816, respectively, also considered true sales.

As a result of IFRS 5 adoption, in the year ended December 31, 2018, trade receivables related to “Discontinued operations”, totalling €11,226, were reclassified to the caption “Assets of discontinued operations” (Note 2.28).

Aging list of trade receivables (current and noncurrent) by maturity

	12.31.2019	12.31.2018
Current	53,688	58,563
Past-due:		
0 to 30 days	10,036	13,816
31 to 60 days	3,573	3,613
61 to 90 days	849	1,139
91 to 180 days	1,715	1,488
181 days or more	19,406	18,183
Total	89,267	96,802

Changes in allowance for doubtful accounts (current and noncurrent)

	12.31.2019	12.31.2018
Opening balance	22,855	35,302
Adoption of IAS 29 (Note 2.1)	188	186
Recognitions	1,569	3,880
Derecognitions	(2,672)	(230)
Amounts written off in the year as uncollectible	(77)	(700)
Exchange gains or losses	(206)	(1,591)
Discontinued operations (Note 2.28)	-	(13,992)
Closing balance	21,657	22,855

7. Inventories

	12.31.2019	12.31.2018 (Restated)	01.01.2018 (Restated)
Current:			
Finished products	20,460	21,740	32,583
Work in process	70,125	65,519	85,800
Raw material	45,820	48,963	73,006
Fuel	27,864	36,619	42,912
Spare parts	84,879	80,482	101,532
Advances to suppliers	1,066	1,128	423
Packaging and other	3,600	17,553	10,399
Allowance for losses	(5,501)	(6,495)	(13,252)
Total	248,313	265,509	333,403
Noncurrent:			
Raw material	37,054	31,301	25,344
Spare parts	35,084	16,323	9,658
Packaging and other	27	29	-
Allowance for losses	(451)	(668)	(78)
Total	71,714	46,985	34,924

As a result of IFRS 5 adopting, in the year ended December 31, 2018, inventories related to “Discontinued operations”, totalling €54,549, were reclassified to the caption “Assets of discontinued operations” (Note 2.28).

Changes in the allowance for losses (current and noncurrent)

	12.31.2019	12.31.2018 (Restated)
Opening balance	7,163	13,330
Adoption of IAS 29 (Note 2.1)	274	496
Recognitions	231	-
Derecognitions	(995)	(3,274)
Write-off	(568)	(1,932)
Exchange gains or losses	(154)	(70)
Discontinued operations (Note 2.28)	-	(1,387)
Closing balance	5,952	7,163

8. Property, Plant and Equipment

	12.31.2019			12.31.2018 (Restated)	01.01.2018 (Restated)
	Cost	Depreciation & Impairment	Net book value	Net book value	Net book value
Land	98,274	(35,639)	62,635	36,191	116,097
Buildings	586,000	(338,855)	247,145	246,729	306,451
Machinery and equipment	1,662,131	(937,487)	724,644	751,205	915,673
Vehicles	96,357	(69,273)	27,084	32,022	25,974
Furniture and fixtures	28,509	(26,427)	2,082	3,539	2,819
Mines and ore reserves	136,391	(95,009)	41,382	68,086	61,722
Reservoirs, dams and feeders	61,975	(21,900)	40,075	43,228	50,963
Spare parts	4,921	-	4,921	4,232	4,259
Other	15,910	(11,419)	4,491	3,658	1,686
Advances to suppliers	22,126	-	22,126	21,207	23,239
Construction in progress	465,404	(137,726)	327,678	139,797	39,836
Total	3,177,998	(1,673,735)	1,504,263	1,349,894	1,548,720

The line item construction in progress contain impairment losses of EUR137,826 due to expansion projects for certain production lines that were ceased for an undetermined period of time due to current demand. Such impairment losses are revised on an annual basis and might be reversed once the expansion projects are finalized

In the Argentina and Paraguay business area and Brazil business area, as of December 31, 2019, there are assets given as collateral for loans obtained for their own acquisition in the amount of approximately €44,809 and €4,095 respectively (€59,246 and €4,650 as of December 31, 2018).

In addition, in Brazil business area, two cement plants were given as guarantee in the "CADE" process, as referred in Note 12.

During the year ended December 31, 2019, the Company capitalized financial charges amounting to €7,120 related to loans granted to finance eligible assets (€1,348 as of December 31, 2018).

Construction in progress and advances to suppliers as of December 31, 2019 and 2018 refers basically to investments in the expansion and construction on new units and investments in the improvement of facilities and equipment of the cement plants of other business units.

Changes in property, plant and equipment were as follows:

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Mines and ore reserves	Reservoirs, dams and feeders	Spare parts	Other	Construction in progress	Advances to suppliers	Total
Balance as of January 01, 2018 (restated)	116,097	306,451	915,673	25,974	2,819	61,722	50,963	4,259	1,686	39,836	23,239	1,548,720
Adoption of IAS 29 (Note 2.1)	6,541	95,915	105,496	19,269	571	21,743	-	-	339	10,516	-	260,390
Additions	5,091	8,930	45,885	330	446	5,176	5	745	421	152,414	1,166	220,609
Write-offs	(1,775)	(558)	(41)	(164)	(8)	-	-	-	4	(656)	(25)	(3,223)
Depreciation	(6,343)	(28,955)	(128,283)	(8,160)	(3,833)	(12,879)	(2,422)	-	(1,497)	-	-	(192,372)
Impairment provision	(6,594)	(9,129)	(36,651)	(14)	-	-	-	-	(752)	-	-	(53,140)
Effect of changes in exchange rates	(4,111)	(32,009)	(82,357)	(9,992)	(422)	(13,787)	(5,318)	(464)	(654)	(14,401)	(2,114)	(165,629)
Transfers	(5,682)	(174)	17,538	5,222	4,205	6,111	-	(308)	4,188	(45,182)	(977)	(15,059)
Discontinued operations (Note 2.28)	(67,033)	(93,742)	(86,055)	(443)	(239)	-	-	-	(77)	(2,730)	(83)	(250,402)
Balance as of December 31, 2018 (restated)	36,191	246,729	751,205	32,022	3,539	68,086	43,228	4,232	3,658	139,797	21,207	1,349,894
Adoption of IAS 29 (Note 2.1)	2,554	41,727	50,619	9,930	300	13,939	-	-	221	26,806	-	146,096
Additions	214	5,824	24,200	62	308	137	19	-	213	265,344	1,166	297,487
Write-offs	(4,268)	(13,817)	(3,583)	(399)	(113)	-	-	(3)	(19)	-	(287)	(22,489)
Depreciation	(6,672)	(19,017)	(81,118)	(7,523)	(804)	(26,729)	(2,354)	-	(1,481)	-	-	(145,698)
Impairment provision	(5,770)	15,028	2,438	13	(224)	-	-	-	(6,500)	-	-	4,985
Effect of changes in exchange rates	43,247	(43,948)	(60,629)	(10,254)	(250)	(14,637)	(821)	(103)	(248)	(30,450)	41	(118,052)
Transfers	(2,860)	14,619	41,511	3,232	(674)	587	3	795	8,647	(73,819)	(1)	(7,960)
Balance as of December 31, 2019	62,635	247,145	724,644	27,084	2,082	41,382	40,075	4,921	4,491	327,678	22,126	1,504,263

As a result of IFRS 5 adopting, in the year ended December 31, 2018, property, plant and equipment related to “Discontinued operations”, totalling €250,402, were reclassified to the caption “Assets of discontinued operations” (Note 2.28).

Additions

In 2019, the main additions are as follows:

- In the Argentinean business area there are disbursements in the total amount of €215,000, namely the increase of the installed capacity at its L'Amalí expansion amounting to €160,200. The execution phase of the L'Amalí plant expansion started in August 2017, with a total execution time estimated at 31 months and is expected to be completed early 2020; €13,600 related to quarry recovery and €4,700 related to a new cement kiln filter.
- In the Brazilian business area there are disbursements in the total amount of €59,000, substantially referred to improvements in the production process.

In 2018, the main additions are as follows:

- In the Argentinean business area there are disbursements in the total amount of €111,000, namely the increase of the installed capacity at its L'Amalí plant by 2.7 million tons annually amounting to €39,300 (USD46.4 million). This expansion involves a capital expenditure of approximately €296.800 (USD350 million). The execution phase of the L'Amalí plant expansion started in August 2017, with a total execution time estimated at 31 months and is expected to be completed early 2020; and €17,300 related to quarry recovery.
- In the Brazilian business area there are disbursements in the total amount of €40.200, substantially referred to the expansion of units, as well as improvements in the production process, to the full utilization of the capacity of the existing units
- Acquisition of a cement gridding in the region of Matola (Mozambique) for the amount of €27.600 (USD 32.5 million).

Write-offs

Brazil business segment

In 2019, refers mainly to the write-off in the amount of €16,091 of Cubatão plant located in São Paulo State. Such assets were fully impaired in 2018.

Impairment provision

Brazil business segment

Given the macroeconomic context in Brazil in past years, which results in reductions of cement consumption, the Group has decided to take some actions as follows:

In 2018, following the management decisions in concentrating its efforts in plants with better margins the Group has recorded additional impairment losses in the amount of €53,140, which could be reversed once the market conditions allow the recovering of such operations.

In 2019, as a continuing efforts to focus in plants with better margins, Management recorded and additional impairment losses in certain plants in the amount of €16,083 and reverted impairment loss in the amount of €8,624 for plants that improved their performance during 2019. Furthermore, the impairment provision was also positively impacted by €16,091 due to the reversal of Cubatão plant's disposal that was fully impaired in prior years and such amount is offset by the write-off of the assets (See above write-offs in Brazilian segment).

The Group expects Brazilian economy to grow in 2020 and following years based on factors as expansive tone of monetary policy and the increase in confidence of investors.

Other business segment

In 2019, Egypt business segment recorded an impairment related to tangible fixed assets in the amount of €6,652. Management decided to hibernate a production line in order to better adequate to local demand.

9. Other intangible assets and goodwill

	12.31.2019	12.31.2018
Other intangible assets:		
Mining rights	11,110	108,616
Concession-related assets	99,990	18,450
Software licenses	4,978	5,450
Project development costs	3,210	4,051
Trademarks, patents and others	14,794	18,304
	<u>134,082</u>	<u>154,871</u>

Management reviewed the classification of exploration rights associated to quarries and mines and reclassified disbursements as of December 31, 2018 from Mining rights to Concession-related assets in the amount of €105,251.

	12.31.2019			12.31.2018		
	Cost	Impairment	Net book value	Cost	Impairment	Net book value
Goodwill:						
Loma Negra C.I.A. S.A.	213,130	-	213,130	217,523	-	217,523
CBC - Companhia Brasileira de Cimentos ("CBC")	22,654	-	22,654	23,121	-	23,121
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	16,731	-	16,731	17,076	-	17,076
InterCement Portugal, S.A.	1,038,204	(348,891)	689,313	1,048,803	(337,711)	711,092
Other	15,623	-	15,623	15,942	-	15,942
	<u>1,306,342</u>	<u>(348,891)</u>	<u>957,451</u>	<u>1,322,465</u>	<u>(337,711)</u>	<u>984,754</u>

As a result of the adoption of IFRS 5, in the year ended December 31, 2018, other intangible assets (including the related impairment losses) and goodwill related to "Discontinued operations" in the amount of €46,476 and €304,861, respectively, were reclassified to the caption "Assets of discontinued operations" (Note 2.28).

Impairment on assets

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which are made based on the recoverable amounts of each of the corresponding business segments (Note 26).

Attending to business model and considering the financial statement structure adopted for management purposes, goodwill is attributed generally to each operating segment, due to the existence of synergies between the units of each segment in a perspective of vertical integration of business.

The recoverable value of each group of cash-generating units is compared, in the tests performed, with the respective recognized value of assets and liabilities ("book value"). An impairment loss is only recognized when the book value exceeds the higher of the value in use and transaction value, based on cash flow projections under medium and long term business plans approved by the Board of Directors, plus perpetuity.

Cash Flow projections

The Group annually or when there is impairment indicatives revises assumptions underlying to the determination of recoverable amount of liquid assets, considering the estimate of future cash flows which reflect, among others, a set of estimates related to market growth, market share, investments and costs.

In general, the plan was projected by applying growth rates for the markets, considering estimated GDP growth for related economies, leading to expected demand growth for building materials.

The projected sales volumes are based on the assumption of the available capacity and market shares according to historical levels. Regarding variable costs, it was assumed an evolution in line with the sales development – except in cases that we foresee operational improvements in the short term, such as Argentina as result of the start of new plant that should lead to better variable costs, and thus higher operating margins. In addition, for the Brazilian, South African and Mozambique cash flows, the Company considered improvement in operating margins through operational leverage (as capacity utilization increases) and savings led by cost reduction programs, expecting to drive margins in the end of the projection period to a margin close to the historical margin in all three markets. Furthermore, for some countries it was assumed improvements on working capital management in the coming years, as the Company identified room to increase capital efficiency in the short term – mostly related to inventories' management.

Determination of discount rate

Discount rates are calculated for each cash generating unit based on risk-free rate adjusted by the country risk premium, among other parameters.

The determination of the value in use was based on discounted cash flows calculated in local currency, using the corresponding Weight Average Capital Cost ("WACC") and perpetuities rates for each segment business, as follows:

Segments	12.31.2019			12.31.2018		
	Goodwill	"WACC" rate (*)	Real long-term growth rates	Goodwill	"WACC" rate (*)	Real long-term growth rates
Brazil	606,698	8.18%	0.0%	619,203	10.75%	0.0%
Argentina and Paraguay	213,508	67.28% - 10.97%	0.0%	217,907	44.52% - 12.22%	0.0%
Egypt	4,702	15.97%	0.0%	19,923	22.24%	0.0%
Mozambique	38,408	14.29%	0.0%	37,559	17.54%	0.0%
South Africa	94,134	10.10%	0.0%	90,162	12.71%	0.0%
	<u>957,451</u>			<u>984,754</u>		

(*) Discount rate calculated after taxes. For Argentina business area, due to hyperinflationary environment, "WACC" rate is built through a multi-year composition, referring to the first year of the projection, and varies thereafter according to the inflation rate and country risk premium variations ("Rolling WACC").

As of December 31, 2019, the Group identified the need for impairment in Egypt business area, due to the deterioration of expected future cash flow from such operation business unit. Therefore, it was recognized the impairment in the amount of €18,000 (after fixed asset impairment recognition of €6,652 (Note 8)).

In addition, due to rising economic uncertainties in Argentina, the Group added a "Specific Risk" factor of 4,0% in Argentina business area, which would not result in impairment though.

Furthermore, as of December 31, 2019, the Group calculate the eventual impact of a 0.5% change in discount rate and in the EBITDA margin in relation with all the business areas projections, and no impairment would result from such analysis, except for Egypt business area, which would present additional impairment, as detailed below:

Impact on DCF	+0.5%	-0.5%
"WACC" rate	(311.394)	378.872
Impairment (EGY)	(9.527)	10,763
EBITDA margin	91.936	(91.936)
Impairment (EGY)	4,148	(4.148)

Stressing the above analysis to determine additional impairments, for increases in 1.0% and 1.5% in WACC rate, it would generate additional impairment, only for Egypt business area, in the approximate amounts of €20,000 and €25,000, respectively.

Changes in intangible assets in the year ended December 31, 2019 and 2018 were as follows:

	Software licenses	Concession-related assets	Mining rights	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance as of December 31, 2017	16,830	4,563	168,952	6,276	4,380	1,399,695	1,600,696
Adoption of IAS 29 (Note 2.1)	955	-	-	-	2,493	-	3,448
Additions	1,822	2,913	-	331	862	-	5,928
Amortization	(4,135)	(1,352)	(2,054)	(1,902)	(877)	-	(10,320)
Impairment	-	-	-	-	311	-	311
Effect of changes in exchange rates	(840)	(679)	(12,739)	(538)	715	(110,080)	(124,161)
Transfers	(8,499)	13,005	-	(116)	10,669	-	15,059
Discontinued operations (Note 2.28)	(683)	-	(45,543)	-	(249)	(304,861)	(351,336)
Balance as of December 31, 2018	5,450	18,450	108,616	4,051	18,304	984,754	1,139,625
Adoption of IAS 29 (Note 2.1)	646	-	-	-	1,130	136	1,912
Additions	3,311	2,855	-	44	58	-	6,268
Sales	(558)	-	-	-	(9)	-	(567)
Amortization	(1,377)	(10,637)	(326)	(6,764)	(1,363)	-	(20,467)
Impairment	(1,123)	-	-	-	-	(18,414)	(19,537)
Effect of changes in exchange rates	(580)	(2,164)	682	-	385	(9,025)	(10,702)
Transfers	(791)	91,486	(97,862)	5,879	(3,711)	-	(4,999)
Balance as of December 31, 2019	4,978	99,990	11,110	3,210	14,794	957,451	1,091,533

10. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Annual Interest rates	Maturity	12.31.2019		31.12.2018	
						Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral (**)	USD	US Libor + 3.10% - 4.40%	Jan/22-Jan/23	45,180	154,401	43,645	195,696
EUR	Holdings and Financial Vehicles (*)	Bilateral (**)	USD	US Libor + 3.95%	Feb/24 (a)	-	141,861	132,899	139,027
EUR	Holdings and Financial Vehicles (*)	Bilateral (**)	EUR	Euribor + 3.60%	Feb/24 (b)	-	196,252	104,300	144,009
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	2.55%	Jun/20	5,000	-	-	-
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	3.20%	Oct/21	2,750	16,500	2,750	19,250
EUR	Holdings and Financial Vehicles (*)	Commercial paper (**)	EUR	2.80%	Mar/20	35,000	-	-	35,000
ARS	U.N. Argentina Paraguay	Working capital	ARS	49.00% - 89.00%	Jan/20	22,146	-	12,119	-
ARS	U.N. Argentina Paraguay	Billateral	ARS	21.75%	Oct/21	-	-	8,326	-
ARS	U.N. Argentina Paraguay	Billateral	USD	US Libor + (4.25% to 5.5%)	Jun-Nov/20	32,094	37,860	44,626	11,839
ARS	U.N. Argentina Paraguay	Bilaterals	USD	8.0% - 9.45%	Aug/20	10,236	-	-	-
ARS	U.N. Argentina Paraguay	Billateral	EUR	4.00%	Apr-Sep/20	-	8,049	-	-
PYG	U.N. Argentina Paraguay	Billateral	PYG	8.5% - 9.00%	Aug/25	4,680	38,599	9,943	49,112
ARS	U.N. Argentina Paraguay	Billateral	ARS	8.00% + Badlar	Mar/21	-	14,855	-	-
ARS	U.N. Argentina Paraguay	Working capital	ARS	59.82%	jan/20	8,855	-	-	-
BRL	U.N. Brazil	Subsidised loan	BRL	2.50% - 5.00%	Dec-24	2,568	8,886	2,739	11,714
BRL	U.N. Brazil	Billateral	BRL	15.34%	Dec/22	490	2,853	352	2,358
BRL	U.N. Brazil	Billateral	BRL	6.39% + 126% CDI	Apr/23	-	43,859	-	45,372
EGP	U.N. Egypt	Working capital	EGP	Corridor + 1.50%	Jun/20	597	3,694	23,839	524
EGP	U.N. Egypt	Working capital	EGP	15.50% - 17.00%	Apr-Nov/20	26,724	-	-	-
						<u>196,320</u>	<u>667,669</u>	<u>385,538</u>	<u>653,901</u>

(*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate and trading entities.

(**) The borrowings contains certain restrictive financial covenants, which are describe below.

(a) In February 2019, the Company prepaid €177,000 of Tranche B of the Syndicated Loan contracted by InterCement BV.

(b) In February 2019, Caue Austria Holding GmbH renegotiated the terms and conditions postponing the corresponding maturity date to February 2024 (previously was February 2022) under a payment of €10,000.

As of December 31, 2019 and 2018, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to €17,169 and €19,914, respectively.

Changes in Borrowings and Financing in the years ended December 31, 2019 and 2018 were as follows:

	Borrowings and financing
Balance at December 31, 2017	1,711,654
New borrowings and financing	79,983
Payments	(610,090)
Discontinuing operations	(134,510)
Effect of changes in Exchange rates, commissions and other	(7,598)
Balance at December 31, 2018	1,039,439
New borrowings and financing	190,680
Payments	(372,549)
Effect of changes in Exchange rates, commissions and other	6,419
Balance at December 31, 2019	863,989

Maturity schedule

As of December 31, 2019, the noncurrent portions mature as follows:

Period	12.31.2019
2021	230,765
2022	173,243
2023	158,192
Following years	105,469
	667,669

Covenants

The loans and financing agreements contain certain restrictive covenants, including change of control clauses and those requiring the maintenance of certain financial ratios, namely a Net Debt versus Adjusted EBITDA ratio, within pre-established parameters.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually, which depends on conditions agreed upon on each contract entered into with the financial institutions. The Company agreed with the financial institutions the increase of Net Debt / Adjusted EBITDA ratio from 4.5 to 5.5 for 2019 measurement and the following periods are being discussed as part of the refinancing debts as mentioned in Note 1.

As of December 31, 2019 the covenants conditions were met, and such obligation will only be measured again based on the financial figures as of December 31, 2020.

11. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Annual interest rate	Final maturity		12.31.2019		12.31.2018	
								Current	Noncurrent	Current	Noncurrent
BRL	Brazil	Debenture - Brazil	BRL	Mar-12	115% - CDI	Apr-22	(b)	48,625	97,298	49,590	148,918
BRL	Brazil	Debenture - Brazil	BRL	Aug-12	115% - CDI	Aug-22	(c)	110,291	110,329	56,232	168,863
EUR	Holdings and Financial Vehicles (*)	Senior Notes	USD	Jul-14	5.75%	Jul-24	(a)	-	487,650	-	475,124
								<u>158,917</u>	<u>695,277</u>	<u>105,822</u>	<u>792,905</u>

(*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate and trading entities.

- (a) In July 2014, the Senior Notes ("Notes") were issued by InterCement Financial Operations, B.V., with a payment maturity of 10 years. The notes were launched with a coupon of 5.75% per annum, and are listed at the Singapore Stock Exchange. As of December 31, 2019 and December 31, 2018, the Group holds bonds at the face value of €176,879 (USD198,812 thousand) and €173,543 (USD198,812 thousand) , respectively.
- (b) In April 2019, InterCement Brasil S.A. amortized the 2^o issuance of Debentures in the amount €50,039 (R\$ 220,000 thousand).
- (c) In November 2019, Management agreed with debenture holders to extend the amortization of €55,035 (R\$250,000 thousand) that was due on November 21, 2019 to January 21, 2020. On January 17, 2020, the amortization was once again extended to April 16, 2020. The extensions are part of the Debt refinancing program that Management is designing with the Company's main lenders (Note 1).

As of December 31, 2019 and December 31, 2018, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €7,414 and €19,475, respectively.

Changes in Debentures in the years ended December 31, 2019 and 2018 were as follows:

	Debentures
Balance at December 31, 2017	1,001,085
Payments	(70,392)
Effect of changes in Exchange rates, commissions and other	(31,966)
Balance at December 31, 2018	898,727
Payments	(50,039)
Effect of changes in Exchange rates, commissions and other	5,506
Balance at December 31, 2019	854,194

Maturity schedule

As of December 31, 2019, the debentures mature as follows:

Period	12.31.2019
2021	103,809
2022	103,819
Following years	487,649
	695,277

Covenants

Debentures contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements.

As of December 31, 2019 the Company agreed with the local debenture holders the increase of Net Debt / Adjusted EBITDA ratio from 4.5 to 5.5 for 2019 measurement and the following periods are being discussed as part of the refinancing debts as mentioned in Note 1.

As of December 31, 2019 covenants conditions were met and such obligation will only be measured again based on the financial figures as of December 31, 2020.

In the case of the Senior Notes, the non-compliance with that covenant (ratio of 4.5) foresees that the Company operates with certain restrictions, being the principal ones:

- i) Limitation in USD 500 million for new debts, provided it is not used to refinance the existing debt;
- ii) Restrictions on certain payments, such as dividends to shareholders above the statutory minimum legal required amount;
- iii) Dividends limitation of USD 25 million per year, on a cumulative basis, for preferred shareholders after the Senior Notes issuance (July/2014).

As of December 31, 2019, Company is in compliance with the restrictions imposed. Such restrictions are maintained until the next measuring period, which are based on the financial figures for the year to be ended December 31, 2020.

12. Provisions and Contingent assets and liabilities

The Group is subject to tax, civil and labor risks. Management periodically reviews known contingencies, assesses the likelihood of losses and recognizes corresponding provision based on its legal counsel's opinion and other available data at the date of the annual reporting period.

The provision for risks is demonstrated as follows:

	12.31.2019	12.31.2018
Labor and social security	6,195	8,699
Tax (a)	15,167	17,533
Civil and other (b)	33,630	30,346
	54,992	56,578
Escrow deposit (c)	(2,527)	(2,695)
Total	52,465	53,883

- (a) Brazil: Refer basically to tax assessments notices and lawsuits amounting to €2,041 (€1,242 as of December 31, 2018) related to discussions on: (i) absence of Value Added Tax ("ICMS") collection and improper credits taken in a variety of operations, including import of goods carried out through trading companies; (ii) improper credits compensation on the determination of income tax and social contribution; and (iii) absence of services tax (ISS) collection in a variety of services provided.

InterCement Portugal: Refer basically to the provisions for tax risks related to income tax, amounting to €5,650 as of December 31, 2019 and 2018, which are being challenged in courts.

Egypt: Is mainly justified by tax provisions in this business area related to income tax from years 2004 to 2014, which are being challenged in courts, in the amount of €6,738 (€6,659 as of December 31, 2018).

- (b) Egypt: Includes mainly a provision related to a dispute about the requirement of an industrial licence and corresponding interest and monetary correction totalling €30,099 as of December 31, 2019 (€26,415 as of December 31, 2018).
- (c) The Group have escrow deposits tied to the provision for tax, civil and labor risks as follows:

	12.31.2019	12.31.2018
Labor and social security	1,850	1,865
Tax	663	788
Civil and other	14	42
Total	2,527	2,695

Changes in the provision for risks for the years ended December 31, 2019 and 2018 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance as of December 31, 2017	25,848	28,256	32,531	(3,023)	83,612
Adoption of IAS 29 (Note 2.1)	487	52	349	-	888
Recognition/deposit	2,341	294	8,588	(2,713)	8,510
Payment	(3,904)	(6,267)	(4,219)	2,721	(11,669)
Reversal	(4,022)	(5,295)	(6,703)	-	(16,020)
Transfers	5	394	(322)	-	77
Exchange differences	(1,961)	99	153	320	(1,389)
Discontinued operations (Note 2.28)	(10,095)	-	(31)	-	(10,126)
Balance as of December 31, 2018	8,699	17,533	30,346	(2,695)	53,883
Adoption of IAS 29 (Note 2.1)	454	238	320	-	1,012
Recognition/deposit	1,086	2,030	171	(1,142)	2,145
Payment	(1,496)	(2,149)	(440)	1,258	(2,827)
Reversal	(1,996)	(2,812)	(927)	-	(5,735)
Transfers	-	(647)	647	-	-
Exchange differences	(552)	974	3,513	52	3,987
Balance as of December 31, 2019	6,195	15,167	33,630	(2,527)	52,465

Contingent liabilities

In the normal course of its business the Group is involved in several legal cases and complaints relating to its labor and social security, tax, civil and other natures, which the likelihood of loss is assessed as possible or less likely than not for uncertain income tax positions in light of IFRIC 23 (Note 2.2).

As of December 31, 2019, the Group has an exposure of approximately €949,000 (€820,000 as of December 31, 2018), being €13,000 of contingent liabilities related to labor contingences (€9,000 as of December 31, 2018), €688,000 of tax contingencies, including uncertain income tax position as per IFRIC 23 assessment (€599,000 as of December 31, 2018), €236,000 of civil contingencies and administrative processes of other natures (€212,000 as of December 31, 2018), whose likelihood of loss was considered possible, according to the opinion of our legal counsel.

The most significant contingencies are:

Brazil

a) Tax

The tax contingencies, in the approximately amount of €698,672 (€511,000 as of December 31, 2018) refer mainly to administrative and judicial proceedings related to: (i) disallowance of credits for allegedly undue deduction of the IRPJ and CSLL calculation base, as goodwill amortization resulting from the acquisition of other companies; (ii) collection of IRPJ and CSLL, based on the fact that the Company would no longer offer to tax profits earned abroad by subsidiaries and affiliated entities; (iii) collection of alleged difference or non-payment of CFEM, a financial compensation paid to the Federal Government for the economic use of mineral resources; (iv) several discussions related to the ICMS: rate differential, absence of payment in different operations, applicability of tax agenda and transfer of goods between plants of the same taxpayer, improper credits taken upon intermediate materials and fixed assets considered for use and consumption; (v) non-ratified IRPJ credit compensation resulting from the improper application of the tax incentive granted by Authorities and credits resulting from the lower calculation of the negative tax balance; (vi) undue PIS and COFINS credit resulting from freight expenses on goods transfers between industrial plants and distributors; (vii) taxation of interest on capital; and (viii) non-collection of the Property Transfer Tax ("ITBI") on mergers transactions.

b) Civil

The main lawsuits are linked to civil, environmental, mining and administrative proceedings related to: (i) reparation of damages due to contractual breach;; (ii) indemnity for accidents at work in the civil sphere and for undue collection; (iii) non-compliance with operating license conditions and alleged lack of licensing; (iv) air and soil pollution; and (v) infraction against the economic order ("CADE), as described below:

Administrative Council for Economic Defence ("CADE")

The Company, along with other companies in the industry, were parties to administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defense ("CADE"). In July 2015, CADE's tribunal judged the administrative appeal presented by the Group under the process initiated in 2007 regarding competition in Brazil (as well by other involved companies), maintaining the condemnation decision about cartel formation and the imposition of a pecuniary fine and other accessory penalties. As of December 31, 2019, the fines imposed to the Group corresponds to €173,264 (R\$784,971 thousand), besides the obligation to sell 20% of its installed capacity of the concrete assets in the relevant Brazilian markets in which the Company operates, among other accessory penalties.

After the referred administrative CADE's decision became final, the Group appealed judicially, having obtained, on October 22, 2015, the grant of the preliminary injunction to suspend all penalties imposed by CADE, by the presentation of real guarantees (two plants), until the final judgment decision. Such preliminary injunction decision was judicially appealed by CADE, and was rejected. The proceeding did not have any significant change until December 31, 2019. Based on the opinion of the legal advisors, the risk of loss in court has been considered as possible, therefore, no provision was recorded for this contingent liability.

Spain

As a result of the tax inspections of the years 2005 to 2008, tax assessments of approximately €120,000 were issued against the Company related essentially to net financial items resulting from interpretations not adjusted to the nature of certain transactions. Based on opinion of the legal advisors, the risk of loss in court was considered as possible. During September 2019, the Supreme Court's ruled the dispute and the decision was favourable to the Company, therefore the tax assessment was cancelled.

During the second half of 2014, the Spanish tax authorities began inspecting the years 2009 to 2012 related to the same matters in dispute as mentioned previously. The amount under dispute is approximately €242,000 and Management believes the final decision will be similar the Supreme Court's ruling about years 2005 to 2008 which was favourable to the Company.

Portugal

Under the Consolidated Income Tax Regime (RETGS), applicable to the Company and other Portuguese entities of the Group until the year 2000, intra-group results ("eliminated results"), amounting to € 265,000, were generated due to tangible fixed assets sales between group companies.

During the ongoing Corporate Income tax (CIT) inspection of the financial year 2016, the Tax Authority requested the provision of information relating to those tangible fixed assets sales, with the purpose of assessing the need for possible adjustments to the Group's taxable profit in this financial year and in the financial years ending on 2017 and 2018, due to the transitional rules successively inserted in the State Budget Laws of the years 2016, 2017 and 2018, which required partial or total incorporation (in the event of termination of the Group) in those years of any taxable income that were still pending from taxation.

Due to the lack of the necessary administrative pronouncement regarding the intra-group results generated during the application of the Consolidated Income Tax Regime previously effective, it is not possible to assess the impact, if any, of any corrections to the Group's taxable profit in those years.

The Company maintains its conviction, duly supported in the opinion of its legal advisors, that an accurate legal-factual assessment of the above mentioned eliminated results will not result in corrections of the Group's taxable profit in this financial year and in the financial years 2017 and 2018, and it is therefore not likely ("less likely than not") that a material outflow of resources will be required due to this inspection..

13. Provision for Environmental Recovery

Changes in the provisions for environmental recovery in the years ended December 31, 2019 and 2018 are as follows:

	Environmental recovery
Balance as of December 31, 2017	38,637
Adoption of IAS 29 (Note 2.1)	889
Recognition	11,066
Payment	(1,348)
Reversal	(16,757)
Exchange differences	(3,460)
Discontinued operations (Note 2.28)	(13,402)
Balance as of December 31, 2018	15,625
Adoption of IAS 29 (Note 2.1)	1,769
Recognition	4,360
Payment	(1,448)
Exchange differences	(1,844)
Balance as of December 31, 2019	18,462

14. Leasing

The change of rights-of-use assets since its initial adoption through December 31, 2019 is demonstrated as follows:

Composition and movements of right-of-use assets

	Buildings	Machinery and equipment	Vehicles	Other	Total
Cost					
Initial adoption	13,234	47,090	3,209	241	63,774
Additions	1,140	12,748	1,105	-	14,993
Write-offs	-	(3,509)	-	-	(3,509)
Exchange difference	(2,633)	(1,019)	(44)	(5)	(3,701)
Subtotal	11,741	55,310	4,270	236	71,557
(-) Accumulated depreciation					
Additions	(1,917)	(15,318)	(533)	(138)	(17,906)
Write-offs	-	78	-	-	78
Exchange difference	(6)	315	7	3	319
Subtotal	(1,923)	(14,925)	(526)	(135)	(17,509)
Balance as of December 31, 2019	9,818	40,385	3,744	101	54,048

The obligations under finance leases changed since its adoption through December 31, 2019 as demonstrated below:

Composition and movements of lease liabilities

	12.31.2019
Initial adoption	63,774
Additions, net of write-offs	11,484
Payments	(21,515)
Present value adjust	11,388
Exchange difference	(2,540)
<u>Total</u>	<u>62,591</u>

The obligation under finance leases are broken down as current and non-current and is aged as demonstrated below:

Lease liabilities included in the statement of financial position

	12.31.2019
Current	27,263
Non-current	35,328
<u>Lease liabilities</u>	<u>62,591</u>

Lease liabilities - Maturity analysis

	12.31.2019
Less than one year	27,263
One to five years	33,128
More than five years	2,200
<u>Lease liabilities</u>	<u>62,591</u>

15. Related Parties

Transactions and balances between Group companies consolidated upon the full consolidation method were eliminated in the consolidation process and therefore are not disclosed herein. The balances and transactions between the Group and associated companies and with other related parties fall within normal operational activities, and include advances, loan agreements, sales and purchases of products and services.

In the year ended December 31, 2019 the Company released Capital Reserves in the amount of €66,887 (R\$300,000 thousand) to its parent company, Mover Participações S.A. as mentioned in note 16 below.

For the year ended December 31, 2018, it is worth of mention the following transactions with Mover controlling companies:

- Capital increase by Mover Participações S.A. in InterCement Participações, occurred in December 28, 2018, amounting of €67,583 (R\$300,000 thousand) (Note 16);

- Credit assignment agreements (accounts receivable securitization) were settled with CCSA Finance Ltda. and Camargo Corrêa Desenvolvimento Imobiliário S.A., in the amount of €21,567 and €23,816, respectively (Note 6);

In addition to reinforce that as identified in Notes 10 and 11, there are loans guaranteed by the Company's controlling entities.

Balances as of December 31, 2019 and 2018 with related parties, are as follows:

	12.31.2019							
	Current assets				Non current assets	Current liabilities		
	Trade receivables	Dividends receivable	Advances to suppliers	Other receivables	Other receivables	Trade payables	Other payables	Dividends payable
Affiliates:								
Construções e Comércio Camargo Corrêa S.A.	1	-	114	221	728	209	11	-
Concessionária de Rodovia Sul - Matogrossense, S.A.	-	-	-	-	-	-	9	-
Instituto InterCement	-	69	-	-	-	-	-	-
A.Y.U.S.P.E. Empreendimentos e Participações S.A.	-	-	-	-	5,033	-	-	-
Loma Negra others	-	-	-	-	-	-	-	76
Mozambique others	-	-	-	8	-	-	-	-
Egypt others	-	-	-	-	-	-	-	44
Yguazú others	-	-	-	-	-	4	-	-
Others noncontrolling interests	-	-	-	-	-	-	-	84
Controlling shareholders:								
Mover Participações, S.A.	-	-	-	-	-	3	13	-
Participações Morro Vermelho S.A.	9	-	-	-	-	640	-	-
Total as of December 31, 2019	10	69	114	230	5,761	856	33	204
Total as of December 31, 2018	774	-	-	232	991	1,593	1,672	159

Transactions conducted in the years ended December 31, 2019 and 2018 are as follows:

	12.31.2019			
	Sales	Other operating income	Purchases/expenses	Financial income
Affiliates:				
CCDI and subsidiaries	115	-	-	-
CCR S.A.	51	-	48	-
Construções e Comércio Camargo Corrêa S.A.	674	-	2,403	43
Instituto InterCement	-	-	404	1
A.Y.U.S.P.E. Empreendimentos e Participações S.A.	-	5,033	-	-
PARMV Properties-Empreendimentos, S.A.	-	-	641	-
Yguazú others	-	-	135	-
Controlling shareholders:				
Mover Participações, S.A.	-	-	79	-
Participações Morro Vermelho	-	-	(13)	-
Total as of December 31, 2019	840	5,032	3,698	44
Total as of December 31, 2018	6,565	123	14,525	33

Management compensation

The amount of €2,897 was paid in the year ended December 31, 2019 and refers to short-term benefits, such as fees, charges, and other benefits (€3,839 in the year ended December 31, 2018). There is no relevant long-term compensation to Management.

16. Shareholder's Equity

Share Capital

As of December 31, 2019 share capital is represented by 25,046,440 registered shares without par value, of which 22,687,439 are common shares and 2,359,001 are preferred shares Class A. As of December 31, 2018 share capital was represented by 27,883,213 registered shares without par value, of which 22,687,439 were common shares and 2,359,001 were preferred shares Class A and 2,836,773 were preferred shares Class B.

At the Extraordinary Shareholders' Meeting held on December 28, 2018, the shareholders decided to approve the creation of the Class B Preferred Shares, passing to exist two distinct classes of preferred shares, namely the Class A Preferred Shares already existing at that date, and Class B Preferred Shares. The dividends to which the Class B Preferred Shares will be entitled a priority, in relation to the common shares issued by the Company. Notwithstanding and with no prejudice, the dividends to which Class A Preferred Shares will be entitled shall have priority over Class B Preferred Shares. Class B Preferred Shares will have no preference in capital reimbursement in relation to common shares, considering the holders of Class B is the final controlled entity of the Company (Mover S.A.).

At the same date aforementioned, the Company approved the capital increase with the issuance of 2,836,773 Class B Preferred Shares, all subscribed by the shareholder Mover Participações SA, and paid in national currency the issue price was allocated as follows: €639 (R\$2,837 thousand) for the Company's capital stock and the rest in the amount of €66,944 (R\$297,163 thousand) allocated to the "Capital reserve" account.

On April 30, 2019, the Board of Director decided to redeem the 2,836,773 Class B preferred shares entirely held by its parent company, Mover Participações S.A. at a share value of R\$105,75397 totaling R\$300,000 thousand (€66,887) by releasing Capital Reserves. The liquidation took place in May 2019 and the shares were subsequently cancelled.

Capital Reserves - Preferred Shares – InterCement Participações

Class A

The preferred shares (Class A) grant their holders the right to receive minimum dividends, not accumulating losses, do not grant voting rights in the Company's shareholders' meetings, and can be redeemed by decision of the Board of Directors. Any contractual obligations are guaranteed and recorded at Company's controller shareholder; consequently, the Company does not have any contractual obligation assumed with such holders of the preferred shares.

Class B

The preferred shares (Class B) does not grant their holders the right to receive minimum dividends, do not grant voting rights in the Company's shareholders' meetings, and can be redeemed by decision of the Board of Directors.

As previously informed in "Capital section", the dividends to which the Class B Preferred Shares may be entitled has the preference in relation to the common shares issued by the Company. Notwithstanding and with no prejudice, the dividends to which Class A Preferred Shares may be entitled shall have preference over Class B Preferred Shares. Class B Preferred Shares will have no preference in capital reimbursement in relation to common shares, considering the holders of Class B is the final controlled entity of the Company (Mover S.A.).

Earnings reserves

In the year ended in December 31, 2019, the movement in this caption relates to the following:

a) Based on Brazilian Corporate Law, the Company constituted a Legal Reserve in the amount of €5,457, which represents 5% of net income for the year.

b) The Board of Director recommended the constitution of a retention reserve based on the capital budget of the Company in the amount of €103,675.

c) Acquisition of non-controlling interest: the acquisition from minority shareholders of an additional stake of 0.01% of InterCement Portugal shares (formely named Cimpor) in the amount of €92 led to a gain of €239 recognized directly in equity.

d) Dividends: €46,973 of dividends were declared and paid to preferred shares Class A.

In the year ended in December 31, 2018, the movement in this caption includes mainly the following:

e) Sale of non-controlling interest: the amount net of tax effect of €6,522 (€7,268 including non-controlling interests) relates to the gain on the sale of the participations in Barra Grande and Machadinho (see Note 2.27);

f) Acquisition of non-controlling interest: the acquisition from minority shareholders of an additional stake of 0.66% of Cimpor shares in the amount of €2,972 and also the capital increase of this company resulted that the equity interest of the company increase to 94.8% (see note 2.27), leading to a total loss of €14,345 recognized directly in equity. Also note for the acquisition of minority shareholders in Mozambique companies, resulting from a capital increase that resulted in a gain of €750 recognized directly in equity.

In addition, in the year ended in December 31, 2018 and 2019, these reserves were used to absorb losses, in the amount of €714,314 and €195,834, respectively.

Dividends

The holders of common shares are entitled to annual minimum mandatory dividends equivalent to 25% of adjusted profit for the year as provided by the bylaws and the Brazilian Corporate Law.

Considering the loss from continuing operations of the year ended December 31, 2019 and the current financial

position of the Company, the Board of Directors suggested to not distribute dividends and retain the net income for the year as earnings reserve for capital budget, which is allowed by Brazilian Corporate Law under certain circumstances.

Other comprehensive income

For the year ended December 31, 2019, the movements in the Other Comprehensive Income relates to the equity amount of €354,838 corresponding to: i) the equity recognition of actuarial gains on the liability to employees in the amount of €83, ii) recognition of exchange differences arising on translation foreign operations in the negative amount of €357,844 including the negative adjustment in accumulated exchange differences due to the sale of Portuguese and Cape Verde assets in the amount of €170,382 (Note 2.28) and (iii) the positive recognition of hedging operations of €2,923.

As of December 31, 2019, reference also to the positive adjustment of €175,117 (€83,878 excluding non-controlling interests) related to hyperinflation accounting for Argentinean subsidiaries applying hyperinflationary monetary adjustment in light of IAS 29 rules (Note 2.1).

In the year ended December 31, 2018, the movement in Other Comprehensive Income includes the negative equity amount of €220,170 corresponding to: i) the negative equity recognition of actuarial losses on the liability to employees in the amount of €4,944; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €224,843 and iii) the positive equity recognition of hedging operations amounting to €9,617. In addition, other comprehensive income, for the year ended December 31, 2018 reflect hyperinflation accounting for our Argentinean subsidiaries applying IAS 29 rules (note 2.1), which impact was a positive equity amount of €218,804 (€104,401 excluding non-controlling interests).

Non-controlling interests

The main non-controlling interests movements occurred during the year ended December 31, 2019, regarding the transactions with acquisitions of participations and other comprehensive income, were as follows:

- In relation with the acquisitions, it is worthy of mention the effect of €331 with the additional stake of 0.01% of Cimpor shares;
- In other comprehensive income, the negative amount of €98,509 corresponds to: i) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €98,660 and ii) the positive equity recognition of hedging operations amounting to €151. In addition, regarding applying IAS 29 rules (note 2.1), the impact was a positive equity recognition of €91,239.

The main non-controlling interests movements occurred during the year ended December 31, 2018, regarding the transactions with sales and acquisitions of participations and other comprehensive income, were as follows:

- The impact of the sales of participations in non-controlling interests, especially with the sale of the participation in Barra Grande and Machadinho was €746 (net tax effect);

- In relation with the acquisitions, it is worthy of mention the negative effect of €11,373 with the additional stake of 0.66% together with capital increase of Cimpor shares and also the acquisition of minority shareholders in Mozambique companies, resulting from a capital increase, with a positive impact of €750;
- In other comprehensive income, the negative amount of €64,228 corresponds to: i) the negative equity recognition of actuarial losses on the liability to employees in the amount of €501; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €65,631 and iii) the positive equity recognition of hedging operations amounting to €1,904. In addition, regarding applying IAS29 rules (note 2.1), the impact was a positive equity recognition of €114,403.

Additionally, in this caption, the Company has recorded Preferred shares for its special purpose entities of Barra Grande Participações, Machadinho Participações and Estreito Participações. These preferred shares have certain specific characteristics, in particular, in terms of:

- Right to priority dividends of the profit and/or reserves distributed in each year;
- Absence of voting rights (except for specific matters established in the corresponding statutes);
- Priority relating to the common shares in case of liquidation;
- Be converted into common shares (conversion rights);
- Non-participation in future capital increases.

There is also contracts clauses establishing a set of assumptions which regulate terms of an eventual divestment by the holders, including rights to receive minimum dividends, as well as rights to convert preferred shares into common shares. The Company is not required or obligated to repurchase these preferred shares any time.

Considering all contract characteristics, attending to the disposals of IAS 32, the referred instruments (either Barra Grande, Machadinho and Estreito) acquire characteristics of equity and financial instruments components, taking into account that those instruments simultaneously incorporate components that can be classified as an equity instrument and a financial instrument (financial asset or liability). Consequently, these components were measured and recognized separately in the financial statements, as follows:

- a) The initial contribution received as a consideration of such preferred shared by InterCement Brasil was classified as an equity instrument, taking into consideration that, under the terms established, there is no obligation to repurchase those shares (obligation to deliver cash or other financial assets), as well as convertibility clauses in common shares (by option of the shareholders) and their respective dividends;
- b) There are also contractual clauses regarding to options of minimum return and possible coverage of significant devaluation of these investments, for a period up to seven years or by the holders during that period, respectively. Such options generated gain or loss for the Company and such instruments were classified as derivative financial instruments and measured at fair value at the date of the financial statements.

In addition in the years ended December 31, 2019 and 2018, dividends to non-controlling interests were declared and paid in the amount of, respectively, €16,313 and €16,173.

17. Income Tax and Social Contribution

For the years ended December 31, 2019 and 2018 the reconciliation between the nominal and the effective income tax was as follows:

	12.31.2019	12.31.2018
Loss before income tax and social contribution from continuing operations	(116,772)	(169,660)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	39,702	57,684
Adjustments to calculate income tax and social contribution at effective rates:		
Permanent additions / (deductions), net (a)	(4,172)	653
Impairment losses (b)	(3,924)	-
Unrecorded deferred income tax and social contribution tax (b)	(47,958)	(89,839)
Restatement in homogeneous currency and effect of change in deferred tax rate (c)	(22,617)	(13,910)
Other (d)	7,810	12,076
Income tax and social contribution expense from continuing operations	(31,159)	(33,336)
Income tax and social contribution expense - Current from continuing operations	(26,806)	(38,323)
Income tax and social contribution expense - Deferred from continuing operations	(4,353)	4,987

(a) Includes the effect of the differences in tax rates and other adjustments;

(b) Includes the tax effect from taxable losses on certain entities where recoverability is uncertain;

(c) In 2019 and 2018, includes mainly the impact of IAS29 adoption in the Argentinian business area. In 2018, it also includes the elimination of deferred tax assets in several jurisdictions due to uncertainty to recover it and also the effect in deferred tax from the change in tax rate in the Argentinian business area;

(d) In the year ended December 31, 2018, includes the reduction of a tax provision amounting to €4 million and estimates corrections in our companies in Egypt in the amount of around €5 million.

Deferred income tax and social contribution

Deferred income tax and social contribution were recognized on tax losses carryforwards and temporary differences in the recognition of revenues and expenses between tax and corporate books, to the extent considered realizable by the subsidiaries.

In addition to the income tax charge, for the years ended December 31, 2019 and 2018, the Group recorded deferred tax of €246 and €3,800, respectively, directly in equity.

Deferred income tax and social contribution are demonstrated as follows:

	12.31.2019	12.31.2018
Assets:		
Tax loss carryforwards	31,625	28,993
Tax, labor and civil contingencies	11,339	8,111
Allowance for doubtful debts	2,209	2,939
Exchange rate changes taxed on a cash basis	11,985	12,577
Other temporary provisions	17,288	11,989
Total assets	74,446	64,609
Liabilities:		
Goodwill amortization (future earnings)	43,225	43,714
Exchange rate changes taxed on a cash basis	20,711	21,657
Deemed cost of property, plant and equipment	27,537	27,162
Useful life estimate of property, plant and equipment	89,707	92,332
Measurement of assets acquired at fair value (a)	74,647	79,978
Other temporary provisions	37,747	19,191
Total liabilities	293,574	284,034
Noncurrent assets	9,525	15,211
Noncurrent liabilities	228,653	234,636

(a) Refers mainly to the revaluation of assets at fair value on the acquisition of subsidiary CIMPOR occurred in 2012.

As a result of the adoption of IFRS 5, in the year ended December 31, 2018, deferred tax assets and deferred tax liabilities related to “Discontinued operations” in the amount of €1,565 and €39,462, respectively, were reclassified to the caption “Assets of discontinued operations” and “Liabilities related with assets from discontinuing operations”, respectively (Note 2.28).

The Group recorded deferred income tax assets over tax losses of €31,625 (€28,993 at December 31, 2018), which corresponds to a tax losses bases of approximately €128,447. Approximately €2,069,753 of consolidated tax losses bases Management decided to not recognize deferred income tax assets due to the unpredictability of their recovery in a reasonable period of time, based on estimated future taxable income and estimated period for reversal of temporary differences.

18. Net Revenue

The breakdown of the Company's net revenues for the years ended December 31, 2019 and 2018 is as follows:

	12.31.2019	12.31.2018
Products sold	1,521,515	1,550,837
Services provided	83,611	90,750
(-) Taxes on sales	(152,056)	(151,509)
(-) Discounts	(67,917)	(33,451)
Total	1,385,153	1,456,627

Taxes on sales comprise federal, state and municipal taxes such as Federal VAT, State VAT, Taxes on Revenues, and Service Tax.

19. Information on the Nature of the Costs and Expenses Recognized in the Income Statement

The consolidated income statement is presented based on a classification of expenses according to their function. Information on the nature of such expenses is as follows:

	12.31.2019	12.31.2018 Restated
Depreciation, amortization and impairment losses (a) (c)	(207,649)	(204,971)
Salaries and employee benefits	(188,753)	(204,824)
Raw materials and consumables (c)	(323,971)	(342,253)
Tax expenses (d)	(21,261)	(30,655)
Outside services	(150,033)	(142,855)
Rental	(2,264)	(9,306)
Freight expenses	(125,895)	(144,955)
Maintenance costs	(66,532)	(77,127)
Fuel	(135,536)	(140,274)
Electricity	(110,960)	(123,607)
Reversal (recognition) of provision for risks	(622)	(129)
Gain on sale of property, plant and equipment	9,147	4,721
Other (b)	(29,660)	5,122
Total	(1,353,989)	(1,411,113)
Cost of sales and services	(1,182,859)	(1,269,526)
Administrative and selling expenses	(159,754)	(141,520)
Other expenses	(11,376)	(67)
Total	(1,353,989)	(1,411,113)

- (a) In the year ended December 31, 2019 includes the net impact of fixed assets impairment provisions in Brazil of €7,459 and in Egypt of €6,652 (Note 8). It also includes the goodwill impairment recorded in Egypt in the amount of €18,000 (Note 9).

In the year ended December 31, 2018 includes fixed assets impairments recorded in Brazil business area amounting to €53,140 (R\$221,985 thousand) (Note 8).

- (b) In the year ended December 31, 2018, includes a tax credit of €31,285 (R\$134,642 thousand) recognized by Cimpor entities in Brazil business area related to the exclusion of ICMS from the basis of calculation of the contributions of PIS and COFINS, which the Company obtained a favourable judicial decision.

In the year ended December 31, 2019, part of the recoverable taxes recognized from favorable decision mentioned above related to Cimpor entities, were sold in the form of certificate judicial debts with a discount and the remaining portion were remeasured to reflect most recent Tax Authorities' methodology to determine the recoverable tax amount, resulting in a loss of €23,931.

In 2019, InterCement entities also obtained a favorable decision in legal proceeding related to the exclusion of ICMS from calculation basis of PIS and COFINS and recorded a tax credit of €12,383, reflecting Management's monetization best estimate to realize such credits.

- (c) In 2018, it includes the restated amount of €8,565 related to the change in methodology of limestone and clay disbursements in Egypt segment (note 3).
- (d) In 2018, it includes the restated amount of €6,071 related to the tax on financial transactions in Argentinean segment (note 3) from financial expenses (See note 20, item "g").

20. Financial Income (expenses) and Foreign exchanges losses (net)

	12.31.2019	12.31.2018 Restated
Foreign exchange losses, net (a):		
Exchange gain	45,985	95,293
Exchange loss	(62,102)	(174,224)
Total	<u>(16,117)</u>	<u>(78,931)</u>
Financial income:		
Inflation adjustment (b)	8,175	29,245
Adoption IAS 29 (d)	16,942	5,355
Financial earnings	7,809	8,872
Interest income	862	906
Derivative financial instruments (e)	3,359	-
Other income (f)	12,990	1,884
Total	<u>50,138</u>	<u>46,262</u>
Financial expenses:		
Inflation adjustment (c)	(25,498)	(3,256)
Expenses on interest and charges	(118,403)	(133,913)
Expenses on banking commissions (g)	(10,869)	(15,270)
Fines	(2,090)	(6,506)
Derivative financial instruments (e)	-	(11,920)
Other expenses (f)	(25,097)	(11,639)
Total	<u>(181,957)</u>	<u>(182,504)</u>

- (a) The exchange differences are mainly influenced by the appreciation and depreciation of functional currencies against other currencies (mainly USD and Euro).
- (b) In the year ended December 31, 2018, includes the amount of €27,832 (R\$119,780 thousand) related to monetary adjustment arising from a favorable decision in legal proceedings, related to the exclusion of ICMS from the calculation basis of PIS and COFINS for Cimpor entities.

In the year ended December 31, 2019, InterCement entities also obtained a favorable decision in legal proceeding related to the exclusion of ICMS from calculation basis of PIS and COFINS and recorded a monetary adjustment of €7,641 reflecting Management's monetization best estimate to realize such credits.

- (c) In the year ended December 31, 2019, part of the recoverable taxes recognized from favorable decision mentioned in item (b) above related to Cimpor entities, were sold in the form of certificate judicial debts with a discount and the remaining portion were remeasured to reflect most recent Tax Authorities' methodology to determine the recoverable tax amount, resulting in a reversal of monetary adjustment of €21,296.
- (d) It relates to the application of IAS 29 to Argentinean pesos (Note 2.1).
- (e) These captions are composed by fair value variation of trading derivative financial instruments contracted to cover exchange and interest rate risks (liquidated in 2018), and the written-put options in connection with "Baesa", "Machadinho" and "Estreito" operations;
- (f) Other financial income and expenses include income and costs related to the financial adjustments of assets and liabilities, including the effect of the financial adjustment of provisions prompt payment discounts granted and obtained and the costs related to commissions, guarantees and other bank charges in general.

In the year ended December 31, 2019, (i) other expenses caption includes the present value adjustment related to the adoption of IFRS16 in the amount of €11,388 (Note 14) and (ii) other income caption includes an amount of €8,748 related to reimbursements of financial expenses incurred by InterCement Trading e Inversiones S.A. a consequence of the positive judicial decision related to a tax dispute with tax authorities in Spain (Note 12).

In the year ended December 31, 2018, other income caption was influenced by the repurchase of bonds issued by InterCement Financial Operations, B.V. with a nominal value of USD 25,044 thousand (Note 11) which has generated a financial income in the amount of €1,891.

- (g) The year ended December 31, 2018, it was reclassified to "selling expenses" (Note 19, Item d) the amount of €6,071 in Argentinian segment (see Note 3).

21. Commitments

Purchase agreements

InterCement Brasil has a contractual agreement for purchase of raw slag effective until 2021 adjusted by the Brazilian Chamber of Construction Industry (CBIC) (“take or pay contract”) and also contracts for the acquisition of electric power until 2020, whose total estimated cash disbursements, in nominal amounts, are as follows:

	12.31.2019	12.31.2018
2019	-	7,352
2020	4,910	7,352
2021	409	613
Total	5,319	15,317

Other subsidiaries are parties to contractual agreements for the purchase of inventories and property, plant and equipment, and the operation of facilities located in third-party properties, as follows:

	12.31.2019	12.31.2018
2019	-	44,314
2020	16,479	21,540
2021	25,529	18,072
2022	22,600	18,072
After 2022	139,812	115,009
Total	204,420	217,007

The Argentinian segment has certain contractual commitments for the purchase of slag with effect until 2022. Estimated future cash flows are approximately €12,561 (ARS845.6 million) between 2020 and 2022.

The Argentinian segment also signed contracts for the supply of gas, assuming payment commitments in the total amount of approximately €18,823 (ARS1.267 million), with payment of €14,054 (ARS946 million) during the year 2020 and €4,769 (ARS321 million) in 2021.

In the year ended December 31, 2017, the Argentinian segments signed energy supply contracts with certain suppliers an energy contract, in the total amount of €6,177 (ARS415.8 million) and €12,546 (ARS844.5 million) during 2020 and 2021 and €8,868 (ARS597 million) annually between 2022 and 2037.

Additionally to the above figures, in accordance with the contract concluded with Sinoma International Engineering Co. Ltd for the construction of a new cement factory, Loma Negra C.I.A.S.A. made commitments totalling €32,201 (ARS2,167 million), plus €95,551 (USD107.4 million) and €41.600. Whereas, as agreed, the amounts in pesos (ARS2,167 million) are subject to periodic updating in accordance with an adjustment formula. The amount committed as of December 31, 2019 is €8,100 (ARS545.3 million), €2,847 (USD 3.2 million) and €0.7.

22. Earnings Per Share

The table below shows the reconciliation of profit for each year with the amounts used to calculate basic and diluted per share:

	12.31.2019	12.31.2018 (Restated)
Profit / (Loss) for the year from continuing and discontinuing operations attributable to Company's owners	109,132	(193,303)
Profit / (Loss) for the year attributable to common shares	109,132	(193,303)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	4.81	(8.52)
Loss for the year from continuing operations attributable to Company's owners	(187,120)	(199,534)
Loss for the year attributable to common shares	(187,120)	(199,534)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	(8.25)	(8.79)

As a result of the net loss from continuing operations for the years ended December 31, 2019 and 2018 the loss per share calculation does not include profit allocation to preferred shares A.

23. Insurance

Each business area is covered by InterCement Reinsurance, S.A. that is a reinsurance company responsible for managing the operational risk. This company directly assumes all property damage with indemnity limits of up to €3,0 million per insured event, and third-party liability and product risks up to €250 thousand per insured event; in each case, the excess is covered by international insurance companies. InterCement Reinsurance, S.A. covers all business areas, except for third-party liability and product risks of the companies in business area Argentina.

The scope of the work of our auditors does not include the issuance of an opinion on the sufficiency of the insurance coverage, which was determined by Management and which considers it sufficient to cover any claims.

24. Guarantees

The comfort letters and guarantees given within the Group, in the amount of €1,4 billion (€1,8 billion as of December 31, 2018), relates to financial liabilities already reflected in the consolidated financial position. In addition, as of December 31, 2019, several Group companies obtained guarantees with third parties, mainly related with tax processes in the business areas of Brazil and Spain, in the amount of €264,000 (€379,000 as of December 31, 2018).

25. Financial Instruments

The Group conduct transactions involving financial instruments, including derivatives, all of which recorded in balance sheet accounts, which are intended to meet their operating and financial needs. The Group contracts short-term investments, borrowings and financing, as well as derivatives.

25.1 Capital risk management

The Group capital structure consists on net debt (borrowings less cash equivalents and securities) and equity (which includes issued capital, reserves, retained earnings and non-controlling interests).

25.2 Financial risk management

General principles

During its normal business activities, ICP Group is exposed to a variety of financial risks likely to change its net worth, which can be grouped, according to their nature, in the following categories:

- Interest rate risk;
- Exchange rate risk;
- Liquidity risk;
- Credit risk;
- Counterparty risk.

Financial risk is deemed to mean the probability of obtaining a positive or negative outcome different to that expected, and which materially and unpredictability may result in changes in the Group's net worth.

All risk management, focused on that objective, is conducted according to two core concerns:

- Reducing, whenever possible, fluctuations in profit/loss and cash flows that are exposed to risk situations;
- Curbing deviation from forecasted financial information by means of meticulous financial planning based on multi-year budgets.

Furthermore, another concern of the Group is that the processes for managing these risks meet internal information needs and also external requirements (regulators, auditors, financial markets and all other stakeholders).

The Group, as a rule, does not take speculative positions. Therefore the sole aim of all operations carried out with the purpose of managing financial risks is to control existing risks to which the Group is unavoidably exposed.

Hedging the interest-rate risk and exchange-rate risk normally means contracting financial derivatives on the over-the-counter market (for reasons of flexibility), involving a limited number of counterparties with high ratings. These operations are undertaken with financial entities with which International Swaps and Derivatives Association (ISDA) contracts have been concluded beforehand, in accordance with international standards.

The whole treasury department is responsible for managing financial risks, including identifying, assessing and hedging such risks. This risk management is conducted under the guidance of the Executive Committee, in particular of the director responsible for the financial risk area (whose approval is required prior to any operation).

25.3 Interest rate risk

The Group's exposure to interest-rate risk arises from the fact that its balance sheet includes financial assets and liabilities that may have been contracted at fixed interest rates or at variable interest rates. In the former case, the Group runs the risk of variation in the fair value of those assets and liabilities, whereby any change in market rates involves a (positive or negative) opportunity cost. In the later case, such change has a direct impact on the amount of interest paid/received, resulting in cash account changes.

Interest-rate swaps can be contracted to hedge this type of risk, in accordance with the Group's expectations concerning the development of market rates.

Exposure to interest rate risks and to floating and fixed rates

The Group is exposed to floating interest rates and inflation rates mainly related to changes in the IGP-M, CDI, Libor, Euribor, Badlar, Broad Consumer Price Index (IPCA) and TJLP on borrowings and debentures. Interest rates on short-term investments are mostly linked to the CDI and Selic fluctuation. These positions are as follows:

	Borrowings and financing	Debentures	Cash and cash equivalents	Securities	Other payables	31.12.2019	31.12.2018
Assets							
CDI	-	-	95,601	266	-	95,867	107,198
Total	-	-	95,601	266	-	95,867	107,198
Liabilities:							
IGP-M	-	-	-	-	6,331	6,331	6,359
CDI	43,859	366,543	-	-	-	410,402	483,435
EURIBOR	196,252	-	-	-	-	196,252	283,929
LIBOR	411,397	-	-	-	-	411,397	566,958
Others	45,871	-	-	-	-	45,871	36,461
Total	697,379	366,543	-	-	6,331	1,070,253	1,377,142

At December 31, 2019 and 2018 the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, was as follows:

	12.31.2019	12.31.2018
Floating rates	62%	71%
Fixed rates	38%	29%

25.4 Exchange rate risk

The Group's is exposed to the exchange-rate risk for the currencies of different countries due to the amounts of capital invested in those countries where functional currency is different from Group functional currency.

The exchange effects of the translation of local financial statements in the Group's consolidated financial statements can be mitigated by hedging the net investments made in those countries. These operations are not frequent, considering such operations which is generally too high considering the risks involved.

When hedging the exchange-rate risk, swaps and forward contracts and with maturities equivalent to the instrument that serves as a hedging basis, are contracted.

The Group does not carry out exchange-rate operations that do not adequately cover existing or contracted positions.

The fact that the Group operates in countries with significant interest rate differentials in relation to the consolidation currency, results in the search for natural hedge strategies. In this respect there was a seeking to increase the debt of the Business Units in order to obtain better correspondence between assets and liabilities in the same currency, thus decreasing the Group's overall exposure.

Exposure to foreign exchange risk

The Group has assets and liabilities in currencies other than their own functional currencies, mainly the US dollar, and their financial results may be materially impacted by exchange rate fluctuations.

The main account groups exposed to foreign exchange risk are as follows:

	31.12.2019	31.12.2018
Assets:		
Cash, cash equivalents and securities	68.451	85.243
Trade receivables	988	4.859
Related parties (a)	404.533	528.570
Other credits	1.365	2.633
Exposed assets	475.338	621.305
Liabilities:		
Borrowings, financing and debentures (including interest payable)	937.349	1.067.641
Foreign trade payables	5.685	106.747
Related parties (a)	434.866	425.805
Other debits	1.227	442
Exposed liabilities	1.379.127	1.600.635

- (a) It relates to intercompany balances with currency exposure at least in one of the related companies, (considering subsidiaries with different functional currencies), where balances (assets and liabilities) are eliminated during the consolidation; however, gain or loss impact in exchange variation are not eliminated since impacts the statements of operations of the individual entities.

The presentation of cash and cash equivalents and securities by currencies and related foreign exchange exposures are as follows:

Functional currency	Currency	12.31.2019		12.31.2018	
		Currency	Euros	Currency	Euros
ARS	USD	4,557	4,054	22,888	19,979
BRL	USD	206	184	104	91
PYG	USD	684	609	903	788
EGP	USD	3,273	2,912	1,196	1,044
EUR	USD	64,144	57,067	69,246	60,445
MZN	USD	99	88	160	139
ARS	BRL	9	2	8	2
PYG	BRL	1	0	1	0
ARS	EUR	27	27	12	12
PYG	EUR	18	18	9	9
EGP	EUR	92	92	211	211
MZN	EUR	1,579	1,579	1,285	2,323
EUR	EGP	2,745	153	2,730	133
ARS	PYG	5,475	1	4,918	1
MZN	ZAR	2,008	127	1,093	66
EUR	MZN	105,821	1,540	-	-
Amount exposed to foreign exchange risks		68,453		85,243	
BRL	BRL	437,043	96,467	496,517	111,853
EUR	EUR	73,821	73,821	39,027	37,990
ARS	ARS	1,178,500	17,507	1,378,090	31,908
MZN	MZN	998,691	14,531	787,200	11,201
EGP	EGP	108,098	6,010	367,965	17,955
PYG	PYG	130,908,940	18,017	84,543,494	12,380
ZAR	ZAR	308,669	19,594	547,205	33,271
Amount by functional currency		245,947		256,558	
		314,400		341,801	

The main debt instruments (essentially related with loans and debentures) as of December 31, 2019 and 2018, and considering the effect of the existing cross currency swaps, when applicable, were denominated in the following currencies:

	12.31.2019	12.31.2018
USD	53%	54%
BRL	25%	25%
EUR	15%	16%
Other	7%	5%

25.5 Liquidity risk

Liquidity risk management means maintaining an appropriate level of cash resources and contracting credit limits that not only ensure the normal pursuit of the Group's activities but also meet the needs of any extraordinary operations.

The Company is currently working with its lenders to refinance its debt profile, targeting lower amortization for the next coming years, while Brazil recovers from its recent financial crises, as mentioned in Note 1 above.

25.6 Credit risk

The markets view of Group's credit risk in regards to financing operations is naturally reflected in the financial costs associated to such operations. The Group's influence in such matters is merely ancillary, embodying the prudent and balanced management of the business in order to reduce the probability of non-performance of its obligations.

The Group's level of solvency is also reflected in its Leverage ratio (Net Debt / EBITDA). As described in Notes 10 and 11, the Company agreed with financial institutions to increase of such ratio from 4.5 to 5.5 (ratio Net Debt versus EBITDA) for measuring period December 31, 2019. As of that date the covenants conditions were met and such obligation will only be measured again based on the financial figures as of December 31, 2020.

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist primarily of short-term investments. The Company and its subsidiaries maintain bank accounts and short-term investments with financial institutions approved by Management, and only carry out sale transactions according to credit approval criteria for minimizing default risks.

25.7 Counterparty risk

When the Group establishes different contractual relations with third parties, it takes on the risk of the probability of non-fulfilment or even, in an extreme scenario, default by a counterparty.

The Group endeavors to limit its exposure to this risk, when making bank deposits and other cash investments and also, when contracting derivative instruments, by carefully selecting the counterparties, based on their rating and taking into account the nature, maturity and scope of the operations.

No losses due to default by counterparties are expected based on the information currently available.

25.8 Sensitivity analysis of financial instruments

Exposure to interest-rate risk results in the variability of the Group's net financial expenses. The results of a sensitivity analysis of exposure as of December 31, 2019 were as follow:

- a) Sensitivity analysis - Interest rates with Euribor, US Libor and CDI index

A parallel change of +/- 1% in the interest rate curve applied on principal amounts as of December 31, 2019, with all the other assumptions remaining constant would result in an increase in financial costs for the period then ended (before taxes) of approximately €1,963 on the euro liability indexed to the variable rate (Euribor), €4,114 on the Dollar liability indexed to the variable rate (US Libor) and €3,145 on the Reais liability indexed to the variable rate (CDI), as shown in table below:

Indexing	Currency	Asset (liability)	1%	2%	3%
Euribor	EUR	(196,252)	(1,963)	(3,925)	(5,888)
US Libor	USD	(411,396)	(4,114)	(8,228)	(12,342)
CDI	BRL	(314,535)	(3,145)	(6,291)	(9,436)

Additionally, in the case of rates indexed in R\$ (Brazilian reais), 3 scenarios were also simulated: Scenario 1, assuming the expected rates according with the market, and two scenarios of increase of 25% (Scenario 2) and 50% (Scenario 3, Remote) in the rates, being specifically considered that as there were significant amounts invested in this currency, there was a simulation of the impact that an decrease in rates would have on these applications (CDI Assets). The results for the assets and liabilities impacts are as follows:

	Total	Risk	Scenario 1	Scenario 2	Scenario 3
Asset					
CDI	95,867	Index Decrease	5,359	4,020	2,680
Liability					
IGP-M	6,458	Index Increase	223	279	335
CDI	410,402	Index Increase	27,003	33,754	40,505

b) Exchange rates

In the debt and financial derivatives components, considering the currency distribution aforementioned, the exchange rate risks from exchange rate volatility may result in significant impacts on consolidated financial results.

Considering the Group's companies financial asset and liability profile (including intercompany balances) as of December 31, 2019, the more significant impacts on net financial results would be as follows:

Amount in USD	Funcional currency	FX Rate (12-31-19)		USD depreciation		USD appreciation	
				-10%	-5%	5%	10%
(859,507)	EUR	1.12	Effect in EUR	(76,469)	(38,234)	38,234	76,469
(82,374)	ARS	59.89	Effect in ARS	(493,339)	(246,669)	246,669	493,339
			Effect in EUR	(8,143)	(3,857)	3,490	6,662
755	PYG	6,463.95	Effect in PYG	488,204	244,102	(244,102)	(488,204)
			Effect in EUR	75	35	(32)	(61)
(862)	BRL	4.03	Effect in BRL	(347)	(174)	174	347
			Effect in EUR	(85)	(40)	37	70
81,319	ZAR	14.01	Effect in ZAR	113,968	56,984	(56,984)	(113,968)
			Effect in EUR	8,039	3,808	(3,445)	(6,577)
(21,076)	EGP	16.00	Effect in EGP	(33,724)	(16,862)	16,862	33,724
			Effect in EUR	(2,083)	(987)	893	1,705
(89,931)	MZN	61.15	Effect in MZN	(549,886)	(274,943)	274,943	549,886
			Effect in EUR	(8,890)	(4,211)	3,810	7,274

Amount in EUR	Funcional currency	FX Rate (12-31-19)		EUR depreciation		EUR appreciation	
				-10%	-5.0%	5.0%	10.0%
(34,847)	ZAR	16.53	Effect in ZAR	47,037	23,518	(23,518)	(47,037)
			Effect in EUR	2,952	1,398	(1,265)	(2,415)
81,665	BRL	4.54	Effect in ZAR	(36,998)	(18,499)	18,499	36,998
			Effect in EUR	(8,073)	(3,824)	3,460	6,605
(48,679)	MZN	66.98	Effect in ZAR	333,963	166,981	(166,981)	(333,963)
			Effect in EUR	4,804	2,275	(2,059)	(3,930)

Amount in EGP	Funcional currency	FX Rate (12-31-19)		EGP depreciation		EGP appreciation	
				-10%	-5.0%	5.0%	10.0%
43,141	EUR	17.70	Effect in EUR	244	122	(122)	(244)

(Thousand)

25.9 Categories of financial instruments

	12.31.2019	12.31.2018 (restated)
Current assets:		
Cash and bank accounts (Note 4)	173,994	143,039
Financial assets at amortized cost:		
Short-term investments - financial asset (Note 4)	1,312	20,782
Trade receivables (Note 6)	67,162	73,202
Other receivables	33,535	35,220
Financial assets at fair-value:		
Short-term investments - financial asset	121,952	162,482
Exclusive funds (Note 5)	17,142	15,498
Non-current assets:		
Financial assets at amortized cost:		
Trade receivables (Note 6)	448	745
Other receivables	35,250	35,281
Financial assets at fair-value:		
Long-term investments - financial asset (Note 5)	1,270	1,337
Derivatives	6,281	3,362
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	158,917	105,822
Borrowings and financing (Note 10)	196,320	385,538
Trade payables	263,012	249,605
Interest payable (Notes 10 and 11)	24,583	39,389
Leasing (Note 14)	27,263	-
Other payables	43,617	42,272
Financial liabilities at fair value:		
Derivatives	-	-
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	695,277	792,905
Borrowings and financing (Note 10)	667,669	653,901
Trade payables	2,698	9,948
Leasing (Note 14)	35,328	-
Other payables	26,007	29,133
Financial liabilities at fair value:		
Derivatives	-	303

25.10 Derivative transactions

As of December 31, 2019 and 2018, the fair value of derivatives is as follows:

	Assets		Liabilities	
	Non-current		Non-current	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Written-put options ("Baesa", "Machadinho" and "Estreito" operations)	6,281	3,362	-	303
	<u>6,281</u>	<u>3,362</u>	<u>-</u>	<u>303</u>

Trading derivatives

Represented by three derivatives options in connection with "Baesa", "Machadinho" and "Estreito" operations, whose asset and liability fair value as of December 31, 2019 and 2018, were estimated in the amount of €6,281 and €3,059, respectively.

Hedging derivatives

The remaining hedging derivative instruments portfolio were settled during the year ended December 31, 2018 having been paid the amount of €22,508. In accordance with IFRS9, the remaining amount excluding tax effect, accumulated up to December 2019, recorded as "other comprehensive income", in the amount of approximately €4,300 (€7,000 up to December 2018) will be amortized to the statements of operations, when the cash flow is realized.

25.11 Market values

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value as of December 31, 2017 in accordance with the following fair value seniority levels:

- Level 1: the fair value of financial instruments is based on listings on net active markets as of the date of the financial statements;
- Level 2: the fair value of financial instruments is not based on listings on net active markets but rather based valuation models;
- Level 3: the fair value of financial instruments is not based on listings on net active markets but rather on valuation models, the principal inputs of which are not observable in the market.

Category	Item	Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	Securities	17,142	121,952	-
Financial assets available for sale	Securities - non current	-	1,270	-
Financial assets at fair value	Financial derivative instruments	-	-	6,281

Estimated fair value - assets and liabilities not measured at fair value

Measurement of fair value of derivatives financial instruments is based on criteria extracted from external database agencies, and the results obtained faced with the corresponding evaluations made by counterparties.

Except as regards non-current loans the majority of financial assets and liabilities mature in the short term and so their fair value is considered to be the same as their book values.

Regarding loans and debentures, as shown in Notes 10 and 11, in general, are contracted at variable interest rates. Consequently, it is understood that the corresponding book value (amortized cost) does not differ significantly from their corresponding market value, except for the Senior Notes issued by Cimpor B.V. and for the fixed interest rate loans contracted in the Brazilian segment, which effect of their valuation to fair value in relation to their book value being as follows:

	12.31.2019	31.12.2018
Fair value	779,052	842,763
Carrying amount (note 11)	861,608	918,202

26. Operating Segment

The operating segments are identified based on the internal reports on the Company's components, periodically reviewed by the Chief Executive Officer (CEO), the chief operating decision-maker, so that funds can be allocated to the segments and their performances assessed.

To manage its business taking into consideration its financial and operating activities, the Company classified its business into each geographical area where the Company operates.

The profit and loss information are as follows:

	12.31.2019				12.31.2018 (Restated)			
	Net Revenue			Results	Net Revenue			Results
	Foreign sales	Intersegment sales	Total		Foreign sales	Intersegment sales	Total	
Operating segments:								
Brazil	427,110	465	427,575	(43,772)	418,757	970	419,727	(92,793)
Argentina and Paraguay	592,147	-	592,147	114,611	644,138	-	644,138	114,247
Egypt	118,412	-	118,412	(32,790)	114,764	-	114,764	(2,653)
Mozambique	113,039	-	113,039	15,081	107,331	-	107,331	15,468
South Africa	124,032	2,759	126,791	12,111	133,585	2,613	136,198	21,930
Total	1,374,740	3,224	1,377,964	65,241	1,418,575	3,583	1,422,158	56,199
Unallocated (a)	10,413	59,310	69,723	(34,077)	38,052	122,988	161,040	(10,686)
Eliminations	-	(62,534)	(62,534)	-	-	(126,571)	(126,571)	-
Sub-total	1,385,153	-	1,385,153	31,164	1,456,627	-	1,456,627	45,513
Share of profit of associates				-				-
Income before financial income (expenses)				31,164				45,513
Foreign exchange, net				(16,117)				(78,931)
Financial income				50,138				46,262
Financial expenses				(181,957)				(182,504)
Income before income tax and social contribution				(116,772)				(169,660)
Income tax and social contribution				(31,159)				(33,336)
Loss for the year from continuing operations				(147,931)				(202,996)
Profit for the year from discontinuing operations				300,534				7,394
Profit/(Loss) for the year				152,603				(195,602)

This caption includes holding companies and trading companies not attributable to specific segments.

The profit for each years above includes the full amount of the Company's segments disregarding the following amounts attributable to noncontrolling interests:

	Noncontrolling interests	
	12.31.2019	12.31.2018 (Restated)
Continuing operating segments:		
Brazil	9,480	(18,805)
Argentina and Paraguay	33,229	28,742
Egypt	(1,808)	(997)
Mozambique	1,010	1,284
South Africa	899	4,014
	42,810	14,238
Unallocated	(3,621)	(17,704)
	39,189	(3,466)
Discontinued operating segments	4,282	1,167
Profit (loss) for the year attributable to non-controlling interests	43,471	(2,299)

Other information:

	12.31.2019		12.31.2018	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Continuing operating segments:				
Brazil	50,749	89,702	45,042	119,829
Argentina and Paraguay	223,763	50,915	117,694	53,930
Egypt	9,402	45,439	5,059	8,846
Mozambique	5,917	8,412	33,856	11,416
South Africa	11,562	9,828	10,421	9,223
	301,393	204,296	212,072	203,244
Unallocated	2,362	3,353	3,263	1,727
	303,755	207,649	215,335	204,971
Discontinuing operating segments	-	-	11,202	48,074
Total	303,755	207,649	226,537	253,045

The impairment losses, when it occurs, respects to impairment losses on goodwill, tangible and intangible assets.

In the year ended December 31, 2019 impairment losses were recorded in Brazil in the amount of €7,459 and in Egypt of €6,652 (Note 9)

In the year ended December 31, 2018 impairment losses were recorded in Brazilian business segment for tangible assets in the amount of €51,580 (R\$221,985 thousand) and €233,573 (R\$846,535 thousand) respectively (Note 8).

In addition, segment assets and liabilities reconciled with the consolidated balances as of December 31, 2019 and 2018 are as follows:

The assets and liabilities unallocated includes assets and liabilities not attributable to specific segments basically allocated to holding and trading companies.

27. Events After the Reporting Period

In January 2020, management agreed (i) with debenture holders to extend the instalment in the amount of €55,035 (R\$250,000 thousand) that was due in January, 2020 to April, 2020 and (ii) to extend from January to March the bilateral loan amortization of €39,145 (USD44,000 thousand). The above extensions is part of management's efforts to refinance its bank indebtedness, as mentioned in Note 1.

In January 2020, €6,228 (USD7,000 thousand) were amortized on Caue Austria Bilateral Loan. In February 2020, the Company liquidated the Commercial Paper issued at InterCement Portugal (former Cimpor SGPS) in the amount of €35,000. The credit line was refinanced by a new unsecured debt issued on March 16th, totalling €25,386 (R\$115,000 thousand) for the period of one year at the rate of CDI + 3%.

Corona virus

In the beginning of 2020, a new virus (Corona Virus) spread out across the globe resulting in several actions taken by different countries to contain the virus dissemination. Such actions include, among others, restrictions of people agglomeration and travels. Furthermore, the situation brought a severe market volatility and uncertainties about Global Gross Domestic Product ("GDP") in 2020.

Management is continually monitoring any possible impact in the Company's business and has created a Crisis Committee in order to monitor and evaluate the implementation of measures to mitigate the effects derived from this situation.

As of the issuance date of the financial statements, based on our internal assessments and actions taken by Authorities in each region that the Company is located, the operation was reduced in production lines to minimize the risks, even though it was not deemed necessary to suspend any operation with exception to Argentina business segment, as described below.

The Argentinian Government announced on March 19, 2020 social, preventive and mandatory isolation until March 31, 2020, therefore, the production and dispatch of cement, concrete and aggregates operations were suspended until the conditions necessary to resume activities are in place. Necessary measures to supply its products in accordance with the exceptions described in the Decree will be taken shortly. It was also suspended the construction of L'Amalí Plant.

28. Authorization for Completion of Financial Statements

At the meeting held on March 25, 2020, the Board of Directors authorized the completion of this consolidated financial statements.