



# INTERIM CONSOLIDATED FINANCIAL REPORT

2<sup>ND</sup> QUARTER  
2019



**InterCement**

Building sustainable partnerships

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## Adj. EBITDA margin expansion of 4.9 p.p., led by operational improvements in Brazil

### 1. 2Q19 Performance

- Cement and clinker volumes decreases 1.4% in the period, mostly driven by contractions on both Argentina and Egypt, which remained on a downward trend. Meanwhile, Brazil kept its single digit pace of growth, and both South Africa and Mozambique posted significant recovery from weak 1Q19.
- Total Sales registered 342 million euros, a 6.1% decrease vs. 2Q18, mainly affected by Argentinian Peso depreciation (60%). Excluding forex impact, sales would have declined 2.2%.
- Adjusted EBITDA reached 67 million euros, an increase of 25.5% when compared to 2Q18 adjusted EBITDA from continuing operations of 53 million euros. Adjusted EBITDA margin expanded 4.9 p.p. to 19.6%.
- Net Income registered losses of 6 million euros. Despite being at negative terrain, it represented an improvement of 50 million euros vs. the same period of last year, led by enhanced costs control and lower financial expenses.
- Free Cash Flow to the company registered negative 46 million euros, compared to negative 85 million euros in the second quarter of the previous year, mainly benefitted by 50 million proceeds from the sale of the Portuguese and Cape Verde assets and by lower interests paid, while negatively affected by higher Capex mostly associated to L'Amali II project.
- Net Debt totaled 1,434 million euros, a reduction of 10.1% from the level in 2018 year-end as consequence of the company focus on strengthening its capital structure – lowest level since 2011.

#### KEY FIGURES

(mn €, unless otherwise expressed)	2Q19	2Q18 Restated	Var. %	1H19	1H18 Restated	Var. %
Cement and Clinker Sales ('000 ton)	<b>4.831</b>	4.901	-1,4%	<b>9.646</b>	9.909	-2,7%
Sales	<b>342</b>	364	-6,1%	<b>694</b>	751	-7,6%
EBITDA	<b>60</b>	51	16,6%	<b>114</b>	119	-4,3%
Adjusted EBITDA <sup>1</sup>	<b>67</b>	53	25,5%	<b>131</b>	122	6,8%
Net Debt <sup>2</sup>	<b>1.434</b>	1.717	-16,5%	<b>1.434</b>	1.717	-16,5%
Net Debt (31 Dec)	-	1.595	-10,1%	-	1.595	-10,1%
FCF	<b>-46</b>	-85	-46,2%	<b>236</b>	-298	-179,3%

<sup>1</sup> EBITDA excluding non-recurring items

<sup>2</sup> Net Debt = gross debt (which excludes interest payable), less cash and cash equivalents and securities

## 2. Profit and Loss

INCOME STATEMENT						
	2Q19	2Q18 Restated	Var. %	1H19	1H18 Restated	Var. %
<b>Sales</b>	<b>341,8</b>	<b>364,1</b>	<b>-6,1%</b>	<b>693,8</b>	<b>750,6</b>	<b>-7,6%</b>
Net Operational Cash Costs	281,8	312,6	-9,9%	579,8	631,4	-8,2%
<b>Operational Cash Flow (EBITDA)</b>	<b>60,0</b>	<b>51,5</b>	<b>16,6%</b>	<b>114,0</b>	<b>119,2</b>	<b>-4,3%</b>
Deprec. Amort. and Impairments	38,1	38,1	0,0%	81,7	73,1	11,7%
<b>Operating Income (EBIT)</b>	<b>21,9</b>	<b>13,4</b>	<b>63,7%</b>	<b>32,3</b>	<b>46,1</b>	<b>-29,8%</b>
Financial Results	-9,2	-62,7	-85,4%	-56,8	-113,6	-50,0%
<b>Pre-tax Income</b>	<b>12,7</b>	<b>-49,3</b>	<b>-125,8%</b>	<b>-24,4</b>	<b>-67,6</b>	<b>-63,8%</b>
Income Tax	14,4	8,2	74,3%	16,3	15,6	4,6%
Net Inc. from continuing Operations	-1,6	-57,6	-97,2%	-40,8	-83,2	-51,0%
Net Inc. from discontinuing Operations	-4,7	1,4	s.s.	309,4	4,6	s.s.
<b>Net Income</b>	<b>-6,4</b>	<b>-56,1</b>	<b>-88,7%</b>	<b>268,6</b>	<b>-78,5</b>	<b>-442,0%</b>
Attributable to:						
Shareholders	-19,7	-46,2	-57,4%	237,8	-74,5	-419,0%
Minority Interests	13,3	-9,9	-234,8%	30,8	-4,0	s.s.

**Volumes Sold** decreased by 1.4%, reflecting the challenging markets conditions in Argentina and Egypt, while Brazil posted single digit growth (5.7%). Moreover, Mozambique and South Africa showed recovery from prior quarter and reached mid-single digit expansion (+5.2% and +4.6%, respectively).

**Sales**, despite rising on a local currency basis (+15.5%), were down 6.1% in euros. Despite 35% increase in consolidated average cement price, it was offset by Argentinian Peso depreciation of 60% and by decrease on volume sold.

**EBITDA** expanded 16.6%, totalling 60 million euros, mostly helped by the improvement of 12.4 million euros in Brazil. Excluding the forex impact in Argentina, EBITDA would have increased around 50%. Consolidated EBITDA margin raised 3.4 p.p. to 17.6% driven mainly by material margins expansion in Brazil and Paraguay, due to better costs management in both countries.

**Adjusted EBITDA**<sup>1</sup>, considering continuing operations, increased 25.5% YoY, reaching 67 million euros. 2Q18 registered 1.8 million euros of non-recurring items, while 2Q19 registered 6.9 million euros from non-recurring mostly related to lay-off expenses in Argentina and Portugal.

<sup>1</sup> EBITDA excluding non-recurring items

**Depreciation and Amortizations** were flat in the quarter, at 38 million euros, already affected by IFRS16 implementation, which became effective on Jan 1<sup>st</sup> 2019 (see more details in explanatory note 2.3 of interim consolidated financial statement).

**Financial Results** improved by 54 million euros, or 50%, mostly driven by lower financial expenses – down 28% or 30 million euros, and helped by forex impact of 18 million euros. This is result of 18.6% net debt decrease vs. 2Q18 as consequence of the execution of InterCement Deleveraging and Liability Management Plan.

**Income taxes** increased 6 million euros mostly affected by the reversion of deferred taxes provisions occurred in 1Q19 equivalent to 3 million euros.

**Net Income** came at 6 million euros loss representing an improvement of 50 million euros when compared to 2Q18, driven by EBITDA margin expansion and better financial results.

### 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.

Cash flow from operations was positive at 23 million euros, mostly as result of (i) better working capital management, 23% better than 2Q18 – mainly in Argentina; and (ii) higher adjusted EBITDA generation, up 25.6% YoY – when considering continuing operations.

Interests paid in 2Q19 dropped 40.3% vs 2Q18 on the merits of the Liability Management Plan execution, which aims to strengthen company's capital structure and lead to alleviate financial expenses burden. Repayments of borrowings were 46.1% lower than previous period, as 2Q18 repayments were boosted by solid cash position after Loma Negra's IPO.

CAPEX increased 110.5% in the period, mainly because of the disbursement related to L'Amali II project, which represented 60% of the CAPEX in 2Q19 vs 13% in 2Q18. L'Amali II is expected to be concluded in mid-2020 and total investments are estimated to reach around 300 million euros to be disbursed in 3-4 years. During the first six months of the year we saw around 90 million euros investment vs. around 30 million euros in 1H18.

The Company already cash collected from the sale of Portugal and Cape Verde discontinued operations a total amount of 676 million euros (50 million euros during 2Q19), see more details in explanatory note 2.4 of interim consolidated financial statement).

Cash and Cash Equivalents as at June 2019 reached 275 million euros, including financial instruments such as securities. Meanwhile Cash and Cash Equivalents in 2Q18, on an Integral Basis (including Portugal and Cape Verde), reached 328 million euros.



**FREE CASH FLOW GENERATION MAP**

	2Q19	2Q18*	1H19	1H18*
Adjusted EBITDA	66,9	69,1	131	156,7
Change in Working Capital	-21	-45	-171	-212
Others	-8	-5	-19	-8
<b>Operating Activities</b>	<b>37</b>	<b>19</b>	<b>-60</b>	<b>-63</b>
Interests Paid & Derivative Unwinding	-33	-56	-66	-111
Income taxes Paid	-13	-14	-14	-22
<b>Cash Flow before investments</b>	<b>-9</b>	<b>-51</b>	<b>-140</b>	<b>-196</b>
CAPEX	-74	-35	-128,3	-106
Assets Sales / Others <sup>1</sup>	37	1	621	4
Intersegment payments to carved-out companies	0	0	-117	0
<b>Free Cash Flow to the company</b>	<b>-46</b>	<b>-85</b>	<b>236</b>	<b>-298</b>
Borrowings, financing and debentures	64	11	91	21
Repayment of borrowings, financ. and debent.	-128	-237	-344	-561
Capital Increases/Decreases	-67	0	-67	0
Dividends	0	0	-47	0
Other investment activities	1	-7	0	32
Changes in cash and cash equivalents	-176	-317	-130	-807
Exchange differences	2	5	3	-29
Cash and cash equivalents, End of the Period	275	328	275	328

\* Integral Basis

<sup>1</sup> please refer to explanatory note 2.4 of Interim Consolidated Financial Statement

## 4. Balance Sheet

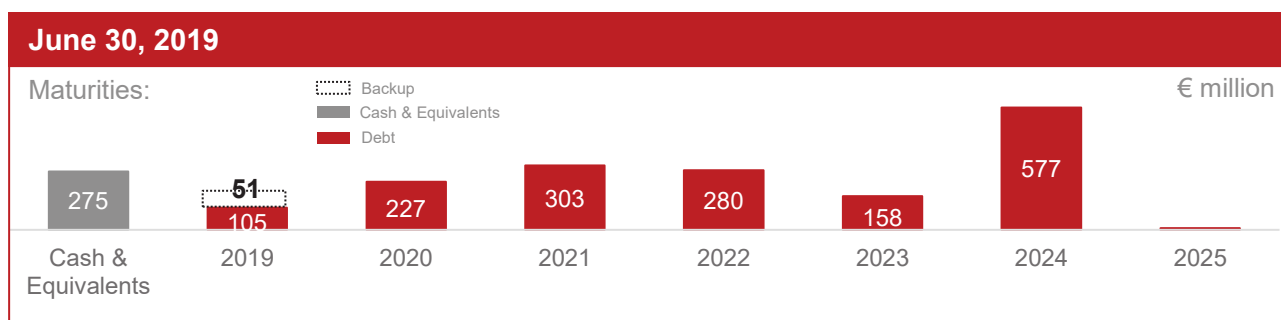
**Total Assets** stood at 3,722 million euros, an 11.1% reduction from December 31, 2018, mostly as result of the sale of the assets classified as “held for sale” and the cash & equivalents due the impact of the debt prepayment and Interests payments.

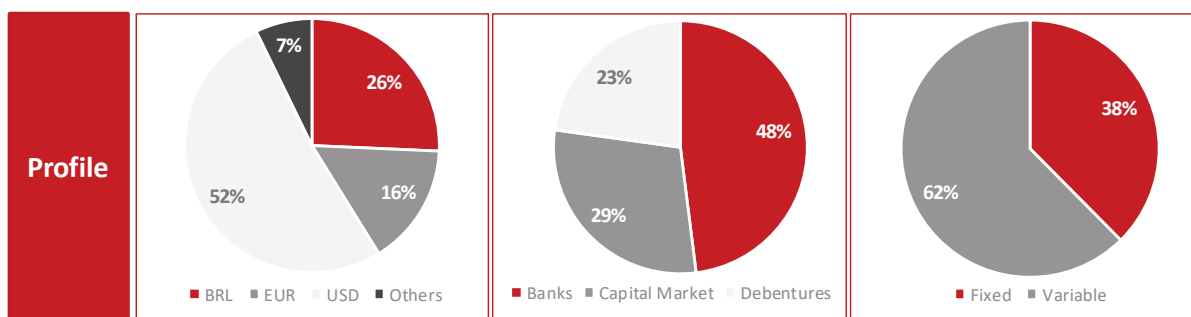
**Gross Debt**, registered 1,709 million euros, the lowest level in the Company since 2011, representing 72 million euros decrease compared to March 31, 2019, when registered 1,782 million euros. When considering the 275 million euros cash position, 2Q19 net debt amounted 1,434 million euros, higher than 1Q19 due to the cash reduction in the period. Up to 2Q19, 421 million euros of the proceeds of the sale of Portugal and Cape Verde assets were addressed to debt reduction under the liability management program efforts.

**CONSOLIDATED BALANCE SHEET SUMMARY**

(€ million)	2Q19	4Q18	Var. %
<b>Assets</b>			
Non-current Assets	2.884	2.677	7,7%
Derivatives	5	3	60,4%
Current Assets			
Cash and Equivalents	275	342	-19,6%
Derivatives	0	0	
Other Current Assets	558	415	34,5%
Assets classified as held for sale	0	747	-100,0%
<b>Total Assets</b>	<b>3.722</b>	<b>4.184</b>	<b>-11,0%</b>
Shareholders' Equity attributable to:			
Equity Holders	878	882	-0,4%
Minority Interests	329	282	16,6%
<b>Total Shareholders' Equity</b>	<b>1.207</b>	<b>1.164</b>	<b>3,7%</b>
Current Liabilities			
Loans & Obligations	316	491	-35,7%
IFRS 16	10	0	
Derivatives	5	3	
Provisions & Employee benefits	0	0	-100,0%
Other Current Liabilities	398	424	-6,1%
Non-Current Liabilities			
Loans & Obligations under finance leases	1.393	1.447	-3,7%
IFRS 16	27	0	
Derivatives	0	0	-100,0%
Provisions & Employee benefits	71	70	0,8%
Other Liabilities	295	278	6,3%
Liabilities assoc. w/ assets classified as held for	0	307	-100,0%
<b>Total Liabilities</b>	<b>2.515</b>	<b>3.021</b>	<b>-16,7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3.722</b>	<b>4.184</b>	<b>-11,0%</b>

The profile of Debt as of June 30, 2019 was as follows.





## 5. Operations in-depth look – 2Q’19

### Brazil

InterCement’s cement and clinker sales continued to increase, up 5.7% YoY in the period, as result of company’s focus on market segmentation approach, potentially helped by the recovery seen in housing sector launches. In the first six months of the year, industry grew 1.5% YoY while InterCement expanded 6.8%. Moreover, a positive agenda in Brazil could boost growth perspectives in volumes – Industry Association foresees 3% growth potential for 2019. On the negative side, industry high idle capacity and fierce competitive environment led prices to remain under pressure.

EBITDA in Q2 improved by 12.4 million euros YoY due to weak comparison base in 2Q18, which was mainly penalized by truck drivers’ strike, but also as result of significant reduction in costs structure, leading EBITDA margin to expand to 7.5% in 1H19.

### Argentina & Paraguay

Argentina and Paraguay business unit posted EBITDA significant expansion of 38% in local currency, however as consequence of Argentinian Peso devaluation from 2Q18 to 2Q19, EBITDA in the region fell 4.8%. Nevertheless, EBITDA margin was able to expand, +120bps to 25.8%.

In Argentina, as result of challenging political and economic context, demand persisted on a weak trend and led cement and clinker sales to decline 10.4% YoY (or 155k tons) in the period. On the other hand, Loma Negra’s solid market approach allowed price adjustments to mitigate inflationary pressure. EBITDA decreased by 7.1% in 2Q19, while margins expanded 65bps. L’Amali plant expansion on track to be concluded in mid-2020, which should add capacity of 2.7mn tons per year and raise business unit profitability.

Paraguayan sales fell 6% YoY in 2Q18 as volumes were affected by heavier rains during the period, mitigated by the commercial strategy that led to solid recovery of sales in June. Such commercial performance combined with the continuous industrial improvement reaffirmed EBITDA growth of 14% YoY and allowed EBITDA margin to expand.



## Africa

InterCement's cement and clinker volumes sold in Africa decreased 2.0%, recovering from a material slump in previous quarter (almost 10% down YoY in 1Q19), as South Africa and Mozambique posted significant improvements during 2Q19.

Cement volumes in South Africa posted mid-single digit expansion, leading sales to increase 4.8% in local currency – despite declining by 3.7% when converted to euros. In the cost side, variable costs continued to be affected by higher fuel costs, which were partially offset by larger participation of co-processed energy. EBITDA declined by 0.5 million euros while margins fell 80bps.

In Mozambique, after weak volumes registered in 1Q19 due to the tropical cyclones impacts, cement volumes sold improved driven by reconstruction of areas that were hit – in the central and north regions. Therefore, sales were able to raise 6.1%, also helped by pricing policy given Company's strong position in the different markets. However, raising costs, specially related to energy, led EBITDA to decrease by 1.1 million euros.

Finally, heated competitive environment and weak demand remained to affect Egypt's top line. Sales were down in local currency, while excluding forex impact, would have increased by 8% helped by material EGP\$ appreciation. Thus, leading EBITDA to expand 7.6% with stable margins due to well managed fixed costs and fuel costs decelerated vs. 1Q19.

**CEMENT AND CLINKER VOLUMES SOLD**

	2Q19	2Q18 Restated	Var. %	1H19	1H18 Restated	Var. %
BRA	2.079	1.966	5,7%	4.036	3.778	6,8%
ARG & PAR	1.456	1.612	-9,7%	2.978	3.336	-10,7%
AFRICA	1.296	1.322	-2,0%	2.632	2.795	-5,9%
<b>Sub-Total</b>	<b>4.831</b>	<b>4.901</b>	<b>-1,4%</b>	<b>9.646</b>	<b>9.909</b>	<b>-2,7%</b>
Intra-Group Eliminations	-	-	s.s.	0	0	s.s.
<b>Consolidated Total</b>	<b>4.831</b>	<b>4.901</b>	<b>-1,4%</b>	<b>9.646</b>	<b>9.909</b>	<b>-2,7%</b>
Operations in Continuation	4.831	4.901	-1,4%	9.646	9.909	-2,7%
Discontinued Operations	-	794	-	-	1.578	-

**NET REVENUES**

(€ million)	2Q19	2Q18 Restated	YoY	1H19	1H18 Restated	YoY
BRA	102	103	-1,8%	200	204	-1,6%
ARG & PAR	156	172	-9,3%	322	359	-10,2%
AFRICA	85	83	2,6%	166	166	0,2%
Others	22	32	-32,1%	60	74	-19,5%
<b>Sub-Total</b>	<b>364</b>	<b>390</b>	<b>-6,7%</b>	<b>748</b>	<b>802</b>	<b>-6,7%</b>
Intra-Group Eliminations	-22	-26	-14,2%	-54	-51	5,6%
<b>Consolidated Total</b>	<b>342</b>	<b>364</b>	<b>-6,1%</b>	<b>694</b>	<b>751</b>	<b>-7,6%</b>
Operations in Continuation	342	364	-6,1%	694	751	-7,6%
Discontinued Operations	-	66	-	-	116	-

**ADJ. EBITDA - BU OPENING**

(€ million)	2Q19	2Q18 Restated	Var. %	1H19	1H18 Restated	Var. %
BRA	10,7	-1,3	s.s.	15,4	6,2	148,7%
ARG & PAR	43,6	42,7	2,2%	95,3	91,2	4,5%
AFRICA	15,2	16,4	-7,4%	24,6	29,8	-17,4%
Others	-2,6	-4,5	-41,7%	-4,7	-4,9	-2,8%
<b>Consolidated Total</b>	<b>66,9</b>	<b>53,3</b>	<b>25,5%</b>	<b>130,6</b>	<b>122,3</b>	<b>6,8%</b>
<b>EBITDA Margin</b>	<b>19,6%</b>	<b>14,6%</b>	<b>4,9 p.p.</b>	<b>18,8%</b>	<b>16,3%</b>	<b>2,5 p.p.</b>
Operations in Continuation	66,9	53,3	25,5%	130,6	122,3	6,8%
Discontinued Operations	-	15,7	-	-	34,3	-

## 6. Corporate and subsequent events

### Portuguese and Cape Verde assets sales

During August 2019, additional 20 million euros proceeds from the sale of the Portugal and Cape Verde operations were received in cash – 10 million euros are still pending to be received over the total of 707 million euros reference price.

### Argentina

On August 11<sup>th</sup>, 2019, the primary of presidential elections in Argentina took place, presenting significant differences with respect to official surveys and potentially bringing political and economic uncertainties, what led to material capital market correction along with a significant depreciation of Argentinian peso. See more details in explanatory note 22.

#### *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.*



**Intercement  
Participações S.A.  
and Subsidiaries**

**Condensed Consolidated Interim  
Financial Information for the six  
months period ended  
June 30, 2019**



**InterCement**

Building sustainable partnerships

## **Independent Auditor’s Review Report on Interim Financial Information**

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

### **Introduction**

We have reviewed the accompanying condensed consolidated interim financial information of InterCement Participações S.A. and subsidiaries (the “Company”), comprising the statement of financial position as of June 30, 2019 and the related statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for preparation and fair presentation of the condensed consolidated interim financial information in accordance with “IAS 34 – Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with international standards on review engagements (ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the condensed consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information referred to above are not prepared, in all material respects, in accordance with “IAS 34 – Interim Financial Reporting”, applicable to the preparation of interim financial information.



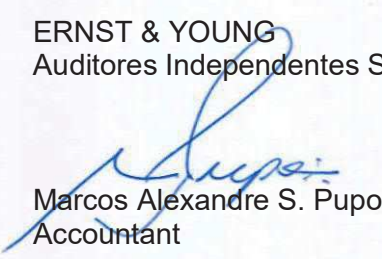


## Other matters

The audit of the figures from the consolidated statement of financial position for the year ended December 31, 2018, and the review of the condensed consolidated interim financial information for the six-month period ended June 30, 2018, presented for comparative purposes and originally prepared before the restatement of the matters described in notes 2.4 and 2.5, were conducted by another independent auditor, who issued reports dated April 26, 2019 and September 12, 2018, respectively, containing unmodified opinion and conclusion, respectively. The report on the consolidated statement of financial position for the year ended December 31, 2018 included an “emphasis of matter” related to the restatement due to errors on the December 31, 2018 consolidated financial statements. As part of our review of the June 30, 2019 condensed consolidated interim financial information, we also reviewed the adjustments described in notes 2.4 and 2.5 that were applied to amend the aforementioned financial statements. In our conclusion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures regarding to the aforementioned financial statements of the Company, used for comparative purposes, other than with respect to the adjustments and, accordingly, we do not express an opinion, conclusion or any other form of assurance on these financial statements taken as a whole.

São Paulo, September 12, 2019.

ERNST & YOUNG  
Auditores Independentes S.S.



Marcos Alexandre S. Pupo  
Accountant



**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**
**Condensed Interim Consolidated Statements of Financial Position as of June 30, 2019 and December 31, 2018**

(In thousands of Euros - €)

ASSETS	Notes	06.30.2019	12.31.2018	LIABILITIES AND SHAREHOLDER'S EQUITY	Notes	06.30.2019	12.31.2018
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	4	258.013	326.303	Trade payables		230.295	249.605
Securities	5	16.879	15.498	Debtentures	10	107.798	105.822
Trade receivables	6	109.636	73.202	Borrowings and financing	9	208.168	385.538
Inventories		301.953	263.911	Interest payable	9 and 10	34.870	39.389
Recoverable taxes		53.211	42.547	Obligations under finance leases (IFRS 16)	2,3	10.314	-
Derivatives	19.10	-	-	Taxes payable		60.976	57.982
Other receivables		93.305	35.220	Payroll and related taxes		30.856	25.116
		<u>832.997</u>	<u>756.681</u>	Dividends and interest on capital		257	159
				Advances from customers		9.080	12.548
				Actuarial liabilities		-	38
				Other payables		<u>36.929</u>	<u>42.272</u>
						<u>729.543</u>	<u>918.469</u>
Assets classified as held for sale	2,4	-	747.031	Liabilities directly associated with assets classified as held for sale	2,4	-	307.057
Total current assets		<u>832.997</u>	<u>1.503.712</u>	Total current liabilities		<u>729.543</u>	<u>1.225.526</u>
<b>NONCURRENT ASSETS</b>				<b>NONCURRENT LIABILITIES</b>			
Securities	5	1.353	1.337	Trade payables		22.177	9.948
Trade receivables	6	613	745	Debtentures	10	752.174	792.905
Inventories		32.926	31.295	Borrowings and financing	9	641.026	653.901
Recoverable taxes		66.181	62.423	Obligations under finance leases (IFRS 16)	2,3	26.503	-
Deferred income tax and social contribution		15.340	15.211	Provision for tax, civil and labor risks	11	54.584	53.883
Escrow deposits		18.622	16.675	Provision for environmental recovery		15.431	15.625
Derivatives	19.10	5.393	3.362	Taxes payable		3.849	4.060
Other receivables		31.534	35.281	Deferred income tax and social contribution		239.698	234.636
Property Investment		4.449	4.033	Actuarial liabilities		710	639
Investments		637	562	Derivatives	19.10	-	303
Right-of-use assets	2,3	35.830	-	Other payables		<u>29.651</u>	<u>29.133</u>
Property, plant and equipment	7	1.530.117	1.369.918	Total noncurrent liabilities		<u>1.785.803</u>	<u>1.795.033</u>
Intangible assets:				<b>TOTAL LIABILITIES</b>		<u>2.515.346</u>	<u>3.020.559</u>
Goodwill	8	1.004.066	984.754				
Other intangible assets	8	142.117	154.871	<b>SHAREHOLDER'S EQUITY</b>			
Total noncurrent assets		<u>2.889.178</u>	<u>2.680.467</u>	Capital	13	1.081.588	1.081.588
				Capital reserves	13	393.091	459.978
				Earnings reserves	13	413.921	460.894
				Accumulated earnings (losses)	13	44.355	(193.415)
				Other comprehensive income	13	(1.054.935)	(927.349)
				Shareholder's equity attributable to the Company's owners		<u>878.020</u>	<u>881.696</u>
				Non-controlling interests	13	328.809	281.924
				Total shareholder's equity		<u>1.206.829</u>	<u>1.163.620</u>
<b>TOTAL ASSETS</b>		<u>3.722.175</u>	<u>4.184.179</u>	<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>3.722.175</u>	<u>4.184.179</u>

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**
**Condensed Interim Consolidated Statements of Profit or Loss for the six months period ended June 30, 2019 and 2018**

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

	Notes	06.30.2019	06.30.2018 (Restated - Note 2.4)
<u>CONTINUING OPERATIONS</u>			
NET REVENUE	21	693,838	750,555
COST OF SALES AND SERVICES	15	(571,860)	(607,355)
GROSS PROFIT		121,978	143,200
OPERATING EXPENSES			
Administrative and selling expenses	15	(99,224)	(99,501)
Other income	15	9,593	2,379
INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND INCOME TAX AND SOCIAL CONTRIBUTION		32,347	46,078
FINANCIAL INCOME (EXPENSES)			
Foreign exchange, net	16	(2,438)	(20,048)
Financial income	16	24,255	14,873
Financial expenses	16	(78,607)	(108,474)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(24,443)	(67,571)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	14	(18,361)	(9,703)
Deferred	14	2,034	(5,902)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(40,770)	(83,176)
<u>DISCONTINUED OPERATIONS</u>			
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2.4	309,389	4,642
PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Company's owners	18	237,770	(74,538)
Non-controlling interests	13	30,849	(3,996)
PROFIT / (LOSS) PER SHARE FOR CONTINUING OPERATIONS			
Basic/diluted loss per share	18	(2.96)	(3.44)
LOSS PER SHARE FOR CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS			
Basic/diluted profit / (loss) per share	18	10.48	(3.29)

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**
**Condensed Interim Consolidated Statements of Comprehensive Income for the six-months period ended June 30, 2019 and 2018**

(In thousands of Euros - €)

	Notes	06.30.2019	06.30.2018 (Restated)
<u>CONTINUING OPERATIONS</u>			
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(40.770)	(83.176)
Other comprehensive income:			
Items that might be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations	13	(185.912)	(442.817)
Adoption of IAS29	2.1	72.883	-
Hedging derivatives financial instruments	13	1.479	218.804
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(152.320)	(307.189)
<u>DISCONTINUED OPERATIONS</u>			
INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2.4	309.389	4.642
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS		309.389	4.642
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Company's owners		(194.673)	(252.339)
Non-controlling interests		42.353	(54.850)
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO:			
Company's owners		110.184	(248.811)
Non-controlling interests		46.885	(53.736)

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**
**Condensed Interim Consolidated Statements of Changes in Equity for the six months period ended June 30, 2019 and 2018**

(In thousands of Euros - €)

Notes	Share capital	Capital Reserves	Earnings reserves		Accumulated profit / (losses)	Total attributable to the Company's owners	Non-controlling interests	Total equity
			Transactions with noncontrolling interests	Other comprehensive income				
BALANCE AT DECEMBER 31, 2017 (Originally presented)	1,080,949	393,034	918,110	(836,819)	(714,314)	840,960	462,501	1,303,461
Adjustment	-	-	265,114	(40,450)	-	224,664	(224,664)	-
BALANCE AT DECEMBER 31, 2017 (Restated - Note 2.5)	1,080,949	393,034	1,183,224	(877,269)	(714,314)	1,065,624	237,837	1,303,461
Loss for the period	-	-	-	-	(74,538)	(74,538)	(3,995)	(78,533)
Aquisition of noncontrolling interests	-	-	1,170	-	-	1,170	(2,671)	(1,501)
Dividends paid to noncontrolling interests	13	-	-	-	-	-	(303)	(303)
Other comprehensive income	-	-	-	(174,272)	-	(174,272)	(49,741)	(224,013)
BALANCE AT JUNE 30, 2018 (Restated - Note 2.5)	1,080,949	393,034	1,184,394	(1,051,541)	(788,852)	817,984	181,127	999,111
BALANCE AT DECEMBER 31, 2018	1,081,588	459,978	460,894	(927,349)	(193,415)	881,696	281,924	1,163,620
Capital decrease	13	(66,887)	-	-	-	(66,887)	-	(66,887)
Profit for the period	-	-	-	-	237,770	237,770	30,849	268,619
Dividends to preferred shares - paid	13	-	(46,973)	-	-	(46,973)	-	(46,973)
Hyperinflationary monetary adjustment (Note 2.2)	-	-	-	34,906	-	34,906	37,977	72,883
Other comprehensive income	-	-	-	(162,492)	-	(162,492)	(21,941)	(184,433)
BALANCE AT JUNE 30, 2019	1,081,588	393,091	413,921	(1,054,935)	44,355	878,020	328,809	1,206,829

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

**INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**
**Condensed Interim Consolidated Statements of Cash Flows for the six months period ended June 30, 2019 and 2018**

(In thousands of Euros - €)

	Notes	06.30.2019	06.30.2018
Profit / (Loss) before income tax and social contribution from continuing and discontinuing operations		284.946	(61.311)
Adjustments to reconcile income before income tax and social contribution with net cash generated (used) by operating activities:			
Depreciation, amortization and impairment losses	15	81.668	97.200
Reversal of allowance for probable losses, net		(2.454)	(1.804)
Interest (income) expenses, exchange differences and other finance charges	16	56.790	117.270
Gain on sale of property, plant and equipment	15	(2.627)	(3.126)
Gain on sale of discontinued operations and reversal of exchange differences	2.4.	(309.389)	-
Equity result		-	(562)
Other noncash operating losses		2.656	879
Decrease (increase) in operating assets:			
Related parties		-	259
Trade receivables		(47.522)	(95.859)
Inventories		(45.747)	(43.803)
Recoverable taxes		(953)	2.299
Other receivables		(22)	(6)
Increase (decrease) in operating liabilities:			
Related parties		-	(97)
Trade payables		(48.894)	(12.409)
Payroll and vacation payable		1.617	(2.332)
Other payables		(30.279)	(62.886)
Taxes payable		684	3.155
Cash used by operating activities		(59.526)	(63.133)
Income tax and social contribution paid		(13.998)	(21.854)
Interest paid		(66.067)	(83.937)
Net cash used by operating activities		(139.591)	(168.924)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Redemption of (Investments in) securities		(274)	33.429
Purchase of property, plant and equipment		(127.828)	(104.792)
Increase in intangible assets		(518)	(892)
Cash received from discontinued operations, net o cash balance carved-out	2.4.	616.836	-
Intersegment payments to carved-out companies	2.4.	(116.678)	-
Sale of property, plant and equipment		4.530	3.350
Other		(470)	(689)
Dividends received		-	833
Net cash generated (used) in investing activities		375.598	(68.761)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowings, financing and debentures	9 and 10	90.636	20.995
Swap transactions		-	(26.861)
Acquisition of noncontrolling interests		-	(1.501)
Capital decrease	12	(66.887)	-
Repayment of borrowings, financing and debentures	9 and 10	(343.553)	(561.459)
Dividends paid	13	(46.973)	-
Other instruments		668	(212)
Net cash used in financing activities		(366.109)	(569.038)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		(130.102)	(806.723)
<b>EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		3.112	(29.367)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	385.003	1.137.502
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	258.013	301.412

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

Notes to the Condensed Consolidated Interim Financial Information as at and for the six months period ended June 30, 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 electric power generation equity interests and assets, as a self-generator for part of its production.

On January 17, 2019 the final closing agreement were signed completing the sale of business operations in Portugal and Cape Verde to “Ordu Yardimlasma Kurumu” (OYAK Group) from Turkey. The sale includes 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, 18 quarries and a cement bagging plant.

With a reference price of €707 million, the final price for the transaction will be determined considering the closing net debt, related party balances and changes in working capital since June 30, 2018, which process remains in course. As of June 30, 2019 €675,536 (see note 2.4) were received and used mainly to reduce Corporate indebtedness, consequently, materially strength its capital structure. This transaction is an important component of InterCement’s Liability Management program, which was publicly announced in early 2017.

The impacts of this transaction in these condensed consolidated interim financial statements are disclosed in the Note 2.4.

**2. Basis of Preparation and Significant Accounting Policies****2.1. Basis of preparation**

The condensed consolidated Interim Financial Information as at and for the six months period ended June 30, 2019 has been prepared based on International Accounting Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), which allows entities to present selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. Accordingly, this Interim Financial Information should be read together with the Company’s consolidated financial statements for the year ended December 31, 2018.

**2.2. Significant accounting policies**

The accounting policies adopted are consistent with those considered in the consolidated financial statements for the year ended as of December 31, 2018 and disclosed in the corresponding notes, except in respect of the standards and interpretations that come into force on January 1, 2019, namely the





application of the new standard IFRS 16 – Leases. Note 2.3 contains a description of the impacts of the application of IFRS 16 to these consolidated condensed interim financial statements.

Reference also to the application of hyperinflation accounting for our Argentinean subsidiaries. As described in the consolidated financial statements as of and for the year ended December 31, 2018, note 2.1, applying IAS 29 rules requires that the financial statements recorded in a hyperinflationary currency are adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of the reporting period prior to conversion to the Company's functional currency.

As a result of the above, our condensed consolidated interim financial statements as at June 30, 2019, reflects an equity increase of €72,883, with reference to the opening balance, reported in other comprehensive income, and also the monetary adjustment for the six months period ended June 30, 2019 presented in financial results, amounting to €11,838 (see note 16). As of June 30, 2018, no adjustments were recorded because the application of the IAS 19 to the Argentinean pesos was only required for periods ended on or after 1 July 2018.

### 2.3. IFRS 16 Lease Assets and Lease Liabilities

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

IFRS 16 introduces that lease agreements are recognize in the accounting of the lease under a single model eliminating the distinction between operating and financial leases and requires recognizing an asset for the right to use the leased asset and a liability reflecting the obligation to make future payments for the lease.

The Group applied IFRS 16 using the modified retrospective method pursuant to paragraphs C5(b) and C8(b)(ii) as of the date of initial application. Under this method, IFRS 16 is retroactively adopt with the accumulated effect of the initial application recognized as of the date of initial application and the comparative information is not restate.

For leases previously classified as operating leases, the Group recognized assets for the right to use and liabilities for leases, except for agreements for a term of less than twelve months (short term leases), for those associated to the exploitation of natural resources and for those where the underlying asset has low value. The right to use assets were recognize for an amount equivalent to liabilities for leases. Lease liabilities were measured at present value of lease payments not paid yet, using the incremental rate for loans of the contracting entity (the lessee) to the date of initial application.

Subsequently, the right to use asset is depreciated in accordance with the contract term of the lease or the useful life of the asset, if lower. Financial liabilities consider the interest rate of the loans of the contracting entity. Lease payments are record as a decrease in the liabilities.

The impacts of the IFRS 16 implementation, gross of taxes, were as follows (in thousands of Euros):



01.01.2019		06.30.2019				
Assets	Liabilities	Assets	Liabilities	Rents	Depreciations	Interest
45,360	(45,360)	35,830	(36,817)	(6,828)	6,054	2,066

#### 2.4. Portugal and Cape Verde Discontinued Operations

Following the announces on October 26, 2018 of a definitive agreement to sell its operations in Portugal and Cape Verde to Ordu Yardimlařma Kurumu (OYAK) of Turkey (“Discontinued operations”), on January 17, 2019 the final closing agreement were signed.

As a result, Portugal and Cape Verde segment is presented in these consolidated condensed interim financial statements as “Discontinued operations” as at and for the six months period ended June 30, 2019 and as “Assets held for sale” as at December 31, 2018, as required by International Financial Reporting Standard 5 (“IFRS 5”) – Non-Current Assets Held for Sale and Discontinued Operating Units. Furthermore, the six-month period ended June 30, 2018 has been restated in order to exclude the discontinued operations profit and loss generated in such period.

As of this date, the price adjustment is still in the process of being determined. The gain with the sale was determined considering the difference between the reference price of €707,000 and net assets of the sold operations as of January 1, 2019, including the exchange differences related to those net assets in the amount of €170,382.

The impacts in condensed consolidated interim financial statements are the following:

	06.30.2019	06.30.2018
<b>DISCONTINUED OPERATIONS</b>		
NET REVENUE	-	115,570
COST OF SALES AND SERVICES	-	(85,441)
GROSS PROFIT	-	30,129
OPERATING INCOME (EXPENSES)		
Administrative and selling expenses	-	(33,396)
Other income (expense)	-	12,897
Equity result	-	562
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION	-	10,192
FINANCIAL INCOME (EXPENSES)		
Foreign exchange gains/(losses), net	-	(209)
Financial income	-	15
Financial expenses	-	(3,738)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	-	6,260
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	-	(1,059)
Deferred	-	(559)
Gain on the sale of "Assets held for sale"	139,007	-
Reversal of accumulated exchange differences	170,382	-
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	309,389	4,642
PROFIT FOR THE PERIOD ATTRIBUTABLE TO		
Company's owners	304,857	3,528
Non-controlling interests	4,532	1,114

The impacts in the cash flow statement originally presented had we segregated the impacts of the continued and discontinued operations as at June 30, 2018 is as follows:

	06.30.2018		
	Presented	Discontinued operation	Continued operation
Net cash used by operating activities	(139.591)	(9.197)	(130.394)
Net cash generated (used) in investing activities	375.598	(27.204)	402.802
Net cash used in financing activities	(366.109)	(11.235)	(354.874)
Decrease in cash and cash equivalents	(130.102)	(47.636)	(82.466)

The details of the net assets of the discontinued operations as of December 31, 2018, are the following:

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
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
<b>NONCURRENT ASSETS</b>	
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
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
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
<b>NONCURRENT LIABILITIES</b>	
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 price to the cash already received and the amount presented in the cash flow statement is demonstrated below.

	<b>06.30.2019</b>
Cash received	675,536
Cash balance carved-out	<u>(58,700)</u>
	616,836
Intersegment payments to carved-out companies	<u>(116,678)</u>
Cash received, net	<u>500,158</u>
Sales price reference	707,000
Intercompany working capital adjustment	<u>5,748</u>
Amount to be received recorded in Other Receivables (*)	<u>37,212</u>

(\*) As mentioned in note 22 – Events After the Reporting Period, an additional proceeding of €20,520 was received on August 9, 2019.

## 2.5. Restatement of Non-Controlling Interests

As referred in the December 31, 2018 consolidated financial statements, the Company made additional analyses on the main events occurred in the years 2017 and 2018 and concluded that, although it had no impact on its previously disclosed results, adjustments were required between the shareholders' equity accounts, adjusting the criteria used to recognize non-controlling interests.

The analysis performed included the reconciliation of the non-controlling interests calculations from two methodologies, based on:

- (a) fair value of InterCement Portugal, SA (formerly Cimpor SGPS) as of transaction date, occurred in previous years; and
- (b) shareholder's interest in net assets of its subsidiaries - directly or indirectly;

Additionally, the events occurred in 2017 and 2018, mainly (i) the beginning of Cimpor SGPS loss of public company status procedure and (ii) the capitalization of InterCement Portugal, SA, affected the value references for the (a) methodology – above mentioned, and in order to reflect a fair and comparable basis of the effects of non-controlling interests and controllers, the Board of Director chose to adopt the (b) methodology, with retroactive effect to December 31, 2016.

The table below demonstrates the originally presented and the restated amounts of non-controlling interests and Company's owners' values as at December 31, 2017 and June 30, 2018, noting that total Shareholder's Equity remained unchanged:

	Total attributable to the Company's owners			Noncontrolling interests		
	Originally presented	Adjustment	Restated	Originally presented	Adjustment	Restated
BALANCE AT DECEMBER 31, 2016	563,669	312,286	875,955	391,469	(312,286)	79,183
Loss for the year	(363,728)	-	(363,728)	(66,950)	-	(66,950)
Sale of noncontrolling interests	703,041	-	703,041	316,152	-	316,152
Aquisition of noncontrolling interests	55,559	(47,173)	8,386	(64,400)	47,173	(17,227)
Transactions with shareholders recognized directly in equity	(2,570)	-	(2,570)	(873)	-	(873)
Dividends paid to noncontrolling interests	-	-	-	(16,964)	-	(16,964)
Other comprehensive income	(115,011)	(40,450)	(155,461)	(95,933)	40,450	(55,483)
BALANCE AT DECEMBER 31, 2017	840,960	224,664	1,065,624	462,501	(224,664)	237,837
Loss for the period	(74,538)	-	(74,538)	(3,995)	-	(3,995)
Aquisition of noncontrolling interests	11,461	(10,291)	1,170	(12,962)	10,291	(2,671)
Dividends paid to noncontrolling interests	-	-	-	(303)	-	(303)
Other comprehensive income	(147,889)	(26,383)	(174,272)	(76,124)	26,383	(49,741)
BALANCE AT JUNE 30, 2018	629,994	187,990	817,984	369,117	(187,990)	181,127

## 2.6. Functional and presentation currencies

The Company's functional currency is the Brazilian Reals (R\$); however, the financial information is presented in Euro (presentation currency), for the convenience of readers outside Brazil. As prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial information in any currency.

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

Currency	Closing exchange rate (R\$)			Average exchange rate (R\$)	
	06.30.2019	12.31.2018	06.30.2018	06.30.2019	06.30.2018
USD US Dollar	3.83220	3.87480	3.85580	3.84982	3.41031
EUR Euro	4.35870	4.43900	4.50320	4.34862	4.12406
MZN Mozambique Metical	0.06241	0.06316	0.06564	0.06189	0.05750
CVE Cape Verde Escudo	0.03953	0.04026	0.04084	0.03944	0.03740
EGP Egyptian Pound	0.23000	0.21660	0.21610	0.22610	0.19176
ZAR South African Rand	0.27090	0.26990	0.28120	0.27073	0.28109
ARS Argentinian Peso	0.09025	0.10278	0.13365	0.09025	0.15918
PYG Paraguayan Guaraní	0.00062	0.00065	0.00068	0.00062	0.00061

## 3. Critical Accounting Judgments and Key Sources of Estimation Uncertainties

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no changes in relation to what was presented in note 2.3 to the Company's consolidated Financial Statements as of December 31, 2018.

Based on the results of the Group and its business units, as well as on the macroeconomic conditions of the countries and segments in which each business unit operates, there were no indications, as of June 30, 2019, that would lead us to reassess the conclusions reached in the preparation of the annual consolidated financial statements as of December 31, 2018, regarding the recoverability of tangible, intangible assets and goodwill.





#### 4. Cash and Cash Equivalents

	06.30.2019	12.31.2018
Cash and bank accounts	203,899	143,039
Short-term investments	54,114	183,264
Total cash and cash equivalents	258,013	326,303

Short-term investments were as follows:

	06.30.2019	12.31.2018
Certificate of Bank Deposit (CDBs)	881	2,159
Short Term Investment in Brazilian Reais (a)	4,526	27,447
Fixed-income funds in Brazilian Reais (b)	25,661	77,278
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos (c)	-	26,393
Short-term investments in US dollars (d)	7,112	22,119
Short-term investments in euro	-	-
Short-term investments in Egyptian pounds	64	930
Short-term investments in South African rand (e)	15,870	20,905
Short-term investments in Mozambique metical	-	6,033
Total short-term investments	54,114	183,264

- (a) Short term investments have a yield of 65% per year of the Interbank Deposit Certificate (CDI) (50% and 65% per year as at December 31, 2018).
- (b) Fixed income fund has a yield of 102.19% of the Interbank Deposit Certificate (CDI), (101.31% per year as at December 31, 2018).
- (c) Represents short-term investments in Argentinean pesos yielding interest of 40.5% to 59.1% per year.
- (d) In Argentine, short-term investments amounting to €1,839 (€22,119 as at December 31, 2018) with yields from 0.1% to 1.11% per year (0.1% to 2.5% per year as at December 31, 2018). and €5,273 in InterCement Trading Inversiones a term-bank deposit bearing interest of 2.3% per year.
- (e) Deposit in Rands yielding interest from 6.55% to 6.75% per year.

All amounts are available for immediate withdrawal.

The cash and cash equivalents of the beginning balance of the period, in the Condensed Consolidated Interim Statements of Cash Flow, includes the cash carved-out of the Portuguese and Cape Verde assets, in the amount of €58,700 (see note 2.4).

**5. Securities**

	06.30.2019	12.31.2018
Market investments	1,588	1,337
Investment funds	16,644	15,498
Total	<u>18,232</u>	<u>16,835</u>
Total - current	16,879	15,498
Total - noncurrent	1,353	1,337

“Market investments” are held by the Brazilian subsidiaries, which are composed 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 Cimpor Reinsurance.

**6. Trade Receivables**

	06.30.2019	12.31.2018
<u>Current</u>		
Domestic and foreign customers	133.410	95.332
(-) Allowance for doubtful accounts	<u>(23.774)</u>	<u>(22.130)</u>
Trade receivables	<u>109.636</u>	<u>73.202</u>
<u>Noncurrent</u>		
Domestic and foreign customers	1.302	1.470
(-) Allowance for doubtful accounts	<u>(689)</u>	<u>(725)</u>
Trade receivables	<u>613</u>	<u>745</u>

As at December 31, 2018, the Company entered into agreements for accounts receivable 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. As at June 30, 2019, there was no outstanding balances of such agreements.

## 7. Property, Plant and Equipment

	06.30.2019			12.31.2018
	Cost	Depreciation & Impairment	Net book value	Net book value
Land	123.578	(32.196)	91.382	64.519
Buildings	635.746	(378.213)	257.533	246.729
Machinery and equipment	1.698.872	(944.226)	754.646	751.205
Vehicles	110.361	(78.372)	31.989	32.023
Furniture and fixtures	34.964	(32.663)	2.301	3.540
Mines and ore reserves	140.202	(94.727)	45.475	59.782
Reservoirs, dams and feeders	64.429	(21.582)	42.847	43.228
Other	16.428	(11.222)	5.206	3.658
Spare parts	5.792	-	5.792	4.232
Advances to suppliers	21.586	-	21.586	21.207
Construction in progress	408.306	(136.947)	271.359	139.795
<b>Total</b>	<b>3.260.264</b>	<b>(1.730.148)</b>	<b>1.530.117</b>	<b>1.369.918</b>

As at June 30, 2019, for the Argentina and Paraguay business area and Brazil business area there are assets given as guarantees in connection with loans obtained for such acquisition in the amount approximately to €54,888 and €4,736, respectively (€59,246 and €4,650 for December 31, 2018).

In Brazil business area, two cement plants were given as guarantee in the “CADE” judicial dispute, as referred to in Note 11.

Construction in progress and advances to suppliers as at June 30, 2019 and December 31, 2018, refers basically to expansion of the plant in Argentina and improvement of installations and equipments of the cement plants of other business units.

For the year ended December 31, 2018, given the macroeconomic context in Brazil in past years, which results in reductions of cement consumption, the Group has recorded impairment losses of €53,140, which could be released once the market conditions allow the recovering of such operations.

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 at December 31, 2017	132,606	306,451	915,673	25,974	2,819	61,722	50,963	4,259	1,686	39,836	23,239	1,565,229
Additions	537	321	3,038	1,261	400	10,060	6	3	223	71,820	452	88,121
Write-offs	(209)	(20)	(106)	(50)	-	-	-	-	-	(3)	(3)	(391)
Depreciation	(1,727)	(15,090)	(55,333)	(2,367)	(464)	(10,453)	(1,264)	-	(671)	-	-	(87,389)
Impairment provision	-	37	(1)	-	-	-	-	-	(4,255)	-	-	(4,219)
Effect of changes in exchange rates	(4,509)	(28,735)	(72,058)	(7,620)	(361)	(12,027)	(5,935)	(492)	(582)	(7,628)	(2,417)	(142,364)
Transfers	3,323	(6,739)	(6,905)	2,107	204	156	-	(151)	7,383	2,516	(307)	1,587
<b>Balance at June 30, 2018</b>	<b>130,021</b>	<b>256,225</b>	<b>784,308</b>	<b>19,305</b>	<b>2,598</b>	<b>49,458</b>	<b>43,770</b>	<b>3,619</b>	<b>3,784</b>	<b>106,541</b>	<b>20,964</b>	<b>1,420,592</b>
Balance at December 31, 2018	64,519	246,729	751,205	32,023	3,539	59,782	43,228	4,232	3,658	139,797	21,206	1,369,918
Adoption of IAS 29	1,452	23,717	28,772	5,644	171	7,923	-	-	126	15,236	-	83,041
Additions	-	513	4,670	22	2	-	19	-	145	151,258	146	156,775
Write-offs	(869)	(96)	(19)	(22)	(5)	-	-	-	-	-	(129)	(1,140)
Depreciation	(2,998)	(9,736)	(40,462)	(3,785)	(363)	(8,639)	(1,199)	-	(644)	-	-	(67,826)
Impairment provision	-	-	-	-	-	-	-	-	(392)	-	-	(392)
Effect of changes in exchange rates	1,715	(9,982)	(3,548)	(2,906)	(31)	(3,772)	799	74	4	(6,587)	558	(23,676)
Transfers	27,563	6,388	14,028	1,013	(1,012)	(9,819)	-	1,486	2,309	(28,345)	(194)	13,417
<b>Balance at June 30, 2019</b>	<b>91,382</b>	<b>257,533</b>	<b>754,646</b>	<b>31,989</b>	<b>2,301</b>	<b>45,475</b>	<b>42,847</b>	<b>5,792</b>	<b>5,206</b>	<b>271,359</b>	<b>21,586</b>	<b>1,530,117</b>

### Additions

The Argentinean business unit, there are disbursements in the total amount of €132,900 namely the increase of the installed capacity at its L'Amalí expansion amounting to €109.6 million and €9.9 million related to quarry recovery.

## 8. Intangible Assets

	06.30.2019	12.31.2018
Other intangible assets:		
Mining rights	11,047	108,616
Concession-related assets	105,397	18,450
Software licenses	5,047	5,450
Project development costs	3,488	4,051
Trademarks, patents and others	17,138	18,304
	<u>142,117</u>	<u>154,871</u>
Goodwill:		
Loma Negra C.I.A. S.A.	221,530	217,523
CBC - Companhia Brasileira de Cimentos ("CBC")	23,547	23,121
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	17,391	17,076
Intercement Portugal, S.A.	725,334	711,092
Other	16,264	15,942
	<u>1,004,066</u>	<u>984,754</u>
Total	<u>1,146,183</u>	<u>1,139,625</u>

As of June 30, 2019, the goodwill gross amount of InterCement Portugal, S.A. is €1,069,266, which is offset by accumulated impairment losses related to the business combinations made in prior year's in the Brazilian business area in the amount of €343,932, resulting in a carrying amount of €725,334 (as at December 31, 2018, gross amount is €1,048,803 offset by €337,711 of impairment losses, resulting in a carrying amount of €711,092).

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which is prepared based on the recoverable amounts of each of the corresponding business segments. As at June 30, 2019, there are no trigger that would require an impairment analysis.

As disclosed in note 22 below, the result of the primary presidential election in Argentina on August 11, 2019 brought political and market uncertainties. The possible impacts, if any, in the impairment analysis will be reported in the condensed consolidated interim financial statements for the period to be ended September 30, 2019.

Changes in intangible assets for the six months periods ended June 30, 2019 and 2018 were as follows:

	Software licenses	Concession-related assets	Mining rights	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance at December 31, 2017	6,628	4,563	168,952	6,276	14,582	1,399,695	1,600,696
Additions	114	111	-	79	612	-	916
Write-offs	-	-	-	-	(1)	-	(1)
Amortization	(1,406)	(531)	(1,036)	(858)	(389)	-	(4,220)
Impairment	-	-	-	-	(155)	-	(155)
Effect of changes in exchange rates	(647)	(211)	(13,833)	(592)	(533)	(118,201)	(134,017)
Transfers	249	-	-	(62)	35	-	222
Balance at June 30, 2018	4,938	3,932	154,083	4,843	14,151	1,281,494	1,463,441
Balance at December 31, 2018	5,450	18,450	108,616	4,051	18,304	984,754	1,139,625
Adoption of IAS 29	367	-	-	-	642	-	1,009
Additions	386	1,189	-	-	-	-	1,575
Sales	-	-	-	-	(9)	-	(9)
Amortization	(1,156)	(5,261)	(165)	(643)	(153)	-	(7,378)
Effect of changes in exchange rates	(101)	107	2,260	103	627	19,312	22,308
Transfers	101	90,912	(99,664)	(23)	(2,273)	-	(10,947)
Balance at June 30, 2019	5,047	105,397	11,047	3,488	17,138	1,004,066	1,146,183

## 9. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Interest rates (a)	Contract date	Maturity		06.30.2019		12.31.2018	
								Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral	USD	US Libor + 4.40%	May/12	Jan/23-Jan/24	(e)	44.301	152.941	43.645	195.696
EUR	Holdings and Financial Vehicles (*)	Bilateral	USD	US Libor + 3.95%	Feb/14	feb/24	(a)	-	140.111	132.899	139.027
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Euribor + 3.6%	Feb/12	Feb/24	(b)	-	196.262	104.300	144.009
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	2.55%	fev/19	jun/20	(c)	10.000	-	-	-
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	3.20%	Oct/18	Oct/21		2.750	19.250	2.750	19.250
EUR	Holdings and Financial Vehicles (*)	Commercial paper	EUR	2.80%	mar/15	Mar/20		35.000	-	-	35.000
ARS	U.N. Argentina Paraguay	Working capital	ARS	63%-64%	jun/19	jul/19		50.819	-	12.119	-
ARS	U.N. Argentina Paraguay	Billateral	ARS	21.75%	Dec-14	Oct-21		-	-	8.326	-
ARS	U.N. Argentina Paraguay	Billateral	USD	US Libor + (1,95% to 5.5%)	Several	Several		33.426	25.436	44.626	11.839
ARS	U.N. Argentina Paraguay	Billateral	EUR	4%	Several	Apr-Jun/21		-	3.364	-	-
PYG	U.N. Argentina Paraguay	Billateral	PYG	8.5%-9%	Aug/17	Aug/25		8.001	43.618	9.943	49.112
BRL	U.N. Brazil	Subsidised loan	BRL	2.5% - 5%	Several	Several		2.890	10.679	2.739	11.714
BRL	U.N. Brazil	Billateral	BRL	15%	Dec/06	Dec/22		374	2.411	352	2.358
BRL	U.N. Brazil	Billateral	BRL	CDI + 26%	Jun/16	Apr/23		-	46.387	-	45.372
EGP	U.N. Egypt	Billateral	EGP	Corridor + (0,60% to 1,00%)	Several	Several		20.607	567	23.839	524
								<u>208.168</u>	<u>641.026</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.

- (a) In February 2019, the Company prepaid €177 million of Tranche B of the Syndicated Loan contracted by Cimpor BV.
- (b) In February 2019, Caue Austria Holding GmbH renegotiated the terms and conditions postponing maturity date to February 2024 (previously was February 2022) under a payment of €10,000.
- (c) In February 2019, InterCement Inversiones entered into a new loan in the amount of €15 million, with a fixed rate of 2.55% and maturing June 2020. As of June 30, 2019, €5,000 was already liquidated.

As of June 30, 2019 and December 31, 2018, borrowing and financing interests to be paid are presented as current liabilities within “Interest Payable” line item and amounts to €15,581 and €19,914, respectively.

Changes in Borrowings and Financing during the six months periods ended June 30, 2019 and 2018 were as follows:

	<b>Borrowings and financing</b>
Balance at December 31, 2017	1.711.654
New borrowings and financing	20.995
Payments	(488.836)
Effect of changes in Exchange rates, commissions and other	(10.043)
Balance at June 30, 2018	1.233.770
Balance at December 31, 2018	1.039.439
New borrowings and financing	90.636
Payments	(292.882)
Effect of changes in Exchange rates, commissions and other	12.001
Balance at June 30, 2019	849.194

### Maturity schedule

As at June 30, 2019, the noncurrent portions mature as follows:

Period	06.30.2019
2020	8.961
2021	195.289
2022	172.552
2023	158.323
Following years	105.901
	641.026

### Covenants

The loan and financing agreements contain certain restrictive covenants, including change of control clauses and those requiring the maintenance of certain financial ratios 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 at year-end and depends of conditions agreed in each contract with financial institutions. For December 31, 2018 the Company agreed with the financial institutions the increase of Net Debt / EBITDA ratio from 4.5 to 5.5, coming back to 4.5 in the following periods. As of that date the covenants conditions were met, and such obligation will only be measured again with financial figures for the year to be ended December 31, 2019.



## 10. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Interest rate	Final maturity	06.30.2019		12.31.2018		
							Current	Noncurrent	Current	Noncurrent	
BRL	Brazil	Debênture - Brazil	BRL	Mar-12	CDI + 15%	Apr-22	(b)	50,531	101,164	49,590	148,918
BRL	Brazil	Debênture - Brazil	BRL	Aug-12	CDI + 15%	Aug-22		57,267	171,949	56,232	168,863
EUR	Holdings and Financial Vehicles (*)	Senior Notes (a)	USD	Jul-14	5.75%	Jul-24		-	479,061	-	475,124
								<u>107,798</u>	<u>752,174</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 Cimpor Financial Operations, B.V., with a payment maturity of 10 years. The notes were launched with coupon of 5.75% per annum and are listed at Singapore Stock Exchange. As of June 30, 2019 and December 31, 2018 the Group holds bonds at the face value of €174,795 (USD198,812 thousand).

(b) In April 2019, InterCement Brasil S.A. amortized the 2<sup>o</sup> issuance of Debentures in the amount €50,039 (R\$ 220,000 thousand)



As of June 30, 2019 and December 31, 2018, debentures interests to be paid are presented as current liabilities within “Interest Payable” line item and amounts to €19,289 and €19,475, respectively.

Changes in in the six months periods ended June 30, 2019 and 2018 are as follows:

	<b>Debêntures</b>
Balance at December 31, 2017	1,001,085
Payments	(72,623)
Effect of changes in Exchange rates, comissions and other	(45,519)
Balance at June 30, 2018	<u>882,943</u>
Balance at December 31, 2018	898,727
Payments	(50,671)
Effect of changes in Exchange rates, comissions and other	11,916
Balance at June 31, 2019	<u>859,972</u>

### Maturity schedule

As at June 30, 2019, the noncurrent portion of debentures mature are as follows:

<b>Period</b>	<b>06.30.2019</b>
2020	57.316
2021	107.863
2022	107.863
2023	-
Following years	479.131
	<u>752.174</u>

### Covenants

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

As at December 31, 2018 the Company agreed with the local debenture holders the increase of Net Debt / EBITDA ratio from 4.5 to 5.5, coming back to 4,5 in the following periods. As of that date the covenants conditions were met, and such obligation will only be measured again with financial figures for the year to be ended December 31, 2019.

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

- i) Limitation in USD 500,000 thousand for new debt, provided it is not for refinancing the existing one;
- ii) Restrictions on certain payments, such as dividends to shareholders above the legal minimum;
- iii) Dividends limitation of USD 25,000 thousand per year, cumulative, to preferred shareholders after the Senior Notes issuance (July/2014).

As of June 30, 2019, the 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, 2019.



## 11. Provisions for tax, civil and labor risks

### Provisions

The Group is subject to tax, civil, labor and other 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 reporting periods.

The provision for risks is demonstrated as follows:

	06.30.2019	12.31.2018
Labor and social security	7,834	8,699
Tax (a)	16,958	17,533
Civil and other (b)	32,219	30,346
	57,011	56,578
Escrow deposit (c)	(2,427)	(2,695)
Total	54,584	53,883

(a) Brazil: Refer basically to tax assessment notices and lawsuits amounting to €2,209 (€1,242 as at December 31, 2018) related to: (i) discussion of the highest collection of Corporate Income Tax (IRPJ) and Contribution for the Financing of Social Security (COFINS) in the period from 02/2003 to 04/2004 and compensation with other own debts; (ii) discussion on the collection of the additional 6% of social contributions, to finance the benefits related to special retirement due to lack of management of employee health and exposure to harmful agents during the period from 01/99 to 07/2003; (iii) discussion on the lower collection of Corporate Income Tax (IRPJ) for the calculation period of March 2005, due on April 29, 2005, on behalf of the then CIMEPAR; (iv) a discussion on the absence of ICMS tax collection, with due legal increases, on imports of goods, on the grounds that there was no inclusion of the tax in its own calculation basis, for the period from January to July 2002.

InterCement Portugal: Refer basically to the provisions for tax risks related to income tax, amounting to €5,650 in June 30, 2019 and in December 31, 2018, which are being challenged in courts.

Egypt: Is mainly justified by tax provisions related to income tax from years 2004 to 2014, which are being challenged in courts, in the amount of €7,240 (€6,659 in December 31, 2018).

(b) Includes mainly a provision related to the industrial license estimation of late payments interests in Egypt, totalling €28,614 (€26,415 on December 31, 2018).

(c) The Group have escrow deposits related to the provision for tax, civil and labour risks as follows:

	06.30.2019	12.31.2018
Labor and social security	1,667	1,865
Tax	686	788
Civil and other	74	42
<b>Total</b>	<b>2,427</b>	<b>2,695</b>

Changes in the provision for risks for the six months periods ended June 30, 2019 and 2018 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance at December 31, 2017	25,848	28,256	32,531	(3,023)	83,612
Recognition/deposit	1,392	159	2,047	-	3,598
Payment/deposit derecognition	(1,447)	(1,441)	(1,144)	414	(3,618)
Reversal	(2,534)	(5,049)	(917)	-	(8,500)
Transfers	-	432	-	-	432
Exchange differences	(1,786)	(108)	(269)	324	(1,839)
<b>Balance at June 30, 2018</b>	<b>21,473</b>	<b>22,249</b>	<b>32,248</b>	<b>(2,285)</b>	<b>73,685</b>
Balance at December 31, 2018	8,699	17,533	30,346	(2,695)	53,883
Adoption of IAS 29	222	116	156	-	494
Recognition/deposit	1,036	1,334	519	(505)	2,384
Payment/deposit derecognition	(1,289)	(1,072)	(630)	824	(2,167)
Reversal	(851)	(1,049)	(1,016)	-	(2,916)
Transfers	-	(650)	650	-	-
Exchange differences	17	96	2,844	(51)	2,906
<b>Balance at June 30, 2019</b>	<b>7,834</b>	<b>16,958</b>	<b>32,219</b>	<b>(2,427)</b>	<b>54,584</b>

## Contingent liabilities

In the normal course of its business the Group is a party in several legal lawsuits and complaints related to its products and services as well, as of an environmental nature, labor cases and regulatory lawsuits.

On June 30, 2019, the Group has an exposure of approximately €1,038,000 (€820,000 as at December 31, 2018), being €13,000 of contingent liabilities related to labor contingencies (€9,000 as at December 31, 2018), €796,000 of tax contingencies (€599,000 as at December 31, 2018), €229,000 of civil contingencies and administrative processes of other natures (€212,000 as at December 31, 2018), whose likelihood of loss was considered possible, according to the opinion of our legal counsels.

The most significant contingencies are:

## Brazil

### a) Tax

The possible tax contingencies, in the approximately amount of €709,000 (€511,000 at December 31, 2018) mainly refers to administrative and tax processes related to: (i) credit gloss for allegedly undue deduction of the IRPJ and CSLL calculation basis, as a 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 companies; (iii) collection of alleged difference or non-payment of CFEM, a financial compensation paid to the Union for economic use of mineral resources; (iv) illegal collection of ICMS based on the value of merchandise subject to tax regime; (v) tax credits gloss taken by the company and not approved by Federal or State Revenue; and (vi) fine for unapproved tax compensation statement, in the amount of 50% of the amount not offset.

### b) Administrative Council for Economic Defence (“CADE”)

The Group and other companies in the industry were parties to administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defence (“CADE”). In July 2015, CADE's tribunal judged the administrative appeal presented by the Group under the process initiated in 2007 by the competition authorities 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. The fine imposed to the Group amounted to, approximately, €127,000, besides the obligation to sell 20% of its concrete's assets in Brazil, among other accessory penalties. On June 30, 2019 the fine imposed, resulting from its financial actualization, reached to €182,000, (€168,000 at December 31, 2018).

After the referred administrative CADE's decision become final, the Group appealed judicially, having obtained, on 22 October 2015, the grant of the preliminary injunction to suspend all penalties imposed by CADE, by the presentation of real guarantees (two plants), until the judgment decision. Such preliminary injunction decision was judicially appealed by CADE, which was rejected. The proceeding did not have any significant change until June 30, 2019. Based on the opinion of its legal advisors, the risk of loss in court is has been considered as possible, and therefore, no provision was recorded for this contingent liability as of June 30, 2019 and December 31, 2018.

## Spain

As a result of tax inspections of the years 2005 to 2008, tax assessments of approximately €120,000 were realized. These assessments relate essentially to net financial items resulting mainly from interpretations not adjusted to the nature of certain transactions. During the year ended December 31, 2017, we were notified of the ruling handed down by the Audiência Nacional court in Spain regarding judicial proceedings related to these tax inspections. The ruling has been almost entirely favourable to us. The tax authorities filed an appeal before the Supreme Court. On May 7, 2019 the public hearing ending the proceedings took place, and it is now pending resolution. The guarantees of approximately €120,000 provided for these proceedings continue to be in force until the final decision is handed down. Management believes that from the conclusion of the legal processes resulting from the actions in progress, will not result in significant costs for the Group. This opinion is confirmed by the understanding and opinion of its legal and



tax advisors, which consider the possibility of loss, with the processes of 2005 to 2008, as possible (approximately €86,000) to remote (approximately €34,000).

During the second half of 2014, the Spanish tax authorities began inspecting the years 2009 to 2012. The tax authorities reports maintained the same interpretations as in the preceding years, and these corrections results in negative taxable income of approximately €28,000, setting the negative taxable income of that period in approximately €31,000. In July 2017, tax authorities report for the year 2012 resulted in a correction to negative taxable income of approximately €242,000. In August 2017 an appeal was filed against the Administrative Economic Court. On March 25, 2019, the Company was notified of the decision rejecting the Central Economic-Administrative Court in relation to the economic-administrative claims for the years 2009 to 2012. The Company appealed before the judicial audience. In both cases the deferred tax related to those losses are not booked.

## 12. 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 here. The balances and transactions between the Group and associated companies and with other related parties are considered regular operating activities, and include advances, loan agreements, sales and purchases of products and services.

In May 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 13 below.

## 13. Shareholder's Equity

### Share Capital

As at June 30, 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 at 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.

### Capital Reserves - Preferred Shares – InterCement Participações Company

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.

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.



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 Reserve. The liquidation was in May, 2019 and the shares were subsequently cancelled.

### **Earnings reserves**

The following transactions occurred for the six months period ended June 30, 2019 in Earnings reserves.

### **Dividends**

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

For the six-month period ended June 30, 2019, € 46,973 of dividends were paid to preferred shares Class A.

### **Other comprehensive income**

For the six months period ended June 30, 2019, the movements in the Other Comprehensive Income relates to the equity recognition of exchange differences arising on translating foreign operations in the negative amount of €185,912 (negative of €442,817 on June 30, 2018), 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 2.4), and the positive recognition of hedging operations of €1,479 (positive of €218,804 for the six months ended June 30, 2018).

As of June 30, 2019, reference also to the positive amount of €72,883 relates to hyperinflation accounting for our Argentinean subsidiaries applying IAS 29 rules (Note 2.2).

### **Non-controlling interests**

Other comprehensive income corresponds to the loss in equity recognition of exchange differences arising on translating foreign operations in the amount of €22,018 and the gain of hedging operations amounting to €77.

In addition, in the six months period ended June 30, 2018, dividends to non-controlling interests were declared in the amount of €303.





## 14. Income Tax and Social Contribution

For the six months periods ended June 30, 2019 and 2018 the reconciliation between the nominal and the effective income tax was as follows:

	06.30.2019	06.30.2018 Restated
Loss before income tax and social contribution	(24,443)	(67,571)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	8,311	22,974
Adjustments to calculate income tax and social contribution at effective rates:		
Permanent additions / (deductions), net (a)	7,218	(1,584)
Unrecorded deferred income tax and social contribution tax (b)	(31,740)	(45,816)
Adjustments to deferred taxes	(3,046)	4,156
Other (c)	2,930	4,665
Income tax and social contribution expense	<u>(16,327)</u>	<u>(15,605)</u>
Income tax and social contribution expense - Current	(18,361)	(9,703)
Income tax and social contribution expense - Deferred	2,034	(5,902)

- (a) Includes the effect of the differences in tax rates and other adjustments;
- (b) Includes the tax effect from losses on entities not recognized due to lack of positive evidences that would enable them to be recovered within a reasonable period of time;
- (c) In the six months ended June 30, 2018 includes the reduction of a tax provision amounting to €4,209 (Note 11).

### Deferred income tax and social contribution

Deferred income tax and social contribution were recognized on tax loss 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, in the six months periods ended June 30, 2019 and 2018, the Group recorded deferred tax of €174 and €3, respectively, directly in costs recognized in equity.

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

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

	06.30.2019	06.30.2018 (Restated)
Depreciation, amortization and impairment losses	(81,668)	(73,118)
Salaries and employee benefits	(108,698)	(114,751)
Raw materials and consumables	(136,102)	(153,476)
Tax expenses	(12,209)	(13,173)
Outside services	(76,479)	(75,345)
Rental	(4,416)	(5,883)
Freight expenses	(65,716)	(85,651)
Maintenance costs	(37,257)	(42,116)
Fuel	(73,718)	(76,218)
Electricity	(58,783)	(61,069)
Reversal (recognition) of provision for risks	(1,499)	2,281
Gain on sale of property, plant and equipment	2,627	765
Other	(7,573)	(6,723)
Total	(661,491)	(704,477)
Cost of sales and services	(571,860)	(607,355)
Administrative and selling expenses	(99,224)	(99,501)
Other income	9,593	2,379
Total	(661,491)	(704,477)

## 16. Financial Income (Expenses) and Foreign Exchanges Losses (net)

	06.30.2019	06.30.2018 (Restated)
Foreign exchange losses, net (a):		
Exchange gain	33,891	76,735
Exchange loss	<u>(36,329)</u>	<u>(96,783)</u>
Total	<u><u>(2,438)</u></u>	<u><u>(20,048)</u></u>
Financial income:		
Inflation adjustment (b)	14,304	839
Financial earnings	5,481	11,731
Interest income	435	394
Derivative financial instruments	4,067	-
Other income	<u>(32)</u>	<u>1,909</u>
Total	<u><u>24,255</u></u>	<u><u>14,873</u></u>
Financial expenses:		
Inflation adjustment	(1,835)	(1,390)
Expenses on interest and charges	(62,135)	(80,175)
Expenses on banking commissions	(8,165)	(10,719)
Fines	(48)	(584)
Derivative financial instruments	(1,784)	(7,797)
Other expenses	<u>(4,640)</u>	<u>(7,809)</u>
Total	<u><u>(78,607)</u></u>	<u><u>(108,474)</u></u>

(a) Exchange differences are mainly influenced by the valuation and devaluation of functional currencies against other currencies (mainly USD and Euro).

(b) It includes the application of IAS 29 to Argentinean pesos in the amount of €11,838 for the six months period ended June 30, 2019.

## 17. Commitments

### Purchase agreements

InterCement Brasil has a contractual agreement for purchase of raw slag effective until 2021 adjusted by the General Market Price Index (IGP-M) (“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:

	06.30.2019	12.31.2018
2019	2,619	7,352
2020	5,104	7,352
2021	425	613
Total	8,148	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:

	06.30.2019	12.31.2018
2019	38,343	44,314
2020	31,872	21,540
2021	21,977	18,072
2022	17,265	18,072
After 2021	112,366	115,009
Total	221,823	217,007

Additionally to the above figures, in accordance with the contract concluded with Sinoma International Engineering Co. Ltd for the construction of a new cement plant, Loma Negra C.I.A.S.A. assumed at December 31, 2017 commitments in a total amount of €277,600 (ARS 6,212,214 thousand). The value in pesos is subject to a periodic update in accordance with an adjustment formula.

The commitments at June 30, 2019 amounts to €62,889 (ARS3,037,340 thousand), At December 31, 2018 amounts to €142,540 (ARS 6,156,200 thousand).



## 18. Earnings Per Share

The table below shows the reconciliation of profit/loss for each period with the amounts used to calculate basic and diluted earnings (loss) per share:

	06.30.2019	06.30.2018 (Restated)
<b>Profit / (Loss) for the period from continuing and discontinuing operations attributable to Company's owners</b>		
	237,770	(74,538)
Profit / (Loss) for the period attributable to common shares	237,770	(74,538)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	10.48	(3.29)
<b>Loss for the period from continuing operations attributable to Company's owners</b>		
	(67,087)	(78,066)
Loss for the period attributable to common shares	(67,087)	(78,066)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	(2.96)	(3.44)

## 19. 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 Company contracts short-term investments, borrowings and financing, as well as derivatives.

### 19.1. Capital risk management

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

### 19.2. 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 means the probability of obtaining a positive or negative outcome different to that expected, and which materially and unexpectedly changes 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 forecast financials by means of strict financial planning based on multi-year budgets.

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

The Group, as a rule, does not take speculative positions and so the sole objective 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 the International Swaps and Derivatives Association (ISDA) contracts were completed in advance, 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).

### 19.3. 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 latter case, such change has a direct impact on the amount of interest paid/received, resulting in cash account changes.

Interest-rate swaps, when deemed necessary by Management, are contracted to hedge this type of risk, in accordance with the Group's expectations concerning the development of market rates.

As of June 30, 2019 and December 31, 2018, there were no hedge contracted to protect such risks.

#### Exposure to interest rate risks and to floating and fixed rates

The Group is exposed to floating interest rates mainly related to changes in the IGP-M, CDI, Libor and Euribor on borrowings and debentures. Interest rates on cash and cash equivalents and short-term investments are exposed to CDI fluctuation. These positions are as follows:

	06.30.2019	12.31.2018
<b>Assets:</b>		
CDI	31,104	107,198
<b>Total</b>	<b>31,104</b>	<b>107,198</b>
<b>Liabilities:</b>		
IGP-M	6,703	6,359
CDI	427,299	483,435
EURIBOR	196,262	283,929
LIBOR	396,215	566,958
Others	21,174	36,461
<b>Total</b>	<b>1,047,653</b>	<b>1,377,142</b>

As of June 30, 2019 and December 31, 2018 the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, was as follows:

	06.30.2019	12.31.2018
Floating rates	61%	71%
Fixed rates	39%	29%

#### 19.4. Exchange rate risk

The Group's exposure to the exchange-rate risk regarding the currencies of different countries, arises from the amounts of capital invested in each country where the functional currency is different from the Group's functional currency.

The exchange effects of the translation of local financial statements on the Group's consolidated financial statements can be mitigated by hedging the net investments in such countries.

To hedge the exchange-rate risk, when Management considers appropriate, the Group enter into swaps and forward contracts with maturities equivalent to the hedged instrument. As of June 30, 2019 and December 31, 2018, the Group did not enter in any hedge activity for such risk. The Group does not enter in any of these contracts for speculative purposes.

The fact that the Group operates in countries with significant interest rate differentials in relation to the Group's functional currency, there are natural hedge opportunities. In this respect, the Group sought to increase or decrease leveraging of the Business Units in order to obtain better correlation between assets and liabilities in the same currency, thus decreasing the Group's overall exposure.

When necessary, the Group enters into derivatives transaction to better manage the Group's exchange exposure, namely a cross-currency swap that converts a liability/asset in a currency to a different currency.

##### 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 individual financial results may be materially impacted by exchange rate fluctuations.





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

	06.30.2019	12.31.2018
<b>Assets:</b>		
Cash, cash equivalents and securities	111,954	85,243
Trade receivables	1,884	4,859
Related parties (a)	412,048	528,570
Other credits	2,643	2,633
Exposed assets	528,530	621,305
<b>Liabilities:</b>		
Interest, borrowings, financing and debentures	719,641	1,067,641
Foreign trade payables	117,051	106,747
Related parties (a)	577,687	425,805
Other debits	411	442
Exposed liabilities	1,414,790	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 profit or loss of individual entities.

The presentation of cash and cash equivalents and current securities foreign exchange exposure are as follows:

Functional currency	Currency	06.30.2019		12.31.2018	
		Currency	Euros	Currency	Euros
ARS	USD	2,124	1,867	22,888	19,979
BRL	USD	271	238	104	91
PYG	USD	1,203	1,058	903	788
EGP	USD	1,244	1,094	1,196	1,044
EUR	USD	120,366	105,827	69,246	60,445
MZN	USD	264	232	160	139
ARS	BRL	9	2	8	2
PYG	BRL	-	-	1	0
ARS	EUR	14	14	12	12
PYG	EUR	18	18	9	9
EGP	EUR	185	185	211	211
MZN	EUR	1,187	1,187	2,323	2,323
EUR	EGP	2,729	144	2,730	133
ARS	PYG	7,049	1	4,918	1
MZN	ZAR	1,400	87	1,093	66
			111,954		85,243



As disclosed in note 22 below, the result of the primary presidential election in Argentina on August 11, 2019 brought political and market uncertainties, resulting, among other impacts, in a significant depreciation of the Argentinean pesos. The exchange rate impacts on Company's projections, if any, will be reported in the condensed consolidated interim financial statements for the period to be ended September 30, 2019.

The main debt instruments (essentially related with loans and debentures) as at June 30, 2019 and December 31, 2018, and considering the effect of the existing cross currency swaps, when applicable, were denominated in the following currencies:

	<b>06.30.2019</b>	<b>12.31.2018</b>
USD	51%	54%
BRL	26%	25%
EUR	16%	16%
Other	7%	5%

#### 19.5. Liquidity risk

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

The company is continuing 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.

#### 19.6. 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 lessen the probability of defaulting on its obligations.

The Group's degree of solvency is also reflected in its Leverage ratio (Net Debt / EBITDA). As described in Notes 9 and 10, as of December 31, 2018, the Company agreed with financial institutions the increase of such parameters from 4.5 to 5.5 (ratio Net Debt versus EBITDA), coming back to 4.5 in the following periods. As of that date the covenants conditions were met, and such obligation will only be measured again with financial figures as of December 31, 2019.

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist primarily of short-term investments and trade receivables. 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.

#### 19.7. 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 endeavours 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 non-compliance are expected based on the information currently available.

### 19.8. 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 at June 30, 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 with all the other assumptions remaining constant would result in an increase in financial costs for the period then ended (before taxes) of approximately €2 million on the Euro liability indexed to the variable rate (Euribor), € 4 million on the Dollar liability indexed to the variable rate (US Libor), and €5 million on the Reais liability indexed to the variable rate (CDI), as shown in table below:

Indexing	Currency	Asset (liability)	1%	2%	3%
Euribor	EUR	(196,262)	(1,963)	(3,925)	(5,888)
US Libor	USD	(396,215)	(3,962)	(7,924)	(11,886)
CDI	BRL	(458,403)	(4,584)	(9,168)	(13,752)

#### b) Exchange rates

In the debt and financial derivatives components, considering the currency distributing aforementioned, the exchange rate risks result from exchange rate volatility as well as its impact on consolidated financial results.

Considering the Group's companies financial asset and liability profile (including intercompany balances), which the negotiated currency is dollars or Euro and it is different from the business unit's functional currency as of June 30, 2019, the impact on net financial results would be as follows:

#### Dollars

Amount in USD	Funcional currency	FX Rate (06-30-19)		USD depreciation		USD appreciation	
				-10.0%	-5.0%	5.0%	10.0%
(814,977)	EUR	1.1374	Effect in EUR	(71,653)	(35,827)	35,827	71,653
(106,646)	ARS	42.46	Effect in ARS	(452,851)	(226,425)	226,425	452,851
			Effect in EUR	(10,418)	(4,935)	4,465	8,524
1,327	PYG	6,197.68	Effect in PYG	822,246	411,123	(411,123)	(822,246)
			Effect in EUR	130	61	(56)	(106)
(2,912)	BRL	3.83	Effect in BRL	(1,116)	(558)	558	1,116
			Effect in EUR	(285)	(135)	122	233
83,739	ZAR	14.15	Effect in ZAR	118,459	59,229	(59,229)	(118,459)
			Effect in EUR	8,180	3,875	(3,506)	(6,693)
(24,622)	EGP	16.66	Effect in EGP	(41,024)	(20,512)	20,512	41,024
			Effect in EUR	(2,405)	(1,139)	1,031	1,968
(117,339)	MZN	61.40	Effect in MZN	(720,504)	(360,252)	360,252	720,504
			Effect in EUR	(11,463)	(5,430)	4,913	9,379

Euro

Amount in EUR	Functional currency	FX Rate (06-30-19)		EUR depreciation		EUR appreciation	
				-10.0%	-5.0%	5.0%	10.0%
(34,711)	ZAR	16.09	Effect in ZAR	55,848	27,924	(27,924)	(55,848)
			Effect in EUR	3,391	1,606	(1,453)	(2,774)
94,634	BRL	4.36	Effect in BRL	(41,248)	(20,624)	20,624	41,248
			Effect in EUR	(9,245)	(4,379)	3,962	7,564
(49,749)	MZN	69.84	Effect in MZN	347,443	173,722	(173,722)	(347,443)
			Effect in EUR	4,860	2,302	(2,083)	(3,976)

**19.9. Categories of financial instruments**

	06.30.2019	12.31.2018
<b>Current assets:</b>		
Cash and bank accounts (Note 4)	203.899	143.039
Financial assets at amortized cost:		
Trade receivables (Note 6)	109.636	73.202
Other receivables	93.305	35.220
Financial assets at fair-value:		
Short-term investments - financial asset	55.702	183.264
Exclusive funds	16.644	15.498
<b>Non-current assets:</b>		
Financial assets at amortized cost:		
Trade receivables (Note 6)	613	745
Other receivables	31.534	35.281
Financial assets at fair-value:		
Long-term investments - financial asset	1.353	1.337
Derivatives	5.393	3.362
<b>Current liabilities:</b>		
Financial liabilities at amortized cost:		
Debentures (Note 10)	107.798	105.822
Borrowings and financing (Note 9)	208.168	385.538
Trade payables	230.295	249.605
Interest payable (Notes 9 and 10)	34.870	39.389
Obligations under finance leases (IFRS 16)	10.314	-
Other payables	36.929	42.272
<b>Non-current liabilities:</b>		
Financial liabilities at amortized cost:		
Debentures (Note 10)	752.174	792.905
Borrowings and financing (Note 9)	641.026	653.901
Trade payables	22.177	9.948
Obligations under finance leases (IFRS 16)	26.503	-
Other payables	29.651	29.133
Financial liabilities at fair value:		
Derivatives	-	303



### 19.10. Derivative transactions

#### Derivatives

As of June 30, 2019 and December 31, 2018, the fair value of derivatives is as follows:

	Assets		Liabilities	
	Non-current		Non-current	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Written-put options ("Baesa", "Machadinho" and "Estreito" operations)	5,393	3,362	-	303
	5,393	3,362	-	303

### 19.11. 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 June 30, 2018 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
<b>Assets:</b>				
Financial assets at fair value	Securities - current	16,644	-	-
Financial assets at fair value	Financial derivative instruments	-	-	5,393

#### 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 9 and 10, 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:

	06.30.2019	12.31.2018
Fair value	820,813	842,763
Carrying amount	876,178	918,202

## 20. Supplemental Cash Flow Information

Investment and financing activities not involving cash

	06.30.2019	06.30.2018
Interest capitalization	34	110
Purchase of property, plant and equipment through trade payables	28,914	(16,720)
Purchase of intangibles through trade payables	1,057	24
Sales of property, plant and equipment that will be received	1,003	595

## 21. 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:

	06.30.2019				06.30.2018 (Restated - Note 2.4)			
	Net Revenue		Total	Results	Net Revenue		Total	Results
Foreign sales	Intersegment sales	Foreign sales			Intersegment sales			
Operating segments:								
Brazil	200.253	-	200.253	(23.322)	202.490	1.013	203.503	(35.802)
Argentina and Paraguay	322.374	-	322.374	63.447	358.882	-	358.882	74.874
Egypt	55.615	-	55.615	(4.421)	50.582	-	50.582	1.166
Mozambique	49.325	-	49.325	3.371	48.624	-	48.624	3.823
South Africa	59.814	1.234	61.048	6.816	65.215	1.238	66.453	8.702
<b>Total</b>	<b>687.381</b>	<b>1.234</b>	<b>688.615</b>	<b>45.891</b>	<b>725.793</b>	<b>2.251</b>	<b>728.044</b>	<b>52.763</b>
Unallocated (a)	6.457	53.098	59.555	(13.544)	24.762	74.943	99.705	(6.685)
Eliminations	-	(54.332)	(54.332)	-	-	(77.194)	(77.194)	-
<b>Sub-total</b>	<b>693.838</b>	<b>-</b>	<b>693.838</b>	<b>32.347</b>	<b>750.555</b>	<b>-</b>	<b>750.555</b>	<b>46.078</b>
Share of profit of associates				-				-
Income before financial income (expenses)				32.347				46.078
Foreign exchange, net				(2.438)				(20.048)
Financial income				24.255				14.873
Financial expenses				(78.607)				(108.474)
Income before income tax and social contribution				(24.443)				(67.571)
Income tax and social contribution				(16.327)				(15.605)
Loss for the period from continuing operations				(40.770)				(83.176)
Profit for the period from discontinuing operations				309.389				4.642
<b>Profit/(Loss) for the period</b>				<b>268.619</b>				<b>(78.534)</b>

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

The profit for each six months periods above includes the full amount of the Company's segments disregarding the following amounts attributable to non-controlling interests:

	Noncontrolling interests	
	06.30.2019	06.30.2018 (Restated - Note 2.4)
Continuing operating segments:		
Brazil	2.899	(16.347)
Argentina and Paraguay	24.995	17.362
Egypt	(270)	(338)
Mozambique	(31)	258
South Africa	555	2.125
	28.148	3.060
Unallocated	(1.831)	(8.170)
	26.317	(5.110)
Discontinued operating segments	4.532	1.114
Profit (loss) for the period attributable to non-controlling interests	30.849	(3.996)

## Other information:

	06.30.2019		06.30.2018 (Restated - Note 2.4)	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Continuing operating segments:				
Brazil	18.374	38.262	17.576	41.152
Argentina and Paraguay	130.462	25.024	34.374	15.493
Egypt	1.319	9.555	1.493	7.169
Mozambique	2.884	3.677	28.982	3.664
South Africa	4.857	4.531	2.209	4.817
	157.896	81.049	84.634	72.295
Unallocated	454	619	1.455	823
	158.350	81.668	86.089	73.118
Discontinuing operating segments	-	-	2.948	24.082
Total	158.350	81.668	89.037	97.200

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

For the six-months period ended June 30, 2018, impairment losses were recorded in Brazilian business segment for tangible assets in the amount of €4,255 (R\$17,548 thousand). There are no impairment recorded for the six months period ended June 30, 2019.

In addition, segment assets and liabilities reconciled with the consolidated balances as of June 30, 2019 and December 31, 2018 are as follows:



	06.30.2019			12.31.2018		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Continuing operating segments:						
Brazil	1.622.054	748.237	873.817	1.558.508	799.523	758.985
Argentina and Paraguay	1.119.072	438.343	680.729	978.846	377.907	600.939
Egypt	262.490	201.824	60.666	252.366	191.950	60.416
Mozambique	227.237	150.204	77.033	221.784	145.034	76.750
South Africa	334.474	94.991	239.483	334.117	95.166	238.951
Total	3.565.327	1.633.599	1.931.728	3.345.621	1.609.580	1.736.041
Unallocated	421.540	1.146.439	(724.899)	368.366	1.498.294	(1.129.927)
Eliminations	(264.692)	(264.692)	-	(273.638)	(273.638)	-
Total continuing segments	3.722.175	2.515.346	1.206.829	3.440.349	2.834.236	606.114
Discontinuing operating segments	-	-	-	868.105	310.598	557.506
Eliminations	-	-	-	(4.310)	(4.310)	-
Total discontinuing segments	-	-	-	863.795	306.288	557.506
Inter-segment eliminations	-	-	-	(119.965)	(119.965)	-
Total	3.722.175	2.515.346	1.206.829	4.184.179	3.020.559	1.163.620

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

## 22. Events After the Reporting Period

### Portugal and Cape Verde sales

On August 9, 2019, an additional proceeding of €20,520 was received pursuant the sale of Portugal and Cape Verde as mentioned in note 1 above. As of the date of the issuance of the consolidated interim financial statements a total amount of €696,056 was received.

### Argentina political and market uncertainties

The primary presidential election in Argentina occurred on August 11th, 2019, which anticipates the general elections that will take place in October, resulted in an adverse scenario to the National Government Party, presenting significant differences with respect to the surveys that were disseminated prior to the electoral process. This issue led to a significant decline in the capital markets during Monday, August 12th and thereafter, causing a decrease of over 35% in the Merval index (Argentine stock market), a significant appreciation of the USD (and EURO) in relation to the Argentinean pesos (from approximately 45 to 60 Argentine pesos for each USD), and a significant decrease in the price of securities of the Argentine government debt. The country risk grew to 1467 points in the first days after the primary presidential election and to approximately 2.300 points in the subsequent days.

Since then, the Argentinean President announced a series of economic measures to deal with the new macroeconomic scenario, including the change in the sovereign debt profile and its repayments dates and certain measures focused on control the foreign exchange market, including the need of prior authorization from Central Bank to remit dividends abroad. The uncertainty produced by the results of the primary elections and the alteration in the macroeconomic variables, plus the measures taken by the government to deal with the economic emergency, were perceived in the international financial markets as an extension of the sustainability risks of the Argentine debt and, as a result, risk rating agencies lowered Argentina's sovereign rating.



Among the observable variables in the market with high volatility, the price of the foreign currency is one of the main concerns of the government due to the effects on inflation, leading the Government to adopt a series of transitional measures to regulate the trades of foreign currencies (primarily USD).

The Company's management is continuing monitoring the issue. These condensed consolidated interim financial statements do not include any adjustment related to the aforementioned facts in respect to our investment in the wholly owned subsidiary Loma Negra Cia Industrial Argentina S.A. The effects, if any, that may result from this matter will be reported in the condensed consolidated interim financial statements for the period to be ended September 30, 2019".

### **23. Authorization for Completion of Financial Information**

At the meeting held on September 12, 2019, the Board of Directors authorized the completion of this consolidated interim financial statements, being approved them for disclosure.