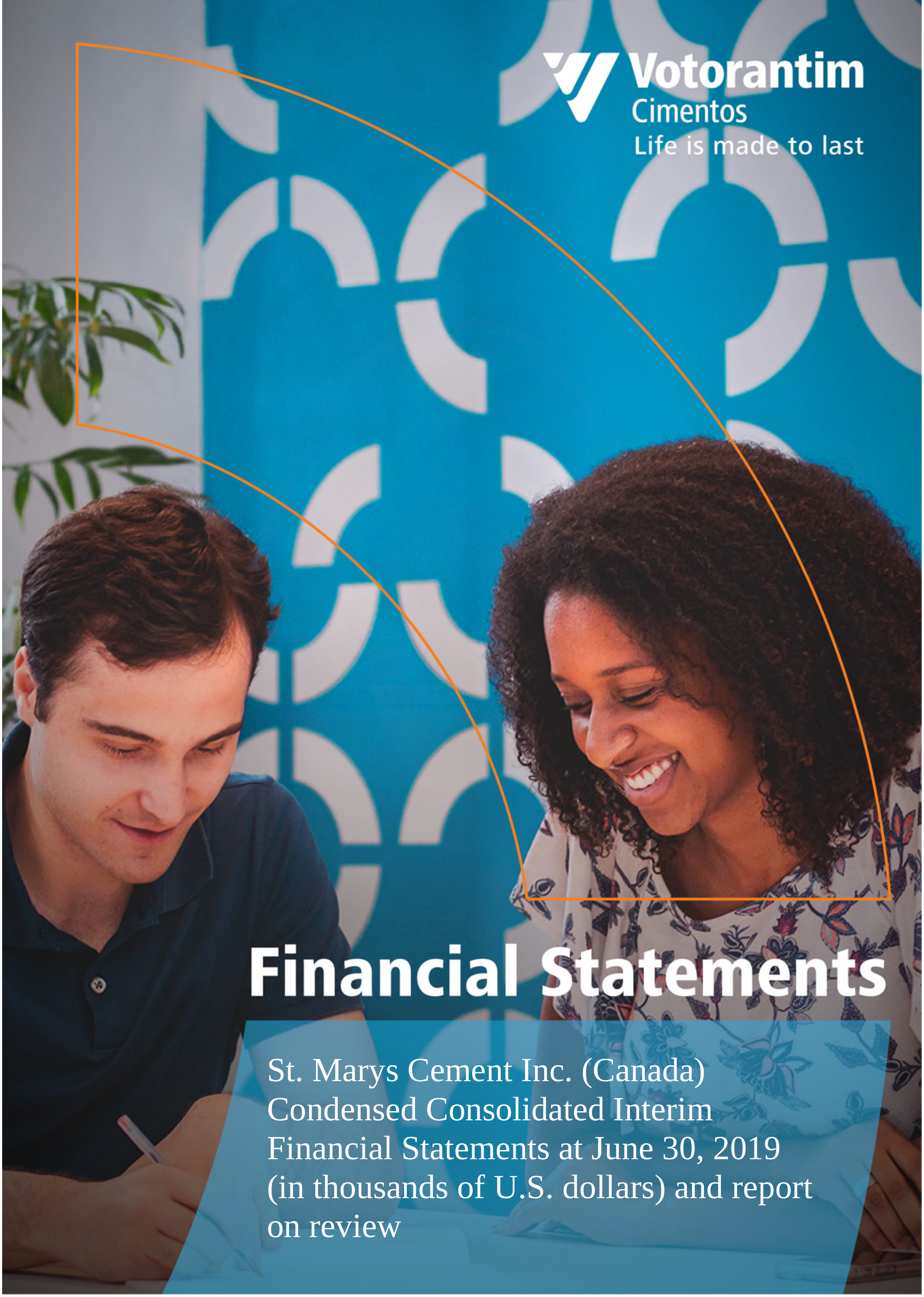

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Life is made to last

Financial Statements

St. Marys Cement Inc. (Canada)
Condensed Consolidated Interim
Financial Statements at June 30, 2019
(in thousands of U.S. dollars) and report
on review

August 2, 2019

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

In accordance with our engagement letter dated November 26, 2018, we have performed interim reviews of the condensed consolidated interim financial statements (interim financial statements) of St. Marys Cement Inc. (Canada) and its subsidiaries (together, the Company) consisting of:

- the condensed consolidated interim statement of financial position as at June 30, 2019;
- the condensed consolidated interim statements of loss and comprehensive loss for the three and six-month periods ended June 30, 2019 and June 30, 2018;
- the condensed consolidated interim statements of changes in shareholders' equity for the six-month periods ended June 30, 2019 and June 30, 2018;
- the condensed consolidated interim statements of cash flows for the three and six-month periods ended June 30, 2019 and June 30,2018; and
- the related notes.

These interim financial statements are the responsibility of the Company's management.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

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, 2018 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 21, 2019, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as at December 31, 2018 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP
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This report is solely for the use of the Directors of the Company to assist them in discharging their regulatory obligation to review these interim financial statements and should not be used for any other purpose.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Marys Cement Inc. (Canada)

Unaudited Condensed Consolidated Interim Statements of Financial Position

In thousands of U.S. dollars

Assets	Note	30-Jun-19	31-Dec-18
Current assets			
Cash and cash equivalents		$ 57,840	$ 181,827
Accounts receivable	5	23,778	26,660
Inventories		134,601	133,806
Income taxes recoverable		11,207	-
Prepaid expenses and other current assets		17,257	11,735
		244,683	354,028
Non-current assets			
Property, plant and equipment	6	664,021	636,732
Right of use assets	17	94,982	-
Intangible assets	7	585,161	581,553
Deferred income tax asset		-	996
Investments accounted for using the equity method	8	26,563	28,068
Financial assets at fair value through other comprehensive income	3.4	1,625	1,784
Other non-current assets	9	68,832	40,528
		1,441,184	1,289,661
Total assets		1,685,867	1,643,689
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		150,781	184,950
Income taxes payable		-	7,089
Short term debt and current portion of long term debt	10	11,546	11,891
Current portion of lease liability	17	17,497	-
		179,824	203,930
Non-current liabilities			
Long term debt	10	493,994	493,402
Long term debt related party	10,15	272,830	-
Lease liability	17	78,868	-
Post-employment benefit obligations		30,165	28,319
Deferred income tax liability		23,069	37,284
Provisions and other long term liabilities		41,419	40,206
		940,344	599,211
Total liabilities		1,120,168	803,141
Shareholders’ Equity			
Share capital	11	47,473	326,626
Retained earnings		270,763	258,709
Accumulated other comprehensive income		247,463	255,213
		518,226	513,922
Total shareholders’ equity		565,699	840,548
Total liabilities and shareholders’ equity		$ 1,685,867	$ 1,643,689

St. Marys Cement Inc. (Canada)

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
In thousands of U.S. dollars

	Note	04/1/2019 to 06/30/2019	04/1/2018 to 06/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Revenues		$ 267,639	$ 253,724	$ 377,915	$ 373,951
Cost of sales	16	(198,313)	(183,705)	(324,548)	(314,087)
Gross profit		69,326	70,019	53,368	59,864
Operating expenses					
Selling	16	(5,399)	(5,690)	(11,370)	(11,592)
General and administrative	16	(11,193)	(11,899)	(24,099)	(24,692)
Investment (loss) income from equity share in joint ventures	8	1,261	2,370	(630)	1,533
Other operating (expense) income	13	(3,348)	1,745	(4,231)	3,320
		(18,680)	(13,474)	(40,329)	(31,431)
Operating income before financing expenses		50,646	56,545	13,038	28,433
Financing expense - net	14	(9,008)	(18,350)	(23,742)	(37,009)
Loss before income tax (expense) recovery		41,638	38,195	(10,704)	(8,576)
Provision for income tax (expense) recovery					
Current		(7,014)	(10,947)	(1,286)	(7,410)
Deferred		(2,121)	(160)	16,783	6,191
		(9,135)	(11,107)	15,497	(1,219)
Net income (loss) for the period		32,503	27,088	4,793	(9,795)
Other comprehensive (loss) income :					
Accumulated foreign currency translation adjustment		(12,514)	13,139	(25,085)	29,452
Changes in fair value of finacial assets at fair value through other comprehensive income		342	500	(312)	(219)
Unrealized gain on net investment hedge, net of tax		9,112	-	17,647	-
Other comprehensive (loss) income for the period		(3,060)	13,639	(7,750)	29,233
Total comprehensive loss for the period		$ 29,443	$ 40,727	$ (2,957)	$ 19,438

St. Marys Cement Inc. (Canada)

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
In thousands of U.S. dollars

	Share capital	Retained earnings	Accumulated other comprehensive income	Total equity
Balance - December 31, 2017	$ 354,345	$ 180,336	$ 203,281	$ 737,962
Net loss for the period	-	(9,795)	-	(9,795)
Other comprehensive income (net of tax)	-	-	29,233	29,233
Comprehensive income for the period	-	(9,795)	29,233	19,438
Foreign currency translation	(15,187)	(7,172)	-	(22,359)
Balance - June 30, 2018	339,158	163,369	232,514	735,041
Net income for the period	-	96,988	-	96,988
Other comprehensive income (net of tax)	-	-	27,795	27,795
Comprehensive income for the period	-	96,988	27,795	124,783
Foreign currency translation	(12,532)	(6,744)	-	(19,276)
Transfer of remeasurements of post employment pension benefit obligations	-	5,096	(5,096)	-
Balance - December 31, 2018	326,626	258,709	255,213	840,548
Net income for the period	-	4,793	-	4,793
Other comprehensive loss (net of tax)	-	-	(7,750)	(7,750)
Comprehensive loss for the period	-	4,793	(7,750)	(2,957)
Return of capital	(284,735)	-	-	(284,735)
Foreign currency translation	5,582	7,261	-	12,843
Balance - June 30, 2019	$ 47,473	$ 270,763	$ 247,463	$ 565,699

St. Marys Cement Inc. (Canada)

Unaudited Condensed Consolidated Interim Statements of Cash Flows
In thousands of U.S. dollars

	Note	04/1/2019 to 06/30/2019	04/1/2018 to 06/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Cash flow from operating activities					
Loss before income tax and social contribution		$ 41,638	$ 38,195	$ (10,704)	$ (8,576)
Adjustments of items that do not represent changes in cash and cash equivalents					
Depreciation, amortization and depletion	6,7&17	22,544	16,104	44,699	32,304
Equity in the results of associates and joint ventures	8	(1,261)	(2,370)	630	(1,533)
Gain on sale of property, plant and equipment and intangible assets	13	(344)	(2,340)	(625)	(3,999)
Financing expense, net	14	9,008	18,350	23,742	37,009
		71,585	67,924	57,742	55,190
Other items that do not affect cash and cash equivalents					
Decrease (increase) in current assets					
Trade & other receivables		(11,332)	(5,954)	(32,054)	(34,303)
Inventories		9,802	8,351	4,368	14,609
Related parties		(4,295)	(2,593)	(2,463)	(2,130)
Other current assets		(2,445)	4,000	(5,111)	1,148
Increase (decrease) in current liabilities					
Trade payables		23,169	29,294	(18,648)	799
Salaries and social charges		(704)	4,734	(6,397)	(5,812)
Related parties		2,230	1,196	(383)	(231)
Taxes payable		18,695	4,095	653	1,819
		35,120	43,123	(60,035)	(24,101)
Change in long term assets & liabilities					
Post-employment benefit obligations		708	617	1,401	1,242
Other		(834)	(10,617)	(3,043)	(10,077)
		(126)	(10,000)	(1,642)	(8,835)
Cash used in operational activities		106,579	101,047	(3,936)	22,254
Interest paid on long term debt	10	(383)	(491)	(14,801)	(15,006)
Interest paid on long term leasing		(869)	-	(1,327)	-
Income tax and social contribution paid		(5,712)	(7,008)	(19,794)	(19,624)
Net cash (used in) operating activities		99,615	93,548	(39,858)	(12,376)
Cash flow from investment activities					
Capital contributions		(1,250)	-	(1,250)	-
Proceeds from disposals of property, plant and equipment and intangible assets		374	2,586	789	7,146
Dividends received		2,325	297	2,325	606
Acquisition of Investments		-	-	(24,608)	-
Acquisition of property, plant and equipment		(27,420)	(29,604)	(36,094)	(58,656)
Acquisition of intangible assets		-	(1,163)	(1,564)	(2,857)
Net cash (used in) provided by investing activities		(25,971)	(27,884)	(60,402)	(53,761)
Cash flow from financing activities					
New loans and financing	10	5,000	-	40,000	70,341
Payment of loans and financing	10	(40,192)	(38,318)	(40,388)	(46,349)
Payment of long term leasing		(4,305)	-	(8,186)	-
Distribution to shareholders		(284,735)	-	(284,735)	(453,000)
Long term debt related party		270,039	742	270,039	733
Financial costs, except interest		(1,422)	(76)	(2,270)	(375)
Net cash provided by (used in) financing activities		(55,615)	(37,652)	(25,540)	(428,650)
(Decrease) in cash and cash equivalents		18,029	28,013	(125,800)	(494,787)
Effect of foreign exchange on cash		310	(1,173)	1,814	(1,682)
Cash and cash equivalents at the beginning of the period		39,502	39,191	181,827	562,499
Cash and cash equivalents at the end of the period		$ 57,840	$ 66,031	$ 57,840	$ 66,031

1 General information

In December 2018, Votorantim Cement North America Inc. (VCNA Inc.) was amalgamated into its wholly owned subsidiary, St. Marys Cement Inc. (Canada). St. Marys Cement Inc. (Canada) (or “the Company”) carries forward as the wholly owned subsidiary of Votorantim Cimentos Internacional S.A. which is directly controlled by Votorantim Cimentos S.A. (“VCSA” or “Parent”). VCSA (headquartered in the city and State of São Paulo) is directly controlled by Votorantim S.A., a privately held company fully controlled by the Ermírio de Moraes family. The primary activity of St. Marys Cement Inc. (Canada) and its subsidiaries (together “the Group”) is the manufacturing and distribution of cement and construction related materials. The Company has facilities in Canada and the United States. The address of its registered office is 55 Industrial St, Toronto, ON, Canada.

These condensed consolidated interim financial statements for the three and six months ended June 30, 2019 were approved by the Board of Directors of the Company on August 2, 2019.

2 Basis of preparation

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, 2018, approved by the board of Directors of the Company on February 21, 2019.

These condensed consolidated interim financial statements have been prepared in a manner consistent with the accounting policies disclosed in Note 2 to the consolidated financial statement for the year ended December 31, 2018, except as disclosed in Note 17.

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 six months ended June 30, 2019 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.

2.1 Changes in comparative information

Certain comparative information has been reclassified to conform with the consolidated financial statements presentation of the current year.

In thousands of U.S. dollars

3 Risk management

3.1 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:

	04/1/2019 to 06/30/2019	04/1/2018 to 06/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018	Last twelve months ended 6/30/2019	Last twelve months ended 12/31/2018
Net income (loss)	32,503	27,089	4,793	(9,795)	101,780	87,193
Plus (less):						
Income tax	9,135	11,107	(15,497)	1,219	20,809	37,526
Financing expense, net	9,008	18,350	23,742	37,009	55,118	68,385
Investment (income) loss from equity share in joint ventures	(1,261)	(2,370)	630	(1,533)	(6,546)	(8,709)
Depreciation, amortization and depletion	22,544	16,103	44,699	32,303	80,515	68,122
EBITDA before results of investees	71,929	70,279	58,367	59,203	251,676	252,517
Plus:						
Dividends received	2,325	297	2,325	606	7,471	5,752
Adjusted EBITDA	74,254	70,576	60,692	59,809	259,147	258,269

3.2 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 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 June 30, 2019 and December 31 2018 were as follows:

	30-Jun-19	31-Dec-18
Loans and financing (note 10)	505,541	505,293
Leasing Liability	96,365	-
Cash and cash equivalents	(57,840)	(181,827)
Net debt - (A)	544,066	323,466
Adjusted EBITDA - (B)	259,147	258,269
Net debt / adjusted EBITDA - (A/B)	2.10	1.25

In thousands of U.S. dollars

3.3 Fair value estimates

The carrying amounts for current financial assets and current financial liabilities on the condensed consolidated interim statements of financial position approximate fair value because of the short term nature of these instruments.

3.4 Fair value hierarchy

The following are the levels in a hierarchy that is based on significance of the inputs used in making the measurements of financial assets and liabilities that are recognized on the balance sheet at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's financial assets and liabilities that are measured at fair value at June 30, 2019.

	Fair value measurements at 30 June using		
Assets	**Observable inputs (Level 1)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through other comprehensive income			
Equity securities			
-Industries related to cement production	1,625	-	1,625

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2018.

	Fair value measurements at 31 December using		
Assets	**Observable inputs (Level 1)**	**Significant unobservable inputs (Level 3)**	**Total**
Available for sale financial assets			
Equity securities			
-Industries related to cement production	1,784	-	1,784

(a) Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of TSX equity investments classified as investments at fair value.

In thousands of U.S. dollars

The following table presents the changes in Level 1 instruments for the six months ended June 30, 2019.

	Equity securities
Opening balance January 1, 2019	1,784
-Revaluations recognized in other comprehensive income	(312)
-Foreign currency translation	153
Closing balance June 30, 2019	1,625

The following table presents the changes in Level 1 instruments for the year ended December 31, 2018.

	Equity securities
Opening balance January 1, 2018	-
-Impact of IFRS 9, transfer from available for sale assets	4,516
-addtions	43
-Revaluations recognized in other comprehensive income	(2,495)
-Foreign currency translation	(280)
Closing balance December 31, 2018	1,784

(b) Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Level 3

In the absence of observable market data, revaluations recognized in other comprehensive income are based on qualifying triggering events, as determined by management, that give rise to a reliable estimate of market value.

The group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

In thousands of U.S. dollars

4 Critical accounting estimates and assumptions

In the period ended June 30, 2019 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 4 to the financial statements as at December 31, 2018, except for the effect of IFRS 16 as detailed in Note 17.

5 Accounts receivable

	30-Jun-19	31-Dec-18
Trade accounts receivable	20,204	10,571
Non trade accounts receivable	4,617	2,466
Due from related parties - current portion (note 15)	30	14,325
Allowance for doubtful accounts	(1,073)	(702)
	23,778	26,660

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:

	30-Jun-19	31-Dec-18
Balance at the beginning of the period	702	575
Provision for receivables impairment	342	172
Other	29	(45)
Balance at the end of the period	1,073	702

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

The other classes within trade and other receivables were fully performing with no provisions against the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

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.

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.

In thousands of U.S. dollars

	Carrying amount of assets before transfer	Carrying amount of assets continued to be recognized	Carrying amount of continuing involvement liability	Fair value of assets continued to be recognized	Fair value of continuing involvement liability	Net position
Securitization recognized to the extent of continuing involvement	161,874	56,017	35,070	56,017	35,070	20,947

6 Property, plant and equipment

	Land	Land improvements & buildings	Equipment	Vehicles	Construction in progress	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Balance at the beginning of the period							
Cost	78,950	262,956	790,910	142,490	65,432	1,340,738	1,326,705
Accumulated depreciation	-	(132,743)	(460,207)	(111,056)	-	(704,006)	(735,834)
Net balance	78,950	130,213	330,703	31,434	65,432	636,732	590,871
Acquisitions	1,181	3,411	10,509	5,759	15,233	36,094	58,656
Disposals	-	-	(149)	(14)	-	(163)	(265)
Depreciation (i)	-	(5,724)	(19,476)	(4,064)	-	(29,263)	(26,250)
Business acquisition (note 18)	1,266	2,759	4,435	2,727	-	11,187	1
Translation differences	1,424	2,202	3,486	607	1,717	9,435	(10,125)
Balance at the end of the period	82,821	132,861	329,508	36,449	82,382	664,021	612,888
Cost	82,821	274,761	817,535	151,635	82,382	1,409,134	1,355,212
Accumulated depreciation	-	(141,900)	(488,027)	(115,186)	-	(745,113)	(742,324)
Balance at the end of the period	82,821	132,861	329,508	36,449	82,382	664,021	612,888

(i) Depreciation expense of $27.9 million is included in 'cost of sales' and $1.4 million is included in 'general and administrative expenses'.

7 Intangible assets

	Goodwill	Computer software	Exploration rights	ARO	Customer relationships and noncompete	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Balance at the beginning of the period							
Cost	277,375	23,935	327,147	25,415	69,193	723,065	731,409
Accumulated amortization	-	(19,933)	(57,541)	(12,719)	(51,319)	(141,512)	(136,199)
Net balance	277,375	4,002	269,606	12,696	17,874	581,553	595,210
Acquisitions	-	1,564	-	-	-	1,564	2,856
Disposals	-	-	-	-	-	-	(2,882)
Amortization (i)	-	(841)	(2,464)	(942)	(2,096)	(6,343)	(6,054)
Business acquisition (note 18)	5,210		750	-	-	5,960	-
Adjustments & transfers	-	-	-	-	-	-	(97)
Translation differences	-	61	2,151	215	-	2,427	(2,944)
Balance at the end of the period	282,585	4,786	270,043	11,969	15,778	585,161	586,089
Cost	282,585	25,961	331,140	25,890	69,193	734,769	724,395
Accumulated amortization	-	(21,175)	(61,097)	(13,921)	(53,415)	(149,608)	(138,306)
Balance at the end of the period	282,585	4,786	270,043	11,969	15,778	585,161	586,089

(i) Amortization expense of $6.0 million is included in 'cost of sales' and $0.3 million is included in 'general and administrative expenses'.

(ii) The customer relationships have a remaining estimated useful life of up to 6 years.

In thousands of U.S. dollars

8 Investments accounted for using the equity method

The amounts recognized in the balance sheet are as follows:

	30-Jun-19	31-Dec-18
Joint ventures	26,563	28,068

The amounts recognized in the income statement are as follows:

	30-Jun-19	30-Jun-18
Investment (loss) income from equity share in joint ventures	(630)	1,533

The joint ventures listed below have share capital consisting solely of common shares, which are held directly by the group.

Nature of investment in joint ventures at June 30, 2019, and December 31, 2018

Name of entity	Place of business / incorporation	Ownership %	Nature of relationship	Measurement method
Hutton Transport Limited	Ontario, Canada	25%	Transportation services	Equity
Superior Materials Holdings, LLC	Michigan, USA	50%	Ready mix production, strategic partnership with local producer	Equity
Midway Group, LLC	Michigan, USA	50%	Ready mix production, strategic partnership with local producer	Equity
RMC Leasing, LLC	Illinois, USA	50%	Lease holding	Equity

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. Any potential payment would not be material in nature.

9 Other non-current assets

	30-Jun-19	31-Dec-18
Prepaid royalties	6,459	5,946
Prepaid rent	976	1,011
Notes related to SPE	47,878	18,513
Advance to suppliers	4,947	4,947
Receivable related to asset sale	2,026	2,646
Prepaid property tax	3,055	2,880
Other	3,491	4,585
	68,832	40,528

In thousands of U.S. dollars

10 Loans and financing

	30-Jun-19	31-Dec-18
Non-current		
Bond payable net of financing costs	490,291	489,701
Mortgages payable (c)	3,703	3,701
	493,994	493,402
Current		
Interest payable	12,139	12,139
Reclassified financing costs	(1,163)	(1,128)
Mortgages payable (c)	570	880
	11,546	11,891
	505,540	505,293

The schedule of repayments of the Company's loans and financings is as follows:

	30-Jun-19	31-Dec-18
6 months or less	11,760	12,057
Over 5 years	493,779	493,236
	505,540	505,293

The carrying amounts of the Company's borrowings approximate their fair values, as the impact of discounting is not significant. The fair values, are based on cash flows discounted using market rates, consistent with the terms of borrowing, as at the balance sheet date and are within level 2 of the fair value hierarchy.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	30-Jun-19	31-Dec-18
C $	5,603	6,249
US $ Equivalent	4,274	4,582
US $	501,266	500,711
	505,540	505,293

The changes for the period are as follows:

	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Balance at the beginning of the period	505,293	507,951
New borrowings	40,000	70,341
Exchange rate variations	165	(628)
Interest accruals	14,715	14,944
Interest paid	(14,801)	(15,006)
Amortization of funding costs, net of additions	556	523
Payments	(40,388)	(46,349)
Balance at the end of the period	505,540	531,776

In thousands of U.S. dollars

(a) Credit Line

On June 2015, VCSA and its main subsidiaries, including the Company, entered into a Revolving Credit Facility in the amount of $700 million and maturing on June 2020. 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 June 30, 2019, the Company had $nil cash borrowings (Dec 31, 2018: $nil) under the Revolver Credit Facility.

In addition, St Marys Cement Inc. (Canada) has a Revolving Credit Facility to support the company with short term liquidity in the amount of $230 million and maturing on October 2020. Borrowings under it can be in either U.S. or Canadian funds, and are repaid and re borrowed at company'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 June 30, 2019, the Company had $nil cash borrowings (Dec 31, 2018: $nil) under the Revolver Credit Facility.

(b) Due to related party

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.

(c) Mortgages payable

The mortgages payable relate to the purchase of several aggregate properties between 2004 and 2019. The agreements allow the company to defer a portion of the payments until such time as the aggregate is extracted from the ground. The agreements have various maturity dates ranging up to 2025.

11 Share capital

Share capital consists of the following:
Authorized
Unlimited common shares
Unlimited preference shares

	30-Jun-19		31-Dec-18	
	Numbers of shares	$	Numbers of shares	$
Common shares issued and outstanding				
Shares issued and outstanding at January 1,	1,679,783,138	430,532	1,679,783,138	430,532
Return of capital during the period / year	-	(284,735)	-	-
Shares issued and outstanding at end of period / year,	1,679,783,138	145,797	1,679,783,138	430,532
Preference shares issued and outstanding				
Shares issued and outstanding at January 1,	12,000,000	10,447	12,000,000	10,447
Reclassification of shares to liabilities	-	(10,447)	-	(10,447)
Shares issued and outstanding as at end of period / year,	12,000,000	-	12,000,000	-
Total share capital at June 30, 2019 / December 31, 2018		145,797		430,532
Foreign currency translation		(98,324)		(103,906)
		47,473		326,626

In thousands of U.S. dollars

On April 29, 2019, St Marys Cement Inc. (Canada) approved a return of capital in the amount of $284.7 million 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.

12 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.

13 Other operating (expense) income

	04/1/2019 to 06/30/2019	04/1/2018 to 06/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Gain on sale of property, plant and equipment	344	2,340	625	3,999
Rental income	283	265	577	524
Carbon taxes	(769)	-	(1,542)	-
Inventory Obsolescence	(500)	(1,040)	(848)	(2,137)
Sales Tax	(521)	-	(521)	-
Vendor settlement	(1,200)	-	(1,200)	-
Other	(985)	180	(1,322)	934
	(3,348)	1,745	(4,231)	3,320

14 Financing expense - net

	04/1/2019 to 06/30/2019	04/1/2018 to 06/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Financing expense (income):				
Interest expense on third party loans	8,245	8,107	16,088	16,198
Interest expense - leasing	813	-	1,265	-
A/R securitization fees - net	2,632	634	3,833	(703)
Amortization of prepaid financing costs	444	710	2,301	1,411
Net foreign exchange (gain) loss	(5,722)	8,907	(2,341)	20,120
Interest expense on related party loan	2,596	-	2,596	-
Interest income from related parties	-	(8)	-	(17)
	9,008	18,350	23,742	37,009

15 Related party transactions

During the six months ended June 30, 2019, June 30, 2018 and as at December 31, 2018, the company entered into the following transactions with related parties:

The Company has various transactions with joint ventures (which are accounted for using the equity method) including: 1) Long term notes receivable, interest payments are made quarterly at specified rates. Terms of repayment vary up to 20 years, 2) Trade sales and purchases, 3) Miscellaneous payments made on behalf of joint ventures including insurance, taxes, benefits, payroll and other. No impairment provisions have been recorded in relation to any related party balances.

The fair value of the due to and from related parties approximates their carrying amount, as the impact of discounting is not significant.

In thousands of U.S. dollars

Due from related parties - current portion	30-Jun-19	31-Dec-18
At January 1	14,325	31
Net advances/repayments	(14,295)	14,294
At June 30, 2019 and December 31, 2018 (Note 5)	30	14,325

Due from related parties - long term portion	30-Jun-19	31-Dec-18
At January 1	-	1,592
Net advances/repayments	-	(1,592)
At June 30, 2019 and December 31, 2018	-	-

Due to related parties - current portion	30-Jun-19	31-Dec-18
At January 1	4,874	4,496
Net advances/repayments	(383)	378
At June 30, 2019 and December 31, 2018	4,491	4,874

Due to related parties - long term portion	30-Jun-19	31-Dec-18
At January 1	-	-
Net advances/repayments	272,830	-
At June 30, 2019 and December 31, 2018 (Note 10)	272,830	-

Sales to related parties:	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
St Marys Cement Inc. (US) to Superior Materials Holdings, LLC	4,152	5,693	5,387	7,509
St Marys Cement Inc. (US) to Midway Group, LLC	2,081	2,308	2,427	2,942
	6,232	8,002	7,813	10,452

Votorantim Cimentos International S.A.	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Return of share capital (Note 11)	284,735	-	284,735	-

4261 RMC Leasing LLC	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Capital contribution	1,250	-	1,250	-

Votorantim Cimentos Guarantee

The company has guaranteed Votorantim Cimentos S.A.'s (VCSA) obligations under a certain credit agreement dated February 18, 2016, by and among VCSA as borrower and VCNA, as guarantor, in the amount of $100.0 million. The agreement was prepaid by the borrower on November 06, 2017.

The company has guaranteed Votorantim Cimentos S.A.'s (VCSA) obligations under a certain credit agreement dated March 2018, by and among VCSA as borrower and VCNA, as guarantor, in the amount of $100.0 million. As of June 30, 2019, the company guaranteed $100.0 million of VCSA's outstanding indebtedness. The loan matures March, 2023.

The company has guaranteed Votorantim Cimentos S.A.'s (VCSA) obligations under a certain credit agreement dated September 28, 2018, by and among VCSA as borrower and St. Marys Cement Inc.

In thousands of U.S. dollars

(Canada), as guarantor, in the amount of $50.0 million. As of June 30, 2019, the company guaranteed $50.0 million of VCSA's outstanding indebtedness. The loan matures October 10, 2023.

16 Expense by nature

	04/1/2019 to 06/30/2019	4/1/2018 to 6/30/2018	01/1/2019 to 06/30/2019	01/1/2018 to 06/30/2018
Depreciation and amortization (Note 6,7,17)	22,543	16,104	44,698	32,305
Freight cost	28,374	28,229	39,905	38,866
Employee benefit expense	58,147	59,387	104,524	108,483
Taxes, fees and contributions	4,155	4,221	7,965	8,452
Services, miscellaneous	12,522	8,925	17,332	15,398
Maintenance	17,019	12,754	37,060	34,838
Insurance	1,096	1,070	2,161	2,164
Rents and leases	1,370	3,654	2,431	7,442
Raw materials and consumables	29,495	23,483	43,776	35,193
Fuel costs	9,339	8,985	16,578	15,806
Electric power - consumption	8,475	8,606	15,005	16,589
Provision for loss	363	1,609	1,320	3,106
Utilities	944	750	2,311	1,975
Other expenses	21,064	23,517	24,950	29,754
	214,906	201,294	360,016	350,371
Reconciliation				
Cost of sales	198,313	183,705	324,548	314,087
Selling	5,399	5,690	11,370	11,592
General and administrative	11,193	11,899	24,099	24,692
	214,906	201,294	360,016	350,371

17 Change in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 17(b) below.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.1%.

Lease liability recognised as at 1 January 2019	61,673
Of which are:	
Current lease liabilities	13,674
Non-current lease liabilities	47,999
	61,673

Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In thousands of U.S. dollars

The right-of-use assets relate to the following:

	Land & Buildings	Machinery & Equipment	Vehicles	Barges	01/1/2019 to 06/30/2019
Balance at the beginning of the year					-
Initial adpotion of IFRS 16	15,118	337	22,040	24,178	61,673
Acquisitions (i)	322	606	679	37,580	39,187
Disposals	-	-	(159)	-	(159)
Amortization	(974)	(115)	(4,614)	(3,389)	(9,092)
Business acquisition (note 18)	1,817	-	1,427	-	3,244
Translation differences	21	2	106	-	129
Balance at the end of the period	16,304	830	19,479	58,369	94,982
					-
Cost	17,281	945	23,622	61,758	103,606
Accumulated amortization	(977)	(115)	(4,143)	(3,389)	(8,624)
Balance at the end of the period	16,304	830	19,479	58,369	94,982

(i) On February 15, 2019, St. Mary's Cement US LLC, signed a time charterer agreement to operate the Vessel to ship cement from our Charlevoix plant to VCNA terminals though the Great Lakes. The vessel is subject to a long-term lease by and amongst Port City Barge, Inc., as lessee; Fifth Third Bank, N.A., as lessor; St. Marys Cement U.S. LLC as time charterer; and St. Marys Cement Inc. (Canada) as guarantor of the time charter party. The total amount of the lease was of USD 47.1 million, the present value was $37.9 million, and has a term of 11 years, with a buyout option on the 10th year.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a Lease.

(b) The group's leasing activities and how these are accounted for

The group leases various real estate and equipment. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are leases lower than USD 5.

In thousands of U.S. dollars

18 Business Combination

On 8 March 2019 the Company acquired 100% of the operational assets from United Material LLC ("United"), a ready-mix concrete, aggregates and building materials supplier based in Buffalo, New York, for total consideration of $ 24,607.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	**United Materials LLC**
Cash paid	24,147
Contingent consideration (ii)	460
Total purchase consideration	**24,607**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Fair value	
Property, plant and equipment (note 6)	11,182
Intangible (note 7)	750
Inventories	2,805
Receivables	6,003
Payables	(1,345)
Net identifiable assets acquired	**19,395**
Add: goodwill (note 7)	5,212
Total	**24,607**

The goodwill is attributable to United strong position and profitability and synergies expected to arise after the company's acquisition of the new subsidiary. See note 6 above for the changes in goodwill as a result of the acquisition.

(i) Acquisition-related costs

Acquisition-related costs will be included in administrative expenses in profit or loss.

(ii) Contingent consideration

The contingent consideration arrangement requires the Company to pay the former owners of United is based on revenue achievement. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of $460 was estimated based on future expected cash flows.