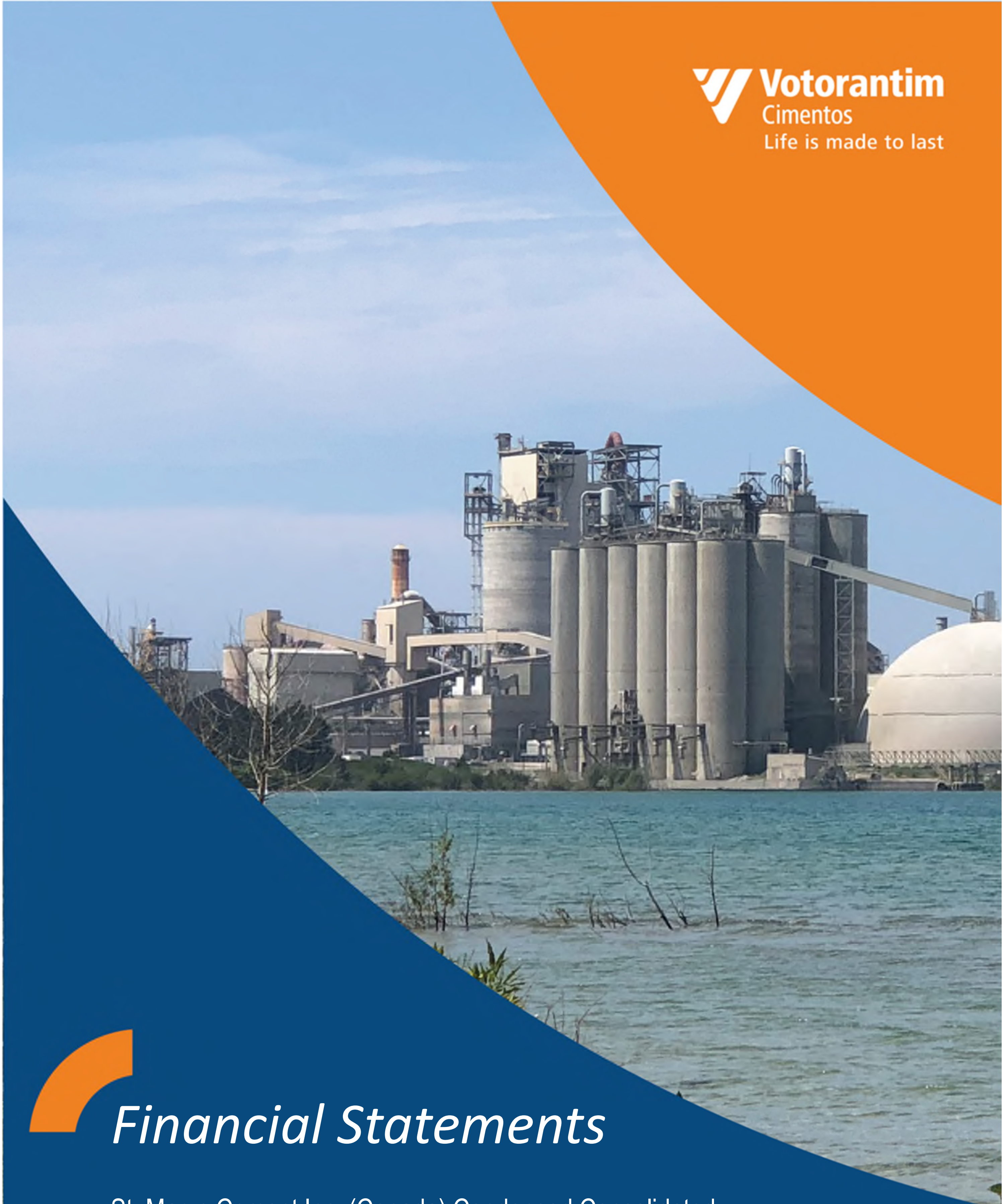
Votorantim
Cimentos
Life is made to last



Financial Statements

St. Marys Cement Inc. (Canada) Condensed Consolidated Interim Financial Statement at March 31, 2020 (in thousands of U.S. dollars) and report on review

May 11, 2020

Independent Practitioner's Review Engagement Report

To the Shareholders of St. Marys Cement Inc. (Canada)

We have reviewed the accompanying condensed consolidated interim financial statements (interim condensed consolidated financial statements) of St. Marys Cement Inc. (Canada) and its subsidiaries (together, the Company) that comprise the condensed consolidated interim balance sheet as at March 31, 2020 and the condensed consolidated interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the three-month period ended March 31, 2020, and the related notes, which comprise explanatory information.

Management's responsibility for the interim condensed consolidated financial statements
Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards applicable to the preparation of interim condensed consolidated financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's responsibility
Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of interim condensed consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards applicable to the preparation of interim condensed consolidated financial statements, including International Accounting Standard 34, *Interim Financial Reporting*.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Other matter

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of the Company as at December 31, 2019 and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended (not presented herein) and related notes. In our report dated February 18, 2020, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated interim balance sheet as at December 31, 2019 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

St. Marys Cement Inc. (Canada)

Condensed consolidated interim balance sheet
In thousands of U.S. dollars

Assets	Note	31-Mar-20	31-Dec-19
Current assets			
Cash and cash equivalents		$ 118,781	$ 85,084
Trade receivables	E1	14,768	7,656
Inventories		151,565	149,953
Income taxes recoverable		5,574	1,036
Prepaid expenses		10,767	8,784
Other assets		4,179	4,425
		305,634	256,938
Non-current assets			
Notes and capital related to SPE	E2	40,841	34,806
Prepaid expenses		10,891	10,927
Advance to suppliers		1,547	1,547
Receivable related to asset sale		2,061	2,493
Financial assets at fair value through other comprehensive income		476	1,195
Deferred income tax asset	E9	1,456	1,407
Other assets		3,564	4,441
Investments accounted for using the equity method	E4	29,051	30,271
Property, plant and equipment	E5	656,529	678,154
Intangible assets	E6	579,448	586,968
Right of use assets	E7	81,537	86,396
		1,407,401	1,438,605
Total assets		$ 1,713,035	$ 1,695,543

Liabilities and shareholders' equity	Note	31-Mar-20	31-Dec-19
Current liabilities			
Accounts payable and accrued liabilities		$ 108,084	$ 168,007
Salaries and social charges		20,965	26,177
Indirect taxes payable		7,972	9,546
Borrowing	E8	5,371	12,095
Lease liabilities	E7	15,325	15,551
		157,717	231,376
Non-current liabilities			
Borrowing	E8	658,757	497,394
Related parties	E3	110,039	108,401
Lease liabilities	E7	67,927	72,470
Post-employment benefit obligations		29,428	29,628
Deferred income tax liability	E9	35,710	45,849
Provisions		37,822	44,018
Other liabilities		4,735	4,729
		944,418	802,489
Total liabilities		1,102,135	1,033,865
Shareholders’ equity	E10		
Share capital		44,240	47,912
Retained earnings		307,041	368,222
Accumulated other comprehensive income		259,619	245,544
Total shareholders’ equity		610,900	661,678
Total liabilities and shareholders’ equity		$ 1,713,035	$ 1,695,543

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

St. Marys Cement Inc. (Canada)

Condensed consolidated interim statements of income and comprehensive income
Period ended March 31
In thousands of U.S. dollars

	Note	2020	2019
Revenue from goods sold		$ 141,697	$ 110,276
Cost of goods sold	E12	(145,241)	(126,233)
Gross loss		(3,544)	(15,957)
Operating expense			
Selling	E12	(5,970)	(5,971)
General and administrative	E12	(13,147)	(12,905)
Other operating (expense) income, net	E13	(2,692)	(884)
		(21,809)	(19,760)
Operating loss before equity results and net financing expense		(25,353)	(35,717)
Investment results from equity share in joint ventures	E4	(513)	(1,892)
Financing expense, net	E14	(22,833)	(14,733)
Loss before income tax recovery		(48,700)	(52,342)
Provision for income tax recovery		9,579	24,632
Net loss		$ (39,121)	$ (27,710)
Weighted average number of shares, thousands		1,691,783,138	1,691,783,138
Basic and diluted results per thousands shares, in dollars		(0.02312)	(0.01638)
Other comprehensive income (loss):			
Items that may be subsequent reclassified to profit or loss			
Accumulated foreign currency translation adjustment		52,360	(12,572)
Changes in fair value of finacial assets at fair value through other comprehensive		(627)	(654)
Unrealized (loss) gain on net investment hedge, net of tax		(37,658)	8,535
Other comprehensive income (loss) for the period ended	D2.1	14,075	(4,691)
Total comprehensive loss for the period ended		$ (25,046)	$ (32,401)

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

Condensed consolidated interim statement of changes in shareholder's equity
Period ended March 31
In thousands of U.S. dollars

	Share capital	Retained earnings	Accumulated other comprehensive income (Note E10)	Total equity
Balance - December 31, 2018	$ 326,626	$ 258,821	$ 255,101	$ 840,548
Net loss for the period	-	(27,710)	-	(27,710)
Other comprehensive loss	-	-	(4,691)	(4,691)
Comprehensive loss for the period	-	(27,710)	(4,691)	(32,401)
Foreign currency translation	7,121	2,949	-	10,070
Balance - March 31, 2019	333,747	234,060	250,410	818,217
Balance - December 31, 2019	47,912	368,222	245,544	661,678
Net loss for the period	-	(39,121)	-	(39,121)
Other comprehensive income	-	-	14,075	14,075
Comprehensive (loss) income for the period	-	(39,121)	14,075	(25,046)
Foreign currency translation	(3,672)	(22,060)	-	(25,732)
Balance - March 31, 2020	44,240	307,041	259,619	610,900

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

St. Marys Cement Inc. (Canada)

Condensed consolidated interim statement of cash flow
Period ended March 31
In thousands of U.S. dollars

	Note	2020	2019
Loss before income tax recovery		$ (48,700)	$ (52,342)
Adjustments of items that do not represent changes in cash and cash equivalents:			
Depreciation, amortization and depletion	E12	23,375	22,155
Equity in the results of associates and joint ventures	E4	513	1,892
Gain on sale of property, plant and equipment and intangible assets	E13	(22)	(281)
Financing expense, net	E14	22,833	14,733
		(2,001)	(13,843)
Decrease (increase) in current assets			
Trade and other receivables		(23,121)	(20,721)
Inventories		(6,446)	(5,434)
Related parties		762	1,833
Other current assets		(2,163)	(2,666)
Increase (decrease) in current liabilities			
Trade payables		(48,958)	(41,817)
Salaries and social charges		(3,745)	(5,693)
Related parties		(5,281)	(2,614)
Taxes payable		(1,472)	(18,042)
Change in long-term assets & liabilities			
Post-employment benefit obligations		465	693
Other		1,204	(2,209)
Cash provided by operational activities		(90,756)	(110,513)
Interest paid debt	E8	(14,411)	(14,419)
Interest paid leasing	E7	(744)	(457)
Income tax paid		(3,037)	(14,083)
Total cash used in operating activities		(108,948)	(139,472)
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		23	415
Dividends received	E4	1,000	-
Business combination		-	(24,608)
Capital contributions in affiliate companies	E4	(650)	-
Acquisition of property, plant and equipment	E5	(13,830)	(8,674)
Acquisition of intangible assets	E6	(453)	(1,564)
Total cash used in investing activities		(13,910)	(34,431)
Cash flows from financing activities			
New loans and financing	E8	163,942	35,000
Payment of loans and financing	E8	(181)	(196)
Payment of long term leasing	E7	(4,183)	(3,882)
Financial costs, except interest		-	(848)
Total cash provided by financing activities		159,578	30,074
Increase (decrease) in cash and cash equivalents		36,720	(143,829)
Effect of foreign exchange on cash		(3,023)	1,504
Cash and cash equivalents at the beginning of the period		85,084	181,827
Cash and cash equivalents at the end of the period		118,781	39,502

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

Section A – General information

1 Operational context

St. Marys Cement Inc. (Canada) ("the Company", "VCNA") is a wholly owned subsidiary of Votorantim Cimentos Internacional S.A.("VCI") which is directly controlled by Votorantim Cimentos S.A. ("VCSA"). VCSA (headquartered in the city and state of São Paulo, Brazil) is directly controlled by Votorantim S.A., a privately held company fully controlled by the Ermírio de Moraes family.

The activity of St. Marys Cement Inc. (Canada) and its subsidiaries (together "the Group") is the manufacturing and distribution of heavy building materials, which includes cement, aggregates, ready-mix concrete and construction related materials. The Group has facilities in Canada and the United States. The address of its registered office is 55 Industrial St, Toronto, Ontario, Canada.

2 Approval of the consolidated financial statements

These condensed consolidated interim financial statements for the three months ended March 31, 2020 were approved by the Board of Directors of the Company on May 11, 2020.

3 Main events that occurred in the period

3.1 Revolving credit facility

During the quarter the Company withdraw U.S. $163.6 million from the revolver credit facility.

3.2 Coronavirus outbreak identified effects

3.2.1 Effects of the pandemic caused by the new coronavirus (COVID-19)

Due to the global pandemic declared by the World Health Organization (WHO) related to the new Corona virus (COVID-19) that has been affecting Canada, the USA and many other countries around the world, presenting high risks to public health and impacting the global economy, the Company in accordance to its Risk Management Policy and approved by the VCSA Board of Directors and implemented by VCNA Management, has instituted through its Corporate Crisis Committee, a plan to fight this crisis and has instituted preventive measures in an attempt to mitigate the impact of the pandemic. These preventative measures are aligned with the guidelines established by national and international health authorities. The Company expects to mitigate as much as possible, the potential impact that the COVID-19 crisis has on the health and safety of its employees, relatives, associates and communities, and as well, to minimize the potential impact on the Company's operations.

The Corporate Crisis Committee has set up a multitasking team working closely in conjunction with the Company's Board to address the COVID-19 situation. One of their main tasks has been to determine the effects and consequences of the crisis on the business, the Company's clients, suppliers and other creditors. At this time, the team does not see the crisis having a significant impact on the Company's estimates or business.

As such, the Company has been monitoring the current effect that the COVID-19 crisis is having on its main estimates and critical accounting judgments, as well as other balances that have the potential to present uncertainty and impact in the financial information disclosed. The main analysis is presented below:

(a) Impairment of non-financial assets

The pandemic is still advancing, at a different pace in the regions in which the Company operates and there is great uncertainty, in the short term, in its economic impacts. However, management believes that the results of the Company's annual testing of impairment designed for the consolidated financial statements of December 31, 2019, carried out in accordance with established policies of the Group and as required by IFRS, are still valid and applicable for this quarter.

In addition, Management performed sensitivity analyses on such tests. This analysis shows that the Company is still able to absorb the impacts arising from this scenario so far. Therefore, management concluded that there is no impairment as of March 31, 2020.

(b) Recoverability of deferred tax asset

The company and its subsidiaries have a consolidated amount of U.S.$ 113,195 related to deferred tax over operating losses, booked in its balance sheet as of March 31, 2020.

As of March 31, 2020, the Company and its subsidiaries did not identify the need to recognize any additional valuation allowance due to the COVID-19 crisis.

(c) Fulfillment of obligations related to debt contracts

The Company and its subsidiaries are carefully monitoring its obligations resulting from its financial contracts and, as of March 31, 2020, did not identify any impact from the COVID-19 crisis that could potentially harm the fulfillment of these obligations.

(d) Risk matrix to the calculating the allowance for doubtful accounts

The Company and its subsidiaries are monitoring the need to reassess the premise related to the risk classification of its debtors which is based on the Company's provision for impairment on receivables balance. The provision takes into account the Company's expected loss for each risk class based on the historical loss and prospective data including but not limited to credit ratings and collection compliance of each debtor. The expected loss is calculated based on an analysis made together by the Credit and Accounts Receivable departments.

The Company and its subsidiaries did not identify the need to adjust its debtors risk classification. Accordingly, there was no increase in the provision for receivables impairment recorded as of March 31, 2020, or any other adverse effects recorded in accounts receivable, as a result of the COVID-19 crisis.

(e) Estimate of loss on inventory due to slow moving and changes in the net realizable value

Inventory movement is a main indicator when calculating a potential impairment on its carrying value. The Company and its subsidiaries are monitoring its inventory movements closely. The net realizable inventory balance was reviewed, considering the estimated sale price, net of the expenses related to the sale, adjusted for the impacts of the COVID-19 crisis.

The Company and its subsidiaries did not identify any material change in its net realizable inventory balance. Accordingly, there was no increase in the inventory obsolescence provision recorded as of March 31, 2020, as a result of the COVID-19 crisis

(f) Fulfillment of obligations with customers and suppliers

The Company and its subsidiaries reassessed its main supply contracts and its supply to customers and suppliers, respectively, and concluded that, despite the impacts due to the pandemic related to the COVID-19 crisis, the main contractual obligations were fulfilled. The Company is working to monitor its contracts with take-or-pay clauses.

In thousands of U.S. dollars, unless otherwise stated

(g) Analysis of liquidity ratios and available credit lines

Votorantim Cimentos Group has a solid liquidity position, reinforced by available rotating credit lines, amounting to US$ 500 million. The average maturity of debt is 7.9 years. This liquidity places the Company in a strong position to fight the impacts of the COVID-19 crisis.

Considering the current uncertainty, management will keep a vigilant watch on coming events, and remain prepared to institute new measures should they be needed, as this crisis evolves.

The Company and its subsidiaries did not identify any other relevant impacts of the COVID-19 crisis on the condensed consolidated interim financial statements of the Company as of March 31, 2020 to be disclosed, and did not identify any impacts or accounting evidence due to the COVID-19 crisis that require signficant revisions to the critical accounting estimates and judgments, or related to the policies disclosed in Note C3 of the December 31, 2019 annual consolidated financial statements.

Section B – Supplementary information

1 EBITDA

The main source of information for assessment of the financial performance is the Adjusted EBITDA. The adjusted EBITDA is calculated from profit/loss, plus/less financial income and expenses, plus income tax and social contribution, plus depreciation, amortization and depletion, less equity in the results of investees, plus dividends received from investees and less exceptional non-cash items (non-cash items considered by Management as exceptional are excluded from the adjusted EBITDA measurement).

The following table reconciles the quarterly, accumulated and last twelve months adjusted EBITDA from the profit for the period:

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019	Last twelve months ended 03/31/2020	Last twelve months ended 12/31/2019
Current period income/(Loss)	(39,121)	(27,710)	90,438	101,849
Plus (less):				
Equity in the results	513	1,892	(11,569)	(10,190)
Financial results	22,833	14,733	59,295	51,195
Income tax expenses - continuing operations	(9,579)	(24,632)	34,584	19,531
EBIT	(25,354)	(35,717)	172,748	162,385
Depreciation, amortization and depletion	23,375	22,155	93,939	92,719
EBITDA	(1,979)	(13,562)	266,687	255,104
Dividends received	1,000	-	10,480	9,480
Adjusted EBITDA	(979)	(13,562)	277,167	264,584

2 Capital management

The company’s objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In thousands of U.S. dollars, unless otherwise stated

In order to maintain or adjust the capital structure, the company may amend or may propose to shareholders to amend, when their approval is required, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the leverage ratio (which corresponds to net debt divided by Adjusted EBITDA for the last 12 months). Net debt is calculated as total borrowings (including 'bank indebtedness' and 'long-term debt' as shown in the consolidated statement of financial position) less cash and cash equivalents. The ratios at March 31, 2020 and December 31 2019 were as follows:

	31-Mar-20	31-Dec-19
Borrowing	664,128	509,489
Lease liabilities	83,252	88,021
Cash and cash equivalents	(118,781)	(85,084)
Net debt - (A)	628,599	512,426
Adjusted EBITDA - (B)	277,167	264,584
Financial leverage ratio - (A/B)	2.27	1.94

Section C – Presentation of the financial statement and summary of accounting practices

1 Basis of presentation

1.1 Consolidated financial statement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including International Accounting Standard IAS 34 – Interim Financial Reporting.

These condensed consolidated interim financial statements do not contain all of the explanatory notes and disclosures required by the accounting standards applicable to the annual financial statements, since its purpose is to provide an update on the significant activities, events and circumstances compared to the annual financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, approved by the board of Directors of the Company on February 18, 2020.

These condensed consolidated interim financial statements have been prepared in a manner consistent with the accounting policies disclosed in Section C of the consolidated financial statement for the year ended December 31, 2019.

1.2 Critical accounting estimates and assumptions

In the period ended March 31, 2020 there have been no changes in estimates and assumptions that present a significant risk and probability of causing material adjustments to the carrying amounts of assets and liabilities for the current fiscal year, compared to those detailed in Note C3 to the financial statements as at December 31, 2019.

In thousands of U.S. dollars, unless otherwise stated

Section D – Risk management

1 Seasonality of cement operations

Cement, ready-mix concrete and aggregate product shipments are highly seasonal in Ontario and the Great Lakes Region because of the general slowdown of construction activity in the winter months and the difficulty of pouring concrete in cold weather during the first and fourth quarters. In contrast, during the summer season the activity increases in the second and third quarters. Due to the seasonal nature of the business, the financial results for the first three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full year. Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

2 Environment risk management

The Company reviews periodically its environmental risk assessment and addresses the risks, either through risk mitigation actions or cost estimation actions to clear the risks identified. These risks are usually recorded as asset retirement obligations.

3 Financial risk management

The Company does not have relevant risk of the gain or loss involving currency and interest rate risk, credit risk and liquidity risk refer to amounts recognized.

3.1 Hedging of net investments in foreign operations

The Company evaluate quarterly the effectiveness of their net investment in foreign operations hedge accounting transactions prospectively, as required by IFRS 9 – Financial Instruments.

								01/1/2020 to 03/31/2020
Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Original amount	Currency	Original amount	Loss recognized in other comprehensive income
St. Marys	USD	St. Marys Cement Inc.	CAD	43.80%	499,831	CAD	500,000	(37,658)
								(37,658)

								01/1/2019 to 03/31/2019
Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Original amount	Currency	Original amount	Gain recognized in other comprehensive income
St. Marys	USD	St. Marys Cement Inc.	CAD	43.80%	499,831	CAD	500,000	8,535
								8,535

The designated hedge transaction was effective therefore no translation gain or loss recognized in the three-month income statements.

4 Financial instruments by category

4.1 Classification, recognition and measurement

The Company and its subsidiaries classify their financial assets based on the business model for which the financial assets were acquired and determine their classification upon initial recognition, in the following categories:

(i) Financial instruments at amortized cost

These are financial instruments held for the purpose of receiving contractual cash flows, with payments related exclusively to principal and interest. The instruments under this classification are measured at amortized cost.

(ii) Financial instruments at fair value through other comprehensive income

Financial instruments where the contractual cash flows are solely payments of principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets. The instruments in this classification are measured at fair value through other comprehensive income.

(iii) Financial instruments at fair value through profit or loss

All financial instruments that do not fall under the above definitions are classified in this category. The instruments under this classification are measured at fair value through profit or loss.

4.2 Analysis

The financial instruments of the Group are classified as follows:

	Financial instrument classification
Financial assets	
Cash	Amortized cost
Trade receivables	Amortized cost
Other accounts receivable	Amortized cost
Equity investments (i)	FVOCI
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

(i) The fair values of the instruments at fair value through other comprehensive income are based on quoted market prices (level 1).

In thousands of U.S. dollars, unless otherwise stated

	Equity securities - Industries related to cement production	
	01/1/2020 to 03/31/2020	01/1/2019 to 12/31/2019
Balance at the beginning of the period	1,195	1,784
Revaluations recognized in other comprehensive income	(627)	(790)
Foreign currency translation	(92)	201
Balance at the end of the period	476	1,195

Section E – Relevant notes

1 Trade receivables

	31-Mar-20	31-Dec-19
Trade accounts receivable	14,242	5,623
Non trade accounts receivable	1,422	2,968
Due from related parties (Note 3)	28	14
	15,692	8,605
Allowance for expected credit loss	(924)	(949)
	14,768	7,656

The fair value of current accounts receivable approximates their carrying amount due to their short term nature.

Movements on the group provision for impairment of trade receivables are as follows:

	31-Mar-20	31-Dec-19
Balance at the beginning of the period	949	702
Provision for receivables impairment	10	212
Receivables written off during the period as uncollectible	(20)	-
Translation differences	(15)	35
Balance at the end of the period	924	949

The creation and release of provision for impaired receivables have been included in 'selling, general and administrative expenses' in the statement of income. Amounts charged to the allowance for doubtful accounts are generally written off, when there is no expectation of recovering additional cash.

2 Securitization

On March 31, 2016, the company entered into a revolving receivables securitization transaction with financial institutions for the sale of trade receivables to a special purpose entity (SPE) which was established specifically for this purpose and which is not controlled by the Company. The SPE finances the initial acquisition of the receivables by means of: (i) senior notes, (ii) intermediate subordinated certificates and (iii) junior subordinated certificates. The SPE acquires new receivables on a revolving basis, using mainly amounts paid for previously purchased receivables. The company manages, as a service provider on behalf of the SPE, the collections of the receivables included in the transaction. The SPE is not included in the consolidated financial statements since the company does not control the SPE for accounting purposes as determined in accordance with the criteria of IFRS 10, Consolidated Financial Statements. In March, 2019, the company renewed the transaction until March, 2022.

In thousands of U.S. dollars, unless otherwise stated

The company has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred assets, and has retained control of the transferred assets as the SPE does not have the practical ability to sell the transferred assets. The receivables are recognized on the balance sheet to the extent of the company's continuing involvement and recognized an associated liability. The extent of the company's continuing involvement in the transferred assets is the extent to which it is exposed to changes in the value of the transferred assets. The net carrying amount of the partially transferred assets and associated liabilities reflects the rights and obligations that the company has retained.

3 Related party transactions

	Accounts receivable		Liabilities		Sales		Financial income (expense)	
	31-Mar-20	31-Dec-19	31-Mar-20	31-Dec-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Votorantim Cimentos S.A.	-	-	-	-	-	-	-	-
Votorantim Cimentos International S.A. (i)	-	-	110,039	108,401	-	-	(1,661)	-
Hutton Transport Limited	28	14	-	-	-	-	-	-
Superior Materials Holdings, LLC	-	-	326	1,726	3,096	1,235	-	-
Midway Group, LLC	-	-	90	890	804	346	-	-
	28	14	110,455	111,017	3,900	1,581	(1,661)	-
Current	28	14	416	2,616				
Non-current	-	-	110,039	108,401				
	28	14	110,455	111,017				

(i) On April 29, 2019, St Marys Cement Inc. (Canada) entered into an intercompany loan with its parent Votorantim Cimentos Internacional S.A. in the amount of $270.0 million. The intercompany loan matures on April 2029 and bears interest at a rate of 6.00% per annum As of March 31, 2020 the outstanding amount under the intercompany loan was U.S. $110 million (December 31, 2019: U.S. $108 million).

3.1 Debts issued by related parties guaranteed by the Group

				31-Mar-20		31-Dec-19	
Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	Debt	Amount guaranteed	Debt	Amount guaranteed
4131 Loan to September, 2024	Votorantim Cimentos N/NE S.A.	St. Marys Cement Inc. (Canada)	100%	75,000	75,000	75,000	75,000
4131 Loan to February, 2025	Votorantim Cimentos S.A.	St. Marys Cement Inc. (Canada)	100%	100,000	100,000	100,000	100,000
4131 Loan to March, 2025	Votorantim Cimentos N/NE S.A.	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A.	100%	50,000	50,000	50,000	50,000
4131 Loan to March, 2025	Votorantim Cimentos S.A.	St. Marys Cement Inc. (Canada)	100%	50,000	50,000		
Revolving Credit Agreement	Votorantim Cimentos Internacional S.A., Votorantim Cimentos EAA Inversiones, SL and St. Marys Cement Inc. (Canada)	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A.	100%	290,000	290,000	42,850	42,850
				565,000	565,000	267,850	267,850

4 Investments accounted for using the equity method

The amounts recognized in the balance sheet and the statement of income are as follows:

	Information as at March 31, 2020			Equity in the results		Balance	
	Net equity	Net income for the period	Percentage of voting and total capital (%)	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019	31-Mar-20	31-Dec-19
Joint ventures							
Hutton Transport Limited (i)	17,188	(90)	25.00	(22)	(61)	4,297	4,676
Superior Materials Holdings, LLC	27,964	(846)	50.00	(423)	(1,481)	13,982	15,405
Midway Group, LLC	12,610	(148)	50.00	(74)	(353)	6,305	6,379
RMC Leasing, LLC	8,933	12	50.00	6	4	4,467	3,811
				(513)	(1,892)	29,051	30,271

The Company, together with its joint venture partner, has an obligation to make additional funding contributions to its joint venture Superior Building Materials, LLC, if there is a shortfall between the joint venture's credit agreement earnings level and its projected earnings. As March 31, 2020 there have been no shortfalls.

In thousands of U.S. dollars, unless otherwise stated

The changes for the period are as follows:

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Balance at the beginning of the period	30,271	28,068
Equity in the results	(513)	(1,892)
Approved dividends	(1,000)	-
Currency translation	(357)	112
Capital contribuition - RMC Leasing, LLC	650	-
Balance at the end of the period	29,051	26,289

5 Property, plant and equipment

	Land	Land improvements & buildings	Equipment	Vehicles	Construction in progress	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Balance at the beginning of the period							
Cost	82,426	276,363	825,328	175,917	89,163	1,449,197	1,340,739
Accumulated depreciation	-	(147,502)	(502,907)	(120,634)	-	(771,043)	(704,007)
Net balance	82,426	128,861	322,421	55,283	89,163	678,154	636,732
Acquisitions	1,527	2,925	22,789	6,143	(19,554)	13,830	8,674
Disposals	-	-	(1)	-	-	(1)	(133)
Depreciation (i)	-	(2,912)	(10,216)	(2,847)	-	(15,975)	(15,060)
Adjustments & transfers	-	-	-	-	-	-	11,182
Translation differences	(2,840)	(4,405)	(6,178)	(2,294)	(3,762)	(19,479)	5,007
Balance at the end of the period	81,113	124,469	328,815	56,285	65,847	656,529	646,402
Cost	81,113	267,580	823,304	175,336	65,847	1,413,180	1,372,601
Accumulated depreciation	-	(143,111)	(494,489)	(119,051)	-	(756,651)	(726,199)
Net balance	81,113	124,469	328,815	56,285	65,847	656,529	646,402
Average annual depreciation rates %	-	18	15	7	-		

(i) Depreciation expense of $14.9M is included in 'cost of sales' and $1.1M is included in 'general and administrative expenses'.

(a) Construction in progress

The balance of construction in progress is made up mainly of projects for the expansion and optimization of the industrial units.

	31-Mar-20	31-Dec-19
Sustaining (i)	42,852	53,935
Modernization	14,498	21,364
Expansion	4,051	5,438
Health & Safety	3,712	7,631
Other	734	795
	65,847	89,163

(i) Investments in the sustaining category are expenditures for the acquisition or replacement of industrial machinery and equipment related to ensuring continued operation of the plants.

In thousands of U.S. dollars, unless otherwise stated

6 Intangible assets

	Goodwill	Computer software	Exploration rights	ARO (i)	Customer relationships and noncompete	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Balance at the beginning of the period							
Cost	279,174	26,167	334,617	31,228	72,483	743,669	723,065
Accumulated depreciation	-	(22,045)	(63,581)	(15,016)	(56,059)	(156,701)	(141,512)
Net balance	279,174	4,122	271,036	16,212	16,424	586,968	581,553
Acquisitions	-	264	189	-	-	453	1,564
Amortization (i)	-	(358)	(967)	(563)	(1,212)	(3,100)	(2,765)
Business acquisition	-	-	-	-	-	-	5,960
Translation differences	-	(74)	(4,373)	(425)	-	(4,872)	1,331
Balance at the end of the period	279,174	3,954	265,884	15,224	15,212	579,448	587,643
Cost	279,174	25,508	328,145	30,220	72,483	735,530	732,843
Accumulated depreciation	-	(21,554)	(62,261)	(14,996)	(57,271)	(156,082)	(145,200)
Net balance	279,174	3,954	265,884	15,224	15,212	579,448	587,643
Average annual amortization rates %		5	2	12	10		

(i) Amortization expense of $1.0M is included in 'cost of sales' and $0.2 million is included in 'general and administrative expenses'.

7 Lease

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

(a) Right of use assets

Balance at the beginning of the period	Land & Buildings	Machinery & Equipment	Vehicles	Barges	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Cost	17,305	1,066	23,502	61,758	103,630	-
Accumulated depreciation	(1,972)	(487)	(7,704)	(7,071)	(17,234)	-
Net balance	15,333	579	15,798	54,687	86,396	-
Initial adpotion of IFRS 16	-	-	-	-	-	61,713
Acquisitions	-	-	-	-	-	38,087
Business acquistions						3,018
Amortization (i)	(479)	(150)	(1,829)	(1,841)	(4,299)	(4,329)
Translation differences	(112)	(2)	(447)	-	(561)	(35)
Balance at the end of the period	14,742	427	13,522	52,846	81,537	98,454
Cost	17,168	1,055	22,769	61,758	102,750	102,783
Accumulated depreciation	(2,426)	(628)	(9,247)	(8,912)	(21,213)	(4,329)
Net balance	14,742	427	13,522	52,846	81,537	98,454
Average annual amortization rates %	10	5	5	11		

(i) Amortization expense of $4.3M is included in 'cost of sales'.

In thousands of U.S. dollars, unless otherwise stated

(b) Lease liability

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Balance at the beginning of the period	88,021	-
Initial adoption	-	61,713
Additions	-	38,087
Business acquistions	-	3,018
Payments	(4,183)	(3,882)
Interest accruals	744	452
Interest paid	(744)	(457)
Present value adjusment	-	4
Exchange variations	(586)	273
Balance at the end of the period	83,252	99,208
Current	15,325	16,331
Non-current	67,927	82,877
	83,252	99,208

8 Borrowing

		Current		Non-current		Total	
Type	**Average annual cost**	**31-Mar-20**	**31-Dec-19**	**31-Mar-20**	**31-Dec-19**	**31-Mar-20**	**31-Dec-19**
Bond payables	5.8%	4,209	10,939	491,212	490,901	495,421	501,840
In US $							
Mortgages payable	3.6%	1,162	1,156	5,726	6,493	6,888	7,649
Revolver	Libor + 1%			161,819		161,819	
		5,371	12,095	658,757	497,394	664,128	509,489

(a) Maturity profile and fair value

The schedule of repayments of the Group’s loans and financings is as follows:

	31-Mar-20		31-Dec-19	
	Amortized	**Balance**	**Amortized**	**Balance**
6 months or less	0.79%	5,239	2.39%	12,159
6-12 months (i)	0.02%	132	-0.01%	(64)
1-5 years (i)	23.97%	159,214	-0.35%	(1,808)
Over 5 years	75.22%	499,543	97.98%	499,202
	100.00%	664,128	100.00%	509,489

(i) The negative balances relate to funding costs that are amortized on a straight-line basis.

The carrying amounts of the Group’s borrowings approximate their fair values, as the discount rates approximate market rates, consistent with the terms of borrowing.

In thousands of U.S. dollars, unless otherwise stated

(b) Movements

The changes for the period are as follows:

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Balance at the beginning of the period	509,489	505,293
New borrowings	163,942	35,000
Exchange rate variations	(2,772)	24
Interest accruals (Note E14)	7,768	7,332
Interest paid	(14,411)	(14,419)
Amortization of funding costs, net of additions	293	276
Payments	(181)	(196)
Balance at the end of the period	664,128	533,310

(c) Credit Line

VCSA and its main subsidiaries, including the Group, entered into a Revolving Credit Facility in the amount of $500 million, maturing on August 2023. Borrowings can be made by any of its main subsidiaries in U.S. funds and are repaid and re borrowed at the borrower's discretion. As of March 31, 2020 the Group had $nil cash borrowings (December 31, 2019: $nil) under the Revolving Credit Facility.

In addition, St. Marys Cement Inc. (Canada), VCI and Votorantim Cement EAA Inversiones ("VCEAA") have a Revolving Credit Facility to support the Group with short-term liquidity in the amount of $290 million, maturing on October 2024. Borrowings under it can be in either U.S. or Canadian funds and are repaid and re-borrowed at Group's discretion. The agreement includes a provision for the adjustment of interest rate subject to the credit rating of the guarantor VCSA and the amount withdrawn. As of March 31, 2020, the outstanding amount under the Revolving Credit Facility by the Company was U.S. $161.8 million cash borrowings (December 31, 2019: $nil).

9 Deferred tax

	31-Mar-20	31-Dec-19
Deferred tax assets:		
Accelerated tax depreciation	(73,904)	(73,904)
Net operating losses	62,204	62,155
Provisions	13,085	13,085
Other	71	71
	1,456	1,407
Deferred tax liabilities:		
Accelerated tax depreciation	(82,774)	(57,561)
Net operating losses	50,991	17,059
Provisions	(5,799)	(6,126)
Retirement benefit obligation	2,127	2,335
Foreign exchange gains	4,385	(1,546)
Other	(4,640)	(10)
	(35,710)	(45,849)
Deferred tax (net):	(34,254)	(44,442)
Net deferred tax assets	1,456	1,407
Net deferred tax liabilities	(35,710)	(45,849)

In thousands of U.S. dollars, unless otherwise stated

10 Shareholders' equity

(i) Share capital

As at March 31, 2020 the Company's fully subscribed and paid-up capital was $ 44,240 (December 31, 2019 – $ 47,912), consisting of 1,679,783,138 common shares and 12,000,000 preferred shares (December 31, 2019 – 1,679,783,138 common shares and 12,000,000 preferred shares).

On April 29, 2019, St Marys Cement Inc. (Canada) approved a return of capital in the amount of $284,735 to its parent company, Votorantim Cimentos Internacional S.A.. No shares previously issued and outstanding were redeemed and or cancelled as a result of the reduction of the stated capital account of the common shares.

(ii) Other comprehensive income

	Accumulated foreign currency translation adjustment	Hedge accounting of net investments	Other comprehensive income	Total
Balance - December 31, 2018	281,554	(25,827)	(626)	255,101
Unrealized gain on net investment hedge, net of tax	-	8,535	-	8,535
Changes in fair value of finacial assets at fair value through other comprehensive income	-	-	(547)	(547)
Deferred taxes	-	-	(107)	(107)
Foreign currency translation	(12,572)	-	-	(12,572)
Balance - March 31, 2019	268,982	(17,292)	(1,280)	250,410
Balance - December 31, 2019	250,908	(3,948)	(1,416)	245,544
Unrealized loss on net investment hedge	-	(38,314)	-	(38,314)
Changes in fair value of finacial assets at fair value through other comprehensive income	-	-	(627)	(627)
Deferred taxes	-	656	-	656
Foreign currency translation	52,360	-	-	52,360
Balance - March 31, 2020	303,268	(41,606)	(2,043)	259,619

11 Contingencies

The company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those already provided for.

In thousands of U.S. dollars, unless otherwise stated

12 Expense by nature

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Employee benefit expense	51,967	46,378
Freight cost	17,168	11,531
Raw materials and consumables	16,044	14,281
Depreciation and amortization	23,375	22,155
Maintenance	21,934	20,041
Electric power consumption	5,787	6,530
Fuel costs	7,679	7,240
Services, miscellaneous	10,105	4,810
Taxes, fees and contributions	3,916	3,811
Rents and leases	1,212	1,061
Insurance	1,256	1,065
Utilities	1,384	1,367
Provision for loss	2,516	957
Other expenses	14	3,882
	164,358	145,109
Reconciliation		
Cost of sales	145,241	126,233
Selling	5,970	5,971
General and administrative	13,147	12,905
	164,358	145,109

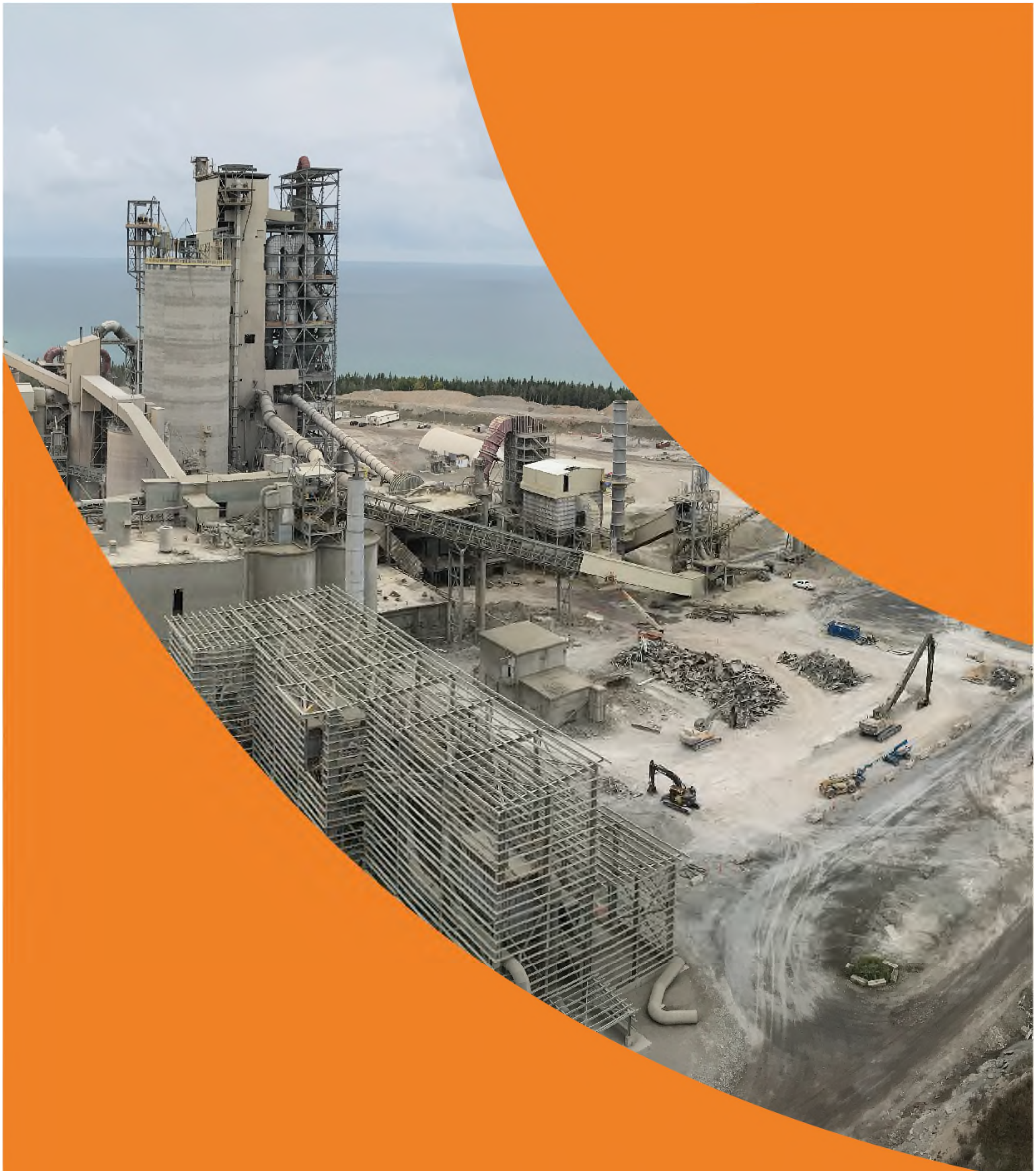
13 Other operating (expense) income

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Gain on sale of property, plant and equipment	22	281
Rental income	316	294
Carbon taxes	-	(773)
Inventory obsolescence	(2,153)	(348)
Other	(877)	(338)
	(2,692)	(884)

In thousands of U.S. dollars, unless otherwise stated

14 Financing expense, net

	01/1/2020 to 03/31/2020	01/1/2019 to 03/31/2019
Financial income		
A/R securitization fees	746	696
Interest income	107	392
Financial expense		
Interest expense, third party loans	(7,768)	(7,332)
Interest expense, related party loan	(1,661)	-
Interest expense, leasing	(744)	(452)
Amortization of prepaid financing costs	(409)	(1,857)
A/R securitization fees	(1,737)	(1,897)
Bank charges and other financial results	(874)	(902)
Net foreign exchange result	(10,493)	(3,381)
	(22,833)	(14,733)



Votorantim
Cimentos
Life is made to last