Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Our assets and liabilities denominated in foreign currency are translated to the Argentine pesos at the exchange rates at the end of the reporting period.

Foreign exchange gains / (losses) from monetary items are recognized in profit and loss for the year, net of the effect of inflation, except for those stemming from borrowings denominated in foreign currency to finance qualifying assets, such as construction in progress, in which case, they are capitalized as part of the carrying amount of the asset, as they are considered to be an adjustment to the costs for interest on said borrowings denominated in foreign currency.

Borrowing costs

Borrowing costs, net of the effect of inflation directly attributed to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the asset until the assets are ready for use or sale.

Income earned on short-term investments in specific outstanding borrowings to finance the construction of qualifying assets is deducted from the borrowing costs that may qualify for capitalization.

All the other borrowing costs are recognized in profit or loss when incurred, net of the effect of the inflation on the liabilities that generated them.

Taxation

Income tax

Argentina

We assess the income tax charge to be booked in accordance with the deferred tax method, which considers the effect of timing differences originating in the different basis for measuring assets and liabilities according to accounting and tax criteria and of the existing net losses and unused tax credits susceptible of deduction of future taxable income computed by considering the tax rate in force which at present is 30% in Argentina. This tax rate had been set forth by Law No. 27.430 until the fiscal period ended on December 2019, dropping to 25% as from January 1, 2020. Pursuant to the reform introduced by Law No. 27.541, the changes in tax rates that had been prescribed were suspended and a decision was made to maintain the original 30% tax rate up to the fiscal years starting on January 1, 2021 inclusive. A literal interpretation of the reform would be that the last year-end dates that will be subject to the 30% tax rate would be the fiscal years ended on December 31, 2021 (that is, those beginning as from January 1, 2021, inclusive), and that the 25% tax rate would come into force for the fiscal years starting as from January 1, 2022, inclusive. See note 3.7.1 of our consolidated financial statements.

Paraguay

We recognize income tax applying the liability method, which considers the effect of temporary differences between the carrying amount and tax bases of assets and liabilities and the tax loss carry forwards and other tax credits, which may be used to offset future taxable income, at the current statutory rate of 10%.

Current taxes

Current tax payable is based on the taxable profit for the fiscal year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit and loss and other comprehensive income because of items of income, or expenses that are taxable or deductible in other years and items that will never be taxable or deductible. Our liability for current tax is calculated using the tax rates that have been substantially enacted at the end of the reporting period.

Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amount of the assets and liabilities included in the consolidated financial statements and the corresponding amount used in the computation of taxable profit. Deferred tax liabilities are generally recognized, for all the taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amounts of deferred tax assets are reviewed at the end of each fiscal year and derecognized to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the fiscal year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the end of the reporting period. Measurement of deferred tax liabilities and deferred tax assets at the end of fiscal year being reported reflects the tax consequences that would stem from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

We offset deferred tax assets and deferred tax liabilities if and only if a) it has legally enforceable right to set off current taxes and current liabilities and b) the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities and we intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where we are able to control the reversal of the temporary difference and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against with we can utilize the benefits of temporary differences and they are expected to reverse in the foreseeable future period.

Current and deferred taxes

Current and deferred taxes are recognized in the statement of profit and loss and other comprehensive income. Current and deferred taxes are recognized in the profit and loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. When current tax or deferred taxes arise from a business combination, the tax effect is included in the accounting for the business combination.

Personal asset tax - Substitute responsible

In Argentina, foreign individuals and entities, as well as their undistributed estates, regardless of whether they are domiciled or located in Argentina or abroad are subject to personal asset tax of 0.25% over of the value of any shares or the American Depositary Shares issued by Argentine entities, held as of December 31 of each year. The tax applies to the Argentine issuers of said shares, who must pay for this tax in substitution for the relevant shareholders and it is based on the equity value (following the equity method), or the book value of the shares derived from the most recent financial statements as of December 31 of each year.

In accordance with the Personal Asset Tax Law, we are entitled to obtain a reimbursement of the tax paid from the shareholders levied with the above-mentioned tax through the reimbursement mechanism that the we deem advisable.

Tax reform in Argentina

The Tax Reform Law No. 27,430, modified in turn by Law No. 27,468 prescribes in connection with the adjustment to reflect the effects of inflation for tax purposes to become effective for the fiscal years commencing on January 1, 2018: (a) the adjustment shall be applicable in the fiscal year in which a CPI variation in excess of 100% is verified during the thirty-six months previous to the closing date of the fiscal year being calculated; (b) as regards the first, second and third fiscal years as from its coming into effect, this procedure shall apply in the event of the variation in such index, calculated as from the beginning and until the close of each of such fiscal years exceeds a

55%, 30% and 15% for the first, second and third year of application, respectively and (c) that the adjustment to reflect the effects of inflation for tax purposes —be it a gain or a loss— as applicable, corresponding to the first, second and third fiscal year commencing as from January 1, 2018 that has to be calculated if the hypotheses contemplated in the preceding sub-sections (a) and (b) are verified shall be computed as follows: one third in that fiscal period and the remaining two thirds, in equal parts, in the immediately following two fiscal periods.

With the enactment of Law No. 27,541 "Social Solidarity and Productive Reactivation in the framework of a Public Emergency Situation" on December 21, 2019, there was a change in the computation of the inflation adjustment for tax purposes, with it being fixed at one sixth in the fiscal period and in the remaining five sixths, in equal parts, in the immediately following five fiscal periods, which have been recognized as deferred liabilities to be charged against deferred tax in the consolidated statement of profit or loss and other comprehensive income.

Given that as of the closing date of the fiscal year ended on December 31, 2019, the conditions have been satisfied for application of the inflation adjustment for tax purposes, current and deferred income tax have been recorded incorporating the effects stemming from their application. See note 3.7.3 of our consolidated financial statements.

Revaluation of certain assets for tax purposes

The Tax Reform Law No. 27,430 signed into law by the Argentine Executive Branch on December 29, 2017 enables the exercise of the option to revalue, for tax purposes and on a one-off basis, certain assets owned by the taxpayer and existing at the end of the first fiscal year closed after December 29, 2017, the date of coming into force of the law, continuing afterwards with the adjustment of assets revalued on the basis of percentage variations in the consumer price index supplied by the Argentine Official Statistics Office (INDEC) in line with the scales prepared to that end by the Argentine tax authorities (AFIP). The exercise of the option entails payment of a special tax concerning all the revalued assets in accordance with the tax rates established for each type of asset and confers the right to deduct, upon calculating income tax, a depreciation that incorporates the installment corresponding to the amount of the revaluation.

Those who exercise the option to revalue their assets in accordance with the provisions in Law No. 27.430 must (i) waive their right to commence any court case or administrative proceedings whereby the petitioner claims, with tax purposes, the application of adjustment proceedings in any nature until the date of the first fiscal year whose closing date falls subsequent to the coming into force of this law, and (ii) abandon the actions and rights invoked in proceedings commenced in connection with previously closed fiscal years. Additionally, the computation of the amortization of the revaluation amount or its inclusion as the computable cost of a disposal in the income tax assessment shall entail, for the fiscal year in which such computation is performed, a waiver of any claim for adjustment.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods and services, including capitalized stripping and quarry exploitation costs, or for administrative purposes are recorded at cost restate in constant currency at the end of the reporting period, minus depreciation and any accumulated impairment loss.

We hold spare parts that are expected to be used to replace parts of property, plant and equipment and are expected to increase the related asset's useful life for a period exceeding twelve months. These spare parts are classified in property, plant and equipment and not in inventories.

Construction in progress for administrative, production, supply or other purposes are carried at cost restated in constant currency at the end of the reporting period, minus any impairment loss already recognized. Cost includes professional fees and borrowing costs on qualifying assets, in accordance with our accounting policies. Depreciation on assets under construction only commences when such assets are ready their intended use.

Property, plant and equipment are depreciated, except for the land and assets under construction, over their estimated useful lives using the straight-line method. The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year, with the effect of any changes in estimates being accounted for on a prospective basis.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term or and the estimated useful life of the assets.

Land is not subject to depreciation.

Gain or loss from the disposal or write-off of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and it is recognized in the profit and loss.

Intangible assets

Intangible assets with finite useful lives, acquired separately, are carried at cost restated in constant currency at the end of the reporting period, less accumulated depreciation and any accumulated impairment losses.

The estimated useful life and the depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with an indefinite useful life that are separately acquired are carried at cost restated in constant currency at the end of the reporting period, less accumulated impairment losses.

Intangible assets are derecognized when no future economic benefits are expected from their use or disposal. Gains or losses from the derecognized of an intangible asset, is determined as the difference between the net disposal proceeds and the carrying amount of the asset and it is recognized in the profit and loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of the reporting period, we review the carrying amounts of our tangible and intangible assets in order to assess if there is any indication that an asset might be impaired.

If any indication exists, we estimate the asset’s or CGU´s recoverable amount. An asset’s recoverable amount is the higher of an assets or CGU’s fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks that are specific to the asset.

Intangible assets not yet available for use are subject to impairment tests at least once a year and in so far as there are indications that the asset may have been impaired.

When the carrying amount of an asset or CGU´s exceeds its recoverable amount, the asset or CGU ´s if considered impaired and it is written down to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

A previously recognized impairment loss is reversed, only if there has been a change in the assumptions used to determine the asset’s or of the CGU’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU´s does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset or CGU in prior years. Impairment loss reversals are immediately recognized in profit loss.

Inventories

Inventories are stated at the lower of cost restated in constant currency at the end of period and net realizable value. Costs of inventories are determined using the weighted average price method. The net realizable value is the estimated price of sale less estimated costs to conclude such sale. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and spare parts: at cost using the weighted average price method. Cost is determined at each of our plants.

- Finished goods and work in progress: at the cost of direct materials and labor plus a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In assessing recoverable amounts of inventories, slow-moving inventories are also considered.

Provisions

We recognize provisions when we have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Estimated amounts of the obligation are based on the expected outflows that will be required to settle such obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

When we expect some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset (a receivable), but only when the reimbursement is virtually certain and the amount of the receivable can be reliably measured.

We use the opinion of our legal advisors to determine if a provision should be recorded as well as to estimate the amounts of the obligations.

Environmental restoration

According to legal provisions and internal policies and practices, the land used for mining and quarries are subject to environmental restoration.

In this context, provisions are recognized in those cases that they could be determined, in order to afford the estimated expenses for the environmental recovery and restoration of the mining areas. These provisions are recorded simultaneously with the increase in value in the underlying asset and the relevant depreciation of the assets involved is recognized in profit and loss prospectively.

The estimated present value of the asset retirement obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset, subject to depreciation. The liability recorded is increased each fiscal period due to the passage of time and this change is charged to net profit or loss. The asset retirement obligation can also increase or decrease due to changes in the estimated timing of cash flows, changes in the discount rate and/or changes in the original estimated undiscounted costs. Increases or decreases in the obligation will result in a corresponding change in the carrying amount of the related asset. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded. We discount the costs related to asset retirement obligations using the discount rate that reflects the current market assessment of the time value of money and risks specific to the liabilities that have not been reflected in the cash flow estimates. Asset retirement obligations are remeasured at each reporting period in order to reflect the discount rates in effect at that time.

In addition, we follow the practice of progressively restoring the freed areas by the removal of quarries using the provisions recognized for that purpose.

Financial instruments

Financial assets and financial liabilities are recognized when we become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financials assets and financial liabilities (other than financial assets and liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets of financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Interest and financial income are recognized to the extent the effective interest rate is accrued.

Financial assets

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

According to the provisions under IFRS 9 "Financial instruments", we classify for purposes of subsequent measurement our financial assets into two categories:

Financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, for the assets that satisfy the conditions mentioned above, IFRS 9 provides the option of designating at the time of initial recognition, an asset as measured at reasonable value if in doing so it eliminates or significantly reduces an inconsistency in valuation or recognition that would have arisen if the valuation of the assets or liabilities or the recognition of their income or loss were effected on different bases.

We have not designated any financial asset at fair value using this option. As of December 31, 2019, our financial assets at amortized cost comprise certain cash and cash equivalent elements, accounts receivable, trade and other receivables.

Financial assets at fair value through profit or loss

If one of the criteria mentioned above were not satisfied, the financial asset is classified as an asset measured at "fair value through profit or loss".

Financial assets at fair value through profit or loss are carried in our consolidated statement of financial position at fair value with net changes in fair value recognized in our consolidated statement of profit or loss and other comprehensive income.

As of December 31, 2019, our financial assets at fair value through profit or loss comprise mutual funds and government securities, classified as current investments.

Recognition and measurement

Financial assets at amortized cost are initially recognized at fair value plus transaction costs. Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. We reclassify all investments in debt instruments only when there is a change in the business model used to manage said assets.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as expenses in profit or loss and other comprehensive income. Financial assets at fair value through profit or loss are carried at fair value, with net changes in fair value recognized in profit or loss. Gains and losses on the sale of financial assets at fair value through profit or loss are also recognized in profit or loss in "Financial results, net" in the statement of profit or loss or other comprehensive income. We typically use the transaction price to determine the fair value of a financial instrument at the time of initial recognition.

Derecognition

Purchases and sales of financial assets are recognized on the date when we undertake to purchase or sell the asset. The financial assets are de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- We have transferred our rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: a) we have transferred substantially all risks and rewards of the asset or b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Upon derecognition of a financial asset other than in its entirety (e.g. when we retain an option to repurchase part of a transferred asset), we allocate the previous carrying amount of the financial asset between the part we continue to recognize under continuing involvement, and the part we no longer recognized on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial asset impairment

At the end of each fiscal year, we assess if there is objective evidence of impairment of a financial asset or group of financial assets measured at amortized cost. Impairment is recorded only if there is objective evidence of the impairment as a consequence of one or more events occurred after the initial recognition of the asset and said impairment may be reliably measured.

For trade receivables, we apply a simplified approach in calculating expected credit losses. Therefore, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime expected credit losses at each reporting period date. We have established a provision matrix that is based on its historical credit loss experience. For this purpose, evidence of impairment includes hints that debtors or a group of debtors are experiencing major financial difficulties, non-performances or arrears in payments of principal or interest, the likelihood that they shall be declared bankrupt or in reorganization proceedings and when such observable details indicate that there is a decrease in the estimated future cash flows.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of estimated future cash flows (to the exclusion of future loan losses not incurred) discounted at the original effective interest rate of the financial asset. The book value of the asset is written down and the amount of the loss is recognized in the consolidated statement of profit or loss and other comprehensive income. As a practical measure, we may measure impairment on the basis of the fair value of an instrument, using an observable market price. If, in a subsequent period, the impairment amount decreases and such reduction is related to an event taking place after the original impairment, the reversal of the impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instrument

Financial assets and financial liabilities are offset if there is a currently enforceable legal right to offset the recognized amounts and when there is an intent to settle on a net basis, to realize the asset and settle the liability simultaneously.

Ferrocarril Roca Management Trust

The 100% ownership interest in the Ferrocarril Roca Management Trust is recorded at cost, which is the amount of the contributions made, net of trust expenses plus net financing profit or loss accrued until the end of the fiscal year. See note 3.15 of our consolidated financial statements.

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Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments

An equity instrument consists in a contract evidencing a residual ownership interest over an entity's net assets. Equity instruments issued by us at the amount of proceeds receivable, net of direct issuance costs.

The repurchase of our own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss stemming from purchases, sales, issuance or cancellation of our own equity instruments. See note 3.16 of our consolidated financial statements.

Short- and long-term employee benefits

Liabilities are recognized for the benefits accrued in favor of employees with respect to the salaries and wages, annual vacations and leaves of absence due to diseases in the period in which the service is rendered in connection with the non-discounted amount of the benefits expected to be paid in exchange for such service.

Liabilities are recognized in connection with short-term employee benefits measured at the non-discounted amount of the benefits that are expected to be paid in connection with the related service.

The liabilities recognized with respect to other long-term employee benefits (termination payment plans, which stem from plans that are specific to the employees who leave the company and receive a compensation agreed to be paid in installments) are measured at the present value of estimated future cash outflows expected to be realized.

On January 24, 2018, our Board of Directors approved the implementation of an incentive program calculated on the basis of our ADS (the “Program”). See “Item 6.B Directors, Senior Management and Employees – Compensation – Long-Term Incentive Program”. The purpose of this Program is to attract and retain certain high-ranking employees who satisfy certain admissibility criteria, in the search for aligning the company's and its shareholders' long-term interest.

At the end of the reporting period of these consolidated financial statements, such Program has been deployed and implemented. A liability has been recorded to reflect the fair value of the transactions involving stock-based payments as they are settled in cash. Such fair value is determined at the opening date and at every reporting period of the fiscal year until the date when the plan is settled. To calculate fair value, it is the Black-Scholes method that is used. Fair value is recorded as an expense in the period in which the right becomes irrevocable. Changes in fair value are recognized in the fair value in the “Salaries, wages and social security contributions” caption of the consolidated statement of profit or loss and other comprehensive income and the related liability in the caption “Salaries and social security payables” in the consolidated statement of financial position. See note 19 of our consolidated financial statements.

Stripping costs and quarry exploitation

As part of its mining operations, we incur stripping (waste removal) costs during the initial development phase of the open-pit quarries and production phase of our operations. Stripping costs incurred in the developments phase are capitalized as part of the cost of construction of the mine in property, plant and equipment, and are subsequently depreciated over its estimated useful life using the units of production method. Under the units of production method, we use the estimated proven reserves in the denominator. The proven reserves estimate is reviewed periodically, and any adjustment is applied prospectively. The capitalization of development stripping costs ceases when the mine / component is commissioned and ready for use as intended by management.