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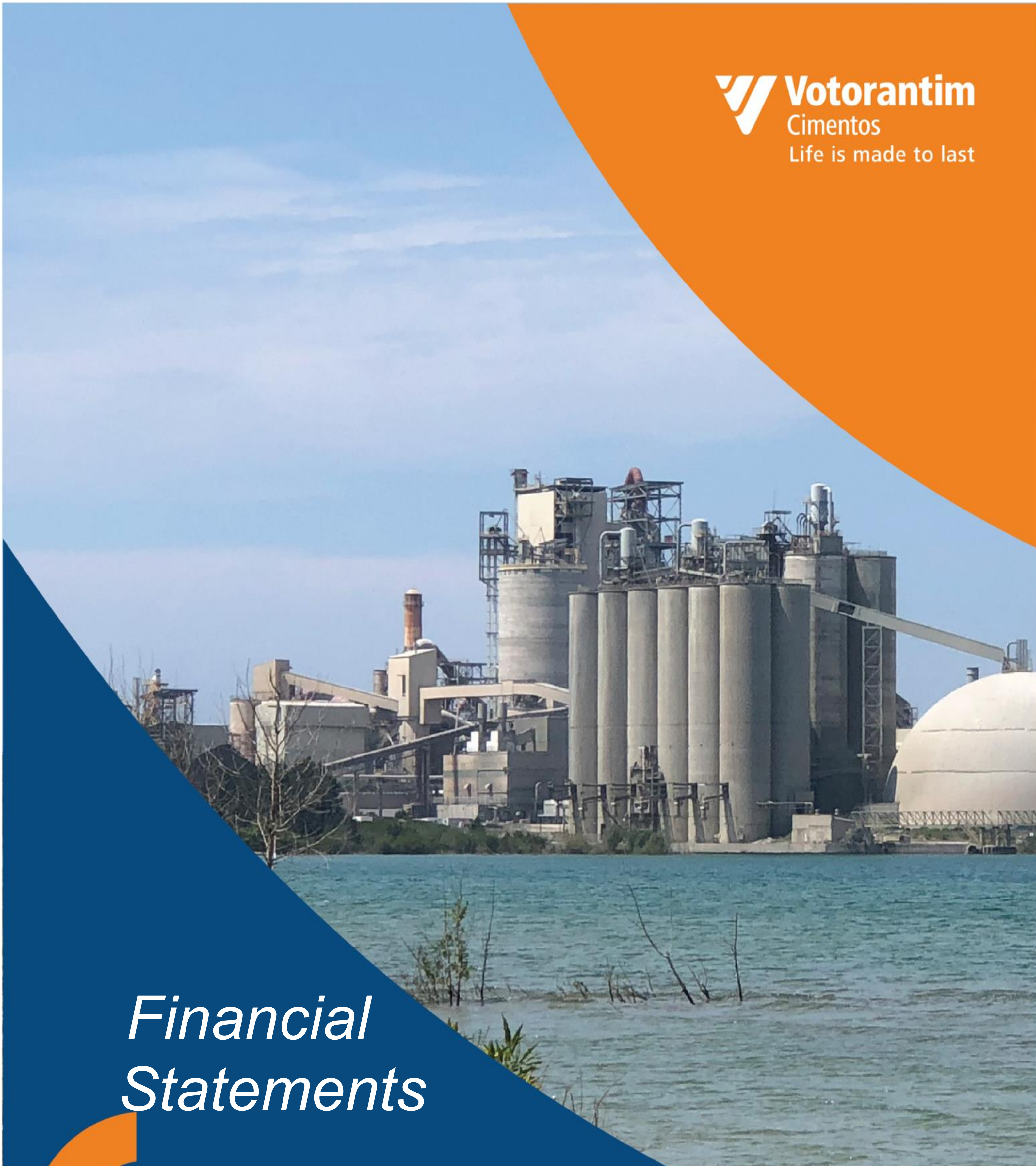

Financial Statements

Votorantim Cimentos International S.A.

Consolidated financial statements and auditors report as of December 31, 2021

Votorantim Cimentos
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Votorantim Cimentos International S.A.
2021 Consolidated Management Report

This consolidated management report should be read in conjunction with the audited consolidated financial statements of Votorantim Cimentos International S.A. and the notes thereto for the year ended December 31, 2021.

1 General

(a) Votorantim Cimentos International S.A. (the "Company" or "VCI") was incorporated on 9 April 2018 and is organized under the laws of Luxembourg as a "Société anonyme" for an unlimited period (R.C.S. Luxembourg: B.224031).

(b) The registered office of the Company is established at 35 Avenue J F Kennedy, 1st floor, A2, L-1855 Luxembourg.

(c) The financial year of the Group runs from the 1st of January until the 31st of December of each year.

(d) VCI is 100% owned by Votorantim Cimentos S.A. ("VCSA").

(e) As at December 31, 2021 the Company's fully subscribed and paid-up capital is USD 99,915 (December 31, 2020 – USD 99,915), consisting of 99,915,432 common shares (December 31, 2020 – 99,915,432 common shares).

(f) As at December 31, 2021, the amount of share premium is USD 1,314,041 (December 31, 2020 – USD 1,134,094).

(g) The Company, its subsidiaries, and its equity accounted investees (together referred as the "Group") have investments in three clusters (which are the operating segments of the Group):

i. North America (VCNA) that is composed by Canada & USA,
ii. Europe, Asia and Africa (VCEAA) that is composed of Spain, Tunisia, Turkey and Morocco,
iii. Latin America (VCLatam) composed of Uruguay, Bolivia and Argentina (the later an associate).

(h) We invest in our product portfolio made up of cement, concrete, aggregates, mortars, grouts, plasticizers and agricultural inputs, but we also look beyond and continue to invest to offer new high-value services and innovative products in these segments.

2 Financial performance

(a) For the year ended December 31, 2021, the Group's net revenue amounts to USD 2,281,597 compared to USD 1,711,932 for the previous year.

(b) The Group's total assets on December 31, 2021 is USD 5,231,201 versus USD 3,919,932 as at December 31, 2020.

(c) On December 31, 2021, the Group's cash at bank and cash equivalents amount to USD 505,593 compared to USD 427,712 as at December 31, 2020.

(d) The Group's equity amounts to USD 2,362,033 as at December 31, 2021 compared to USD 1,572,922 as at December 31, 2020.

(e) Key indicators of financial performance: the Group defined its key indicators of financial performance as net revenue and EBITDA. Below the analysis of those key indicators for each operating segment:

Group's cost of goods sold and services rendered reached USD 1,822,477 compared to USD 1,327,042 in the prior year, an increase of 37.3%.

VCNA's net revenue increased by 28.5% reaching USD 1,326,801 in 2021, mainly due to the consolidation of McInnis Cement and increase in volumes in both countries (USA and Canada).

VCNA's adjusted EBITDA increased by 25.9% reaching USD 354,488 in 2021, as a result of a strong operating margin, the highest among the three segments.

VCEAA's net revenue increased by 48.7% reaching USD 773,294, due to the increase of sales in Turkey, exports in Tunisia and the consolidation of Balboa in Spain.

VCEAA's adjusted EBITDA increased by 9.3% reaching USD 111,475 due to sales increase and solid prices, partially offset by energy and fuel costs increase in the region.

VCLatam's net revenue increased by 14.2% reaching USD 181,502, due to higher volumes in Bolivia, whereas sales in Uruguay were stable.

VCLatam's adjusted EBITDA increased by 30% reaching USD 62,035, mainly due to Bolivia’s positive results and the dividends distributed by an associate company located in Argentina.

3 Non-financial performance

Sustainable practice is one of the pillars of our business and one of the key elements of our Group's vision on which our plans and choices are founded. We focus our efforts on initiatives to reduce CO_2 emissions and, as a result, to condense our environmental footprint, while also optimizing manufacturing costs, improving our product offerings according to the needs of our customers and maintaining our high-quality standards, in accordance with applicable laws and regulations.

We dedicated ourselves to advancing our journey of cultural evolution, recognizing that culture is the basis for building and executing our strategy.

Safety is non-negotiable value for us, it come before results and must guide our behavior inside and outside the Company. We strive for zero accidents, we value the mental health and well-being of our employees, and we set an example by complying with rules and procedures. We manage safety globally and maintain local teams responsible for participating in the development of and reinforcing these principles and for promoting training with the goal of creating an environment of zero harm to people.

Our environmental performance is guided by our Global Environment Policy, a document that drives our work on many of our sustainability commitments. In 2021, we joined the Business Ambition for 1.5°C Call to Action, committing ourselves to advancing toward a low-carbon economy; we will align our CO_2 emissions reduction targets with the Science Based Targets Initiative (SBTi). Created by four partner organizations (CDP, United Nations Global Compact, WRI and WWF), this initiative calls on companies to reduce their greenhouse gas (GHG) emissions and drive the transition toward a low-carbon economy by setting targets according to what current climate science indicates is necessary to reach the goals of the Paris Agreement. In addition, we joined UN’s Race to Zero campaign, which rallies and encourages companies, governments, and financial and higher education institutions to work for a healthier planet with zero carbon emissions.

Our governance structure is fully committed to ethical conduct as well as to legal and regulatory compliance in our operations. We are committed to transparency, sustainable business development, diversity, and stakeholders.

4 Other important events of the year

The below main events are further explained in Note A3 of the consolidated financial statements, as well as supported by quantified and detailed information presented in the notes in section E.

4.1 Commencement of cement mill project by Cementos Artigas (project Molcemin)

Artigas, the Company's Uruguayan subsidiary, commenced a project to unify its industrial activities in Uruguay. The initiative involves the integration of its industrial facilities, until then divided between a grinding and distribution center located in Montevideo and the main plant in the city of Minas. The project consists in the relocation of Montevideo’s industrial facilities to the plant located in Minas, resulting in a unified and more efficient and sustainable production line. In addition, as a result of this unification, a new vertical cement mill, a modern silo and a distribution center will be installed in the plant. Artigas will invest approximately USD 40 million in this project, which is expected to start operating towards end of 2022. As at December 31, 2021, the total amount of costs incurred was USD 17 million.

4.2 Business acquisitions

During the year 2021 the Group continued to invest in the expansion of its business and operations and carried the acquisition of four new businesses, as described below. These transactions are aligned with the Group's growth strategy, strengthening its market positioning through increased production capacity.

The subsidiary St. Marys Cement Inc. (Canada) ("SMCI") concluded three business combinations during the year, with the acquisition of (i) McInnis Cement Inc. ("McInnis"), a Canadian cement producer, (ii) Superior Materials ("Superior"), a ready-mix concrete company located in Detroit, United States of America ("USA"), and for which St Marys already held a stake of 50% as joint venture, and (iii) the aggregates business of Valley View Industries ("Valley View") located in Chicago, USA.

Moreover, on October 2021 the indirect subsidiary Votorantim Cementos España acquired the totality of the issued share capital of Cementos Balboa ("Balboa"), a cement producer located in the South of Spain.

The financial and accounting effects of these transactions were recognized in these financial statements, with the operating results and assets and liabilities of the acquired companies and business being consolidated as from the respective acquisition dates. All required details are presented in Note E21.

In addition, in November 2021 the indirect subsidiary Votorantim Cementos España entered into an agreement with Heidelberg Cement Hispania to acquire all of its assets in the South of Spain that includes a modern integrated cement plant, three aggregates quarries and eleven ready-mix plants. The completion of this acquisition is subject to customary closing conditions, including the approval by the regulatory authorities in Spain

4.3 Capital contributions to the Company

During the year 2021, the Company received cash contributions from its sole shareholder VCSA amounting to USD 173,911. The full amount was accounted for as an increase in share premium account, with no shares being issued by the Company. Part of these proceeds was used for financial debt repayments. Refer to Note E10 for details on borrowings movements.

4.4 Effects of the new coronavirus pandemic (COVID-19)

The global pandemic declared by the World Health Organization (WHO) related to the new Coronavirus (COVID-19), which has been affecting countries around the world, presents a high risk to public health and impacting the global economy. In accordance with the Risk Management Policy approved by VCSA's Board of Directors, and through its Corporate Crisis Committee, the Company implemented a plan in response to this pandemic. This plan contains preventive measures to mitigate the impact of the pandemic, which are aligned with the guidelines established by national and international health authorities. The Company expects to mitigate, to the extent possible, the potential impacts of the COVID-19 crisis on the health and safety of its employees, their relatives, associates and communities, and to minimize the potential impact on its operating businesses.

The Corporate Crisis Committee has set up a multitasking team working closely with VCSA's Board of Directors and VCI's Management Board, to address the COVID-19 situation. The Company continues regularly assessing the impacts of COVID-19 on customers, suppliers and other creditors.

The Company is also monitoring the current effect of the COVID-19 crisis on its main estimates and critical accounting judgments, as well as other balances that have the potential to generate uncertainty and to impact the financial information disclosed. For the year 2021 the Company did not identify any relevant impacts resulting from the COVID-19 crisis, including any effects that would require a change in the Company's critical accounting estimates and judgments, as disclosed in Note C3.

Regarding the fulfillment of debt contracts obligations and liquidity position: the Group has a solid liquidity position, reinforced by available revolving credit facilities amounting to USD 494 million (Note

E10 (f)) as at December 31, 2021, and a consolidated average debt maturity of 8.6 years. This provides the Company with a good financial condition to mitigate the impacts of this uncertain adverse scenario

The Group continues to monitor the developments caused by the COVID-19 pandemic and will remain prepared to implement new measures, as required to address any adverse developments.

5 Expected evolution of Groups's business

In the US it is expected a GDP increase for 2022 of 4.0% (according to IMF – International Monetary Fund) but continued supply shortages and high inflation are still a challenge for the year. In 2021, the infrastructure plan was approved and the impacts for our sector are not expected until late 2022 and 2023, however we highlight the long-term upturn in the US cement demand that would be supported by the infrastructure bill. According to Portland Cement Association's (PCA) last estimate, US cement consumption would grow 2.5% in 2022.
For Europe, Asia and Africa, it was the most affected region on our investments portfolio in 2020 due to Covid-19 restrictions, and as a consequence, it was the region that delivered positive results in 2021. The economy in all countries were reestablished and the market cement consumption rebounded during the year. For 2022, we expect a continuous recovery in Turkey cement market. In Morocco and Tunisia it is expected for the countries to better stabilize the pandemic impacts and keep a gradual recovery during 2022. For Spain, we expect a solid market scenario and a challenge on the cost side considering the inflation and increasing power prices.
For Latin America, Uruguay faced positive and solid results during 2021, however for 2022 it is expected a challenging market dynamic. Bolivia was affected by Covid-19 restrictions during 2020. In 2021, the market dynamic recovered resulting in a positive performance which may continue for 2022.

6 Risk factors

6.1 Social and environmental risk management

The Company operates in various countries and consequently, its activities are subject to local, state, national and international environmental laws and regulations, treaties and conventions regulating the activities, establishing measures for mitigation, compensation, management and risk monitoring, including those that regulate the obligations of the owner of the venture and/or activity relating to environmental protection. Violations of the environmental regulations can lead to fines and penalties and may require the implementation of technical measures to ensure the compliance with the mandatory environmental standards.

The Company reviews periodically its environmental risk assessment and addresses the risks identified either through mitigation actions or provision of future costs

6.2 Financial risk management

The Company's activities expose it to a number of financial risks: (a) market risk (including currency and interest rate risk); (b) credit risk; and (c) liquidity risk.

The products and services offered by the Company are denominated in several currencies due to its global positioning, and potential risks of currency mismatches between income and costs can arise.

The Company has loans linked to different indices and denominated in foreign currencies, which may have an impact on its cash flows.

To mitigate the adverse effects of each of these risk factors, the Company prepared a financial policy approved by the Board of Directors, in order to establish governance and macro guidelines in the financial risk management process, as well as metrics for measurement and monitoring. The purpose of this process is to protect the cash flows against adverse financial market events, such as fluctuations in exchange rates and interest rates and against adverse credit events of financial counterparties. In addition, this process aims to manage leverage and other financial or operating exposure in line with the criteria of ratings agencies for investment grade companies. The financial policy of the Company is aimed at preserving the liquidity of the Company, diversifying the financing sources, providing unrestricted access to the capital markets at competitive costs, and generating value for stockholders.

All amounts in thousands of US dollars, unless otherwise stated

The following derivative instruments may be used to hedge and manage risks: swaps, call options, put options, collars, futures contracts (currencies, interest rates or commodities) and forward contracts known as Non-Deliverable Forwards (currencies, interest rates or commodities). The main guideline for Company's hedging strategy follows transactions that do not involve financial instruments for speculative purposes or transactions that can be characterized as leverage (that is, that the exposure to the risk factor via derivative is greater than the hedged item), and any other instrument requires the approval of the Management Board.

Additional details regarding each of the financial risks identified above are disclosed in Section D of the consolidated financial statements.

7 Research and development (R&D)

The R&D activities are not directly managed by VCI. To address the main challenges of the cement industry we count on the support of our global Research & Development and Quality area at VCSA on two important levels: 1) clinker factor reduction, through the use of other materials with hydraulic properties (called cementitious), such as blast-furnace slag, fly ash, natural pozzolans and calcined clay, among others; and 2) replacement of fossil fuels with alternative lower-CO_2 emissions fuels, which reduces the use of non-renewable resources and contributes to mitigating the burden of industrial and urban waste.

8 Branches

As at December 31, 2021 the Company does not have any branch in its organization.

9 Acquisition of own shares

The Group did not carry any acquisition of its own shares during the year ended on December 31, 2021. Moreover, the Group does not hold any amount related to its own shares.

10 Management Board

The Management Board is composed by Carlos Eduardo Boggio and Nuno Alexandre Fernandes Alves.

Luxembourg, February 23, 2022.
The Management Board

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Nuno Alves	Carlos Boggio
Management Board Member	Management Board Member

Votorantim Cimentos International S.A.

2021 Consolidated Financial Statements

Audit report

To the Shareholder of
Votorantim Cimentos International S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Votorantim Cimentos International S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;

- conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 23 February 2022

Electronically signed by:
Fabrice Goffin

Fabrice Goffin

Votorantim Cimentos International S.A.

Consolidated balance sheet

All amounts in thousands of US Dollars, unless otherwise stated

Assets	Note	2021	2020
Current assets			
Cash and cash equivalents	E1	505,593	427,712
Financial investments	E2	17,102	25,262
Derivative financial instruments	D2.1.3	496	
Trade receivables	E3	144,356	112,531
Inventory	E4	290,112	218,092
Taxes recoverable		75,796	14,468
Royalties		1,449	1,470
Other assets		30,168	21,041
		1,065,072	820,576
Assets classified as held for sale		1	3
		1,065,073	820,579
Non-current assets			
Taxes recoverable		3,976	9,075
Deferred tax assets	E12	154,943	49,763
Securitization of receivables	E3	37,741	28,660
Royalties		5,847	5,734
Pension plan	E14	38,206	26,250
Other assets		21,222	24,529
		261,935	144,011
Investments in associates and joint ventures	E6	216,190	221,931
Property, plant and equipment	E7	1,966,355	1,300,616
Intangible assets	E8	1,500,000	1,350,039
Right-of-use assets	E9	226,372	82,756
		3,908,917	2,955,342
Total assets		5,235,925	3,919,932

Liabilities and stockholders' equity	Note	2021	2020
Current liabilities			
Borrowing	E10	37,471	40,386
Derivative financial instruments	D2.1.3	116	135
Lease liabilities	E9	33,276	17,016
Confirming payables	E11	219,647	123,359
Trade payables		349,011	270,949
Salaries and payroll charges		63,189	58,023
Taxes payable		35,046	32,260
Advances from customers		2,899	5,725
Dividends payable	E5	251	390
Other liabilities		87,444	13,945
		828,350	562,188
Liabilities related to assets held for sale		244	322
		828,594	562,510
Non-current liabilities			
Borrowing	E10	1,442,705	1,439,212
Lease liabilities	E9	195,515	68,650
Deferred tax liabilities	E12	220,867	110,985
Provision	E13	67,749	51,080
Pension plan	E14	71,531	70,200
Securitization of receivables	E3	16,820	14,735
Other liabilities		27,228	29,638
		2,042,415	1,784,500
Total liabilities		2,871,009	2,347,010
Shareholders' equity	E15		
Share capital		99,915	99,915
Share premium		1,314,041	1,134,094
Consolidated reserves		1,389,683	1,046,262
Other comprehensive income		(842,277)	(853,069)
Total equity attributable to the Company owners		1,961,362	1,427,202
Non-controlling interests		403,554	145,720
Total shareholders' equity		2,364,916	1,572,922
Total liabilities and shareholders' equity		5,235,925	3,919,932

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

Consolidated statement of income
Year ended December 31
All amounts in thousands of US Dollars, unless otherwise stated

	Note	2021	2020
Continuing operations			
Net revenue from goods sold and services rendered	E16	2,281,597	1,711,932
Cost of goods sold and services rendered	E17	(1,822,477)	(1,327,042)
Gross profit		459,120	384,890
Operating income (expenses)			
Selling expenses	E17	(44,490)	(42,197)
General and administrative expenses	E17	(121,597)	(96,430)
Other operating income (expenses), net	E19	56,761	(48,620)
		(109,326)	(187,247)
Operating profit before equity interest and financial results		349,794	197,643
Results of investees			
Share of net profit of associates and joint ventures	E6	10,706	5,555
Financial income (expenses)	E20		
Financial income		17,804	8,891
Financial expenses		(143,674)	(142,698)
Exchange variations, net		(46,520)	(1,287)
		(172,390)	(135,094)
Profit before income tax		188,110	68,104
Income tax	E12	(75,274)	(62,256)
Profit for the year from continuing operations		112,836	5,848
Discontinued operations			
Profit from discontinued operations			30
Profit for the year		112,836	5,878
Attributable to the			
Company owners		58,249	(3,392)
Non-controlling interests		54,587	9,270
Profit for the year		112,836	5,878

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

Votorantim Cimentos International S.A.

Votorantim Cimentos
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Consolidated statement of comprehensive income
Year ended December 31
All amounts in thousands of US Dollars, unless otherwise stated

	Note	2021	2020
Profit for the year		112,836	5,878
Components of other comprehensive income for subsequent reclassification to the statement of income			
Attributable to the owners of the Company			
Currency translation of investments in foreign operations	E15 (c)	(65,930)	(32,584)
Currency translation in hedge accounting for net investments in foreign operations	E15 (c)	5,177	(11,378)
Share of other comprehensive income (loss) of associates and joint ventures	E15 (c)	909	(196)
Inflation adjustment for hyperinflationary economies	E6 (d)	59,746	71,774
Recycling of other components of comprehensive income	C2.1 (g) (vii)	3,079	
Attributable to non-controlling shareholders			
Currency translation of investments in foreign operations		(14,423)	(4,222)
Currency translation in hedge accounting for net investments in foreign operations		(2,343)	61
Other components of comprehensive income		723	
		(13,062)	23,455
Components of other comprehensive income not for subsequent reclassification to the statement of income			
Attributable to the owners of the Company			
Remeasurement of retirement benefits	E15 (c)	7,811	1,791
Attributable to non-controlling shareholders			
Remeasurement of retirement benefits		1,665	(220)
		9,476	1,571
Total comprehensive income for the year		109,250	30,904
Comprehensive income from			
Continuing operations		109,250	30,874
Discontinued operations			30
		109,250	30,904
Comprehensive income attributable to			
Company owners		69,041	26,015
Non-controlling interests		40,209	4,889
		109,250	30,904

In this consolidated statement of other comprehensive income the items are presented net of tax effects. The tax effects are presented in Note E15 (c).

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

Votorantim Cimentos International S.A.

Consolidated statement of changes in equity
Year ended December 31
All amounts in thousands of US Dollars, unless otherwise stated

	Attributable to the Company owners						
	Share capital	Share premium	Consolidated reserves	Other comprehensive income	Total	Non-controlling interests	Total stockholder's equity
At January 1, 2020	99,915	890,239	1,045,903	(882,476)	1,153,581	160,154	1,313,735
Comprehensive loss for the year							
Profit (loss) for the year			(3,392)		(3,392)	9,270	5,878
Other comprehensive income (loss)				29,407	29,407	(4,381)	25,026
			(3,392)	29,407	26,015	4,889	30,904
Contributions by and distributions to stockholders							
Capital increase		243,855			243,855		243,855
Adjustment on related parties on the spin-off of VC Latam business			9,054		9,054		9,054
Increase in non-controlling interests			(5,303)		(5,303)	5,303	
Allocation of profit for the year							
Dividends paid						(24,626)	(24,626)
		243,855	3,751		247,606	(19,323)	228,283
At December 31, 2020	99,915	1,134,094	1,046,262	(853,069)	1,427,202	145,720	1,572,922
At January 1, 2021	99,915	1,134,094	1,046,262	(853,069)	1,427,202	145,720	1,572,922
Comprehensive income (loss) for the year							
Profit (loss) for the year			58,249		58,249	54,587	112,836
Other comprehensive income (loss)				10,792	10,792	(14,378)	(3,586)
			58,249	10,792	69,041	40,209	109,250
Contributions by stockholders							
McInnis business acquisition (Note E15 (d))			280,034		280,034	243,166	523,200
Increase in non-controlling interests						261	261
Capital increase (Note A3.3)		173,911			173,911		173,911
Transfer of the preference shares from VCSA to VCI (i)		6,036	5,138		11,174	(6,036)	5,138
Allocation of profit for the year							
Dividends approved						(19,766)	(19,766)
		179,947	285,172		465,119	217,625	682,744
At December 31, 2021	99,915	1,314,041	1,389,683	(842,277)	1,961,362	403,554	2,364,916

(i) These preference shares relate to the wholly owned subsidiary SMCI. Refer also to additional details in Note C2.1 (g).

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

All amounts in thousands of US dollars, unless otherwise stated

	Note	2021	2020
Profit before income tax		188,110	68,104
Profit from discontinued operations			30
Adjustments of items that do not represent changes in cash and cash equivalents			
Depreciation, amortization and depletion	E7, E8 and E9	200,657	163,483
Equity in the results of associates and joint ventures	E6 (c)	(10,706)	(5,555)
Impairment (reversal) of PP&E and intangible assets and right-of-use assets	E19	(6,975)	36,096
Gain (loss) on the sale of PP&E and intangible assets	E19	(15,200)	31
Allowance (reversal) for doubtful accounts, net	E3 (c)	(170)	1,741
Provision for obsolete inventories, net	E4 (c)	2,529	3,940
Provions for legal claims and ARO, net of reversals	E13 (b)	4,091	514
Accrued interest	E20	87,751	97,164
Gain on investment acquisition	E19	(46,588)	
Fair value gain resulting from remeasurement of previously owned interest	E19	(24,124)	
Provision for premium on repurchase of bonds	E20	12,600	19,305
CO2 emission rights provision	E19	15,902	
Other components of net financial results		13,911	12,672
Other		5,204	223
Adjustments of items that do not represent changes in cash and cash equivalents from discontinued operations			(29)
		426,992	397,719
Cash flow from operating activities			
Decrease (increase) in assets			
Trade and other receivables		33,253	(41,661)
Inventory		(13,079)	8,541
Taxes recoverable		(54,619)	(2,943)
Other assets		(16,304)	(7,922)
Increase (decrease) in liabilities			
Trade payables		(23,591)	30,291
Confirming payables		96,288	29,032
Salaries and social charges		5,166	12,929
Taxes payable		53,712	(8,340)
Other accounts payable and other liabilities		47,088	2,557
		554,906	420,203
Interest paid	E10 (d)	(87,105)	(102,194)
Premium paid on repurchase of bonds	E20	(12,600)	(19,305)
Income tax paid		(43,259)	(37,413)
Cash flow provided by (used in) operating activities from descontinued operations			9
Net cash provided by operating activities		411,941	261,300
Cash flow from investing activities			
Financial investments		8,160	(18,096)
Proceeds from disposals of property, plant, equipment and intangible assets		19,107	3,991
Dividends received from associates and joint ventures		39,665	21,145
Acquisitions of property, plant, equipment and intangible assets	E7 and E8	(183,129)	(121,785)
Payment for acquisition of subsidiary, net of cash received	E21	(242,639)	
Interest received		13,651	8,774
Cash effect of capital increases in equity accounted investees			(650)
Net cash used in investing activities		(345,185)	(106,621)
Cash flow from financing activities			
Proceeds from borrowing	E10 (d)	336,585	688,451
Payments of borrowing	E10 (d)	(448,373)	(937,811)
Derivative financial instruments		26	(269)
Capital increase	A3.3	173,911	243,855
Dividends paid to non-controlling interests		(19,904)	(25,729)
Decrease in non-controlling interests		261	
Lease liability payments	E9 (c)	(31,381)	(23,439)
Net cash provided by (used in) financing activities		11,125	(54,942)
Increase (decrease) in cash and cash equivalents		77,882	99,737
Increase in cash resulting from the reclassification of assets held for sale			(30)
Effect of exchange rate changes		(6,541)	8,957
Cash and cash equivalents at the beginning of the year		427,712	327,975
Cash and cash equivalents at the end of the year		505,593	427,712
Main non-cash transaction			
McInnis business acquisition	E21	523,200	
Deferred settlement of McInnis acquisition		6,364	

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

Section A - General information

1 Operational context

Votorantim Cimentos International S.A. (the “Company” or “VCI”) was incorporated on April 9, 2018 and is organized under the laws of Luxembourg as a “Société anonyme” for an unlimited period (R.C.S. Luxembourg: B.224031). The registered office of the Company is established at 35 Avenue J F Kennedy, 1st floor, A2, L-1855 Luxembourg.

The Company, its subsidiaries and equity accounted investees (together referred as “VCI Group” or “Group") are mainly engaged in the following activities: (i) the production and sale of a portfolio of heavy building materials, which includes cement, aggregates, ready-mix concrete, mortar, and other building materials, as well as raw materials and byproducts, similar and related products; (ii) research, mining and processing of mineral reserves in connection with its cement producing activities; (iii) transportation, distribution and importing; and (iv) holding investments in other companies. VCI Group operates in North America, South America (excluding Brazil), Europe, Asia and Africa.

The Company is directly and fully controlled by Votorantim Cimentos S.A. (“VCSA”), a privately held company headquartered in the city and State of São Paulo, Brazil, that is the holding company of the Votorantim Cimentos Group and is ultimately controlled by Ermírio de Moraes’ family.

2 Approval of the consolidated financial statements

The issue of these consolidated financial statements (hereinafter “financial statements”) was authorized by the Company’s Management Board on February 23, 2022.

3 Main events occurred in the year 2021

3.1 Commencement of cement mill project by Cementos Artigas (project Molcemin)

Artigas, the Company's Uruguayan subsidiary, commenced a project to unify its industrial activities in Uruguay. The initiative involves the integration of its industrial facilities, until then divided between a grinding and distribution center located in Montevideo and the main plant in the city of Minas. The project consists in the relocation of Montevideo’s industrial facilities to the plant located in Minas, resulting in a unified and more efficient and sustainable production line. In addition, as a result of this unification, a new vertical cement mill, a modern silo and a distribution center will be installed in the plant. Artigas will invest approximately USD 40 million in this project, which is expected to start operating towards end of 2022. As at December 31, 2021, the total amount of costs incurred was USD 17 million.

3.2 Business acquisitions

During the year 2021 the Group continued to invest in the expansion of its business and operations and carried the acquisition of four new businesses, as described below. These transactions are aligned with the Group’s growth strategy, strengthening its market positioning through increased production capacity.

The subsidiary St. Marys Cement Inc. (Canada) (“SMCI") concluded three business combinations during the year, with the acquisition of (i) McInnis Cement Inc. (“McInnis”), a Canadian cement producer, (ii) Superior Materials (“Superior”), a ready-mix concrete company located in Detroit, United States of America (“USA”), and for which St Marys already held a stake of 50% as joint venture, and (iii) the aggregates business of Valley View Industries (“Valley View”) located in Chicago, USA.

Moreover, on October 2021 the indirect subsidiary Votorantim Cementos España acquired the totality of the issued share capital of Cementos Balboa (“Balboa”), a cement producer located in the South of Spain.

The financial and accounting effects of these transactions were recognized in these financial statements, with the operating results and assets and liabilities of the acquired companies and business being consolidated as from the respective acquisition dates. All required details are presented in Note E21.

In addition, in November 2021 the indirect subsidiary Votorantim Cementos España entered into an agreement with Heidelberg Cement Hispania to acquire all of its assets in the South of Spain that includes a modern integrated cement plant, three aggregates quarries and eleven ready-mix plants. The completion of this acquisition is subject to customary closing conditions, including the approval by the regulatory authorities in Spain.

3.3 Capital contributions to the Company

During the year 2021, the Company received cash contributions from its sole shareholder VCSA amounting to USD 173,911. The full amount was accounted for as an increase in share premium account, with no shares being issued by the Company. Part of these proceeds was used for financial debt repayments. Refer to Note E10 for details on borrowings movements.

3.4 Effects of the new coronavirus pandemic (COVID-19)

The global pandemic declared by the World Health Organization (WHO) related to the new Coronavirus (COVID-19), which has been affecting countries around the world, presents a high risk to public health and impacting the global economy. In accordance with the Risk Management Policy approved by VCSA's Board of Directors, and through its Corporate Crisis Committee, the Company implemented a plan in response to this pandemic. This plan contains preventive measures to mitigate the impact of the pandemic, which are aligned with the guidelines established by national and international health authorities. The Company expects to mitigate, to the extent possible, the potential impacts of the COVID-19 crisis on the health and safety of its employees, their relatives, associates and communities, and to minimize the potential impact on its operating businesses.

The Corporate Crisis Committee has set up a multitasking team working closely with VCSA's Board of Directors and VCI's Management Board, to address the COVID-19 situation. The Company continues regularly assessing the impacts of COVID-19 on customers, suppliers and other creditors.

The Company is also monitoring the current effect of the COVID-19 crisis on its main estimates and critical accounting judgments, as well as other balances that have the potential to generate uncertainty and to impact the financial information disclosed. The main impacts identified are presented below:

(a) Impairment of long term non-financial assets

The COVID-19 spreading curve is at different phases in the various regions in which the Company operates. Uncertainty regarding the future impacts on the economies and the speed of recovery remains high.

In line with our annual review of the recoverable amount for the long-term assets, we performed an assessment of impairment indicators for all our consolidated CGUs, and a quantitative recoverability test was carried for the CGUs presenting impairment indicators or having goodwill allocated (Note E8 (c)), based on the assumptions of the Strategic Plan approved by VCSA's Board of Directors.

As a result, we identified and accounted impacts as described in Note C3.2.

(b) Analysis of liquidity ratios and available credit facilities

The Group has a solid liquidity position, reinforced by available revolving credit facilities amounting to USD 494 million (Note E10 (f)) as at December 31, 2021, and a consolidated average debt maturity of 8.6 years. This provides the Company with a good financial condition to mitigate the impacts of this uncertain adverse scenario.

The Group continues to monitor the developments caused by the COVID-19 pandemic and will remain prepared to implement new measures, as required to address any adverse developments.

Based on the analysis described above, the Company did not identify any other relevant impacts resulting from the COVID-19 crisis, including any effects that would require a change in the Company's critical accounting estimates and judgments, as disclosed in Note C3.

Section B - Supplementary information

1 Financial information by reportable segment and entity-wide disclosures segment

IFRS 8 "Operating Segments" requires reportable segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance. The Company defined the Management Board to be the CODM.

For management purposes, the Company is organized by geographical areas, with three reportable segments based on the locations of the Company's assets, as follows: (1) North America (operations in Canada and United States); (2) Europe, Asia and Africa (operations in Spain, Turkey, Morocco and Tunisia); (3) Latin America (operations in Bolivia and Uruguay).

The reportable segments' key financial performance metric for management is the Adjusted EBITDA, which is reported on a monthly basis for each of the geographical reportable segments. Adjusted EBITDA is defined as profit for the year less financial results, income tax and social contribution, equity in results of investees and plus depreciation, amortization and depletion, plus dividends received from investees and less unusual items.

All amounts in thousands of US dollars, unless otherwise stated

					2021
	North America	Europe, Asia and Africa	Latin America	Holding and eliminations	Total
Continuing operations					
Net revenue from goods sold and services rendered	1,326,801	773,294	181,502		2,281,597
Cost of goods sold and services rendered	(1,031,930)	(653,433)	(137,114)		(1,822,477)
Gross profit	294,871	119,861	44,388		459,120
Operating expenses	(29,234)	(70,780)	(7,838)	(1,474)	(109,326)
Operating profit (loss) before equity interest and financial results	265,637	49,081	36,550	(1,474)	349,794
Results of investees					
Share of net profit of associates and joint ventures	6,578	3,933	196	(1)	10,706
Financial results, net					
Interest payable on borrowing and other	(42,974)	(5,267)	(6,457)	(43,797)	(98,495)
Financial results, net, except interest payable on borrowing and other	(3,408)	(55,932)	1,610	(16,165)	(73,895)
	(46,382)	(61,199)	(4,847)	(59,962)	(172,390)
Profit (loss) before income tax	225,833	(8,185)	31,899	(61,437)	188,110
Income tax	(54,408)	(18,438)	(2,428)		(75,274)
Profit (loss) for the period from continuing operations	171,425	(26,623)	29,471	(61,437)	112,836
Profit (loss) for the period	171,425	(26,623)	29,471	(61,437)	112,836
Depreciation, amortization and depletion	135,465	49,557	15,620	15	200,657
Dividends received	7,859	3,544	20,084		31,487
Dissolution of the investment (C2.1 (g) (vii))		3,079			3,079
Business combination	(56,482)	2,177			(53,305)
Impairment		3,122	(10,096)		(6,975)
COVID	805	250	51		1,107
Other unusual items		666	(174)		492
	(46,818)	12,837	9,865		(24,115)
Adjusted EBITDA	354,284	111,475	62,035	(1,459)	526,336
PP&E and intangible assets additions	130,323	72,235	21,850		224,408
Total assets	2,946,868	1,187,200	534,738	562,395	5,231,201
Total liabilities	1,322,222	775,731	188,288	582,927	2,869,168
Net debts	633,822	(92,031)	64,471	579,630	1,185,892

All amounts in thousands of US dollars, unless otherwise stated

					2020
	North America	Europe, Asia and Africa	Latin America	Holding and eliminations	Total
Continuing operations					
Net revenue from goods sold and services rendered	1,032,861	520,106	158,965		1,711,932
Cost of goods sold and services rendered	(782,042)	(425,921)	(119,079)		(1,327,042)
Gross profit	250,819	94,185	39,886		384,890
Operating expenses	(80,950)	(73,723)	(29,712)	(2,862)	(187,247)
Operating profit (loss) before equity interest and financial results	169,869	20,462	10,174	(2,862)	197,643
Results of investees					
Share of net profit of associates and joint ventures	10,341	4,274	(9,060)		5,555
Financial results, net					
Interest payable on borrowing and other	(30,980)	(3,745)	(6,701)	(55,738)	(97,164)
Financial results, net, except interest payable on borrowing and other	(18,613)	(8,531)	746	(11,532)	(37,930)
	(49,593)	(12,276)	(5,955)	(67,270)	(135,094)
Profit (loss) before income tax	130,617	12,460	(4,841)	(70,132)	68,104
Income tax	(33,397)	(30,314)	1,455		(62,256)
Profit (loss) for the period from continuing operations	97,220	(17,854)	(3,386)	(70,132)	5,848
Profit from discontinued operations		30			30
Profit (loss) for the period	97,220	(17,824)	(3,386)	(70,132)	5,878
Depreciation, amortization and depletion	100,880	47,566	15,022	15	163,483
Dividends received	8,180	5,820	9,875		23,875
Impairment		23,985	12,111		36,096
COVID	2,568	4,117	158		6,843
Other unusual items			209		209
	10,748	33,921	22,354		67,023
Adjusted EBITDA	281,497	101,949	47,550	(2,847)	428,149
PP&E and intangible assets additions	83,770	32,922	5,081	12	121,785
Total assets	1,847,769	970,701	514,024	587,438	3,919,932
Total liabilities	997,748	535,090	192,004	622,168	2,347,010
Net debts	466,831	(50,441)	76,605	619,430	1,112,425

2 Capital management

The Company’s main objectives when managing its capital are to safeguard the ability to continue as a going concern in order to provide returns, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Company can make adjustments to the amount of dividends paid to stockholders, return capital to stockholders, or issue new shares or sell assets to reduce debt, for example.

Consistent with others in the industry, the Company monitors capital on the basis of the financial leverage ratio, which corresponds to the net debt divided by Adjusted EBITDA. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents, financial investments and derivative financial instruments.

The leverage ratios as at December 31, 2021 and 2020 are summarized as follows:

All amounts in thousands of US dollars, unless otherwise stated

	Note	2021	2020
Borrowing	E10 (b)	1,480,176	1,479,598
Lease liabilities	E9 (c)	228,791	85,666
Cash and cash equivalents	E1 (b)	(505,593)	(427,712)
Financial investments	E2 (b)	(17,102)	(25,262)
Derivative financial instruments	D2.1.3	(380)	135
Net debt - (A)		1,185,892	1,112,425
Adjusted EBITDA for the last 12 months - (B)	B1	526,336	428,149
Financial leverage ratio - (A/B)		2.25	2.60

Section C – Presentation of financial statements

1 Changes in accounting policies and disclosures

1.1 Amendments to accounting standards adopted by the Company

The following amendment to standard issued by the International Accounting Standards Board (IASB) were adopted for the first time for the period beginning on January 1st, 2021:

Interbank offered rates (IBORs) reform: amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments – Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases".

The Company analyzed the amendment to the accounting standard mentioned above and did not identify impacts on its operating and accounting policies.

In line with the LIBOR and other IBORs transition project, the Company has assessed its LIBOR-indexed borrowings and derivatives and has been discussing fallback language with financial institutions with which it has relationship. The Company intends to apply the practical expedient in IFRS 9 and recognize the change in the rate without a gain or loss impact in profit or loss. Upon the actual renegotiation of contracts, the Company will assess whether the practical expedient remains applicable.

Other standards and amendments were effective for annual periods commencing on or after January 1, 2021. The adoption of these new standards did not have an impact on the Company's financial statements.

1.2 Amendments to accounting standards not yet adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. According to a preliminary analysis the Company identified that the amendment to IAS 12 – "Income Taxes" could impact its current accounting policies. This amendment requires companies to recognize deferred taxes on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences, such as lease agreements or asset retirement obligations. The amendment is effective for periods beginning January 1, 2023, and not yet endorsed by the European Union. Nevertheless, the Company is currently analyzing in detail the potential impacts, in accordance with local tax regulations.

2 Basis of preparation of the financial statements

These financial statements were prepared and are being presented in accordance with IFRS (International Financial Reporting Standards), as issued by the International Accounting Standards Board that are adopted by the European Union ("EU").

The financial statements were prepared and are being presented under the historical costs convention, except for some financial assets and financial liabilities (including derivative instruments) measured at fair value at the end of each reporting period.

The main accounting policies applied in the preparation of these financial statements have been consistently applied in all years presented, unless otherwise stated. The accounting policies of subsidiaries, associates and joint ventures are adjusted, if necessary, to ensure consistency with the policies adopted by the Company.

The significant accounting policies for the understanding of the financial statements were included in the respective notes, with a summary of the basis of recognition and measurement used by the Company.

The preparation of financial statements requires the use of certain accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note C3.

2.1 Principles of consolidation and equity accounting

The Company consolidates all the entities which it controls. The companies included in this consolidation are listed in Note C2.1 (g).

(a) Subsidiaries

The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated in these financial statements from the date on which the Company obtains control, until the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Company.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of income, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Transactions with non-controlling interests

The Company treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to the Company owners.

(c) Associates and joint arrangements

(i) Associates

Associates are all entities over which the Company, directly or indirectly, has significant influence on financial and operating policies, but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations. In a joint venture the Company shares the control of the entity and has the right to the net assets of the joint venture, and not to its specific assets and liabilities. Interests in joint ventures are accounted for using the equity accounting method, after initially being recognized at cost in the balance sheet.
In a joint operation the Company recognizes individually its direct right to the assets, liabilities, revenues and expenses, and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost, which includes transaction costs, and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in the statement of income, and the Company's share of movements in other comprehensive income of the investee in "Other comprehensive income", until the date when significant influence or joint control ceases to exist. Dividends received or receivable from associates and joint ventures are recognized as a reduction of the carrying amount of the investment.
The Company's investments in associates and joint ventures include goodwill identified upon acquisition, net of any accumulated impairment losses.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains arising from transactions with investees recognized under the equity method are eliminated against the investment in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Dilution gains and losses arising on investments in associates and joint ventures are recognized in the statement of income. The Group classifies dividends received from associates and joint ventures as cash flows from investing activities.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note C3.2.

(d) Loss of control of subsidiaries, associates or joint ventures

When the Company ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred

- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in statement of income as a bargain purchase. If non-controlling interests are born as part of the business combination, the gain resulting from the bargain purchase is fully allocated to the Group as controlling shareholder.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in the statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the statement of income.

(f) Discontinued operation

A discontinued operation is a component of a business of the Company which comprises operations and cash flows that can be clearly separated from the Company, that either has been disposed of or is classified as held for sale, and:

(i) represents either a separate major line of business or a geographical area of operations;

(ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

The classification as a discontinued operation occurs on its disposal, or when the operation meets the criteria to be classified as held for sale, if this occurs earlier.

When an operation is classified as a discontinued operation, the comparative statements of income and comprehensive income are restated as if the operation had been discontinued since the beginning of the comparative period.

All amounts in thousands of US dollars, unless otherwise stated

(g) Companies included in the financial statements

	Percentage of total and voting capital				
	2021	2020	Place of operation	Main activity	Functional currency
Votorantim Cimentos International S.A and subsidiaries					
St. Marys e subsiaries					
St. Marys Cement Inc. (Canada) (ii) (vi)	83.00	99.29	Canada	Cement, ready mix, aggregates	CAD
McInnis Cement ULC. (vi) (xiii)	83.00		Canada	Cement	CAD
Superior Materials Holdings LLC (viii)	83.00		USA	Ready mix	USD
7918 Québec Inc. (aka GP Co) (vi)	83.00		Canada	Cement	CAD
McInnis Cement Limited Partnership Aka (vi)	83.00		Canada	Cement	CAD
McInnis USA, Inc. (vi)	83.00		USA	Cement	USD
McInnis Marine USA, LLC (vi)	83.00		USA	Cement	USD
2377962 Ontario Inc. (ii) (vi)	83.00	99.29	Canada	Holding	CAD
2377482 Ontario Inc. (ii) (vi)	83.00	99.29	Canada	Holding	CAD
2339097 Ontario Limited (ii) (vi)	83.00	99.29	Canada	Holding	CAD
Rosedale Securities Limited (ii) (vi)	83.00	99.29	Canada	Holding	CAD
VCNA Prairie Aggregate Holdings Illinois Inc. (ii) (vi)	83.00	99.29	USA	Aggregates	USD
VCNA US Inc. (ii) (vi)	83.00	99.29	USA	Holding	USD
Votorantim Cimentos North America, Inc. (ii) (vi)	83.00	99.29	USA	Holding	USD
St. Marys Cement U.S. LCC (ii) (vi)	83.00	99.29	USA	Cement	USD
VCNA Praire LLC (ii) (vi)	83.00	99.29	USA	Ready mix, aggregates	USD
VCNA United Materials LLC (ii) (vi)	83.00	99.29	USA	Concrete	USD
VCNA United Materials Builders LLC (ii) (vi)	83.00	99.29	USA	Retail	USD
313 Ready Mix LLC (ii) (vi)	83.00	99.29	USA	Ready mix, aggregates	USD
Votorantim Cement EAA Inversiones S.L and subsidiaries					
Votorantim Cement EAA Inversiones S.L. "VCEAA"	100.00	100.00	Spain	Holding	EUR
Societe Les Ciments de Jbel Oust - CJO	99.99	99.99	Tunisia	Cement	TND
Societe Granulats Jbel Oust	99.99	99.99	Tunisia	Aggregates	TND
Votorantim Cimento Sanayive Ticaret A.S	99.90	99.90	Turkey	Cement	TRY
Ybitas Yozgat Isci Birligi Insaat Malzemeleri Ticaret ve Sanayi A.S.	82.87	82.87	Turkey	Cement	TRY
Votorantim Cement Trading S.L.	100.00	100.00	Spain	Trading	USD
Votorantim Macau – Investment Company, Limited	100.00	100.00	China	Holding	MOP
Votorantim Cement Corporation Limited (vii)		100.00	China	Holding	HKD
Alpaca Inversiones S.A.C. (iii)		100.00	Peru	Limestone (no activity)	PEN
Cementos Asment EAA	100.00	100.00	Spain	Holding	EUR
Grabemaro S.A.R.L.	99.99	99.99	Morocco	Aggregates	MAD
Asment de Temara S.A.	62.62	62.62	Morocco	Cement	MAD
Asment Du Centre S.A.	62.62	62.62	Morocco	No activity	MAD
Société Marocainee SMBRM (v)	62.62		Morocco	Grinding	MAD
Votorantim Cementos España, S.A. (i) (ix) (xi)	99.68	99.72	Spain	Cement and Holding	EUR
Cementos Cosmos S.A. (x)		99.62	Spain	Cement	EUR
Prebetong Hormigones S.A. (i) (xi)	99.66	99.70	Spain	Ready mix	EUR
Prebetong Lugo S.A. (i) (xi)	82.61	82.64	Spain	Aggregates	EUR
Prebetong Lugo Hormigones S.A. (i) (xi)	82.61	82.64	Spain	Ready mix	EUR
Cementos Antequera S.A. (xii)		96.73	Spain	Cement	EUR
Comercial Cosmos SUR S.L. (i) (xi)	99.68	99.72	Spain	Cement	EUR
Morteros de Galicia S.L. (i) (xi)	99.68	99.72	Spain	Mortars	EUR
A.G. Cementos Balboa, S.A.U. (xiv)	99.68		Spain	Cement	EUR
Comercializadora de Cenizas S.L. (i) (xi)	49.84	49.86	Spain	Ashes trader	EUR
Comercializadora de Calizas S.L. (i) (xi)	49.84	49.86	Spain	Limestone trader	EUR
Prebetong Áridos S.L. (i) (xi)	99.68	99.72	Spain	Aggregates	EUR
VC Latam and subsidiaries					
Votorantim Cimentos LATAM S.A.	100.00	100.00	Spain	Holding	USD
Cementos Artigas S.A.	51.00	51.00	Uruguay	Cement	UYU
Eromar S.A.	51.00	51.00	Uruguay	Aggregates	UYU
Mondello S.A.	51.00	51.00	Uruguay	Cement	UYU
Cementos Artigas Zona Franca S.A.	51.00	51.00	Uruguay	Concrete	UYU
Colina Justa S.A	51.00	51.00	Uruguay	Aggregates	UYU
Yacuces S.L	51.00	51.00	Spain	Holding	EUR
GB Minerales Y Agregados S.A.	51.00	51.00	Bolivia	Cement	EUR
Itacamba Cementos S.A.	34.00	34.00	Bolivia	Cement	BOB

All amounts in thousands of US dollars, unless otherwise stated

Associates and jointly-controlled entities					
Hutton Transport Ltda. (ii) (vi)	20.75	24.82	Canada	Transportation	CAD
Pond Technologies Inc. (ii) (vi)	5.89	15.56	Canada	Technology	CAD
Canteira do Penedo S.A. (i) (xi)	41.29	41.31	Spain	Aggregates	EUR
Cementos del Marquesado S.A. (i) (xi)	23.13	22.44	Spain	Cement	EUR
Cementos Avellaneda S.A.	49.00	49.00	Argentina	Cement	ARS
Santa Pamela S.A. (iv)		49.00	Argentina	Cement	UYU
Superior Materials Holdings LLC (viii)		49.65	USA	Ready mix	USD
Midway Group LLC (ii) (vi)	41.50	49.65	USA	Ready mix	USD
RMC Leasing 4261 (ii) (vi)	41.50	49.65	USA	Holding	USD
Cementos Granadilla S.L. (i) (xi)	54.83	54.85	Spain	Cement	EUR
Hormigones y Aridos La Barca S.A. (i) (xi)	49.84	49.86	Spain	Ready mix	EUR
Aridos de la Coruña S.A. (i) (xi)	49.84	49.86	Spain	Aggregates	EUR
Cementos Especiales de las Islas S.A. (i) (xi)	49.84	49.86	Spain	Cement	EUR
Compañia Canaria de Mat. Primas S.A. (i) (xi)	46.17	46.19	Spain	Services/Logistics	EUR
Horinsa Graneles S.L. (i) (xi)	49.84	49.86	Spain	Logistics	EUR
Hormisol Canarias S.A. (i) (xi)	49.84	49.86	Spain	Concrete	EUR
Morteros Especiales de Canarias S.L. (i) (xi)	24.92	24.93	Spain	Ready mix	EUR
Morteros Insulares Canarios S.A. (i) (xi)	39.87	39.89	Spain	Ready mix	EUR
Áridos Classificados de Fuerteventura S.A. (i) (xi)	37.38	37.40	Spain	Quarry	EUR
Ceisa Comercial de Cemento S.L.U. (i) (xi)	49.84	49.86	Spain	Cement	EUR
Aplicaciones Minerales S.A. (i) (xi)	11.96	11.97	Spain	Aggregates	EUR
Fortia Energia S.L.	3.15	3.15	Spain	Energy	EUR
Joint Operation					
Ute Balasto Rionegro (i) (xi)	49.84	49.86	Spain	Aggregates	EUR
Ute Balasto Cernadilla (i) (xi)	49.84	49.86	Spain	Aggregates	EUR
Great Lakes Slag Inc. (ii) (vi)	41.50	49.65	Canada	Slag production	CAD

(i) Movements in the equity interest ownership of Votorantim Cimentos EAA Inversiones S.L. occurred in 2021.

(ii) Up to February 2021, 12,000,000 preference shares of SMCI were owned by VCSA, representing 0.71% of the total share capital issued by the subsidiary. On February 26, 2021, such shares were transferred to VCI, as a contribution in kind. Subsequently, these same preference shares were converted into ordinary shares.

(iii) Dissolution of the company Alpaca Inversiones S.A.C in March 2021.

(iv) Merge of the company Santa Pamela S.A. by the company Cementos Avellaneda S.A. in April 2021.

(v) Creation of the company Société Marocainee SMBRM in June 2021.

(vi) Business combination accomplished by SMCI, that resulted in the acquisition of the cement business of McInnis, and the dilution of VCI's share over SMCI. Refer to details in Note E15 (d).

(vii) Dissolution of the company Votorantim Cement Corporation Limited in September 2021.

(viii) Increase in the equity interest of VCNA Praire LLC in Superior Materials Holdings LLC in July 2021. Refer to Note E21.

(ix) Change of the corporate name of the company Corporacion Noroeste S.A. to Votorantim Cementos España, S.A.

(x) Merge of the company Cementos Cosmos S.A. by the company Votorantim Cementos España, S.A. in October 2021.

(xii) Merge of the company Cementos Antequera S.A. by the company Votorantim Cementos España, S.A. in October 2021.

(xiii) Change in the corporate type from McInnis Cement Inc. to McInnis Cement ULC.

(xiv) Business combination accomplished by Votorantim Cementos España, S.A., that resulted in the acquisition of the cement business of A.G. Cementos Balboa S.A.U. Refer to details in Note E21.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in US Dollars ("USD"), which is the Company's functional and presentation currency.

Management has applied the guidance in IAS 21 - The Effects of Changes in Foreign Exchange Rates in assessing the functional currency of the Company and has determined USD as being the most appropriate functional currency, considering the economic substance and activities of the Company. Management's judgement was based on the following relevant facts:

- The Company acts as the holding entity of the international subsidiaries, being the head of Votorantim Cimentos Group's international operations. It carries out some operating activities, consisting of holding and managing the subsidiaries of the sub-group, through its dedicated management team and staff. These activities are carried autonomously and involve the delivery of management services to the subsidiaries, such as legal, compliance and financing related, and the reporting on the sub-group results to VCSA.

- The Company has also external financial debt, raised on behalf of the subsidiaries, that is mostly denominated in USD.

- The Company's key cash inflows are the dividends and intercompany balances from its subsidiaries. The latter relate to interest income, as well as remuneration for the management services delivered. These inflows are denominated in USD.

- The majority of the Company's costs relate to services engaged in the context of holding and financing activities that are mostly denominated in USD. Some of these costs are incurred on behalf of the subsidiaries and are subsequently recharged and reimbursed in USD.

Based on the facts above, Management has concluded that USD is the most appropriate functional currency for the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency USD using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are generally recognized in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All other foreign exchange gains and losses are presented in the statement of income on a net basis within Exchange variations, net (Note E20).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Subsidiaries with a different functional currency

The results and financial position of all subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each statement of income and statement comprehensive income are translated at average foreign exchange rates, which is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; and;

(iii) All resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of shareholder's equity.

The amounts presented in the statement of cash flow are extracted from the translated movements of the assets, liabilities, income and expenses, as detailed above.

Upon consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other financial instruments designated as hedge instruments of such investments, are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, foreign exchange differences equivalent to the disposed investment and the designated hedging instrument that were recorded in other comprehensive income are recognized in the statement of income as part of the gain or loss on the disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The effect of such translation is recorded in other comprehensive income.

The functional currencies defined for the foreign subsidiaries are presented in Note C2.1 (g).

(d) Argentine hyperinflation accounting

In July 2018, the Argentine peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina exceeding 100%, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 "Financial Reporting in Hyperinflationary Economies". It became applicable to our investment in Avellaneda, an associate whose functional currency is the Argentine peso.

The accounting balances of an investee with a hyperinflationary functional currency are monetarily adjusted for changes in the purchasing power at the end of each reporting period.

Monetary adjustments are based on the general price index. Monetary items are recorded at their inflated monetary amount at the balance sheet date and, therefore, are not monetarily adjusted. Non-monetary items are adjusted based on the changes in the general price index between the date of their acquisition or occurrence and the balance sheet date.

The Company recognizes the effect of both the restating in accordance with IAS 29 and the translation according to IAS 21 "The Effects of Changes in Foreign Exchange Rates" in "Other comprehensive income". The balance of monetarily adjusted non-monetary assets is reduced when they exceed their recoverable amount, with the difference being recognized in the statement of income.

When the economy is no longer considered hyperinflationary and the investee discontinues the preparation and presentation of its financial information in accordance with IAS 29, the monetarily adjusted amounts become the base carrying amount for subsequent periods.

2.3 Statement of cash flows

The cash flows present the changes in cash and cash equivalents during the year in the operating, investing and financing activities. Cash and cash equivalents include highly liquid short-term investments, that are, investments with maturities in the short-term as from the acquisition date.

The cash flows from operating activities are presented based on the indirect method. The profit before taxes is adjusted for the effects of non-cash transactions, for the effects of any deferrals or for the recording on an accrual basis of past or future operating cash receipts or payments, and for the effects of income or expenses items associated with the cash flows from investing or financing activities.
All income and expenses resulting from non-cash transactions, attributable to investing and financing activities, are excluded from the statement of cash flows. Interests received or paid are classified as operating cash flows.

3 Critical accounting estimates and judgments

Based on assumptions, the Company makes estimates concerning the future. Accounting estimates and judgments are periodically reviewed, based on historical experience and other factors, including expectations of future developments that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

The estimates and assumptions that carry a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below:

3.1 Fair value estimates

The Company discloses fair value measurements based on the following hierarchy:

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, for which fair value is determined based on specific valuation techniques).

Specific valuation techniques used to measure assets and liabilities at fair value include:

(i) Quoted market prices or quotations from financial institutions or brokers for similar instruments;
(ii) The fair value of interest rate swaps calculated at the present value of the estimated future cash flows, based on the yield curves adopted by the market;
(iii) The fair value of future foreign exchange contracts determined based on future exchange rates at the balance sheet date, with the resulting amount discounted to present value; and
(iv) Analysis of discounted cash flows.

The Company uses its judgment to select among a variety of methods, and to make assumptions that are mainly based on the market conditions existing at the balance sheet date.

3.2 Impairment of goodwill and other long-term non-financial assets

(a) Accounting policy

Non-financial assets with indefinite useful lives, such as goodwill, are not subject to amortization and are tested for impairment at least annually. Assets that are subject to depreciation/amortization are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less any selling costs and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGU). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

All amounts in thousands of US dollars, unless otherwise stated

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

Goodwill arising on acquisitions is allocated to a CGU or group of CGUs, with each CGU or group of CGUs being the lowest level at which goodwill is monitored for internal management purposes and not being larger than an operating segment. The goodwill related to our operations in North America and in Europe, Asia and Africa was allocated to each corresponding operating segment, being that Europe, Asia and Africa comprises a group of four CGUs to which goodwill was allocated. For the Latin America operating segment, the goodwill was allocated per country of business. Refer to Note E8 (c) for the goodwill allocation details.

(b) Impairment testing for goodwill and non-current assets

An impairment test is carried at least annually for all CGUs to which goodwill has been allocated, as well as for other CGUs that do not contain goodwill but present impairment indicators. The recoverable amount as of December 31, 2021 and 2020 has been determined from the value in use of each CGU, except for North America where the fair value less cost to sell approach (level 3 of the fair value hierarchy) already exceeded the corresponding carrying amounts and therefore as of such dates there was no need to determine its value in use. In both cases the amounts are measured applying the discounted cash flow model. The process of estimating these values involves the use of assumptions, judgments and estimates of future cash flows and represents the Company's best estimate.

These calculations use post-tax cash flow projections based on financial budgets approved by the Company's Management covering a five or ten-year period. Cash flows beyond the five or ten-year period calculated under the value in use model are extrapolated using the last year projections (nil growth rate). For North America the growth rate used do not exceed the long-term average growth rate for the corresponding business. The use of post-tax cash flows and rates does not result in any significant difference with respect to the use of pre-tax cash flows and rates.

Management considered as key assumptions to calculate the recoverable amount of the CGUs to be sales price and volume, and discount rate. Management determined budgeted sales price and volume based on past performance and its expectations of future market development. The discount rates used are post-tax and reflect specific risks relating to the operating segment or the CGU being tested. The following table sets out the key assumptions for those CGUs or group of CGUs that have significant goodwill allocated to them, as well as other CGUs not having goodwill allocated but important for its significancy to the Group's operations:

Segment	Country	Currency	Updated discount rate 2021	Prior discount rate 2020
Latam	Bolivia	BOB	9.7%	9.9%
	Uruguay	UYU	7.3%	7.3%
	Argentina	ARS	15.2%	15.8%
North America	Canada/United States	CAD/USD	5.8%	5.5%
Europe, Asia and Africa	Turkey	TRY	9.4%	10.3%
	Tunisia	TND	11.8%	12.6%
	Morocco	MAD	7.2%	6.9%
	Spain	EUR	6.7%	6.5%

The impairment testing resulted in the following impairment movements recognized by the Company in 2021 and 2020:

(i) Turkey CGU (Europe, Asia and Africa operating segment – value in use model): an impairment charge of USD (27,139) arose in the Turkish business during 2020 due to changes in local economic circumstances, largely resulting from the impact of COVID-19 pandemic, leading to lower expected future sales volumes. Such impairment impacted "Property, plant and equipment", "Intangible assets" and "Right-of-use assets" included in the Tukey CGU, with the goodwill allocated to the segment Europe, Asia and Africa not being affected.

During 2021 the business presented a positive recovery, and Management's projections for the coming years have also been revised positively. Nevertheless, considering the current uncertainty affecting the Turkish economy, Management considered it was not appropriate to consider an eventual reversal of the impairment recognized in 2020. The net book value of the impairment previously recognized as at December 31, 2021 amounts to USD (13,625), the decrease resulting essentially from the devaluation of the local currency.

(ii) Bolivia CGU (Latin America operating segment – value in use model): in 2020 an impairment charge of USD 12,111 arose in the Bolivian business as a result of an increase in the discount rate used, due to the review of the country risk and debt cost, as well as a reduction in the expected sales volume curve. The impairment loss impacted "Property, plant and equipment"; no goodwill is allocated to this CGU.

During 2021 the operations in Bolivia had a good recovery, and the outlook for the next years were also revised upwards by Management. This allowed the full reversal of the impairment charge recognized in the previous year, presenting a net book value of USD (12,119) as at December 31, 2021.

The reversal of impairment mentioned above in item (ii) is allocated in "Property, plant and equipment" (Note E7), with an impact in the statement of income in "Other operating income (expenses), net" (Note E19).

In addition to the above, an impairment charge of USD 5,144 was recognized as a result of the discontinuance of certain assets.

(c) Sensitivity analysis

The Company performed a sensitivity analysis for the key assumptions used in determining the value in use for the businesses in Turkey and Bolivia, which are the CGUs that present a lower headroom and, therefore, present a higher sensitivity to impairment.

For Turkey, an increase of 100 bps in the discount rate would result in a decrease in the value in use of USD 6,998. A 5% reduction in the volume and price curves would result in a decrease in the value in use of USD 6,277 and USD 15,522, respectively. None of these decreases in the value in use would result in additional impairment for this CGU.

In the case of Bolivia, an increase of 100 bps in the discount rate would result in a decrease in the value in use of USD 12,887. A 5% reduction in the volume and price curves would result in a decrease in the value in use of USD 7,457 and USD 13,860, respectively. None of these decreases in the value in use would result in impairment of the Bolivia CGU.

Except for the CGUs presented above, the Company's Management concluded that there are no reasonably possible changes in key assumptions that would result in the carrying amount of the asset or CGU significantly exceed their estimated recoverable amount.

3.3 Asset retirement obligations (Note E13)

Expenditures related to mines decommissioning are recorded as asset retirement obligations. Obligations consist mainly of costs associated with termination of activities. The asset decommissioning cost equivalent to the present value of the obligation (liability) is capitalized as part of the book value of the underlying asset and depreciated over its useful life. The Company considers the use of accounting estimates related to the costs necessary to close the mining activities and recover the deteriorated areas as being a critical accounting estimate, since it involves various assumptions (see note E13) such as discount rates, inflation and the useful life of the asset. These estimates are annually reviewed by the Company. The discount rate applied in 2021 were in the range of 1.51% - 11.50% per year (December 31, 2020 – in the range of 1.46% - 7.70% per year).

3.4 Recoverability of current and deferred income tax assets (Note E12)

The Company is subject to the payment of income taxes in all countries in which it operates. The provision for deferred taxes is calculated on a stand-alone basis for each entity based on the tax rates and tax laws enacted in each territory at the balance sheet date. The Company also recognizes provisions based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are periodically assessed to determine their recoverability, on the basis of estimated future taxable profits deriving from Management’s best estimate of projected future results, which are prepared based on internal judgments and assumptions, and future economic scenarios which may change. The key assumptions considered in such projections are sales price and volume.

3.5 Pension plan (Note E14)

The present value of the healthcare plan obligations or rights depends on a number of factors that are determined through an actuarial calculation using various assumptions. Among the assumptions used in determining the net cost of actuarial obligations or rights is the discount rate, computed based on the rates of government bonds. The pension obligations are denominated in the currency in which the benefits will be paid, and have maturities approximating those of the respective healthcare and defined benefit plan obligations.

Section D - Risks

1 Social and environmental risk management

The Company operates in various countries and consequently, its activities are subject to local, state, national and international environmental laws and regulations, treaties and conventions regulating the activities, establishing measures for mitigation, compensation, management and risk monitoring, including those that regulate the obligations of the owner of the venture and/or activity relating to environmental protection. Violations of the environmental regulations can lead to fines and penalties and may require the implementation of technical measures to ensure the compliance with the mandatory environmental standards.

The Company reviews periodically its environmental risk assessment and addresses the risks identified either through mitigation actions or provision of future costs.

2 Financial risk management

The Company's activities expose it to a number of financial risks: (a) market risk (including currency and interest rate risk); (b) credit risk; and (c) liquidity risk.

All amounts in thousands of US dollars, unless otherwise stated

The products and services offered by the Company are denominated in several currencies due to its global positioning, and potential risks of currency mismatches between income and costs can arise.

The Company has loans linked to different indices and denominated in foreign currencies, which may have an impact on its cash flows.

To mitigate the adverse effects of each of these risk factors, the Company prepared a financial policy approved by the Board of Directors, in order to establish governance and macro guidelines in the financial risk management process, as well as metrics for measurement and monitoring. The purpose of this process is to protect the cash flows against adverse financial market events, such as fluctuations in exchange rates and interest rates and against adverse credit events of financial counterparties. In addition, this process aims to manage leverage and other financial or operating exposure in line with the criteria of ratings agencies for investment grade companies. The financial policy of the Company is aimed at preserving the liquidity of the Company, diversifying the financing sources, providing unrestricted access to the capital markets at competitive costs, and generating value for stockholders.

The following derivative instruments may be used to hedge and manage risks: swaps, call options, put options, collars, futures contracts (currencies, interest rates or commodities) and forward contracts known as Non-Deliverable Forwards (currencies, interest rates or commodities). The main guideline for Company's hedging strategy follows transactions that do not involve financial instruments for speculative purposes or transactions that can be characterized as leverage (that is, that the exposure to the risk factor via derivative is greater than the hedged item), and any other instrument requires the approval of the Board of Directors.

2.1 Market risk

The purpose of the market risk management process is to protect the Company's cash flow against adverse events, such as fluctuations in exchange rates, commodity prices and interest rates.

2.1.1 Foreign exchange risk

Foreign exchange risk is the exposure of the Company to significant fluctuations in currencies' exchange rates, that comprise commercial, operational and financial relationships and, consequently, have an impact on its cash flows or results. Presented below are the assets and liabilities denominated in foreign currencies (Euro, Canadian dollar, Moroccan dirham, Turkish lira, Tunisian dinar, Bolivianos and Uruguayan pesos) at the end of the reporting period, expressed in USD:

	Note	2021	2020
Assets denominated in foreign currency			
Cash and cash equivalents		241,508	145,626
Financial investments	E2	544	25,262
Derivative financial instruments		496	
Trade receivables		97,876	80,629
		340,423	251,517
Liabilities denominated in foreign currency			
Borrowing (i)	E10 (e)	(364,056)	(300,018)
Derivative financial instruments		(116)	(135)
Lease liabilities		(15,924)	(10,892)
Confirming payables		(64,408)	(64,714)
Trade payables		(187,293)	(131,346)
		(631,797)	(507,105)
Net exposure		(291,373)	(255,588)

(i) Funding costs are not considered in these amounts.

Moreover, the Company has investments in foreign operations, which net assets expose the Company to foreign exchange risk. The foreign exchange exposure arising from investments in foreign operations is partially hedged by loans in the same currency as the functional currency of the investees which are designated in some cases as hedge of net investment for accounting purposes. Refer to Note D2.1.4 below for additional details.

2.1.2 Cash flow and fair value associated with interest rate risk

The Company's interest rate risk arises mainly from long-term loans. Loans issued at variable rates expose the Company to cash flow interest rate risk. Loans issued at fixed rates expose the Company to fair value risk associated with interest rate. See Note E10 for the details of borrowings by interest rate, and Note D2.1.3 for details of derivative financial instruments held by the Company.

2.1.3 Derivative financial instruments

(a) Accounting policies

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value, changes of which are recognized in the statement of income as a financial result item.

All derivative transactions were carried out in the over-the-counter market.

Hedging program for exchange rate exposure – hedging instruments contracted for the purpose of hedging the cash flows against foreign exchange exposure. The risk is mitigated through the purchase/sale of forward contracts in Euro and other currencies.

All amounts in thousands of US dollars, unless otherwise stated

(b) Effect of derivatives on the balance sheet, on the financial results and on the cash flow and maturity profile

				2020	2021			
	Principal							Maturity
Programs	2021	2020	Principal currency	Total (net between assets and liabilities)	Impact on net financial results	Realized gain with cash effect	Total (net between assets and liabilities)	2022
Hedging of foreign exchange exposure								
Turkish Lira forward (TRY/USD)	4,000		USD thousand		380		380	380
Turkish Lira forward (TRY/EUR)		1,390	EUR thousand	(135)	161	26		
	4,000	1,390		(135)	541	26	380	380

2.1.4 Hedging of net investments in foreign operations

(a) Accounting policies

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity in the account "Other comprehensive income". The gain or loss relating to the ineffective portion is recognized immediately in the statement of income. Gains and losses accumulated in equity are included in the statement of income when the foreign investment is realized or sold.

The Company designates transactions as hedges on an annual basis. Net investment hedge transactions are designated when the Company identifies an economic relationship between the hedged item and the hedging instrument, by determining a hedge ratio that represents the hedge relationship existing at the time of designation.

As required by IFRS 9 – "Financial instruments" the Company prospectively evaluates the effectiveness of net investment hedge transactions on a quarterly basis. This is done using the US Dollar offsetting method - comparing the numerical effects of a change in the spot rate on the value of the hedging instrument, net of deferred income tax and social contribution on the exchange variation of the debt, with the value of the hedged item. The critical terms of the hedging instrument are identical to the terms of the hedged items, and therefore only one scenario is evaluated through projections of future rates available in the market

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis

The subsidiary SMCI designated its debt denominated in US Dollars as a hedging instrument for the investment in its subsidiary VCNA US, Inc..

									1/1/2021 to 12/31/2021
Investor		Hedged item				Instrument			
Entity	Currency	Investment	Currency	Percentage designated	Total investment	Currency	Original amount	Amount in USD	Gain recognized in other comprehensive income
St. Marys	CAD	VCNA US, Inc.	USD	44.41%	1,112,057	USD	500,000	500,000	2,834
									2,834

										1/1/2020 to 12/31/2020
Investor		Hedged item					Instrument			
Entity	Currency	Investment	Currency	Percentage designated	Original amount	Amount in USD	Currency	Original amount	Amount in USD	Gain (loss) recognized in other comprehensive income
St. Marys	CAD	St. Marys Cement Inc.	USD	44.01%	500.000	500.000	USD	500.000	500.000	8.650
VCI (I)	USD	VCEAA	EUR	39.79%	183.095	224.712	EUR	195.246	239.625	(19.967)
										(11.317)

a. The debts in EUR being used as hedged instrument by VCI were fully settled in 2020, and consequently the respective hedge was discontinued. The accumulated foreign exchange variation recognized in equity will only be reclassified to the statement of income when the underlying foreign operation will be disposed or sold.

The gain or loss shown above is net of tax effects, which are presented in Note E15(c).

There were no ineffectiveness of the hedge transactions designated in the year and, therefore, no gain or loss was recognized in the income statement.

All amounts in thousands of US dollars, unless otherwise stated

2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company has a policy to select issuers that have, at least, a rating from one of the following rating agencies: Fitch Ratings, Moody's or Standard & Poor's, being a national rating equal to or better than AA- (or Aa3), or a global scale rating equal to or better than BBB- (or Baa3). For countries where issuers do not meet these minimum ratings, alternative criteria approved by the Board of Directors are applied.

The limits on the exposure of the Group to each financial counterparty is determined by the financial policy of the Company and are linked to the ratings and the balance sheet of each institution.

The pre-settlement risk methodology is used to assess counterparty risks on derivative transactions. This methodology consists of determining, through Monte Carlo simulations, the value at risk associated with non-compliance with the financial commitments defined in the contract for each counterparty.

2.2.1 Credit quality of trade receivables

The credit quality of trade receivables that are non-overdue and not impaired is as follows:

	2021	2020
High risk	5,719	10,921
Medium risk	16,422	9,039
Low risk	80,726	63,546
AAA	20,230	8,854
	123,097	92,360

High risk	New customers without historical financial information.
Medium risk	Customers with a history of some delay in payments.
Low risk	Customers with solid commercial and payment history.
Customers AAA	Classification only for wholesale customers, based on individual credit analysis.

The balances mentioned above do not included related party balances.

The quality of the credit risk is defined according to internal statistical models of risk scoring, according to the risk standards accepted by the Company.

2.3 Liquidity risk

Liquidity risk is managed based on the financial policy of the Company, which aims to ensure the availability of sufficient funds to honor the Company's short-term commitments. One of the main tools for measuring and monitoring liquidity is cash flows projections considering a period of 12 months.

The table below analyzes the Company's main financial liabilities by maturity, corresponding to the period remaining from the balance sheet date to the contractual maturity date. Derivative financial liabilities are considered in the analysis when their contractual maturities are essential to understanding the Company's cash flow in the short and medium term.

The amounts included in the table represent the undiscounted contractual future cash flows; these amounts may not reconcile directly with the amounts in the balance sheet.

All amounts in thousands of US dollars, unless otherwise stated

	Note	Less than one year	Between one and two years	Between two and five years	Between five and ten years	Over ten years	Total
At December 31, 2021							
Borrowing		96,428	95,075	463,079	856,511	965,799	2,476,894
Lease liabilities		41,058	31,218	53,659	132,517	6,438	264,891
Confirming payables	E11	219,647					219,647
Trade payables		349,011					349,011
Dividends payable	E5	251					251
Pension plan		12,543	12,962	35,925	59,250	246,441	367,121
		718,939	139,255	552,663	1,048,279	1,218,678	3,677,815
At December 31, 2020							
Borrowing		103,308	99,757	499,994	836,595	1,074,748	2,614,402
Lease liabilities		16,910	14,371	25,497	23,252	5,636	85,666
Confirming payables	E11	123,359					123,359
Trade payables		270,949					270,949
Dividends payable	E5	390					390
Pension plan		12,752	13,057	36,897	245,437		308,143
		527,668	127,185	562,388	1,105,284	1,080,384	3,402,909

The table above shows the outstanding principal and interest if applicable at the maturity dates. In the case of the fixed rate liabilities, interest expense was calculated based on the rate established in each debt contract. Interest expense on floating rate liabilities was calculated based on a market forecast for each period.

All amounts in thousands of US dollars, unless otherwise stated

2.4 Sensitivity analysis

The main risk factors with an impact on the pricing of cash and cash equivalents, financial investments, borrowing, related parties and derivative financial instruments are the exposure to the fluctuations of the currencies Euro, Moroccan Dirham, Tunisian Dinar, Boliviano, Turkish Lira, Uruguayan pesos and Canadian Dollar, as well as fluctuations of the interest rates LIBOR and the US Dollar coupon rate. The scenarios for these factors are prepared using market data and specialized sources, according to the Company's governance framework. The scenarios as at December 31, 2021 are described below:

Scenario I - Based on macro-economic assumptions that correspond to a scenario of likely occurrence in Management's view

Scenario II - considers a change of + or - 25% in the yield curves as at December 31, 2021.

Scenario III - considers a change of + or - 50% in the yield curves as at December 31, 2021.

						Impacts on P&L					Impacts on comprehensive income				
						Scenario I	Scenarios II and III				Scenario I	Scenarios II and III			
Risk factor	Cash and cash equivalents	Borrowing	Principal of derivative financial instruments	Currency	Changes from 2021	Results of scenario I	-25%	-50%	+25%	+50%	Results of scenario I	-25%	-50%	+25%	+50%
Foreing exchange rate															
EUR	130,739	210,387		EUR	0.06%	3	(1,192)	(2,385)	1,192	2,385	(53)	21,104	42,209	(21,104)	(42,209)
MAD	40,600			MAD	2.08%	846	(10,150)	(20,300)	10,150	20,300					
TND	40,965			TND	-2.22%	(909)	(10,241)	(20,482)	10,241	20,482					
BOB	10,332	113,797		BOB	-3.12%						3,228	25,866	51,733	(25,866)	(51,733)
CAD	3,861	20,291		CAD	-0.53%	87	4,108	8,215	(4,108)	(8,215)					
UYU	6,748	21,631		UYU	-1.37%						204	3,721	7,441	(3,721)	(7,441)
TRY	8,263	3,078	4,000	TRY	-6.97%	(268)	(2,616)	(6,563)	2,087	3,910					
Interest rate (II)															
USD - LIBOR		30,000		USD	2 bps	(7)	16	32	(16)	(32)					

The balances presented in this note do not reconcile with the notes on "Cash and cash equivalents", "Borrowings" and "Derivatives" since the analysis covers only foreign currencies.

3 Financial instruments by category

(a) Financial assets - Classification, recognition and measurement

The Group classifies their financial assets upon initial recognition according to the business model under which the financial assets were acquired, in the following categories:

(i) Financial assets at amortized cost

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

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

Financial instruments where the contractual cash flow solely derives from payments of principal and interest, and the objective of the Company's business model is both the collection of contractual cash flow and the sale of financial assets. These instruments are measured at fair value through other comprehensive income.

(iii) Financial assets 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.

(b) Financial liabilities – Classification, recognition and measurement

The Company classifies its financial liabilities in the following categories: (i) measured at amortized cost and (ii) fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss, and its changes, including interest, is recognized in the statement of income. Changes in other financial liabilities measured as at amortized cost, including interest and exchange variation, are recognized in the statement of income under "Financial income (expenses), net" caption, except for the exchange variations that are recognized under "Foreign exchange gain (loss), net".

Financial liabilities are derecognized when contractual obligations are withdrawn, canceled or expired. The difference between the extinguished book value and the consideration paid (including transferred assets or assumed liabilities) is recognized in the statement of income.

(c) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet, when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(d) Impairment of financial assets measured at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Except for the impairment of trade receivables (Note E3), the amount of any impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the statement of income.

All amounts in thousands of US dollars, unless otherwise stated

If, in a subsequent period, the amount of the impairment loss decreases and this decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

(e) Analysis

				2021
	Note	Amortized cost	Fair value through profit and loss	Total
Assets				
Trade receivables	E3 (b)	144,356		144,356
Notes and capital related to SPE	E3 (e)	37,741		37,741
		182,097		182,097
Cash and cash equivalents	E1 (b)		505,593	505,593
Financial investments	E2 (b)		17,102	17,102
Derivative financial instruments	D2.1.3		496	496
			523,191	523,191
Liabilities				
Borrowing	E10 (b)	1,480,176		1,480,176
Lease liabilities	E9 (b)	228,791		228,791
Confirming payables	E11	219,647		219,647
Trade payables		349,011		349,011
Salaries and payroll charges		63,189		63,189
		2,340,814		2,340,814
Derivative financial instruments	D2.1.3		116	116
			116	116

				2020
	Note	Amortized cost	Fair value through profit and loss	Total
Assets				
Trade receivables	E3 (b)	112,531		112,531
Notes and capital related to SPE	E3 (e)	28,660		28,660
		141,191		141,191
Cash and cash equivalents	E1 (b)		427,712	427,712
Financial investments	E2 (b)		25,262	25,262
			452,974	452,974
Liabilities				
Borrowing	E10 (b)	1,479,598		1,479,598
Lease liabilities	E9 (b)	85,666		85,666
Confirming payables	E11	123,359		123,359
Trade payables		270,949		270,949
Salaries and payroll charges		58,023		58,023
		2,017,595		2,017,595
Derivative financial instruments	D2.1.3		135	135
			135	135

All amounts in thousands of US dollars, unless otherwise stated

(f) Fair value of financial instruments and derivatives

The Company discloses fair value measurements based on the hierarchy level of the main assets and liabilities, as shown below:

	Note	Fair value measured based on		2021
		Price quoted in an active market	Valuation technique supported by observable prices	
		Level 1	Level 2	Fair value
Assets				
Cash and cash equivalents	E1 (b)	463,717	41,876	505,593
Financial investments	E2 (b)		17,102	17,102
Derivative financial instruments	D2.1.3		496	496
		463,717	59,474	523,191
Liabilities				
Borrowing	E10 (b)		1,710,648	1,710,648
Derivative financial instruments	D2.1.3		116	116
			1,710,764	1,710,764

	Note	Fair value measured based on		2020
		Price quoted in na active market	Valuation technique supported by observable prices	
		Level 1	Level 2	Fair value
Assets				
Cash and cash equivalents	E1 (b)	348,601	79,111	427,712
Financial investments	E2 (b)		25,262	25,262
		348,601	104,373	452,974
Liabilities				
Borrowing	E10 (b)		1,819,413	1,819,413
Derivative financial instruments	D2.1.3		135	135
			1,819,548	1,819,548

All the financial instruments not included in the table above are measured at amortized cost and the Company believes their carrying amount and their fair value are materially the same. The fair values of these financial instruments as presented in Note 10 (b) are determined based on observable prices (Level 2) of arm's length transactions between market participants or in equivalent conditions, in the case of transactions between related parties There was no transfer between the levels during the periods.

Section E – Relevant notes

1 Cash and cash equivalents

(a) Accounting policies

Cash and cash equivalents include cash, deposits with banks and other highly liquid short-term investments, generally with an original maturities of three months or less, but in all cases being readily convertible into a known amount of cash and with immaterial risk of changes in value.

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis

	2021	2020
Cash and bank	463,717	348,601
Time deposits (i)	41,876	79,111
	505,593	427,712

(i) Time deposits are highly liquid financial assets used to maintain the Group's operating activities.

2 Financial investments

(a) Accounting policies

Financial investments are mainly short-term investments that do not meet the definition of cash and cash equivalents. The financial investments are used as part of the cash-management strategy of the Group and are measured at fair value through profit or loss.

(b) Analysis

	2021	2020
Time deposits	17,102	25,262
	17,102	25,262

3 Trade receivables and securitization of receivables

(a) Accounting policies

(i) Trade receivables

Trade receivables are amounts receivable from customers for goods sold or services rendered in the ordinary course of the Group's business. It is initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

The allowance for doubtful accounts is recognized at an amount considered sufficient to cover expected losses on the realization of trade receivables. The Company applied the simplified approach of IFRS 9 to calculate the estimated credit losses. Based on the customers' profile of payment, the Company classifies them based on their risk. For each class of risk, a provision matrix was developed considering the past history of uncollectable accounts and any relevant prospective data.

The matrix developed has different loss rates for different time buckets of receivables and is applied in all receivables, including the not overdue receivables.

Further details on the calculation of the allowance for doubtful accounts are disclosed in Note D3 (c).

The risk matrix based on the average provision performed by each country as at December 31, 2021 is as follow:

Segment	Not due	Overdue up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Overdue from 91 to 120 days	Overdue above 120 days
Guaranteed / Credit insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AAA	0.0%	0.0%	0.2%	6.0%	11.0%	80.0%
Low risk	0.0%	0.3%	1.9%	8.2%	16.2%	64.6%
Medium risk	0.1%	1.3%	4.5%	14.1%	26.8%	68.3%
High risk	0.2%	3.0%	10.9%	27.3%	47.6%	87.6%
Under judicial measures (i)	33.3%	43.3%	55.0%	46.7%	54.4%	66.7%

All amounts in thousands of US dollars, unless otherwise stated

(i) Some regions do not have specific provisions for financial instruments under judicial measures. The financial instruments are impaired based on the general risk criteria described above and may be further impaired, according to the evaluation of legal and credit departments, in case additional uncertainty on their recoverability arises.

(ii) Securitization of receivables

In March 2016, SMCI entered into a revolving receivables securitization transaction with financial institutions for the sale of trade receivables to a Special Purpose Entity – SPE. The SPE was established for this purpose, and it is not controlled by the Company. The SPE finances the initial acquisition of the receivables and classifies it by the grade of the receivable based on its transaction history, by means of: (i) senior notes, (ii) senior subordinated note, (iii) intermediate subordinated certificates, and (iv) junior subordinated certificates. This receivables securitization transaction was in the meanwhile renewed and the current maturity date is March 2024. The amount of the facility was also increased to USD 225 million (December 31, 2020 - USD 150 million).

SMCI sells receivables to SPE on a daily and revolving basis. When the receivables are transferred to the SPE, SMCI derecognizes the receivables, in exchange for cash and notes receivable from the SPE. The SPE deducts from the amount transferred to SMCI the acquisition cost of receivables, which is recorded as a financial expense by the Company (Note E20).

SMCI manages the collection of receivables included in this transaction through the rendering of services to the SPE. Fees incurred with the collection service are recorded as financial income (Note E20).

(b) Analysis

	Note	2021	2020
Trade accounts receivables		141,226	113,009
Related parties	E5	12,735	8,053
Allowance for doubtful accounts		(9,605)	(8,531)
		144,356	112,531

The fair value of trade receivables approximates their carrying amount, due to their short-term nature.

(c) Changes in the allowance for doubtful accounts

	2021	2020
Balance at the beginning of the year	(8,531)	(8,339)
Additions	(735)	(2,254)
Reversals	905	513
Receivables written off as uncollectible	66	313
Exchange rate variations	1,329	569
Transfer to securitization (SMCI)		667
Companies included in the consolidation (Note E21)	(2,639)	
Balance at the end of the year	(9,605)	(8,531)

The additions and reversals of allowance for doubtful accounts have been included in selling expenses in the statement of income. Subsequent recoveries of amounts previously written off are credited against the same line item. Amounts charged to the allowance for doubts accounts are generally written off when there is no expectation of recovering additional cash.

(d) Aging of trade receivables

The aging of the balances below does not consider the allowance for doubtful accounts.

All amounts in thousands of US dollars, unless otherwise stated

	2021	2020
Current	136,975	100,413
Up to 3 months past due	9,577	7,435
From 3 to 6 months past due	926	1,175
Over 6 months past due	6,483	12,039
	153,961	121,062
Allowance for doubtful accounts	(9,605)	(8,531)
	144,356	112,531

(e) Securitization of receivables

The amounts of trade accounts receivables involved in the securitization scheme are presented below:

	2021	2020
Notes continuing to be recognized	29,908	24,879
Capital contribution in the SPE	7,833	3,781
Notes and capital related to the SPE	37,741	28,660
Security guarantee	(14,030)	(10,272)
Junior note guarantee losses	(2,791)	(4,463)
Junior subordinated note	(16,820)	(14,735)
Net carrying amount of the continuing involvement	20,921	13,924

4 Inventory

(a) Accounting policies

Inventories are stated at the lower of cost and net realizable value. Inventories cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct and indirect costs and related production overheads, the latter based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of conclusion and the estimated selling expenses. Imports in transit are stated at the accumulated cost of each import.

At least once a year, each of the Group's operating subsidiaries carries out a physical inventory. Inventory adjustments are recorded under "Cost of goods sold and services rendered".

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis

	2021	2020
Finished products	38,527	23,488
Semi-finished products	81,158	72,640
Raw materials	55,898	32,038
Fuels	35,258	29,183
Auxiliary materials and consumables	107,411	85,723
Other	4,502	2,942
Provision for losses	(32,642)	(27,922)
	290,112	218,092

(c) Changes in the provision for inventory losses

	2021	2020
Balance at the beginning of the year	(27,922)	(23,056)
Addition	(8,353)	(11,016)
Reversals and write off	5,824	7,076
Exchange rate variations	883	(926)
Companies included in the consolidation (Note E21)	(3,074)	
Balance at the end of the year	(32,642)	(27,922)

The provision for inventory losses is recognized based on a slow moving methodology. The additions and reversals of provision for slow moving materials are included in cost of goods sold in the statement of income. Subsequent recoveries of amounts previously written off are credited against the same line item.

5 Related parties

(a) Accounting policies

Related party transactions are carried out by the Group under similar conditions to other transactions, considering the usual market prices and conditions and, therefore, do not generate any undue benefit to its counterparties or losses to the Group. In the normal course of operations, the Group enters into agreements with related parties, related to the purchase and sale of products, loans, lease of assets, sale of raw materials and services.

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis

	Trade receivables and other assets		Trade payables and other liabilities		Dividends payable	
	2021	2020	2021	2020	2021	2020
Parent company						
Votorantim Cimentos S.A.		19	30	6		
Sister companies, associates or joint ventures						
Canteira do Penedo, S.A.	4	4	57	57		
Cementos Avellaneda S.A.	506	501	47	130		
Cementos Granadilla	454	841	353	661		
CEISA Comercial Del Cemento,SL	83	155				
Cementos Especiales de las Islas, S.A.			26	69		
Cimento Vencemos do Amazonas Ltda.		4				
Compania Canaria de Materias Primas S.A.	1	2	197	191		
Hormig. Y Áridos La Barca, S.A.	21	23	125	49		
Midway Group LLC	541	962	966	667		
Superior Materials Holdings, LLC (i)		4,651		2,069		
Votorantim Cimentos N/NE S.A.	11,087	827				
Other	38	64				
	12,735	8,053	1,801	3,889		
Total non-controling					251	390
Current	12,735	8,053	1,801	3,889	251	390
Non-current						
	12,735	8,053	1,801	3,889	251	390

	Sales		Purchases		Other income	
	2021	2020	2021	2020	2021	2020
Parent company						
Votorantim Cimentos S.A.		1,493				
Sister companies, associates or joint ventures						
Canteira do Penedo, S.A.	12	12	194	178		
CEISA Comercial Del Cemento,SL					2,293	2,025
Cementos Especiales de las Islas, S.A.	7,300	4,148	156	230	6	2
Cementos Granadilla	4,879	3,794		6		
Cimento Vencemos do Amazonas Ltda.		29				
Cementos Avellaneda S.A.		17				
Compania Canaria de Materias Primas S.A.	4	4	392	443		3
Hormig. Y Áridos La Barca, S.A.	39	30	293	125	26	26
Midway Group LLC	8,503	6,163				
Superior Materials Holdings, LLC (i)	14,816	21,405				
Votorantim Cimentos N/NE S.A.	55,202	21,310				
Other		32		21		32
	90,755	58,437	1,035	1,003	2,325	2,088

i) Superior Materials became a subsidiary in July 2021 as described in Note E21. Therefore, the assets and liabilities are consolidated in these financial statements from the date of acquisition and no longer presented under Related parties. The impacts of its income statement disclosed in the note above reflect the transactions occurred up to the date the investee became a subsidiary.

(c) Company and its subsidiaries debts guaranteed by related parties

Instrument	Guarantor and % of debt guaranteed	2021	2020
Committed credit facility	VCSA (100%) / SMCI (100%)	45,803	11,776
Eurobonds - USD (Voto 41)	VSA (100%) / VCSA (100%)	581,807	620,788
Eurobonds - USD (Voto 27)	VCSA (100%) / SMCI (100%)	512,139	512,139
Bilateral loan - VCEAA	VCSA (100%) / VCEAA (100%)	210,387	184,732
		1,350,136	1,329,435

Funding costs are not considered in these amounts.

All amounts in thousands of US dollars, unless otherwise stated

(d) Debts issued by related parties guaranteed by the Company's subsidiaries

Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	Amount guaranteed 2021	Amount guaranteed 2020
4131 - USD 50 MM	VCNNE	SMCI, VCSA	100%	50,109	50,127
4131 - USD 75 MM (i)	VCNNE	SMCI	100%		75,024
4131 - USD 100 MM	VCSA	SMCI	100%	100,137	100,149
4131 - USD 50 MM	VCSA	SMCI	100%	50,025	50,023
				200,271	275,323

The amounts above represent the total amount guaranteed by the Company and may differ from the carrying value of the debts in the debtors' financial statements due to market value adjustments and credit risks impacts.

(i) On October 18, 2021, Votorantim Cimentos N/NE S.A. ("VCNNE") made an early settlement of a term loan agreement maturing in September 2024, in the total principal amount of USD 75 million, which was guaranteed by the subsidiary SMCI. After this settlement, SMCI was released from the responsibility as guarantor of this debt.

(e) Key management compensation

The Company's Management includes the Management Board. The expenses for key management compensation, including all benefits, are summarized as follows:

	2021	2020
Short-term benefits to key management	8,355	7,509
Post-employment benefits	348	325
Other long-term benefits to key management (i)	6,387	837
	15,090	8,671

(i) The balance reported in 2020 was misstated and should have been USD 3,972, with the total becoming USD 11,805. This disclosure change did not impact the expense recognized in the income statement.

Short-term benefits to key management above include fixed compensation (salaries and fees, paid vacations and others), social charges and the short-term variable compensation program. Post-employment benefits refer to pension plans. "Other long-term benefits to key management" relate to the variable compensation program.

All amounts in thousands of US dollars, unless otherwise stated

6 Investments in associates and joint ventures

(a) Accounting policies

The accounting policies for investments are disclosed in Note C2.1.

(b) Analysis

		Information as at December 31, 2021			Share of net profit of associates and joint ventures		Balance	
	Country	Net equity	Net income for the year	Percentage of voting and total capital (%)	2021	2020	2021	2020
Investments accounted for using the equity method								
Associates								
Cementos Especiales de las Islas S.A.	Spain	42,870	9,978	50.00	4,989	4,198	21,435	21,776
Cementos Avellaneda S.A. (i)	Argentina	247,351	36,413	49.00	195	(9,060)	121,202	118,896
Joint ventures								
Superior Materials Holdings, LLC (Note A3.2) (ii)	United States		6,122	50.00	3,061	7,261		16,666
Hutton Transport Limited	Canada	12,633	5,428	25.00	1,357	1,146	3,158	2,398
Midway Group, LLC	United States	15,194	4,144	50.00	2,072	1,897	7,597	7,276
RMC Leasing LLC	United States	9,172	176	50.00	88	37	4,586	4,498
Other investments					(1,056)	76	10,089	10,826
					10,706	5,555	168,067	182,336
Goodwill								
Cementos Avellaneda S.A.	Argentina						45,785	37,263
Hutton Transport Limited	Canada						2,338	2,332
					10,706	5,555	216,190	221,931

(i) Dividends received from its associate Avellaneda had financial costs of onlending in the amount of USD 17,647, which were assumed by the Company. These were accounted for in the statement of income, under "Share of net profit of associates and joint ventures". This financial cost is also considered in the reconciliation presented in Note E6 (d).

(ii) Superior Materials became a subsidiary in July 2021, therefore the figures presented above include equity accounting for this entity until its acquisition. Refer to Note E21 for further details on the business combination.

All amounts in thousands of US dollars, unless otherwise stated

(c) Information on equity accounted investees

Below is a summary of the selected financial information of the Company's main associates and joint ventures:

(i) Balance sheet accounts

						2021
	Cementos Especiales de las Islas S.A.	Cementos Avellaneda S.A. (i)	Superior Materials Holdings, LLC (i)	Hutton Transport Limited	Midway Group, LLC	RMC Leasing
Percentage of voting and total capital (%)	50.00	49.00	50.00	(25.00)	50.00	50.00
Current assets	33.004	124.641		12.942	9.778	1.458
Cash and equivalents	14.693	4.411			4.046	1.386
Non-current assets	20.600	325.158		6.434	7.126	7.714
Current liabilities	8.788	116.721		3.398	1.710	
Current financial liabilities	301	94.846			1.556	
Non-current liabilities	1.946	85.727		3.345		
Non-current financial liabilities		30.986				
Equity	42.870	247.351		12.633	15.194	9.172
Other comprehensive income		24.393				
	-	-	-	-	-	-

						2020
	Cementos Especiales de las Islas S.A.	Cementos Avellaneda S.A.	Superior Materials Holdings, LLC (ii)	Hutton Transport Limited	Midway Group, LLC	RMC Leasing
Percentage of voting and total capital (%)	50.00	49.00	50.00	25.00	50.00	50.00
Current assets	30.924	86.517	36.326	9.271	11.640	2.140
Cash and equivalents	13.375	4.701	10.332		3.376	2.186
Non-current assets	21.722	282.219	14.991	7.225	6.773	6.856
Current liabilities	6.991	81.262	17.985	3.224	3.861	
Current financial liabilities	1.463	63.921	17.985		2.696	
Non-current liabilities	2.103	44.829		3.682		
Non-current financial liabilities		14.322				
Non-controlling interests						
Equity	43.552	242.645	33.332	9.590	14.552	8.996
Other comprehensive income		77.457				

(i) Includes the Purchase Price Allocation adjustments. Refer to Note E6 (d) for all details.

(ii) Superior Materials became a subsidiary in July 2021, therefore the figures presented above include its financial results up until its acquisition. The assets and liabilities were consolidated by the Company as at December 31, 2021. Refer to Note E21 for further details on the business combination.

(ii) Profit or loss accounts

						2021
	Cementos Especiales de las Islas S.A.	Cementos Avellaneda S.A. (i)	Superior Materials Holdings, LLC (ii)	Hutton Transport Limited	Midway Group, LLC	RMC Leasing
Net revenue	72.964	453.691	66.534	24.285	34.813	
Cost	(59.320)	(305.990)	(57.549)	(18.301)	(30.678)	(1.207)
Gross profit (loss)	13.644	147.701	8.985	5.984	4.136	(1.207)
Operating income (expenses)	(1.572)	(31.031)	(2.863)	(672)	8	1.382
Depreciation and amortization	(1.572)		(1.418)		(1.592)	
Result of equity interests						
Financial result	369	(16.126)		116		
Interest income				116		
Income tax	(2.463)	(64.131)				
Net income for the year	9.978	36.413	6.122	5.428	4.144	176

						2020
	Cementos Especiales de las Islas S.A.	Cementos Avellaneda S.A.	Superior Materials Holdings, LLC (ii)	Hutton Transport Limited	Midway Group, LLC	RMC Leasing
Net revenue	62.241	337.380	116.898	19.271	31.405	
Cost	(52.067)	(255.991)	(97.663)	(14.245)	(27.340)	(1.064)
Gross profit (loss)	10.173	81.389	19.235	5.026	4.065	(1.064)
Operating income (expenses)	(1.527)	(21.241)	(4.708)	(633)	(259)	1.138
Depreciation and amortization	(1.527)		(2.576)		(1.392)	
Result of equity interests						
Financial result	428	(27.840)	(5)	193	(12)	
Interest income			(5)			
Income tax	(678)	(31.514)				
Net income for the year	8.396	794	14.522	4.586	3.794	74

(i) Includes the Purchase Price Allocation adjustments. Refer to Note E6 (d) for all details.

All amounts in thousands of US dollars, unless otherwise stated

(ii) Superior Materials became a subsidiary in July 2021, therefore the figures presented above include its financial results up until its acquisition. The assets and liabilities were consolidated by the Company as at December 31, 2021. Refer to Note E21 for further details on the business combination.

(d) Changes

	2021	2020
Balance at the beginning of the year	221,931	229,061
Share of net profit of associates and joint ventures	10,706	5,555
Currency translation of investments in foreign operations	(28,310)	(63,746)
Approved dividends	(51,975)	(30,594)
Capital increase - RMC Leasing LLC		650
Inflation adjustment in investee - Avellaneda	43,215	79,273
Inflation adjustment in goodwill - Avellaneda	16,531	(7,499)
Effect of acquisition of additional interest - Superior (Note E21)	(14,227)	
Issue costs with dividends Avellaneda	17,647	9,449
Other comprehensive results of the investees	672	(218)
Balance at the end of the year	216,190	221,931

7 Property, plant and equipment

(a) Accounting policies

(i) Measurement and recognition

Property, plant and equipment, including land and buildings, are stated at historical cost of acquisition or construction less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of qualifying assets, including borrowing costs.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized.

All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major refurbishments is included in the carrying value of the asset when the future economic benefits exceed the performance initially expected for the existing asset. Refurbishment expenses are depreciated over the remaining useful life of the related asset.

Except for land that is not depreciated, the depreciation of assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount when it is greater than its estimated recoverable amount, in accordance with the accounting policy described in Note C3.2. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets disposed and are recognized within "Other operating income (expenses), net" in the statement of income (Note E19).

(ii) Useful lives

The useful lives are presented below:

Property, plant and equipment	Useful lives
Buildings	From 10 to 50
Machinery, equipment and facilities	From 5 to 30
Leasehold improvements	10
Vehicles	From 5 to 12
Furniture and fixtures	From 3 to 17

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis and changes

								2021
	Land	Buildings	Machinery, equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Total
Balance at the beginning of the year								
Cost	168,105	451,538	2,375,011	129,358	221,097	27,270	99,654	3,472,033
Accumulated depreciation		(268,284)	(1,648,617)	(82,125)	(150,818)	(21,573)		(2,171,417)
Net balance	168,105	183,254	726,394	47,233	70,279	5,697	99,654	1,300,616
Acquisitions	491	1,182	8,574		16	170	171,177	181,610
Companies included in the consolidation (Note E21)	16,115	350,862	331,634	578	15,225	886	236	715,536
Disposals	(1,315)	(1,252)	(1,146)		(113)	(17)		(3,843)
Depreciation		(21,265)	(99,369)	(5,571)	(14,825)	(1,317)		(142,347)
Exchange variations	(6,373)	(20,012)	(55,592)	(711)	(758)	(350)	(4,101)	(87,897)
Reversal (provision) of impairment	(71)	(4,394)	11,440					6,975
Transfers (i)	1,345	3,533	78,320	4,283	25,481	79	(117,336)	(4,295)
Balance at the end of the year	178,297	491,908	1,000,255	45,812	95,305	5,148	149,630	1,966,355
Cost	178,297	1,052,397	3,183,761	136,931	258,686	34,117	149,630	4,993,819
Accumulated depreciation		(560,489)	(2,183,506)	(91,119)	(163,381)	(28,969)		(3,027,464)
Balance at the end of the year	178,297	491,908	1,000,255	45,812	95,305	5,148	149,630	1,966,355
Average annual depreciation rates - %		3	6	10	15	13		

All amounts in thousands of US dollars, unless otherwise stated

	Land	Buildings	Machinery, equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Total 2020
Balance at the beginning of the year								
Cost	156.762	455.601	2.323.671	123.927	203.277	25.210	116.576	3.405.024
Accumulated depreciation		(251.499)	(1.565.504)	(75.145)	(143.979)	(18.840)		(2.054.967)
Net balance	156.762	204.102	758.167	48.782	59.298	6.370	116.576	1.350.057
Acquisitions		816	3.699		184	46	116.396	121.141
Disposals	(2.177)	(492)	(147)		(189)	(27)	(198)	(3.230)
Depreciation		(14.128)	(87.074)	(5.718)	(13.039)	(1.484)		(121.443)
Exchange variations	4.796	(5.391)	(6.402)	614	231	379	2.508	(3.265)
Impairment	(4.320)	(13.651)	(15.759)		(166)	(2)		(33.898)
Transfers (i)	13.044	11.998	73.910	3.555	23.960	415	(135.628)	(8.746)
Balance at the end of the year	168.105	183.254	726.394	47.233	70.279	5.697	99.654	1.300.616
Cost	168.105	451.538	2.375.011	129.358	221.097	27.270	99.654	3.472.033
Accumulated depreciation		(268.284)	(1.648.617)	(82.125)	(150.818)	(21.573)		(2.171.417)
Balance at the end of the year	168.105	183.254	726.394	47.233	70.279	5.697	99.654	1.300.616
Average annual depreciation rates - %		3	6	10	15	13		

(i) Transfers relate to reclassifications from “Construction in progress” to the other property, plant and equipment classes, as well as “Software” and “Rights over natural resources” on intangible assets.

All amounts in thousands of US dollars, unless otherwise stated

(b) Construction in progress

	2021	2020
Sustaining (i)	76,563	46,800
Industrial modernization (ii)	50,681	23,256
Hardware and software	11,881	10,896
Geology and mining rights (v)		5,390
Environment and security	6,594	2,275
Co-processing lines (iii) (v)		1,153
Expansion of cement production capacity (iv)	235	586
Other	3,676	9,298
	149,630	99,654

(i) Investments in sustaining made for the acquisition or replacement of industrial machinery and equipment linked to the operation of factories and mines, with the purpose of guaranteeing the continuity of the parks with the application of the same or new technologies.

(ii) Investments in industrial modernization, mainly for the generation of financial benefits through the use of new technologies or the optimization of equipment and processes leading to reductions in costs and/or the leveraging of revenue.

(iii) Investment in co-processing, a technology that consists of the use of industrial waste, used tires and other inputs or materials as a substitute for fuel in cement plants properly licensed for this purpose. It is also a form of final disposal of waste, eliminating various environmental liabilities.

(iv) Investments in Expansion are mainly related to the construction, growth or improvement of the Company's assets, aiming the increase of the installed capacity, launch of new products and enter new markets.

(v) In the third quarter of 2021, these projects were capitalized to PP&E.

8 Intangible assets

(a) Accounting policies

(i) Goodwill

The goodwill based on expected future profitability arising from acquisitions of subsidiaries is recognized at the acquisition date and is measured as the amount exceeding the sum of (i) the consideration transferred in exchange for the control over the acquiree generally the fair value at the acquisition date; (ii) any non-controlling interests in the acquiree; (iii) if the business combination is achieved in stages, the fair value, at the acquisition date, of the acquirer's equity interest in the acquiree immediately before the combination; and (iv) the net value, at the acquisition date, of the identifiable assets acquired and liabilities assumed. Acquisition-related costs are expensed as incurred. If the sum of those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the statement of income as a bargain purchase.

Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the financial statements. The goodwill of associates and joint ventures is recorded as "Investments". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated for the purpose of impairment testing to those cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The accounting policy for impairment of non-financial assets is described in Note C3.2.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Rights over natural resources

When the economic feasibility of the mineral reserves is proven, the consideration paid to acquire the mining exploration rights are capitalized under "Property plant and equipment - assets under construction". In the mining operations related to our cement business, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, stripping costs are capitalized as part of the investment in construction of the mine. The accounting for the post-production stripping costs is consistent with the pre-production stripping costs.

When the mine becomes operational the cumulative costs capitalized in relation to exploration rights are reclassified from "property plants and equipment – assets under construction" to intangible assets and are subsequently amortized over the useful life of the mine using units of production or the straight line method. The capitalized construction costs relating to the plant are reclassified to "Equipment and facilities" under the Property, plant and equipment line item.

The costs of mining rights are amortized using the straight-line method over their useful lives or, when applicable, based on the depletion of mines and included in cost of production.

(iii) Software

The costs of acquiring software are capitalized and amortized using the straight-line method over their useful lives. Costs associated with maintenance are recognized as expenses as incurred. Currently, the Group does not have internal software development projects.

(iv) Contractual customer relationships and non-compete agreements

Contractual customer relationships and non-compete agreements acquired in a business combination are recognized at fair value at their acquisition date. The contractual customer relations and non-compete agreements have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life, being 15 years for "customer relationships" and five years for "non-compete agreements".

(v) Asset retirement obligation (ARO)

The Group has decommissioning obligations as a result of their natural resources extraction activities. The accounting policies related to the liability entry of the Asset Retirement Obligations are disclosed in Note E13.

The decommissioning costs, equivalent to the present value of the obligation (liability), are capitalized as part of the carrying amount of the mining asset. The asset is amortized on a straight-line basis over the remaining useful life of the mine. The Company periodically reviews the useful lives of its mines and the estimated future value necessary for the recovery of the explored area.

(vi) Emission rights

Some companies of VCI Group are subject to cap-and-trade schemes regarding greenhouse gas emissions. The emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment.

Provisions for the obligation to return emission rights are recognized if the actual CO2 emissions up to the reporting date are not covered by emission rights granted free of charge. The provision of such shortfall is measured at the market value as at the reporting date and presented as Other liabilities in the balance sheet.

(v) Useful lives

The useful lives are presented below:

Intangible assets	Useful lives
Rights over natural resources	From 5 to 50
Software	From 1 to 10
Asset retirement obligation	From 4 to 50
Customer contracts and agreements	From 5 to 15

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis and changes

							2021
	Rights over natural resources	Goodwill	Asset retirement obligation	Customer contracts and agreements	Software	Other (ii)	Total
Balance at the beginning of the year							
Cost	496,639	919,867	72,492	74,152	40,546	7,637	1,611,333
Accumulated depreciation and depletion	(129,012)		(31,208)	(61,886)	(32,728)	(6,460)	(261,294)
Net balance	367,627	919,867	41,284	12,266	7,818	1,177	1,350,039
Acquisitions			764		712	43	1,519
Companies included in the consolidation (Note E21)	51,683	41,279	17,437	46,246	315	38,180	195,140
Disposals	(1)				(19)	(44)	(64)
Amortization and depletion	(9,964)		(3,480)	(6,658)	(3,762)	(125)	(23,989)
Exchange variations	5,827	(27,602)	(1,666)	(53)	(445)	(18)	(23,957)
Remeasurement of estimates			(2,983)				(2,983)
Transfers (i)	1,461				2,752	82	4,295
Balance at the end of the year	416,633	933,544	51,356	51,801	7,371	39,295	1,500,000
Cost	645,983	933,544	84,780	124,400	44,944	45,844	1,879,495
Accumulated amortization and depletion	(229,350)		(33,424)	(72,599)	(37,573)	(6,549)	(379,495)
Balance at the end of the year	416,633	933,544	51,356	51,801	7,371	39,295	1,500,000
Average annual amortization and depletion rates - %	5		8	8	22		

All amounts in thousands of US dollars, unless otherwise stated

							2020
	Rights over natural resources	Goodwill	Asset retirement obligation	Customer contracts and agreements	Software	Other	Total
Balance at the beginning of the year							
Cost	490.871	889.659	64.891	74.012	36.619	8.938	1.564.990
Accumulated depreciation and depletion	(115.774)		(28.479)	(56.639)	(29.645)	(7.565)	(238.102)
Net balance	375.097	889.659	36.412	17.373	6.974	1.373	1.326.888
Acquisitions			491		108	45	644
Disposals	(723)		(13)		(42)	(14)	(792)
Amortization and depletion	(8.680)		(1.824)	(5.171)	(2.886)	(142)	(18.703)
Exchange variations	(1.276)	30.208	1.385	63	65	(74)	30.371
Cash flow reavaliation			24				24
Interest rate update			4.946				4.946
Impairment	(1.724)		(137)	1	(214)	(11)	(2.085)
Transfers (i)	4.933				3.813		8.746
Balance at the end of the year	367.627	919.867	41.284	12.266	7.818	1.177	1.350.039
Cost	496.639	919.867	72.492	74.152	40.546	7.637	1.611.333
Accumulated amortization and depletion	(129.012)		(31.208)	(61.886)	(32.728)	(6.460)	(261.294)
Balance at the end of the year	367.627	919.867	41.284	12.266	7.818	1.177	1.350.039
Average annual amortization and depletion rates - %	2		13	8	22		

(i) Transfers relate to reclassifications from “Construction in progress” to “Software” and “Rights over natural resources” on intangible assets, as well as other property, plant and equipment classes.

(ii) As at December 31, 2021, an intangible asset of CO_2 emission rights amounting to USD 38,180 (EUR 37,707) was recognized, consisting of one of the assets acquired as part of Balboa’s business acquisition, as detailed in Note E21.

All amounts in thousands of US dollars, unless otherwise stated

(c) Goodwill arising on acquisitions

	2021	2020
North America	581,250	564,947
Europe, Asia and Africa	349,985	352,477
Latin America	2,309	2,443
	933,544	919,867

9 Right-of-use assets and lease liabilities

(a) Accounting policies

The Company maintains controls for the identification of lease agreements that allow for the assessment of the applicability of the leasing accounting standard for each contract signed. As permitted by the standard, the following are disregarded from the scope: (i) short-term leases (less than 12 months); and (ii) contracts with values lower than USD 5,000. When identifying right-of-use assets within the scope of identified contracts, the following are also disregarded: (i) the variable portion of payments; (ii) contracts in which the lease asset was considered to be non-identifiable; (iii) contracts in which the Company is not entitled to obtain substantially all the economic benefits arising from the use of the asset; and (iv) contracts in which the Company does not have substantial control over the definition of the use of the asset. For leases considered to be out of scope, accounting takes place on a monthly basis according to the lease term, directly in the income statement.

For contracts considered within the scope of the leasing accounting standard, at the starting date of the contract the Company recognizes a lease liability that reflects the future agreed payments, against a right-of-use asset. The asset is amortized monthly according to the lease term, which is defined based on the combination of the non-cancellable term, term covered by the extension option, term covered by the termination option and, mainly, Management's intention regarding the term permanence in each contract. The liability is adjusted to the present value of the obligation based on the internal rate of the contract or the incremental rate, which should reflect the cost of acquisition by the Company of debt with characteristics similar to those determined by the contract of lease, with regard to term, value, guarantee and economic environment. The liability is settled according to the flow of payments made to the lessor.

The amortization expense for the right-of-use is recorded as part of the cost of the product sold or as an operating expense, depending on the characteristics of the use of the leased asset, and the interest expense for updating the present value of the lease liability is recorded in the financial results.

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis and changes of right-of-use assets

2021	Land and improvements	Machinery and equipment	Buildings	Vehicles	IT equipment	Barges	Total
Balance at the beginning of the year							
Cost	23,343	8,523	4,918	29,870	48	61,759	128,461
Accumulated depreciation and depletion	(5,578)	(7,314)	(1,443)	(16,904)	(32)	(14,434)	(45,705)
Net balance	17,765	1,209	3,475	12,966	16	47,325	82,756
Additions	2,327	10,754	1,027	3,458	25	9,042	26,633
Companies included in the consolidation (Note E21)	39,386	6,274		10,084	129	99,468	155,341
Amortization	(2,781)	(7,574)	(909)	(8,701)	(24)	(14,332)	(34,321)
Disposals				(905)			(905)
Exchange variations	(1,309)	(512)	(265)	(102)	(2)	(942)	(3,132)
Balance at the end of the year	55,388	10,151	3,328	16,800	144	140,561	226,372
Cost	67,415	27,233	5,499	42,710	197	188,208	331,262
Accumulated amortization	(12,027)	(17,082)	(2,171)	(25,910)	(53)	(47,647)	(104,890)
Balance at the end of the year	55,388	10,151	3,328	16,800	144	140,561	226,372
Average annual depreciation rates - %	3	39	6	23	35	10	

2020	Land and improvements	Machinery and equipment	Buildings	Vehicles	IT equipment	Barges	Total
Balance at the beginning of the year							
Cost	21,222	5,691	4,697	27,552	44	61,758	120,964
Accumulated depreciation and depletion	(2,833)	(2,785)	(707)	(8,688)	(15)	(7,071)	(22,099)
Net balance	18,389	2,906	3,990	18,864	29	54,687	98,865
Additions	2,611	2,529		1,942			7,082
Remeasurement of principal			76				76
Amortization	(2,979)	(4,210)	(712)	(8,057)	(15)	(7,364)	(23,337)
Disposals	(413)		(12)	(6)			(431)
Impairment	(41)	(44)	(28)				(113)
Exchange variations	198	28	161	223	2	2	614
Balance at the end of the year	17,765	1,209	3,475	12,966	16	47,325	82,756
Cost	23,343	8,523	4,918	29,870	48	61,759	128,461
Accumulated amortization	(5,578)	(7,314)	(1,443)	(16,904)	(32)	(14,434)	(45,705)
Balance at the end of the year	17,765	1,209	3,475	12,966	16	47,325	82,756
Average annual depreciation rates - %	14	46	17	24	50	10	

All amounts in thousands of US dollars, unless otherwise stated

(c) Analysis and changes of lease liabilities

	2021	2020
Balance at the beginning of the year	85,666	100,699
Additions	26,633	7,082
Companies included in the consolidation (Note E21)	155,341	
Payments	(31,381)	(23,439)
Present value adjustment	712	579
Disposals	(905)	(431)
Exchange variations	(7,275)	1,176
Balance at the end of the year	228,791	85,666
Current	33,276	17,016
Non-current	195,515	68,650
	228,791	85,666

10 Borrowing

(a) Accounting policies

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Group and costs can be measured reliably. The other borrowing costs are recognized as finance expenses in the period in which they are incurred.

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis and fair value

		Current		Non-current		Total		Fair value	
Type	**Average annual cost**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Eurobonds - USD	6.55% Fixed USD	20,689	21,433	1,065,433	1,102,394	1,086,122	1,123,827	1,328,461	1,439,460
Syndicated loans / Bilateral agreements	LIBOR + 0.96% / 5.55% Fixed BOB/ 9.33% Fixed TRY/ CDOR + 0.96%/ 9.33% UYU/ EURIBOR 1.62%	14,549	17,241	296,463	254,028	311,012	271,269	315,757	295,447
Local issuance in Bolivia	5.38% Fixed BOB	187	187	78,349	78,234	78,536	78,421	61,974	78,421
Other		2,046	1,525	2,460	4,556	4,506	6,081	4,457	6,085
		37,471	40,386	1,442,705	1,439,212	1,480,176	1,479,598	1,710,649	1,819,413
Accrued interest		24,407	25,199						
Current portion of long-term borrowing (principal)		10,860	12,603						
Short-term borrowing (principal)		2,204	2,584						
		37,471	40,386						

LIBOR – London Interbank Offered Rate
CDOR – Canadian Dollar Offered Rate
BOB – Bolivianos
EUR – Euro
TRY – Turkish Lira
UYU – Uruguayan pesos
USD – United States Dollar.
EURIBOR – Euro InterBank Offered Rate.

The fair value of non-current borrowings is based on discounted cash flows using a current market borrowing rate (Note D3 (e)).

(c) Maturity profile

	2022	2023	2024	2025	2026	2027	2028	2029	2030 onwards	Total
Eurobonds - USD (i)	22,044					500,000			571,902	1,093,946
Syndicated loans/Bilateral agreements	15,668	12,049	56,332	10,529	135,975	84,370	1,218			316,142
Local issuance in Bolivia	187	2,540	6,775	10,692	12,282	21,494	12,282	12,284		78,536
Other	1,303	1,142	1,559	503						4,507
	39,202	15,731	64,666	21,724	148,257	605,864	13,500	12,284	571,902	1,493,131
% amortized per year	2.63%	1.05%	4.33%	1.45%	9.93%	40.58%	0.90%	0.82%	38.30%	100.00%

The balances presented in this note do not reconcile with the Note E10 (a) since it excludes the upfront fees.

All amounts in thousands of US dollars, unless otherwise stated

(d) Changes

	2021	2020
Balance at the beginning of the year	1,479,598	1,703,960
New borrowing	336,585	688,451
Accrued interest (Note E20)	87,751	97,164
Amortization of borrowing fees, net of additions	1,390	2,584
Interest paid	(87,105)	(102,194)
Companies included in the consolidation (Note E21)	135,607	
Debt renegotiation gain	(4,802)	
Payments	(448,373)	(937,811)
Exchange variation	(20,475)	27,444
Balance at the end of the year	1,480,176	1,479,598

The Group carries a financial liability management strategy that intends to extend the average maturity of its debts and reduce debt maturity concentration in the short and medium-term, as well as to adjust the exposure to different currencies and preserve liquidity to the Group. This strategy implicates new borrowings and advance payments of certain debts, being the main movements described below.

i) During the year 2021 the Group executed withdrawals (and repayments) from the available committed credit facility, being the outstanding balance due as at December 31, 2021, of USD 45.8 million. A total of USD 244.2 million remains available to Group under this facility, that matures in August 2024.

ii) In July 2021, additional two debt agreements were entered into for a principal amount of EUR 40 million and EUR 50 million, respectively (approx. USD 106 million in total), both expiring in a single instalment in July 2026. Moreover, for an existing debt the amount contracted was increased by EUR 35 million (approx. USD 41 million), and maturity extended to July 2026. These funds received with these transactions were essentially used the finance the business acquisition referred to in Note 21 (d).

iii) In June and November 2021 partial repayments of existing debts maturing in 2025 were made, for a total amount of EUR 45 million (USD 55 million) and EUR 90 million (USD 106 million) respectively.

iv) For certain debts the Group renegotiated the cost and maturity conditions originally contracted, resulting in a gain recognized in the statement of income during the period of USD 4.802.

v) A new revolving credit facility ("RCF") was signed in September 2021, replacing the previous RCF in place. The former amounted to USD 500 million with maturity in August 2023, whereas the new credit facility amounts to USD 250 million and matures in September 2026. Moreover, the new RCF is sustainability-linked, aligned with the long-term sustainability commitments of the Group. As at December 31, 2021, the full amount was available for use.

During the second semester of 2021 the Group repurchased and cancelled a total amount of USD 54.266 of principal related to its bonds due in 2041

All amounts in thousands of US dollars, unless otherwise stated

(e) Analysis by currency

		Current		Non-current		Total
	2021	2020	2021	2020	2021	2020
US Dollar	20,688	21,433	1,095,432	1,102,394	1,116,120	1,123,827
Euro	473	514	204,797	183,614	205,270	184,128
Boliviano	6,288	4,951	107,510	110,939	113,798	115,890
Uruguayan peso	7,188	7,884	14,442	20,382	21,630	28,264
Canadian dollar	1,285	1,456	19,007	16,322	20,292	17,780
Turkish Lira	1,549	4,148	1,517	5,561	3,066	9,709
	37,471	40,386	1,442,705	1,439,212	1,480,176	1,479,598

(f) Credit line

Credit line	Company	Date of start	Maturity	Credit limit	Withdrawn amount	Remainder amount
Global Revolving Credit Facitily	VCSA/ VCI/ VCEAA St. Marys	Set/21	Set/26	250,000		250,000
Commited Credit Facility	VCI/ VCEAA/ St. Marys	Aug/19	Aug/24	290,000	(45,612)	244,388
				540,000	(45,612)	494,388

The withdrawn amount considers the exchange rate as at the withdrawal dates for the amounts in Canadian dollar.

11 Confirming payables

The Company and its subsidiaries entered into agreements with financial institutions to allow suppliers in domestic and foreign markets to advance their receivables. As part of these transactions, suppliers transferred to financial institutions the right to receive the trade receivables related to sales of goods.

Deadline	2021	2020
Up to 180 days	115,382	84,832
Up to 360 days	104,265	38,527
	219,647	123,359

12 Current and deferred income taxes

(a) Accounting policies

The current and deferred taxes on income are calculated based on the tax laws enacted or substantively enacted up to balance sheet date in the countries where the entities operate and generate taxable income. Management periodically evaluates positions taken by the Company in the taxes on income returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
The current income tax is presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right and an intention to offset them in the calculation of current taxes, generally when they are related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.
Deferred tax liabilities are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred taxes and contributions are determined based on the rates in effect at the reporting date and that should be applied when they are realized or settled.

All amounts in thousands of US dollars, unless otherwise stated

The Company also recognizes deferred income tax assets on recoverable balances of tax losses. Deferred tax assets are periodically analyzed to check their recoverability, considering the historical profits generated and the estimated future taxable profit, based on projections of future results performed under internal criteria and future economic scenarios which may change.

(b) Reconciliation of income taxes expenses

	2021	2020
Profit before taxes	188,110	68,104
Standard rate	24.94%	24.94%
Income tax at standard rates	(46,915)	(16,985)
Adjustments for the calculation of income tax at effective rate		
Gain on investment acquisition	17,855	
Investment acquisition costs	(3,846)	
Goodwill temporary difference without creation of deferred tax		4,689
Share of net profit of associates and joint ventures	2,670	1,385
Impaiment without creation of deferred tax assets	2,919	(9,110)
Rate differences of foreign companies	(29)	(2,646)
Tax losses without creation of deferred tax assets	(19,170)	(26,614)
Reversal of deferred tax assets on unused tax losses	(7,521)	
Unrecognized tax over CO2 provision	(11,436)	(3,748)
Adjustment to tax base due to the conversion of the intercompany credits into investment		(2,834)
Other non-taxable incomes	1,625	4,565
Other non-deductible expenses	(11,427)	(10,958)
Income tax	(75,274)	(62,256)
Current	7,667	(47,816)
Deferred	(82,941)	(14,440)
Income tax in the income statement	(75,274)	(62,256)

All amounts in thousands of US dollars, unless otherwise stated

(c) Analysis of deferred tax balances

	2021	2020
Tax credits on tax losses	167,878	86,846
Tax credits on temporary differences		
Provision for social security obligations	7,744	6,969
Provision for inventory losses	7,141	5,421
Provision for employee participation in earnings/ results	7,106	6,406
Deductions - Moroccan and Spain law (Government benefit)	6,257	5,368
Market value adjustment	5,484	6,117
Provision for CO2	3,582	
Provision for legal claims	1,234	175
Provision for indemnities	1,409	279
Allowance for doubtful accounts	1,209	928
Asset retirement obligation	932	1,251
Pension plan	573	1,219
Asset impairment provision	22	24
Provision for taxes under litigation	18	85
Other credits	2,559	3,680
Tax debts on temporary differences		
Adjustment to useful life of property, plant and equipment	(203,232)	(132,216)
Fair value uplift on property, plant and equipment	(72,821)	(53,732)
Other debts	(3,019)	(42)
Net	(65,924)	(61,222)
Net deferred tax assets of the same legal entity	154,943	49,763
Net deferred tax liabilities of the same legal entity	(220,867)	(110,985)

(d) Effects of deferred income taxes on income statement and other comprehensive income

	2021	2020
Balance at the beginning of the year	(61,222)	(46,304)
Effect on income	(82,941)	(14,440)
Effect on other comprehensive income - hedge accounting	(407)	(1,241)
Effect of foreign exchange of variations on other components of comprehensive income	(3,655)	461
Deferred taxes recognized on business combination (Note E21)	83,346	
Other	(1,045)	302
Balance at the end of the year	(65,924)	(61,222)

(e) Realization of deferred income tax on tax losses

As at December 31, 2021, the Company had income tax losses in various countries where it has activities, and for which deferred tax assets was recognized, in the consolidated amount of USD 665.497 (December 31, 2020 – USD 340.837).

The income tax losses basis related to deferred tax assets recognized at balance sheet date are distributed as follows:

Year	North America	Europe, Asia and Africa	Total
2021	601,413	64,084	665,497
2020	284,257	56,580	340,837

The recoverability of the deferred tax assets recognized is evaluated annually, based on the expectation of future taxable profits of the Company. Assets are recognized only for the portion of the tax losses for which the Group has projections of utilization within a term consistent with Management's operational projections for the next ten years. The utilization of the currently recorded deferred tax assets is expected to occur as follows:

All amounts in thousands of US dollars, unless otherwise stated

	2021
Next 12 months	2,858
After 12 months	165,020
	167,878

(f) Tax losses

	2021	2020
Unused tax losses for which no deferred tax asset has been recognised	1,315,049	639,663
Potential tax benefit 24,94%	327,973	159,532

From the total amount of unused tax losses above, USD 294 million have an expiration limit of 17 years, and approx. USD 60 million of 5 years. The remainder balance of USD 962 million can be carried forward indefinitely.

13 Provision

(a) Accounting policies

(i) Provision for legal claims relating to tax, civil, labor and environmental claims

Provision for legal claims is recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

The losses classified as possible are not recorded in the balance sheet, but are disclosed in the explanatory notes. The contingencies for which losses are classified as remote are not provisioned nor disclosed, except when, due to the visibility of the process, the Company considers its disclosure justified. The classification of losses as possible, probable or remote is supported by the advice of the Company's legal advisors.

Provision is measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation, and these variations are recognized in the statement of income. Provision does not include future operating losses.

(ii) Asset retirement obligations (ARO)

The measurement of asset retirement obligations involves the use of judgment to make various assumptions. From an environmental point of view, this relates to future obligations to restore/recover the environment to conditions ecologically similar to those existing at the moment when the project was initiated or to take compensatory measures, agreed with government agencies, due to the impossibility of return to these pre-existing conditions. These obligations arise from the environmental deterioration of the occupied area, object of the operation, or from formal commitments assumed with the environmental agency, under which the deterioration must be compensated. The retirement of an asset occurs when it is permanently retired, through stoppage, sale or disposal.

Obligations consist mainly of costs associated with the termination of activities. As asset retirement obligations are long-term obligations, they are adjusted to present value and using a discount rate. The asset retirement cost, equivalent to the present value of the obligation (liability), is capitalized as part of the carrying amount of the asset, which is depreciated over its useful life. The accounting policies related to the asset counterpart of the asset retirement obligation is disclosed in Note E8.

All amounts in thousands of US dollars, unless otherwise stated

The interest rate used to discount the asset retirement obligation to its present value is estimated through the American market free risk rate (Treasury USA 30y Yield) adding the country risk and inflation differential. The liability recorded is periodically updated based on these discount rates, which are annually reviewed by the Company.

(b) Analysis and changes

					2021
			Legal claims		
	ARO (i)	Tax	Civil	Labor	Total
Balance at the beginning of the year	49,469	1,216	395		51,080
Additions	1,187	4,018		64	5,269
Reversals	(961)	(3)	(214)		(1,178)
Settlements	(8,455)	(32)			(8,487)
Exchange variation	(2,840)	(104)	(117)		(3,061)
Companies included in the consolidation (Note E21)	20,285		1,474		21,759
Remeasurement of estimate	(2,983)				(2,983)
Present value adjustment	5,350				5,350
Balance at the end of the year	61,052	5,095	1,538	64	67,749

				2020
		Legal claims		
	ARO (i)	Tax	Civil	Total
Balance at the beginning of the year	46,107	1,146	511	47,764
Additions	491	127	117	735
Reversals		(86)	(135)	(221)
Settlements	(5,377)			(5,377)
Disposals	(14)			(14)
Exchange variation	2,719	29	(98)	2,650
Interest rate update	4,946			4,946
Remeasurement of estimate	24			24
Present value adjustment	573			573
Balance at the end of the year	49,469	1,216	395	51,080

(i) Asset Retirement Obligation.

(c) Lawsuits with likelihood of loss considered possible

The Company is party to lawsuits with expectation of loss classified as less than 51% likelihood, and for which the recognition of a provision is not considered necessary by the Management Board, based on legal advice.

	2021	2020
Civil	5,113	981
Tax	9,025	2,618
Other	587	816
	14,725	4,415

14 Pension plan

(a) Accounting policies

(i) Defined benefit pension obligations

The Company, through its subsidiaries, participates in pension plans managed by private pension entities, which provide post-employment benefits to employees determined through periodic actuarial calculations.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plans' assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates, which are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations. Actuarial gains and losses, also called "remeasurements" arising from changes in actuarial assumptions and amendments to pension plans are recognized in "Other comprehensive income".

All amounts in thousands of US dollars, unless otherwise stated

Past-service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, past-service costs are amortized on a straight-line basis over the vesting period.

(ii) Healthcare (post-retirement)

Some of the Company's entities offer post-retirement healthcare benefits to their employees. The liability related to the healthcare plan for retired employees is stated at the present value of the obligation, less the market value of the plans' assets, adjusted by actuarial gains and losses and past service costs, similar to the accounting methodology used for defined benefit pension plans. The benefit obligation of healthcare is calculated annually by independent actuaries. The present value of the post-retirement healthcare benefits obligation is determined through an estimate of the future cash outflow.

Gains and losses arising from changes in actuarial assumptions are fully recognized in "Other comprehensive income that will not be subsequently reclassified to the statement of income" in the period in which they arise.

(iii) Defined contribution pension plan

For defined contribution plans, the Company pays contributions to the managers of the pension plans on a compulsory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Analysis

The table below shows how the balances and activities related to post-employment benefit are allocated in the Company's financial statements.

The Group compensates, for defined benefit plans, the obligation of each plan with its respective assets. The balances are presented net as asset, in case of surplus plans, and as a net liability, in case of deficit plans.

	2021	2020
Rights recorded in the balance sheet		
Defined pension benefits	38,206	26,250
Assets recorded in the balance sheet	38,206	26,250
Obligations recorded in the balance sheet		
Defined pension liabilities	19,320	15,612
Post-employment healthcare benefits	52,211	54,588
Liabilities recorded in the balance sheet	71,531	70,200
Income statement charge included in operating profit		
Defined pension liabilities	1,272	1,030
Post-employment healthcare benefits	2,906	3,084
	4,178	4,114
Remeasurement		
Defined benefits - gross balance	(11,632)	(2,782)
Deferred income tax and social contribution	2,156	991
Defined pension liabilities - net balance	(9,476)	(1,791)

The amounts recognized in the balance sheet are determined as follows:

All amounts in thousands of US dollars, unless otherwise stated

	2021	2020
Present value of funded obligations	145,818	170,498
Fair value of plan assets	(181,163)	(193,517)
Funded plans surplus	(35,345)	(23,019)
Present value of non-funded obligations	68,670	66,969
Total deficit of defined benefit pension plans	33,325	43,950
Liabilities in the balance sheet	33,325	43,950

The changes in defined benefit obligation and the fair value of the plans' assets during the year are shown below:

	Present value of obligation	Fair value of plan assets	Total
As at January 1, 2021	237,467	(193,517)	43,950
Current service cost	2,091		2,091
Financial expense (income)	6,269	(4,354)	1,915
Past service cost and curtailments	172		172
	8,532	(4,354)	4,178
Remeasurements			
Return on plan assets, excluding amounts included in interest income		4,171	4,171
Loss arising from changes in demographic assumptions	55		55
Gains arising from changes in financial assumptions	(15,984)		(15,984)
Experience gains	126		126
	(15,803)	4,171	(11,632)
Exchange differences	520	(1,383)	(863)
Contributions			
Employers		1,010	1,010
Plan payments			
Benefit payments	(16,230)	12,911	(3,319)
As at December 31, 2021	214,487	(181,162)	33,325

	Present value of obligation	Fair value of plan assets	Total
As at January 1, 2020	229,994	(183,234)	46,760
Current service cost	2,086		2,086
Financial expense (income)	7,460	(4,830)	2,630
Past service cost and curtailments	(601)		(601)
	8,945	(4,830)	4,115
Remeasurements			
Return on plan assets, excluding amounts included in interest income		(12,328)	(12,328)
Gain arising from changes in demographic assumptions	(907)		(907)
Losses arising from changes in financial assumptions	13,766		13,766
Experience gains	(3,314)		(3,314)
	9,545	(12,328)	(2,783)
Exchange differences	5,104	(3,832)	1,272
Contributions			
Employers		(1,824)	(1,824)
Plan payments			
Benefit payments	(16,121)	12,531	(3,590)
As at December 31, 2020	237,467	(193,517)	43,950

All amounts in thousands of US dollars, unless otherwise stated

The plan assets include:

	2021	2020
Stock		
Canadian market	21,196	20,706
Global market	25,182	19,932
Emerging markets	15,942	17,223
Public securities		
Bonds	118,842	135,656
	181,162	193,517

The defined benefit obligations and the plans' assets are composed by region, as follows:

	Europe	North America	Latin America	2021 Total
Present value of obligations	2,861	142,957		145,818
Fair value of plan assets		(181,163)		(181,163)
Funded plans surplus	2,861	(38,206)		(35,345)
Present value of non-funded obligations	13,939	54,093	638	68,670
Liabilities in the balance sheet	16,800	15,887	638	33,325

	Europe	North America	Latin America	2020 Total
Present value of obligations	3,231	167,267		170,498
Fair value of plan assets		(193,517)		(193,517)
Funded plans obligation	3,231	(26,250)		(23,019)
Present value of non-funded obligations	14,822	51,457	690	66,969
Liabilities in the balance sheet	18,053	25,207	690	43,950

The assumptions relating to mortality experience are set based on the advice of actuaries in accordance with published statistics and experience in each territory. The mortality assumptions for the more significant countries are based on the following tables of post-retirement mortality:

- Uruguay: GAM 1983;
- Morocco: TPG93;
- Tunisia: Hommes – TVTun -H-99;
- Turkey: TUIK 2015;
- North America: CPM-B.

Considering that the benefit obligation of the North America segment is the most relevant, the Company performed a sensitivity of the obligation to changes in the main premises, keeping the other premises constant:

		Impact on defined benefits	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	0.50%	Decrease of 5,54%	Increase of 6,26%
Salary growth rate	0.50%	Increase of 0,80%	Increase of 0,66%

	Increase in assumption by one year	Decrease in assumption by one year
Life expectancy	Decrease of 1,16%	Increase of 1,27%

The above sensitivity analyses are based on changes in individual assumptions while keeping all other assumptions unchanged. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

15 Shareholders' equity

(a) Accounting policies

(i) Share capital and share premium

Common shares are classified in shareholder's equity. Each time a share premium is paid to the Company for an issued share, the respective share premium is allocated to the share premium reserve account. Each time the repayment of a share premium is decided, such repayment shall be done pro-rata to the existing shareholders. Shareholder's contributions can also be made without the issuance of shares.

(ii) Distribution of dividends

The distribution of dividends to the Company's shareholder is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(iii) Other comprehensive income

Other comprehensive income includes:

(i) The effective portion of the cumulative net change in the fair value of the hedging instruments used in the cash flow hedge until the recognition of the hedged cash flows;

(ii) Cumulative translation adjustments on exchange differences arising from the translation of financial statements of foreign operations;

(iii) The effective portion of exchange differences on the Company's net investment hedge in a foreign operation;

(iv) The hyperinflation adjustment of investees accounted for according to Note C2.2 (d);

(v) Actuarial losses (gains) and measurement of retirement benefits according to Note E14.

(vi) The share of the Group in the other comprehensive income (loss) of the associates and joint ventures entities.

(iv) Consolidated reserves

Consolidated reserves includes an equity reserve that resulted from the application of the predecessor accounting principles, as described in the notes A3.2 and C2.1 to the consolidated financial statements for the year ended December 31, 2019.

(b) Share capital and share premium

As of December 31, 2021, the Company's fully subscribed and paid-up capital is USD 99,915 (December 31, 2020 – USD 99,915), consisting of 99,915,432 common shares (December 31, 2020 – 99,915,432 common shares).

As of December 31, 2021, the amount of share premium is USD 1,314,041 (December 31, 2020 – USD 1,134,094), after the share premium increase indicated in the interim statement of changes in equity.

All amounts in thousands of US dollars, unless otherwise stated

(c) Other comprehensive income

	Currency translation of investments in foreign operations	Currency translation hedge accounting of net investments in foreign operations	Inflation adjustment for hyperinflationary economies	Remeasurement of retirement benefits	Other comprehensive income	Total
At January 1, 2020	(1,008,994)	(15,053)	150,708	(4,849)	(4,288)	(882,476)
Currency translation of investees abroad	(32,584)					(32,584)
Hedge accounting of net investment in foreign operations		(10,137)				(10,137)
Interest in other comprehensive income of investees					(196)	(196)
Inflation adjustment for hyperinflationary economies			71,774			71,774
Remeasurement of retirement benefits				2,782		2,782
Deferred taxes (Note E12 (c))		(1,241)		(991)		(2,232)
At December 31, 2020	(1,041,578)	(26,431)	222,482	(3,058)	(4,484)	(853,069)
At January 1, 2021	(1,041,578)	(26,431)	222,482	(3,058)	(4,484)	(853,069)
Currency translation of investees abroad	(65,930)					(65,930)
Hedge accounting of net investment in foreign operations		5,584				5,584
Interest in other comprehensive income of investees					909	909
Reclassification of other components of comprehensive income	3,079					3,079
Inflation adjustment for hyperinflationary economies			59,746			59,746
Remeasurement of retirement benefits				9,967		9,967
Deferred taxes (Note E12 (c))		(407)		(2,156)		(2,563)
At December 31, 2021	(1,104,429)	(21,254)	282,228	4,753	(3,575)	(842,277)

(d) McInnis acquisition dilution effect

As explained in Note E21 (a), on April 2021, the previously wholly owned subsidiary SMCI issued 170,000 shares to McInnis Holding, representing 17% of its share capital, as consideration price for McInnis business acquisition. As a consequence of this dilution, the Company recognized new non-controlling interests over SMCI, as well as an increase in the equity attributable to the Company owners. The effect in equity is summarized as follows:

	2021
Non-controlling interests representing 17% of SMCI's carrying amount immediately prior to the transaction	(154,222)
Group's share representing 83% of the additional net assets consolidated as result of McInnis acquisition	434,256
Excess recognised in the transactions with non-controlling interests reserve within equity	280,034
Initial carrying amount of the new non-controlling interests recognised	243,166
Total shares issued by SMCI to the non-controlling shareholder	523,200

16 Net revenue from products sold and services rendered

(a) Accounting policies

Revenue is determined based on the amount that the Company expect to receive from the sale of products and services rendered in the normal course of the entity's business, less expected losses, and less any events that may impact the measurement of the transaction amount. Revenue is shown net of value added tax, returns, rebates and discounts and, in the consolidated financial statements, after eliminating sales among consolidated companies.

The Group recognize revenue when: (i) there is a contract and/or any agreement for the Company to satisfy a performance obligation; (ii) the contract performance obligation is identifiable; (iii) the amount of revenue can be reliably measured and it can be allocated to each performance obligation; (iv) it is probable that future economic benefits will result from the transaction; (v) the performance obligations agreed with the counterparty are fulfilled and control over the goods or services is transferred to the counterparty; and (vi) specific criteria have been met for each of the activities of the Group.

The general practice of the Group is to recognize the revenue, and the associated costs, upon delivery of the products or rendering of services to its customers, or when the control is transferred to the customer:

All amounts in thousands of US dollars, unless otherwise stated

(i) Contracts with customers related to the sale of cement, aggregates, mortar and other include the performance obligation to deliver products to the customer. Thus, revenue is recognized when the performance obligation is fulfilled, i.e., at a point of time when the product is delivered to the customer.

(ii) Concrete pouring services include the performance obligation to deliver ready-mix concrete according to specifications in relation to concrete resistance levels specified in the contract. Revenue is recognized when the performance obligation is fulfilled over time upon actual delivery of ready-mix concrete to the customer.

A contract liability is recognized when the Group has an obligation to transfer products or services to a customer from whom the aforementioned consideration has already been received. The recognition of the contractual liability occurs at the time when the consideration is received and settled, and when the entity complies with the performance obligation, against Revenue. Such contract liabilities are presented as advances from customers.

For some contracts with customers, the Group provides retrospective volume rebates, which are settled in the form of cash or products to be delivered free of charge to said customers when certain established purchase volumes are reached. The Group applies the expected value method to estimate the variable consideration in the contract. The Group then applies the requirements on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the expected future rebates (i.e., the amount not included in the transaction price), according to the amount that the entity estimates to deliver to the customer. The Group bases its estimates on past history, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

(b) Analysis

	2021	2020
Revenue from product sales	2,276,994	1,705,129
Revenue from services	7,676	6,803
	2,284,670	1,711,932
Taxes on sales and services	(3,073)	
Net revenue	2,281,597	1,711,932

(c) Net revenue by product line

	2021	2020
Cement	1,371,757	1,007,671
Ready-mix	760,447	581,418
Aggregates	118,058	99,473
Other	31,335	23,370
	2,281,597	1,711,932

All amounts in thousands of US dollars, unless otherwise stated

17 Expenses by nature

	Note	2021	2020
Raw materials and consumables used		525,045	326,672
Employee benefit expenses	E18	396,799	335,477
Freight costs		308,296	195,739
Depreciation, amortization and depletion	E7, E8, E9	200,657	163,483
Maintenance and upkeep		132,253	93,121
Electric power		131,425	84,154
Services, miscellaneous		126,609	85,069
Fuel costs		46,267	34,652
Taxes, fees and contributions		31,612	22,641
Packaging materials		18,087	12,603
Rents and leases		18,988	10,770
Insurance		10,038	8,903
Refund and travel expenses		3,615	3,809
Technology and communication		2,123	1,646
Other expenses		36,750	86,930
		1,988,564	1,465,669

Reconciliation		
Cost of sales and services	1,822,477	1,327,042
Selling	44,490	42,197
General and administrative	121,597	96,430
	1,988,564	1,465,669

18 Employee benefit expenses

(a) Accounting policies

Provision is recognized for the expenses related to employee profit sharing. This provision is calculated based on qualitative and quantitative targets established by Management and is recorded as "Employee benefits", in the statement of income.

(b) Analysis

	2021	2020
Direct remuneration	296,961	242,047
Social changes	69,765	63,885
Benefits	3,595	4,900
Pension plans, defined contribution	22,300	20,062
Pension plans, defined benefit	4,178	4,583
	396,799	335,477

(c) Staff number by category:

	2021	2020
Management	206	266
Technical personnel and middle management	703	537
Administrative personnel (i)	409	2,055
Factory workers	3,147	1,181
	4,464	4,039

All amounts in thousands of US dollars, unless otherwise stated

The detail of the information disclosed in 2020 was incorrect for Administrative personnel and Factory workers; total number of staff was correct though

19 Other operating income (expenses), net

	Note	2021	2020
Gain on investment acquisition	E21	46,588	
Fair value gain resulting from remeasurement of pre viously owned interest	E21	24,124	
Gain (loss) on sales of PP&E and intangible assets, net		15,200	(31)
Income from rents and leases		1,334	1,323
Reversal (provision) of impairment of PP&E and intangible assets and right-of-use assets	E7, E8, E9	6,975	(36,096)
Expenses and donations - COVID-19		(834)	(4,725)
Great Lake Slag Settlement		(924)	6,261
Reversal (provision) of liabilities		(170)	(3,955)
Exploration costs		(3,136)	(2,317)
Inventory obsolescence		(4,127)	(9,470)
Investment acquisition costs	E21	(17,408)	
CO2 emission rights provision (i)		(15,902)	
Other operating expenses, net		5,040	390
		56,761	(48,620)

(i) The other operating expense related to “CO2 emission rights provision” amounting to USD 15,902 relates to a provision recognised by one of the Company’s subsidiaries, primarily as a result of its CO2 emissions exceeding the emission rights granted for free, under the cap and trade scheme regulations applied in the European Union market. This provision is presented as “Other liabilities” short term in the balance sheet.

20 Financial income (expense), net

(a) Accounting policies

The Company’s finance income and expense comprise:

(i) Interest income;
(ii) Interest expenses;
(iii) Net gains/losses on the disposal of available for sale financial assets;
(iv) Net gains/losses on financial assets at fair value through profit or loss;
(v) Net gains/losses on foreign exchange variations on financial assets and liabilities;
(vi) Fair value losses on contingent consideration classified as financial liability;
(vii) Impairment of financial assets (other than trade receivables);
(viii) Net gains/losses on hedge instruments which are recognized in profit or loss;
(ix) Certain reclassifications of net gains/losses previously recognized in other comprehensive income; and
(x) Costs to repurchase/prepay borrowings;

Interest income and expense are recognized in profit or loss using the effective interest rate.

All amounts in thousands of US dollars, unless otherwise stated

(b) Analysis

	Note	2021	2020
Financial income			
A/R securitization fees income		5,511	4,107
Gain on renegotiation of debts, net of amortization		3,576	
Income from financial investments		2,984	1,699
Derivative financial instruments		577	117
Discounts obtained		447	668
Interest on financial assets		1,819	1,333
Other financial income		2,890	967
		17,804	8,891
Financial expenses			
Interest payable on borrowing	E10 (d)	(87,751)	(97,164)
Premium paid on repurchase of bonds		(12,600)	(19,305)
Fair value of loans and financing (i)		(11,112)	
Commissions on financial transactions		(7,721)	(6,588)
A/R Securitizations fees expenses		(5,482)	(7,044)
Amortization of prepaid financial results		(1,372)	(4,496)
Present value adjustment		(1,758)	(2,046)
Inflation adjustment charges on provision and other liabilities		(986)	(981)
Derivative financial instruments		(36)	(644)
Other financial expenses		(14,856)	(4,430)
		(143,674)	(142,698)
Exchange rate variations		(46,520)	(1,287)
		(172,390)	(135,094)

(i) The financial expense related to "Fair value of loans and financing" amounting to USD 11,112 refers to the remeasurement at reporting date of a CO2 emission rights loan, that is valued at market price. A subsidiary of the Group entered into a short term loan transaction for CO2 emission rights to compensate a shortfall generated by a delay in the process of granting the free emission rights by the government authorities, as per applicable regulations. As at December 31, 2021, this short term loan amounted to USD 44,626 and presented as "Other liabilities" in the balance sheet. It was settled early January 2022, in CO2 emission rights, upon the reception of the waited free emission rights.

21 Business combinations

(a) Acquisition of McInnis

On April 2021, the subsidiary SMCI concluded a business combination with the acquisition of the totality of the issued share capital of McInnis, for a total amount of USD 553.149.

McInnis is a cement producer involved in the manufacture, distribution and sale of cement in the Eastern Great Lakes region, in Eastern Canada, and in the Northeastern coast of the United States. Its business assets include a recent and modern plant in Port-Daniel-Gascons, Quebec, Canada, with a production capacity of 2.2 million tons of cement per year, as well as a deep-water terminal adjacent to the plant and a distribution network comprising 10 terminals (marine, rail and truck).

All amounts in thousands of US dollars, unless otherwise stated

This transaction complements SMCI longstanding presence in this geographical region, allowing the expansion of the combined operations and the strengthening of the strategic positioning through increased cement production capacity, operational efficiencies, and an enhanced distribution network.

Details of the purchase consideration are as follows:

	2021
Purchase consideration	
Cash paid	2,000
Price adjustment (working capital, net debt and tax attributes	21,585
Promisory note to be paid in 2025	6,364
Issuance of shares	523,200
Total purchase consideration	553,149

As a result of this transaction SMCI issued 170,000 shares as part of the consideration paid for McInnis, representing 17% of the total share capital of SMCI entity. The fair value of the shares issued was based on a weighted average of valuation resulting from the discounted cash flow method and market approach.

The provisional fair values of the assets and liabilities recognized as a result of this acquisition are as follows:

	Provisional balances	Provisional balances reported as of september 30, 2021	Provisional Fair Value adjusments
Cash	5,763	5,763	
Accounts receivables	47,579	44,789	2,790
Prepaid expenses and other current assets	4,174	10,903	(6,729)
Inventories	40,263	39,209	1,054
Deferred taxes - NOLs and other tax differences (i)	108,908	101,464	7,444
Property, plant and equipment	583,401	562,116	21,285
Intangible assets	52,804	89,716	(36,912)
Right-of-use assets	145,870	145,870	
Accounts payable and accrued liabilities	(59,952)	(58,534)	(1,418)
Long-term debt	(135,607)	(135,607)	
Lease liabilities	(145,870)	(145,870)	
Other financial liabilities	(47,596)	(51,680)	4,084
Net identifiable assets acquired	599,737	608,138	(8,402)
Gain on investment acquisition	(46,588)	(56,072)	9,484
Total assets and liabilities	553,149	552,066	1,082

(i) The gross amounts of deferred taxes on tax losses and investment tax credit ("ITC") are USD 112,000 and USD 102,000, respectively. Based on the Company's recoverability expectations a valuation allowance amounting to USD 109,000 was recognized.

The gain on investment acquisition recorded in the financial statements is due to the valuation of McInnis' business based on its market value.

As stated in IFRS 3 the Company has 12 months to fulfill the purchase price allocation ("PPA") of the acquired assets and liabilities and complete the initial acquisition accounting. The fair value balances above are presented as provisional until PPA works are finalized.

i) Acquired receivables

The fair value of acquired trade receivables is USD 47,579. The gross contractual amount for trade receivables due is USD 48,725, with a loss allowance of USD 1,146 recognized on acquisition.

All amounts in thousands of US dollars, unless otherwise stated

ii) Costs related to the acquisition

Acquisition-related costs of USD 13,993 are included in the statement of income under Other operating income (expense), net (Note E19).

iii) Revenue and profit contribution

The acquired businesses contributed revenues of USD 149.8 million and a net loss of USD 11.3 million to the Group for the period from April 30 to December 31, 2021.

(b) Acquisition of Valley View

On August 2021, Prairie Aggregates Materials ("Prairie"), a wholly-owned subsidiary of St. Marys based in Chicago, Illinois, United States, completed the acquisition of the operating business of Valley View, for a purchase price of USD 45.8 million.

Valley View operated its aggregates business through five operating units all located in the state of Illinois. It produced aggregates, farm limestone, gravel, shale and other products for the construction and roadway sectors, and agricultural market. With this acquisition, Valley View's aggregates business will now be carried by Prairie.

This acquisition is aligned with the Group's growth and positioning strategy, allowing the increase of the Group's capacity to supply aggregates to customers in the construction and agriculture sectors in the state of Illinois.

Details of the purchase consideration and the provisional fair values of the assets and liabilities recognized as a result of the acquisition are as follows:

	2021
Purchase consideration	
Cash paid for Valley aquisition	45,000
Price adjustment (working capital)	787
Total purchase consideration	45,787

	Provisional balances	Provisional balances reported as of september 30, 2021	Provisional Fair Value adjusments
Accounts receivables	1,775	4,171	(2,396)
Prepaid expenses and other current assets	83		83
Inventories	1,760	1,010	750
Property, plant and equipment	14,634	14,634	
Intangible assets	20,380		20,380
Accounts payable and accrued liabilities	(337)	(167)	(170)
Net identifiable assets acquired	38,295	19,648	18,647
Goodwill and intangible assets on acquisition	7,492	25,352	(17,860)
Total assets and liabilities	45,787	45,000	787

The goodwill is attributable to the workforce and the profitability of the acquired business.

As stated in IFRS 3 the Company has 12 months to fulfill the purchase price allocation ("PPA") of the acquired assets and liabilities, and complete the initial acquisition accounting. The fair value balances above are presented as provisional until PPA works are finalized.

All amounts in thousands of US dollars, unless otherwise stated

i) Acquired receivables

The fair value of acquired trade receivables is USD 1,775, which corresponds to the gross contractual amount for trade receivables due, as there was no loss allowance recognized on acquisition.

ii) Costs related to the acquisition

Acquisition-related costs of USD 1,070 are included in the statement of income under Other operating income (expense), net (Note E19).

iii) Revenue and profit contribution

The acquired businesses contributed revenues of USD 6,2 million and a net profit of USD 280 to the Group for the period from August 2021 to December 31, 2021.

(c) Acquisition of Superior

On July 2021, subsidiary SMCI completed the purchase of the remaining 50% interest in Superior, a ready-mix concrete company located in Detroit, Michigan, for a purchase price of USD 38,5 million. Upon completion of this transaction the previous joint venture interest became a fully owned subsidiary of SMCI.

This transaction will strengthen SMCI' presence in Detroit's ready-mix market and is aligned with the Group's value creation strategy.

As required for step acquisitions, the previously held interest of 50% in Superior was remeasured to its fair value. As a consequence, a gain amounting to USD 24,124 was recorded in "Other operation income (expense), net" in the statement of income (refer to Note E19).

Details of the purchase consideration and the provisional fair values of the assets and liabilities recognized as a result of the acquisition are as follows:

	2021
Purchase consideration	
Cash paid	38,500
Net book value of previously owned interest	14,376
Fair value gain on remeasurement	24,124
Total purchase consideration	77,000

	Provisional balances	Provisional balances reported as of september 30, 2021	Provisional Fair Value adjusments
Cash	3,849	3,849	
Accounts receivables	22,067	21,855	212
Inventories	5,228	5,317	(89)
Prepaid expenses and other current assets	921	960	(39)
Property, plant and equipment	30,360	15,653	14,707
Intangible assets	25,138	320	24,818
Right-of-use assets	9,005	9,005	
Other assets	43	41	2
Accounts payable and accrued liabilities	(19,301)	(19,243)	(58)
Lease liabilities	(9,005)	(9,005)	
Net identifiable assets acquired	68,305	28,752	39,553
Goodwill and intangible assets on acquisition	8,695	48,248	(39,553)
Total assets and liabilities	77,000	77,000	0

The goodwill is attributable to the workforce and the profitability of the acquired business.

All amounts in thousands of US dollars, unless otherwise stated

As stated in IFRS 3 the Company has 12 months to fulfill the purchase price allocation ("PPA") of the acquired assets and liabilities, and complete the initial acquisition accounting. The fair value balances above are presented as provisional until PPA works are finalized.

i) Acquired receivables

The fair value of acquired trade receivables is USD 22,067. The gross contractual amount for trade receivables due is USD 22,868, with a loss allowance of USD 0,801 recognized on acquisition

ii) Costs related to the acquisition

Acquisition-related costs of USD 170 are included in the statement of income under Other operating income (expense), net (Note E19).

iii) Revenue and profit contribution

The acquired businesses contributed revenues of USD 51.1 million and a net profit of USD 2.5 million to the Group for the period from July 2021 to December 31, 2021.

(d) Acquisition of Balboa

On October, 2021, Votorantim Cimentos España, a Spanish indirect subsidiary of the Company, acquired 100% of the issued share capital of Balboa.

Balboa has a modern integrated cement plant located in the southwestern of Spain, with an annual cement production capacity of 1.6 million tons. This acquisition is aligned with the growth and positioning strategy of the Group, and represents an important step towards increasing the competitiveness, accelerating the decarbonization program and strengthening the presence on the Iberian Peninsula. With this business acquisition the installed production capacity in Spain increases to 4.7 million tons of cement per year, via the operation of now five integrated cement plants.

Details of the purchase consideration and the provisional fair values of the assets and liabilities recognized as a result of the acquisition are as follows:

	2021
Purchase consideration	
Cash paid	
Fixed price	113,728
CO2 Emission rights	34,307
Total purchase consideration	148,035

The CO2 emission rights were acquired as part of this business combination at a defined purchase price, whereas the intangible asset presented below was fair valued on the basis of CO2 emission rights' market price at acquisition date.

All amounts in thousands of US dollars, unless otherwise stated

	Provisional Fair Values
Cash	3,657
Accounts receivables	4,702
Inventories	13,336
Prepaid expenses and other current assets	1,756
Deferred taxes - assets	2,025
Property, plant and equipment	87,141
Intangible assets - others	17,359
Right-of-use assets	466
Intangible assets - CO2 emission rights	38,180
Accounts payable and accrued liabilities	(15,699)
Deferred taxes - liabilities	(25,977)
Lease liabilities	(466)
Other long term liabilities	(3,536)
Net identifiable assets acquired	122,943
Goodwill	25,092
Total assets and liabilities	148,035

The goodwill arising on this business acquisition is essentially a "technical" goodwill that results from the recognition of the deferred tax liability on the fair value's uplifts over the net assets acquired.

As stated in IFRS 3 the Company has 12 months to fulfill the purchase price allocation ("PPA") of the acquired assets and liabilities, and complete the initial acquisition accounting. The fair value balances above are presented as provisional until PPA works are finalized.

i) Acquired receivables

The fair value of acquired trade receivables is USD 4,702. The gross contractual amount for trade receivables due is USD 5,394, with a loss allowance of USD 692 recognized on acquisition.

ii) Costs related to the acquisition

Acquisition-related costs of USD 2,177 are included in the statement of income under Other operating income (expense), net (Note E19).

iii) Revenue and profit contribution

The acquired businesses contributed revenues of USD 8,478 and a net loss of USD 1,850 to the Group for the period from October to December 31, 2021.

22 Auditors remuneration

The total fees expensed by the Company and its subsidiaries and due for the current financial year to the auditor are presented as follows:

	2021	2020
Audit	1,965	1,623
Other assurance services	1,375	689
Tax advisory services	144	303
Other non-audit services	144	131
	3,628	2,746

All amounts in thousands of US dollars, unless otherwise stated

23 Events after the reporting period

(a) Committed credit facility withdraw

During January 2022, the Group withdrew a total amount of USD 45 million of the available committed credit facility. The total amount due after these withdraws amounts to USD 91 million, with the remaining available for use under this credit facility totaling USD 199 million.

(b) Repurchases of bonds due in 2041

Since the year end 2021 the Company repurchased and cancelled a total amount of USD 15,949 of principal related to its bonds due in 2041.

(c) Settlement of CO2 emission rights loan

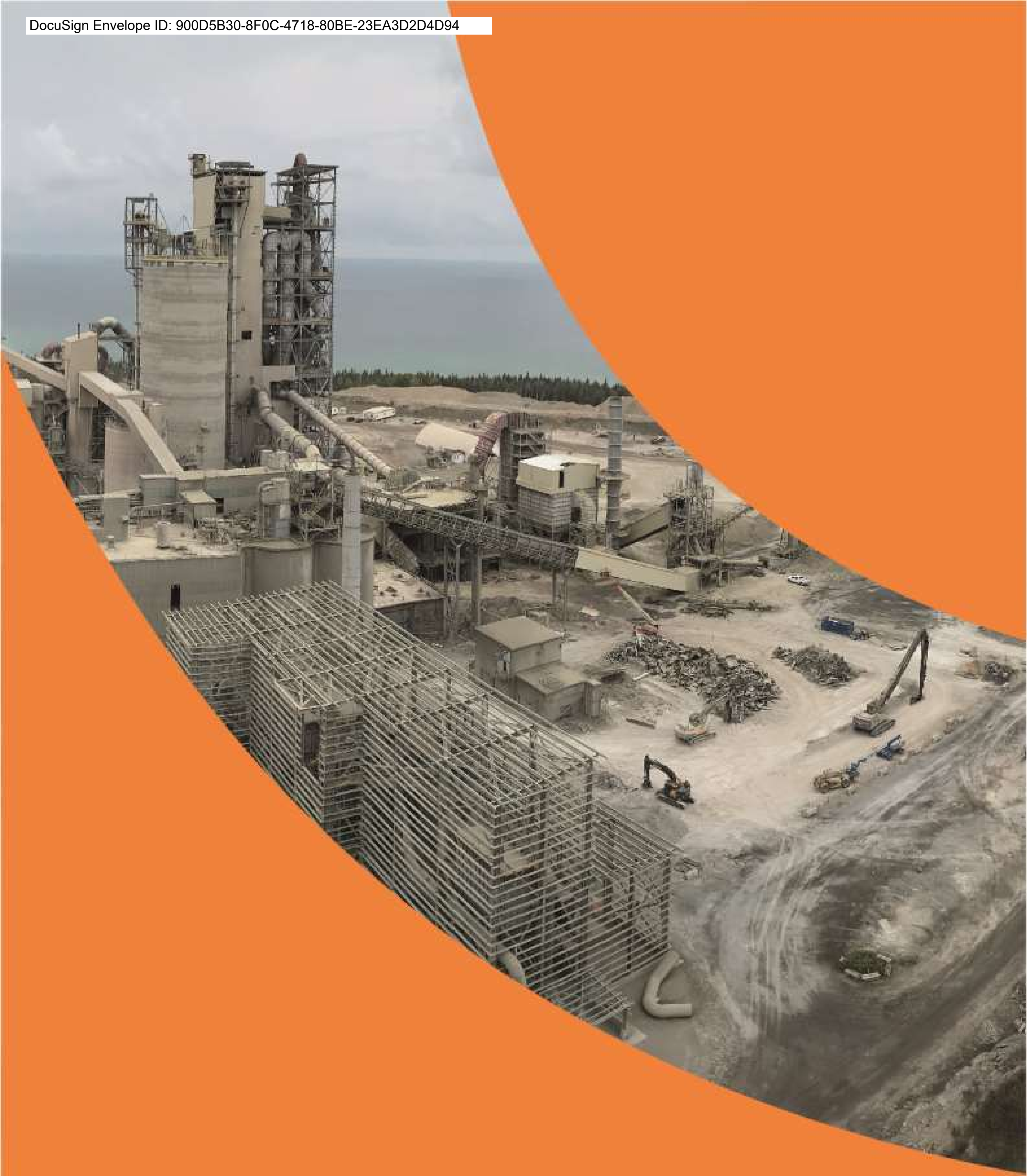
The short-term loan for CO2 emission rights amounting to USD 44,626 was settled in early January 2022. As explained in Note E20, this loan was settled in CO2 emission rights.

(d) Capital contributions to the Company

During February 2022, the Company received cash contributions from its sole shareholder VCSA amounting to USD 19,436.

These financial statements were approved for issue by the Management Board on February 23, 2022 and were signed on behalf by:

DocuSigned by: Nuno Alves 9D82DEB72A2E423...	DocuSigned by: Carlos Boggio FEB92EB32D98404...
Nuno Alves	Carlos Boggio
Management Board Member	Management Board Member



Votorantim
Cimentos
Life is made to last