



ANTEA CEMENT Sh. A
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

CONSOLIDATED ANTEA CEMENT SH.A.

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CONSOLIDATED ANTEA CEMENT SH.A.

GENERAL INFORMATION

CORPORATE INFORMATION

ANTEA Cement Sh.A. is an investment with the highest standards applied in terms of construction and operation in Albania and a total value exceeding 200 million Euro. The company is controlled by ALVACIM LTD, which has 100% shareholding in the Company. The Company's ultimate parent is Titan Cement International S.A. (hereinafter referred as "Titan Group")

Antea Cement was awarded the right for land usage and mining exploitation by the Albanian Government for 99 years. The plant was constructed by CBMI Construction Co, a Chinese construction company. Under the supervision of Titan Group which implemented the highest safety standards applicable, the project was completed on time, within the forecasted budget and with zero accidents.

ANTEA Cement has a production capacity of 1.4-million-ton cement annually and 3.300-ton clinker per day. The plant is located at "Boka e Kuqe", Borizane which is 50 km away from Tirana, capital city of Albania.

Antea Cement Sh.A. (hereinafter referred as the "Company" or "Antea") and its subsidiaries (hereinafter referred as the "Group" or "Consolidated Antea")

The Company has two fully owned (100%) subsidiaries as follows:

ALBA CEMENTO shpk

Alba Cemento Shpk owns and operates a cement terminal operating in Tirana. Such terminal is made available to Antea Cement and provides logistic services to the later. The company prepares and submits its financial statements in according to respective legislation in Albania. All revenues generated by the company are generated from the logistic services provided to Antea Cement.

CEMENTI ANTEA SRL – Italy

The main activity of the subsidiary is trading cement exported from Antea Cement through a rented terminal in Ortona, Italy. The company sells the cement exported from Albania to the Italian Market and its main revenues are derived from this activity.

The below information is provided in compliance with the provisions of and requirements of the law on Accounting and Financial reporting No 25/2018 Dated 10.05.2018.

Beside the information provided in this document the company prepares and publishes in its website an Integrate Annual Report which provides more detailed information about its integrated operations.

BUSINESS DESCRIPTION

Antea Cement is one of the major cement producers in Albania, with a plant, able to complete the entire technological process of transformation from raw materials to the final product. The Company through the technology installed in its plant can produce both Clinker and Cement.

Clinker is a semi-product produced by the Company which can further be utilized by Antea Cement in the cement production or it can be sold to other companies for production of cement, whereas the final product is cement of different types.

The company sells its product in the domestic market as well as exports it in the international market.

CONSOLIDATED ANTEA CEMENT SH.A.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY

2019 was characterized by a stable and solid performance for Antea Cement and its subsidiaries. Below we have reviewed the main operations of Antea Cement Sh.A. on a consolidated level (herein referred as "Consolidated Antea" or "Consolidated"). Antea Cement, addressed successfully the challenges of cement demand both in the domestic and export markets and capitalized its result on such demand

At the same time, ANTEA remained focused on the enduring objective of balanced, responsible and sustainable long-term growth, embracing change as an organization and innovating at an accelerated pace. Below are shown some of the key financial indicators by comparing the current reporting period to the previous reporting period.

Briefly below you may find some of the main Economic Indicators of the company.

Financial Performance Highlights Amounts in 000 ALL	Consolidated Antea	
	2019	2018
Consolidated Sales of Products	6,420,830	5,728,635
Consolidated Operating Profit	958,850	446,526
Consolidated EBITDA	1,918,377	1,317,973
Consolidated Profit before tax	645,866	718,451
Consolidated Net profit	533,226	598,314

During 2019 Consolidated revenues from sales of products were increased by ALL 692,195 thousand or 12% vs prior year. Out of ALL 6,420,830 thousand of revenues from Sales of Product 64% is derived from sales in Domestic Market and 36% from sales in Export Markets. Main markets where the company is exporting are in the neighboring countries and in the Mediterranean Region.

Consolidated Operating Profit increased by ALL 512,324 thousand or 115% vs prior year, thus contributing in an increase of the Consolidated EBITDA vs prior year by ALL 600,404 thousand as also indicated in the Note 32 to the Consolidated Financial Statements.

Consolidated Profit Before Tax For the year amounted to ALL 645,866 thousand which was lower than previous year by ALL 72,585 thousand, mainly affected by the Net Finance Cost which this year resulted in net cost due to lower FX Gain versus prior year. More details are provided in the notes to the consolidated financial statements.

The above consolidated operation results coupled with the movement in the company's working capital led to a Consolidated Net Cash Flow from Operating activities in the amount of ALL 1,427,574 thousand which was ALL 299,514 thousand less compared to prior year. Nevertheless, the company utilized these resources to invest in new Capex in the Amount of ALL 245,413 thousand and have Net Cash Flow used in repaying borrowings in the amount of ALL 1,054,108 thousand during the period. The company closed the financial year in a satisfactory and stable liquidity position.

In terms of technical performance, operation of the production line during 2019 followed the demand pattern for the company's product while focusing on optimization of stocks and working capital through the year. The production line has been performing at very high reliability levels ensuring proper delivery of products both to domestic and export markets especially during periods of high demand, adequately capturing all the opportunities available.

In terms of Health and Safety the company continued with the implementation of its own good practices from previous years for the purpose of further developing its overall health and safety performance. In addition, it introduced guidelines and methodologies which are implemented by TITAN Group. Raising the health and safety awareness through culture development and accepting the health and safety requirements as "normal" part of the job are crucial preconditions for building a sustainable health and safety system. Direct and interactive trainings is one of the most favorable tools for raising awareness and learning. Thus, our employees had 2,898 hours of trainings in the area of Health and Safety.

CONSOLIDATED ANTEA CEMENT SH.A.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

In 2019, the company has shown efforts in being part and contributing in various successful initiatives held in Tirana regarding CSR in partnership and/or collaboration with institutions and embassies. The company continued to actively implement its CSR development programs, by crafting initiatives as per the local community needs as well as involving and supporting its stakeholders. Main initiatives in local community includes "Learning Computer Literacy and Foreign Languages", "Safety 4 Kids", "Changing hygiene behaviors on the schools" etc.

ANTEA has been in the forefront to contribute immediately after the earthquake that hit Albania on November 2019 by providing for the local community help on services, logistics, offering warm food for the affected families and helping the local authorities with emergency needs as per their requests. The reconstruction of damages in Thumana's school, was one of the main projects, making it safe to operate again.

Furthermore, ANTEA has donated cement for various municipalities in Albania to help them in their civil projects on deteriorated and rehabilitations of roads, restorations/constructions of local houses and schools. Nevertheless, ANTEA continues to engage in promoting CSR standards and best practices in the country, by organizing conferences and meetings with Institutions, Universities, Organizations and NGOs and leading the CSR approach.

The environmental performance of ANTEA is monitored and reviewed throughout the entire year. The review addresses accordingly and timely all the material issues of our operations. Since the beginning of its operation, ANTEA has been exerting its activity in accordance to ISO 14001 environmental management system certified by independent third party. The certification covers the quality and the adequacy of all applicable systems enforced to control and reduce air emissions, quarry rehabilitation and landscape aspects, groundwater, wells and wastewater aspects, liquid and solid waste, natural resources & energy consumption, noise and other environmental aspects. The company is fully compliant with the applicable laws and legislations in this respect.

People are central to everything we do. The Human resources are the asset that drives the company performance and efficiency. For our company the priority is to ensure a strong Employer – Employee relation based on mutual trust and consistency in our corporate values and principles. We are offering a comprehensive, decent working environment respecting the health & safety conditions and human rights.

We provide mechanisms that promote open and direct communication with our employees. We are offering equal opportunities both to applicants and employees, not allowing any form of discrimination related to gender, nationality, race, religion, family status or else and promoting transparency and meritocracy. ANTEA Cement is the first company in Albania that has successfully implemented and has been certified according to the Social Accountability 8000:2014 Standard (shortly SA8000:2014), an auditable certification standard that encourages organizations to develop, maintain, and apply socially acceptable practices in the workplace.

As at 31 December 2019 the consolidated headcount of ANTEA at the end of the year reached 193 people. During 2019 the Employee Benefit Expenses amounted to ALL 403,471 thousand as explained in the Note 13 to the consolidated financial Statements.

The development of our people is a responsibility which helps us in retaining high-qualified personnel. In Trainings fields, in 2019, ANTEA contributed to the development of our employees by providing continuous training in technical and management skills. The focus of our training (beyond what we provided above under the chapter of Health & Safety) was to continue improvement of employees' soft skills regarding teamwork and team building, effective communication, presentation skills, enhancing their technical knowledge and subsequent to that to promote company's values. In total for 2019 3,015 hours of training were delivered to our employees.

CONSOLIDATED ANTEA CEMENT SH.A.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

a) Business risks

The major financial liabilities of the Company include interest bearing loans, other liabilities and trade payables. The primary target of these financial instruments is that financing of the activity of the Company to be secured. The Company possesses financial assets, such as trade and other receivables, cash and cash equivalents, which origin derives from the activity of the Company. The major risks, that occur from the financial instruments of the Company are interest bearing risk, liquidity risk, currency risk and credit risk. The policy applied by the Management of the Company, for management of all these risks is summarized in Note 30 of the Consolidated Financial Statements.

b) Research and Development activity of the Company

The Company did not perform any activity, related with research and development in 2019.

c) Disclosure for acquisition of own shares

The Company owns no shares of the Company and had no such transactions in 2019.

d) Branches of the Company

The company has two subsidiaries as explained above which are fully consolidated in these consolidated financial statements. Apart of that there are no other branches.

e) Policies and Objective of managing financial risk, Exposure of the company towards Financial Risks & Risk Quantifications

Policies and Objectives for managing financial risks as well as the respective quantifications are included in the Notes 4 and Note 30 to the Consolidated Financial Statements.

f) OBJECTIVES OF THE COMPANY FOR 2020

The company's objectives are set to achieve the following objectives for 2020:

- Increase effectiveness of industrial performance.
- Continue serving its customers in the domestic and export markets as well as be able to satisfy any additional demand in the markets.
- Sustain the current financial results and seek areas of potential growth and on the same time contain fixed costs.

REPORT ON INTERNAL CORPORATE GOVERNANCE

a) Corporate Governance

The Company is constituted as a joint stock company in compliance with the Commercial Law of the Republic of Albania and has a two-tier system of governance which is as follows:

- The supervisory council
- The Administrator/General Manager

The supervisory board as at 31 Dec 2019 is comprised as follows:

- Chairman of the supervisory council, Mr. Konstantinos Derdemezis
- Member of the supervisory council, Mr. Fokion Tasoulas
- Member of the supervisory council, Mr. Christos Panagopoulos
- Member of the supervisory council, Mr. Loukas Petkidis

The supervisory council members are appointed from the shareholders General Assembly. The members of the supervisory board bring on board a valuable experience of different areas comprising expertise on industrial, commercial and financial areas.

CONSOLIDATED ANTEA CEMENT SH.A.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

The Supervisory Boards appoint the administrator/ General manager of the company. The General Manager of the company is Mr. Mario Bracchi.

b) Managing risks and opportunities

ANTEA Cement has in place an Integrated Management System (IMS) which is comprised of three management systems and one standard being:

- OHSAS 18001 for Occupational Health and Safety
- ISO 14001 for Environment
- ISO 9001 for Quality
- SA 8000:2014 for Social Accountability

The management team of ANTEA Cement assesses the social, environmental, managerial and financial risks that the company can face in the framework of the challenges that are coming from the country, the region and further. The company manages the risks through:

- Internal audits and Systems to keep in consistency with Management Systems requirements in place
- Creation of various committees in the company to address various challenges and issues.

At ANTEA Cement, the following Boards and Committees are created to address various challenges and issues:

Quality Board:

The company's management is involved in the Quality System through the Quality Board. The responsibilities of the Quality Board are the following:

- Establishing the Company's Quality Policy
- Adopting the Quality System's documents
- Conducting the internal quality audits
- Conducting reviews of the Quality System
- Setting quality targets

Environment Board:

It is responsible to identify the environmental aspects, to determine the emergency situations and the need for preparation of emergency plans, to review on annual basis the Environmental Management System etc.

Health & Safety Central Committee:

ANTEA H&S Central Committee provides strategic and tactical guidance for the improvement of initiatives regarding safety and health at ANTEA plant. It establishes effective business processes to promote the full implementation of the TITAN's Group Health & Safety Policy. The Central Committee's Members must demonstrate visible leadership, personal commitment, active support, actions' accountability and timely follow-through for all safety programs.

The Social Accountability Board:

The Plant has also appointed a Social Accountability Board responsible to identify the social accountability issues, determine the required preventive or corrective actions, and review on annual basis the Social Accountability Management System etc.

The Company has been extensively trained in the most sensitive areas of Anti-bribery, Anti-corruption and Sanctions and has widely incorporated in its contractual relations with suppliers, customers and partners relevant provisions to avoid illegal implications.

CONSOLIDATED ANTEA CEMENT SH.A.

REPORT ON THE CONSOLIDATED ECONOMIC AND OTHER ACTIVITIES OF THE COMPANY (CONTINUED)

Moreover, a conflict of interest policy has been adopted and a committee responsible for clearing cases of possible conflict of interest has been established with the attendance of Company's top management. Following up with the latest changes in the local legislation, the Company has elected and formalized the Responsible Unit in accordance with the Albanian Law on Whistleblowing which has carried a series of trainings and has distributed the necessary materials to the employees aiming at making them aware of their rights and obligations in the event a corruption case comes to their attention.

c) Antea Values

ANTEAS's values stem directly from the principles, beliefs and vision from its establishment back in 2006. They are the core elements in compliance with TITAN's culture and family spirit, providing the foundations of the Group's operations and growth. ANTEA Cement Sha is committed to create value for its employees, the local community, its suppliers and clients through strengthening the core values, applying ethical business practices having an open and continuous communication with all stakeholders and addressing their most material issues in a timely and proper manner. Although the environment where the Company operates has its own challenges, Antea strive to be a responsible company through identifying the impact on the society and taking action to create value for its stakeholders by minimizing the adverse effects while increasing welfare and well-being of its employees, local communities and business partners. Below are presented the Company values:

- *Integrity*: Ethical business practices; Transparency; Open communication
- *Know-how*: Enhancement of knowledge base; Proficiency in every function; Excellence in core competencies
- *Value to the customer*: Anticipation of customer needs; Innovative solutions; High quality of products and services
- *Delivering results*: Shareholder value; Clear objectives; High standards
- *Continuous improvement*: Learning organization; Willingness to change; Rise to challenges
- *Corporate Social Responsibility*: Safety first; Sustainable development; Stakeholder engagement

Operating in the same line with Titan Group aiming to grow as a multiregional, vertically integrated cement producer, combining entrepreneurial spirit and operational excellence with respect to its people, society and the environment, ANTEA follows the Titan objectives translated into four strategic priorities: Geographic diversification: Expansion of the Company's business relations through acquisitions and greenfield developments into attractive new markets

Vertical integration: Extension of the Company into other product areas in the cement value chain

Continuous competitive improvement: Implementation of new efficiencies to reduce costs and to compete more effectively

Focus on human capital and Corporate Social Responsibility: Development of employees and continuous improvement of the Company's good relationships with all internal and external stakeholders.

d) Internal controls and risk management systems regarding financial reporting

The key elements of the system of internal controls utilized in order to avoid errors in the preparation of the consolidated financial statements and to provide reliable financial information are the following:

- The assurance mechanism regarding the integrity of the Company's consolidated financial statements consists of a combination of the embedded risk management processes, the applied financial control activities, the relevant information technology utilized, and the financial information prepared, communicated and monitored. The company prepares and reviews on a monthly basis financial and non-financial data which is reviewed by the company's management on a periodical basis.
- The company utilizes a full package SAP solution for monitoring its operational and bookkeeping transactions. Such software solution provides for the most secure and advanced way of recording and reporting all the company's activities in an accurate and correct way.
- The Company engaged external auditors to review the mid-year financial statements of the Company and audit the full year consolidated financial statements of the aforementioned.

All the above ensure that the consolidated financial statements of the company provide reliable and accurate information.

CONSOLIDATED ANTEA CEMENT SH.A.

PAYMENTS MADE TO GOVERNMENTAL INSTITUTIONS

The below report is prepared in compliance with article 21 of the Law on Accounting and Financial Statements No 25/2018 Dated 10.05.2018.

The table below indicates the actual cash payments made by Antea Cement sha (standing alone) to the authorities in Albania for the indicated type of taxes or categories as below.

Amounts are in 000'ALL

Payment type**	2019
• Production Rights	-
• Payment of Taxes as per the Applicable Tax Legislation	
- Corporate income tax	168,464
- Social and health insurance	55,263
- Personal income tax	31,408
- Carbon & Excise Tax	265,329
- Local Taxes to Local Authorities	21,554
• Royalties	48,478
• Dividends	-
• Payments for Subscriptions, Research and Production	-
• Tax and Tariffs and other payments linked with Licenses and Concessions	-
• Payments for Infrastructure Improvements.	-
TOTAL	590,496

** The above amounts represent the actual cash payments made by the company during the calendar year ending 31 December 2019.



Independent Auditor's Report

To the shareholder of ANTEA CEMENT SH.A.:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ANTEA CEMENT SH.A. (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities 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.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Management's Report, the Business Activity Report and Report on Payments made to Governmental Institutions (but does not include the consolidated financial statements and our auditor's 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.



Independent Auditor's Report (continued)

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 management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management 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, management 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 management 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives 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 auditor's 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 ISAs 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 ISAs, 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 management.
- Conclude on the appropriateness of management'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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent Auditor's Report (continued)

- 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 or 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.

PricewaterhouseCoopers Audit Sh.p.k.
PricewaterhouseCoopers Audit SHIP.K.

3 April 2020

Tirana, Albania



Statutory Auditor

Jonid Lamllari

CONSOLIDATED ANTEA CEMENT SH.A.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Amounts in ALL thousand unless otherwise stated)

		Year ended 31 December 2019	Year ended 31 December 2018
	Notes		
Sales of products	6	6,420,830	5,728,635
Other revenue	7	400,730	212,691
Cost of sales	8	(5,279,048)	(4,976,059)
Gross profit		1,542,512	965,267
Other operating income	9	86,242	109,859
Other operating expenses	10	(45,077)	(37,347)
Selling and marketing expenses	11	(76,077)	(76,480)
Administrative expenses	12	(548,750)	(514,773)
Operating profit		958,850	446,526
Finance income		608,371	1,074,466
Finance costs		(921,355)	(802,541)
Net finance (costs) / income	14	(312,984)	271,925
Profit before tax		645,866	718,451
Income tax expense	15	(112,640)	(120,137)
Profit for the year		533,226	598,314
Other Comprehensive (losses)			
Exchange difference on translation of foreign operations	28	(2,101)	(7,297)
Total Comprehensive Income for the year		531,125	591,017
Net Profit attributable to:			
Owner of the parent		531,125	591,017
Non-controlling interest		-	-
		531,125	591,017
Total comprehensive income attributable to:			
Owners of the parent		531,125	591,017
Non-controlling interest		-	-
		531,125	591,017

The notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED ANTEA CEMENT SH.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Amounts in ALL thousand unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	16	17,828,668	18,472,340
Right-of-use assets	18	144,103	-
Intangible assets	17	77,233	101,076
Other non-current assets	19	9,537	-
Total Non-Current Assets		18,059,541	18,573,416
Current assets			
Inventories	20	1,567,404	1,660,780
Trade receivables	21	368,742	346,698
Other receivables	22	59,771	122,766
Receivables from related parties	29b	126,136	257,863
Cash and cash equivalents	23	809,428	758,920
Total Current Assets		2,931,481	3,147,027
TOTAL ASSETS		20,991,022	21,720,443
EQUITY AND LIABILITIES			
Equity			
Share capital	24	10,686,510	10,686,510
Accumulated deficit		(4,342,322)	(4,875,548)
Translation reserve	28	(12,155)	(10,054)
TOTAL EQUITY		6,332,033	5,800,908
Non-current liabilities			
Interest bearing loans and borrowings	25a	12,031,461	12,164,153
Lease liabilities	18	98,168	-
Deferred income tax liabilities, net	15	1,176,893	1,189,932
Total Non-Current Liabilities		13,306,522	13,354,085
Current liabilities			
Trade payables	26	606,858	704,898
Other payables	27	173,015	214,769
Interest bearing loans and borrowings	25b	388,742	1,471,685
Lease Liabilities	18	46,452	-
Payables to related parties	29d	137,400	174,118
Total Current Liabilities		1,352,467	2,565,450
TOTAL LIABILITIES		14,658,989	15,919,535
TOTAL EQUITY AND LIABILITIES		20,991,022	21,720,443

These consolidated financial statements have been approved by management of the group on 05 March 2020 and signed on its behalf by:

Mario Bracci

Chief Executive Officer



Adrian Qirjako

Finance Director

The notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED ANTEA CEMENT SH.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in ALL thousand unless otherwise stated)

Attributable to the owners of ANTEA CEMENT SH.A.					
	Share capital	Accumulated deficit	Translation reserve	Non-controlling interests	Total Equity
As at 1 January 2018	10,686,510	(5,473,862)	(2,757)	-	5,209,891
Net profit for the year	-	598,314	-	-	598,314
Other comprehensive loss (Note 28)	-	-	(7,297)	-	(7,297)
Total comprehensive income for the year	-	598,314	(7,297)	-	591,017
As at 31 December 2018	10,686,510	(4,875,548)	(10,054)	-	5,800,908
Net profit for the year	-	533,226	-	-	533,226
Other comprehensive loss (Note 28)	-	-	(2,101)	-	(2,101)
Total comprehensive income for the year	-	533,226	(2,101)	-	531,125
As at 31 December 2019	10,686,510	(4,342,322)	(12,155)	-	6,332,033

The notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED ANTEA CEMENT SH.A.

CONSOLIDATED STATEMENT OF CASH FLOWS (Amounts in ALL thousand unless otherwise stated)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Net profit before taxes		645,866	718,451
Adjustments for:			
Depreciation of property, plant and equipment	16/18	935,684	849,625
Amortization of intangible assets	17	23,843	21,822
Loss/(gain) on disposal of property, plant and equipment	10	13,275	(57)
Movement in forestation provision	9/27	(23,224)	(16,140)
Movement in other provisions	9/10/27	26,785	(19,142)
Interest income	14	(56)	(106)
Interest expense	14	437,578	526,641
Foreign exchange (gains)	14	(139,850)	(806,658)
Working Capital Adjustments			
Decrease in inventories	20	93,376	375,446
Decrease in trade and other receivables	21/22/ 29b	150,553	85,868
(Decrease) / Increase in trade and other payables	26/27/ 29 d	(362,162)	118,485
Cash generated from operations		1,801,668	1,854,245
Interest paid		(374,150)	(127,263)
Interest received		56	106
Net cash flows from operating activities		1,427,574	1,727,088
Cash flows from investing activities			
Acquisition of property, plant and equipment	16	(245,413)	(331,664)
Acquisition of intangible assets	17	-	(17,585)
Proceeds from disposal of property, plant & equipment		-	1,182
Net cash flows used in investing activities		(245,413)	(348,067)
Cash flows from financing activities			
Proceeds of borrowings	25	882,008	121,171
Repayment of borrowings	25/29e	(1,936,116)	(1,329,501)
Principal elements of lease payments	18	(57,168)	-
Payment of Fees		(3,762)	-
Net cash flows used in financing activities		(1,115,038)	(1,208,330)
Net increase in cash and cash equivalents		67,123	170,691
Cash and cash equivalents at 1 January		758,920	638,145
Translation effect of foreign exchange currency		(16,615)	(49,916)
Cash and cash equivalents at 31 December	23	809,428	758,920

The notes on pages 6 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

1. GENERAL INFORMATION

Antea Cement Sh.A. (hereinafter referred as the "Company" or "Antea") and its subsidiaries (hereinafter referred as the "Group" or "Consolidated Antea") main activity is the production and trading of cement, in bulk and packed bags.

The company is incorporated in the Republic of Albania, with registered address at "Rr. Kashar, Katundi i ri, Autostrada Tirane-Durres km 7, PO BOX 1746 , Tirana, Albania." The Company has the following subsidiaries:

Subsidiaries	% of shares owned	Location
Alba Cemento sh.p.k.	100	Tirane, Albania
Cementi Antea SRL	100	Marghera, Italy

The Group's immediate parent is ALVACIM Ltd registered in Cyprus, which has 100% shareholding in the Group. (31 December 2018; Alvacim Ltd had 80% shareholding and IFC had 20% shareholding in the Group).

The Group's ultimate parent is Titan Cement International S.A (hereinafter referred as "Titan Group").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group, in the preparation of the consolidated financial statements, are in accordance with International Financial Reporting Standards ("IFRS").

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention the principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Presentation currency. These consolidated financial statements are presented in Albanian Lek ("ALL"), unless otherwise stated. The functional currency of Cementi Antea Srl is Euro. Except as indicated, financial information presented in ALL has been rounded to the nearest thousand.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. ANTEA CEMENT SH.A., fully owns its subsidiaries, and there are no non-controlling interests.

(b) Significant accounting policies

(i) Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Group and its subsidiaries, and the Group's presentation currency, is the Albanian Lek ("ALL"). The consolidated financial statements are presented in Albanian Lek ("ALL"), which is the Group's presentation currency.

CONSOLIDATED ANTEA CEMENT SH.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Significant accounting policies (continued)

(i) Foreign currency translation

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of Albania ("BoA") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the BoA are recognised in profit or loss as finance income or costs. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of Cementi Antea Srl, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the European Union Currency ("EUR") and their major activities include the provision of services to foreign investors. Moreover, the majority of their operations are denominated in EUR and also, the EUR is the currency in which their business risks and exposures are managed, and the performance of their business is measured.

(ii) Revenue Recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, and discounts. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Sale of goods

Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)
(ii) Revenue Recognition (continued)

If the Group provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the service rendering.

Sales of services

The Group provides services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced for transportation costs as a separate performance obligation. No other services are performed by the Group.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

Interest Income

Interest income is recognized on a time-proportion basis using the effective interest method. Revenue relates to time deposits and is recognized as interest accrues. Interest income is included in finance income.

(iii) Leases

Until the 2018 financial year, leases were classified as either finance or operating leases. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use (ROU) asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and interest, which is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group presents ROU assets that do not meet the definition of investment property in the account "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns. ROU assets that meet the definition of investment property are presented with investment property.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) Significant accounting policies (continued)
(iii) Leases (continued)

The lease liability is initially measured at the commencement date at the present value of the lease payments during the lease term that are not yet paid. It is discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate (IBR). The IBR is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and condition.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a modification that is not accounted for as a separate lease; a change in future lease payments arising from a change in an index or rate; a change in the estimate of the amount expected to be payable under a residual value guarantee; and if the Group changes its assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments)
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lessee will exercise that option

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. When ROU asset meets the definition of investment property is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policy.

The initial measurement of the ROU asset is comprised by:

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

For short term leases and leases of low value assets, the Group has elected not to recognize ROU assets and lease liabilities. It recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For leases that contain both lease and non-lease components, the Group chose not to separate them, except for terminals in which non-lease components is separated from lease components.

Lessors

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating leases of PPE are recognized according to their nature in the statement of financial position.

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(iv) Taxes

Current income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses, substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilized.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilized.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the net amount of the debtor, excluding VAT. Based on the tax legislation, following fulfilment of certain criteria VAT can be recovered/offset, as a result such amounts have been taken into account for the impairment loss calculation.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(v) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's 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. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Infrastructure intervention that increases the useful life of property, plant and equipment, improves operations or cost optimization, are capitalized into the cost of land and building and depreciated over the useful life applicable to such category.

Spare Parts are recognized as part of Property plant and equipment if the follow criteria's are met: the spare parts are expected to be used for more than one period, their cost can be measured reliably, It is probable that future economic benefits associated with the item will flow to the entity, and the unit value of the qualifying strategic spare part equals and exceeds the equivalent in ALL of Euro 50 thousand

Depreciation

Land is not depreciated. Land improvements represent internal roads and other infrastructure investments of the group. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Land and improvements	10 to 40 years
Buildings	10 to 40 years
Plant and machinery	5 to 40 years
Vehicles	5 to 15 years
Furniture and fitting, and electronic equipment.	2 to 10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

CONSOLIDATED ANTEA CEMENT SH.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019
(Amounts in ALL thousand unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(vi) Intangible assets

The Group's intangible assets have definite useful lives and primarily include capitalized computer software, licenses, and works in progress.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Useful lives in years

Computer software

5-10 years

Licences

10 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortization and are tested annually for impairment.

Assets that are subject to depreciation and amortization are reviewed for impairment 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 costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill), if any, are reviewed for possible reversal at each reporting date.

(vii) Impairment on non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)
(vii) Impairment on non-financial assets (continued)

recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(viii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all eligible assets where construction commenced on or after 1 January 2009.

(ix) Financial instruments

Initial recognition

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost ("AC") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss. The Group does not have any FVTPL or FVOCI financial assets at the reporting date.

Financial assets

Classification and subsequent measurement – measurement categories.

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Classification and subsequent measurement – business model.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. The current Group's business model is "Hold to collect".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(ix) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. The Group's financial assets include cash and short-term deposits, trade and other receivables, and short-term loans, which meet the SPPI criteria.

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the income statement in profit or loss.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole, changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has 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) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(ix) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets – credit loss allowance for ECL

The Group assesses the ECL for debt instruments measured at AC. The Group measures ECL and recognizes net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Credit loss allowance is recognized using a simplified approach at lifetime ECL. The ECL is recognized through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates.

Financial liabilities

Classification and subsequent measurement – measurement categories.

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. The Group's financial liabilities include trade and other payables, loans and borrowings.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method ("EIR") amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

Derecognition Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(ix) Financial instruments (continued)

Financial liabilities (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

(x) Trade payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(xi) Cash and short-term deposits

Cash and cash equivalents include cash in hand, current accounts and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(xii) Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

- Purchase cost on a first in, first out basis

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Initial cost of inventories includes the transfer of gains and losses, recognized in other comprehensive income, in respect of the purchases of raw materials.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

(xiii) Provisions

Provisions are recognized when the Group has 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. Provisions are not recognized for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(xiv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorized for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations.

(xv) Employee benefits

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the statutory defined contribution schemes.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

I. Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments.

Measurement of ECLs is a significant estimate that involves determination of a methodology, models and data inputs. The Group assesses individually all court cases and receivables due more than 365 days. The expected credit loss is the product of the exposure of default, loss given default and probability of default. WACC of 6.2% is used for discounting.

All other trade receivables are assessed collectively by using a simplified approach at lifetime ECL. Loss ratios per categories are calculated based on a provisioning matrix which considers exposure at default, historical default rates, customer credit worthiness and changes in customer payment terms.

II. Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in **Note 2 (d), (iv) and (vi)** and **Note 16 and 17**.

III. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group domicile. As the Group assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

IV. Environmental restoration costs - Provisions for Forestation

The Group is required to perform restoration works consisting in re-forestation on quarries and processing sites on an ongoing basis based on a specific schedule binding exploration. These works are fulfilled each year and the respective costs are recognized in the financial results of the Group.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in the following notes:

- Note 15 – Income tax expense
- Note 21 – Trade receivable
- Note 27 – Provisions
- Note 33 – Commitments and contingencies

4. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk from the use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements and in note 30.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The principal financial instruments of the Group consist of cash on hand and at banks, trade accounts receivable and payable, other receivables and liabilities.

(i) Credit risk

Due to the large volume and diversity of the Group's customer base, concentrations of credit risk with respect to trade accounts receivable from customers are not significant. The expected credit loss allowance is stated at the amount considered necessary to cover potential risks in the collection of accounts receivable balances.

(ii) Liquidity risk

The Group generates cash flows from operating activities such that it believes that its liquidity risk is not significant.

(iii) Market risk

Interest rate risk

The Group faces interest rate cash flow risk related to its borrowings which are at a variable rate. Management has not entered any derivatives to hedge this risk.

Foreign exchange risk

The Group has significant exposure toward foreign currencies. The Group has long-term and short-term borrowings denominated in Euro.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. Please refer to the respective sensitivity analysis in note 30a and 30b.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the EBITDA which is earnings before interest, taxes and depreciation.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group is not subject to externally imposed capital requirements.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2019.

IFRS 16 "Leases"

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial application recognized in the opening balance sheet on 1 January 2019.

Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- for contracts entered before the transition date, relying of its assessment made by applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*,
- relying on previous assessments on whether leases are onerous,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Moreover, the Group elected to use the on-going recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets), for example small items of office furniture, or IT equipment. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Finally, the Group chose not to separate the non-lease components from lease components. This simplification is applicable to all class of underlying asset to which the right of use relates, except for terminals in which non-lease components is separated from lease components.

The change in the accounting policy affected the following items in the statement of financial position of the Group on 1st January 2019.

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5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

	1 January 2019
Right of use of asset	184,176
Current lease liabilities	53,985
Non-current lease liabilities	130,191

Adjustments recognized on adoption of IFRS 16:

The lease liabilities on 1 January 2019 can be reconciled to the operating lease commitments on 31.12.2018 as follows:

	1 January 2019
Operating lease commitments disclosed on 31.12.2018	246,600
A: Discounted using the lessee's incremental borrowing rate (IBR) on 1.1.2019	193,582
B: (Less): short-term leases recognized on 1.1.2019 as expenses on a straight-line basis	(5,093)
C: Add/(less): Other adjustments	(4,313)
Lease liability recognized on 1.1.2019 (A-B-C)	184,176
Of which are:	
Current lease liabilities	53,985
Non-current lease liabilities	130,191

The associated right-of-use assets of certain lease contracts were measured on a retrospective basis, as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018.

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

	1 January 2019
Properties	160,104
Equipment	-
Motor Vehicles	24,072
Total	184,176

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5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

The following amended standards became effective for the Group from 1 January 2019 but did not have any material impact on the Group.

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted. The Group is in the process of determining the impact that these amendments might have on its accounts when adopted

- Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

The Group has performed a preliminary analysis and has determined that the above standards and pronouncements are not expected to have a significant impact on the Group's accounts and results of operations.

6. SALES OF PRODUCTS

The sales of goods reflected in the consolidated statement of profit or loss and other comprehensive income are analysed as follows in terms of domestic and foreign markets, as well as per type of product:

	2019	2018
Domestic market	4,330,344	3,824,446
Foreign market	2,335,169	2,176,384
Discounts	(244,683)	(272,195)
Total	6,420,830	5,728,635

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6. SALES OF PRODUCTS (CONTINUED)

Further sales analysis is provided as follows:

	2019	2018
<i>Domestic market</i>		
Sales of own cement	4,198,558	3,791,036
Sales of clinker	100,962	-
Sales of imported cement	30,824	33,410
Discounts	(244,683)	(272,195)
Total	4,085,661	3,552,251
	2019	2018
<i>Foreign market</i>		
Sales of cement	2,246,883	2,083,773
Sales of clinker	4,945	92,312
Sales of imported cement	83,341	299
Total	2,335,169	2,176,384

The Group derives revenue from the transfer of goods at a point in time. For domestic sales, the control is transferred at the moment that goods are made available (ex-works) and when taken in charge by a carrier (CPT). For export sales, the control is transferred at the moment that goods are loaded in the vessel and ready for shipment.

Contracts with customers do not contain a significant financing component as the payment terms are on short-term market commercial terms. The adoption of IFRS 15 has not impacted the Group regarding revenue recognition for both sales of goods and services detailed in Note 7.

7. OTHER REVENUES

Other revenue for the year end 31 December 2019 and 2018 are provided as follows:

	2019	2018
Revenues from freight	393,059	202,746
Revenues from materials sold	7,671	9,945
Total	400,730	212,691

Revenues from materials sold in the amount of ALL 7,671 thousand on 31 December 2019 includes sales of Raw Materials and other Consumables. During the year ended on 31 December 2018, revenues from materials sold in the amount of ALL 9,945 thousand includes sales of other and consumables materials.

CONSOLIDATED ANTEA CEMENT SH.A.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019***(Amounts in ALL thousand unless otherwise stated)***8. COST OF SALES**

The Cost of sales in the consolidated statement of profit and loss and other comprehensive income are analysed as follows:

	2019	2018
Variable costs:	3,847,735	3,533,601
Distribution expenses	771,472	654,659
Kiln fuel	1,225,884	1,200,031
Electricity	730,393	705,184
Raw materials and additives	490,030	435,667
Refractories	53,763	54,395
Fuel and oil	9,327	8,812
Royalty	48,274	46,699
Packing expenses	367,839	377,220
Cost of imported Cement	119,614	34,947
Cost of materials sold	6,463	5,601
Other variable costs	4,676	10,366
Fixed costs:	1,431,313	1,442,458
Plant salaries and related expenses	264,929	252,633
Repair and maintenance – spare parts	123,049	111,052
Services from third parties	185,718	211,030
Rent expenses	310	3,878
Plant utilities	13,166	10,646
Other fixed cost	45,032	40,878
Depreciation charges	803,241	782,471
Depreciation Right of use Assets	38,126	-
Inventory variation	(42,258)	29,870
Total	5,279,048	4,976,059

Distribution Expenses are further broken down as follows:

	2019	2018
Distribution expenses related to Domestic Sales	204,176	183,658
Distribution expenses related to Exports Sales	282,658	310,902
Distribution expenses related to Overseas transportation	284,638	160,099
Total	771,472	654,659

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9. OTHER OPERATING INCOME

Other income in the consolidated statement of profit or loss and other comprehensive income are analysed as follows:

	2019	2018
Income from fixed assets disposal	-	1,182
Reimbursement of excise	50,819	70,092
Reversal of Impairment for Trade Receivables	23,224	-
Reversal of Provision for Forestation	-	16,140
Reversal of other provisions (Note 27)	258	20,959
Other	11,941	1,486
Total	86,242	109,859

Reversal of other provisions for 2019 in the amount of ALL 258 thousand related to provision for un-used holidays. (2018: Reversal of other provisions for in the amount of ALL 18,347 thousand related to provision for operational risk created in the previous period, that has been settled during current period as well as the amount of ALL 2,612 reversal of provision for un-used holidays. Reversal of forestation provision in the amount of ALL 16,139 thousand relates to forestation works settled during the current period.)

10. OTHER OPERATING EXPENSES

An analysis of other operating expenses is presented in the table below:

	2019	2018
Losses from Sales and/or Disposal of fixed assets	13,275	1,115
Other provisions	27,043	1,816
Losses of inventory	1,471	80
Other expenses	3,288	34,336
Total	45,077	37,347

2019: Other provision in the amount of ALL 23,224 thousand relates to provision for other non-current assets (Note 19). The amount of ALL 2,128 thousand relates to provision for obsolete inventories (Note 20) and the amount of ALL 1,692 thousand relates to additional personnel costs (Note 27).

2018: Other provision in the amount of ALL 1,816 thousand for additional personnel costs (Note 27). Included in other expenses there is an amount of ALL 10,598 related to one-off forestation obligations performed by the Group during the year as well as the amount of ALL 19,607 thousand related to settlements with third parties.

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11. SELLING AND MARKETING EXPENSES

These expenses relate to costs incurred during the main activities of the Group companies for selling and marketing of the primary products.

	2019	2018
Salaries and related expenses (Note 13)	47,218	50,960
Utilities	13,245	14,706
Depreciation Right of use Assets	3,297	-
Other expenses	12,317	10,814
Total	76,077	76,480

12. ADMINISTRATIVE EXPENSES

An analysis of general and administrative expenses is presented in the table below:

	2019	2018
Consultancy fees	158,854	145,752
Salaries and related expenses (Note 13)	91,324	96,606
Supplies	80,562	84,160
Depreciation charge	72,569	67,153
Other expenses	51,131	32,375
Insurance and taxes	34,676	40,587
Amortization	23,843	21,822
Depreciation Right of Use Assets	18,451	-
Utilities	6,462	13,103
Repairs and maintenance	5,620	6,551
Travel – entertainment	5,258	6,664
Total	548,750	514,773

13. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses represent costs for salaries and wages incurred during the year.

	2019	2018
Gross salaries	270,745	271,393
Social and health contributions	41,413	36,941
Other employee expenses	91,313	91,865
Total Employee Expenses	403,471	400,199
<i>Allocated to:</i>		
Cost of sales (Note 8)	264,929	252,633
Selling and marketing expenses (Note 11)	47,218	50,960
Administrative expenses (Note 12)	91,324	96,606

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14. FINANCE INCOME AND FINANCE COSTS

Finance income and costs is related to the profit and losses during the year from exchange rate differences (realized and unrealized), bank charges, commissions and fees, interest expenses and income and other financial costs related to the outstanding borrowings.

	2019	2018
Foreign exchange gain	608,315	1,074,360
Foreign exchange losses	(468,465)	(267,700)
Net Foreign Exchange Gains	139,850	806,660
Interest expenses	(437,578)	(526,641)
Interest expenses – Lease Liability	(5,955)	-
Bank charges	(9,357)	(8,200)
Interest income	56	106
Net Finance Cost	(452,834)	(534,735)
Net Finance (Cost) / Income	(312,984)	271,925

15. INCOME TAX

The income tax expense comprises of the following:

	2019	2018
Current Income tax	(125,679)	(116,108)
Deferred income tax	13,039	(4,029)
Income tax expense	(112,640)	(120,137)

A reconciliation of current income tax for the year ended 31 December 2019 and 31 December 2018 is provided as follows:

	2019	2018
Accounting profit / (loss) before income tax	645,866	718,451
<i>Add back:</i>		
Expenses not deductible for tax purposes	168,879	141,408
Tax Depreciations	82,058	-
<i>Less:</i>		
Tax Depreciations	-	(1,067)
Non-Taxable Income	(23,959)	(55,584)
Utilization of Taxable Losses Carried Forward	(34,984)	(29,157)
Taxable profit	837,860	774,051
Current Income Tax at 15%	125,679	116,108

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15. INCOME TAX (CONTINUED)

Up to 31 December 2019 Cementi Antea SRL, a subsidiary of the Group located in Italy, has incurred taxable losses in the amount of **ALL 320,436 thousand**. During 2019 an amount of **ALL 34,984 thousand** was utilized against the profits of the year in Italy. Based on Italian Tax Legislation losses can be carried forward for an indefinite period.

On 31 December 2019 the Group has recognized deferred tax as follows:

	31 December 2019	31 December 2018
Deferred tax liability	(1,176,893)	(1,189,932)
<i>Deferred tax liability</i>	<u>(1,176,893)</u>	<u>(1,189,932)</u>
Net deferred tax	(1,176,893)	(1,189,932)

Differences between IFRS and statutory taxation regulations in Albania give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Statement of Financial Position		Statement of Profit or Loss	
	31 December 2019	31 December 2018	2019	2018
Deferred tax assets				
Right of use Assets	726	-	726	-
Allowances for unused leaves	1,661	1,700	(39)	(392)
Impairment of receivables	65,360	65,491	(131)	(3,606)
	<u>67,747</u>	<u>67,191</u>	<u>556</u>	<u>(3,998)</u>
Deferred tax liabilities				
Depreciation/amortization for tax purposes	(1,244,640)	(1,257,123)	12,483	(31)
	<u>(1,244,640)</u>	<u>(1,257,123)</u>	<u>12,483</u>	<u>(31)</u>
Deferred tax loss	(1,176,893)	(1,189,932)	13,039	(4,029)

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and Fittings	Electronic Equipment	Assets under construction	Total
Cost								
At 1 January 2018	2,887,193	1,766,679	19,604,661	87,144	29,896	194,944	490,744	25,061,261
Additions	111,938	1,716	26,104	2,894	573	6,733	181,706	331,664
Disposals	-	-	(1,698)	-	-	-	-	(1,698)
Transfers	32,523	49,600	236,882	-	1,103	930	(321,038)	-
At 31 December 2018	3,031,654	1,817,995	19,865,949	90,038	31,572	202,607	351,412	25,391,227
Depreciation:								
At 1 January 2018	470,887	360,524	4,982,048	84,296	28,189	143,901	-	6,069,845
Depreciation charge for the year	84,271	47,875	715,913	1,053	451	20,262	-	849,825
Disposal	-	-	(583)	-	-	-	-	(583)
Transfers	-	-	-	-	-	-	-	-
At 31 December 2018	535,158	408,199	5,697,378	85,349	28,640	164,163	-	6,918,887
Net book value at								
1 January 2018	2,416,306	1,406,155	14,622,613	2,848	1,707	51,043	490,744	18,991,416
Net book value at 31 December 2018	2,496,496	1,409,796	14,168,571	4,689	2,932	38,444	351,412	18,472,340

Included under assets under construction are strategic spare parts amounting to ALL 307,365 thousand (31 December 2018: ALL 318,083 thousand).

During the year, the Group has disposed assets with net book value of ALL 13,275 thousand (2018: ALL 1,115 thousand).

No property, plant and equipment have been pledged as a collateral as at 31 December 2019 (2018: Nil).

No finance costs have been capitalised as at 31 December 2019 (2018: Nil).

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17. INTANGIBLE ASSETS

Group's movements in intangible assets are shown as follows:

	Computer software	Licences	Total
Cost:			
At 1 January 2018	127,793	5,362	133,155
Additions	14,653	2,932	17,585
Transfers	-	-	-
At 31 December 2018	142,446	8,294	150,740
Additions	-	-	-
Transfers	-	-	-
At 31 December 2019	142,446	8,294	150,740
Amortization:			
At 1 January 2018	27,751	91	27,842
Amortization charge for the year	21,822	-	21,822
Translation Reserve	-	-	-
At 31 December 2018	49,573	91	49,664
Amortization charge for the year	23,060	783	23,843
Translation Reserve	-	-	-
At 31 December 2019	72,633	874	73,057
Net book value:			
At 31 December 2018	92,873	8,203	101,076
At 31 December 2019	69,813	7,420	77,233

No intangible assets have been pledged as a collateral as at 31 December 2019 and 2018.

18. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The balance sheet shows the following amounts relating to leases:

Right of Use Assets	Properties	Vehicles	Total
Carrying amount at 1 January 2019	160,104	24,072	184,176
Additions	12,488	7,098	19,586
Disposals	-	-	-
Depreciation charge	(50,166)	(9,708)	(59,874)
Translation difference	215	-	215
Carrying amount at 31 December 2019	122,641	21,462	144,103
Lease Liabilities	31 December 2019	01 January 2019	
Current	46,452	53,985	
Non-Current	98,168	130,191	
Total	144,620	184,176	

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19. OTHER NON-CURRENT ASSETS

	31 December 2019	31 December 2018
Other Non-current Assets	32,761	-
Provisions	(23,224)	-
	9,537	-

Movements in the provisions for other non-current assets are shown as follows:

	31 December 2019	31 December 2018
Balance at 1 January	-	-
Provision booked during the year (Note 3.5)	23,224	-
Balance as at 31 December	23,224	-

Other Non-Current Assets are assets, obtained by the group through the bailiff execution and enforcement procedure for non-performing customers which were part of these procedures. The group expects to dispose/sell of the assets in the foreseeable future. The assets are initially recognised at fair value when acquired and are subsequently remeasured at net realisable value. At 31 December 2019 non-current assets recognized based on the bailiff enforcement procedure were ALL 32,761 thousand. In addition, the group has recognized a provision in the amount of ALL 23,224 thousand that reflects collectability restrictions and loss in fair value of the properties.

20. INVENTORIES

	31 December 2019	31 December 2018
Spare parts	798,845	847,734
Raw materials	303,760	370,359
Work in progress	156,819	111,010
Finished goods	120,086	123,637
Other materials	104,411	114,124
Packaging materials	64,356	76,306
Goods for resale	21,255	17,610
Provision for damaged goods	(2,128)	-
	1,567,404	1,660,780

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20. INVENTORIES (CONTINUED)

Movements in the provisions for inventory are shown as follows:

	31 December 2019	31 December 2018
Balance at 1 January	-	-
Provision booked during the year (Note 10)	2,128	-
Balance as at 31 December	2,128	-

21. TRADE RECEIVABLES

As at 31 December 2019, trade receivables are composed of the following:

	31 December 2019	31 December 2018
Trade receivables	1,068,342	1,071,529
Allowance for ECL	(699,600)	(724,831)
Trade Receivables, Net	368,742	346,698

Trade receivables are non-interest bearing and are generally on 30-120-credit terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables provisioning matrix.

As at 31 December 2019, the aging analysis of trade receivables is as follows:

	31 December 2019	31 December 2018
Current	218,071	130,703
less than 30 days overdue	76,704	102,328
from 31 to 60 days overdue	31,513	14,226
from 61 to 90 days overdue	8,591	3,414
from 91 to 180 days overdue	5,195	3,151
from 181 to 360 days overdue	5,093	18,416
over 360 days overdue	723,175	799,291
Trade Receivables before allowances on doubtful receivables	1,068,342	1,071,529
Allowance for trade receivables	(699,600)	(724,831)
Net trade receivables	368,742	346,698

The Group in calculating impairment for trade receivables considers a range of qualitative and quantitative factors like aging of receivables, past historical data of the customer, as well as guarantees received from the customer.

A movement in allowances for trade and doubtful debts for the year ended 31 December 2019 and 31 December 2018 is shown as follows. The new model has not impacted the provision for impairment of the Group as the provisioning matrix was not substantially different:

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21. TRADE RECEIVABLES (CONTINUED)

	31 December 2019	31 December 2018
Balance at 1 January	724,831	736,422
Reversal of Impairment	(23,224)	-
Translation difference	(2,007)	(11,591)
Balance at 31 December	699,600	724,831

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below.

	31 December 2019			31 December 2018		
<i>In % of gross value</i>	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables						
- current	5.79%	218,071	(12,635)	5.58%	130,703	(7,288)
- less than 30 days overdue	3.10%	76,704	(2,376)	1.21%	102,328	(1,241)
- 31 to 60 days overdue	2.21%	31,513	(695)	1.25%	14,226	(177)
- 61 to 90 days overdue	5.18%	8,591	(445)	2.96%	3,414	(101)
- 91 to 180 days overdue	7.30%	5,195	(379)	7.06%	3,151	(222)
- 181 to 360 days overdue	73.10%	5,093	(3,723)	51.67%	18,416	(9,516)
- over 360 days overdue	93.94%	723,175	(679,347)	88.36%	799,291	(706,286)
Total trade receivables (gross carrying amount)		1,068,342			1,071,529	
Credit loss allowance			(699,600)			(724,831)
Total trade receivables from contracts with customers (carrying amount)			368,742			346,698

22. OTHER RECEIVABLES

Other receivables are composed of the following:

	31 December 2019	31 December 2018
Deferred expenses	20,279	26,119
Sundry debtors	19,264	18,095
Prepayments for supplies	11,567	5,165
VAT receivables	5,974	51,826
Other Tax Receivables	2,687	12,966
Income tax receivables	-	8,595
Total other receivables	69,771	122,766

Deferred expenses represent consumables and/or prepaid expenses, which are deferred for a period and are expensed based on their respective consumption rate.

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23. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand in domestic currency	50	103
Cash on hand in foreign currency	473	503
Cash at bank in domestic currency	165,075	73,177
Cash at bank in foreign currency	643,830	685,137
Total cash and cash equivalents	809,428	758,920

The company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed at note 30.

24. SHARE CAPITAL

<i>Authorized, issued and fully paid</i>	31 December 2019			31 December 2018		
	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>
ALVACIM ltd – ordinary shares of ALL 2,000 each	5,343,255	100%	10,686,510	4,274,604	80%	8,549,208
IFC - ordinary shares of ALL 2,000 each	-	-	-	1,068,651	20%	2,137,302
	5,343,255	100%	10,686,510	5,343,255	100%	10,686,510

On 19 December 2019 following the conclusion of the relevant agreement, Alvacim ltd acquired from IFC the 20% shareholding of IFC in the group thus becoming 100% shareholder of the group. The respective changes were registered with the Share Register Centre on 24 December 2019 and with the National Business Centre on 26 December 2019.

25. BORROWINGS

a) Long-term borrowings

The Group has received long-term loans from its shareholders and financing institutions as follows:

	31 December 2019	31 December 2018
<u><i>Borrowings from Shareholders (Note 29e)</i></u>		
Alvacim ltd	11,182,303	9,180,325
International Finance Corporation (IFC)	-	2,331,580
	11,182,303	11,511,905
<u><i>Borrowings from Financial Institutions</i></u>		
Banka Kombetare Tregtare	-	281,250
Raiffeisen Bank	283,500	-
Alpha Bank	567,829	370,998
Deferred disbursement fees	(2,171)	-
	849,158	652,248
Total non-current borrowings	12,031,461	12,164,153

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25. BORROWINGS (CONTINUED)

a) Long-term borrowings (continued)

The carrying amounts of borrowings approximate their fair values since all borrowings are priced at market rates. Further information on the borrowings from related parties / shareholders are disclosed in note 29 (e).

SOCIETE GENERAL ALBANIA - (OTP Bank Albania)

The Group has fully repaid and settled the loan outstanding from OTP Bank Albania (ex Societe General Bank Albania) for amount of ALL 290,912 thousand (2018: ALL 280,876 thousand).

BANKA KOMBETARE TREGETARE

The Group has fully repaid and settled the loan outstanding from BKT for amount of ALL 656,250 thousand (2018: ALL 375,000 thousand).

RAIFFEISEN BANK ALBANIA

On 9th of April 2019 the Group agreed a new Term Loan facility with Raiffeisen Bank Albania (RBAL) amounting to ALL 441,000 thousand with maturity up to 2023. The new credit facility is secured by a Corporate Guarantee of Titan Cement Company S.A. This loan has been used to refinance the existing bank debt of the Group. As at 31 December 2019 the loan has been fully utilized.

As at 31 December 2019 outstanding principal amounts to ALL 409,500 thousand of which ALL 283,500 thousand Long Term and ALL 126,000 thousand Short Term (31 December 2018: ALL 330,548 thousand composed of ALL 330,548 thousand as short term)

During the year the Group has paid the amount of ALL 330,548 thousand and fully settled the term loan with RBAL that was maturing on September 2019 as well as the amount of ALL 31,500 thousand as per the agreed repayment schedule of the new facility.

On 28th January 2019 the Group agreed with Raiffeisen Bank Albania to extend the maturity of the existing revolving loan facility for another 2 years until February 2021. As at 31 December 2019 the facility is not utilized and the available un-utilized amount as at 31 December 2019 is ALL 276,000 thousand (31 December 2018 the line was utilized at the amount of ALL 97,375 thousand with the un-utilized amount amounting at ALL 178,625 thousand).

On 19th of April 2019 the Group agreed with Raiffeisen Bank Albania a new credit facility amounting to Euro 1,3 Million with maturity up to 2021 to be utilized exclusively for the issuance of Bank Guarantee and/or Letter of Credits. The facility has been secured by a Corporate Guarantee of Titan Cement Company S.A. As at 31 December 2019 is not utilized and fully available.

ALPHA BANK ALBANIA

On 7th of March 2019 the Group agreed with Alpha Bank to extend the amount of the term loan from the amount of ALL 458,292 thousand outstanding at 31 Dec 2018, to ALL 899,300 thousand. The new agreed maturity of the facility is up to 2023. The additional credit has been used to refinance the existing bank debt of the Group. As at 31 December 2019 the loan has been fully utilized.

As at 31 December 2019 outstanding principal amounts to ALL 798,090 thousand of which ALL 567,829 thousand Long Term and ALL 230,261 thousand Short Term (31 December 2018: ALL 458,292 thousand composed of ALL 370,998 thousand as long term and ALL 87,294 thousand as short term)

During the year the Group has re-paid to Alpha Bank the amount of ALL 101,211 thousand as per the agreed repayment schedule.

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25. BORROWINGS (CONTINUED)

a) Long-term borrowings (continued)

On 7th of March 2019 the Group agreed with Alpha Bank to extend the maturity of the existing revolving loan facility for another 3 years from the signing date. As at 31 December 2019 the facility is not utilized and the available un-utilized amount as at 31 December 2019 is ALL 558,680 thousand. (31 December 2018 the line was utilized at the amount of ALL 244,490 thousand with the un-utilized amount amounting at ALL 314,190 thousand).

Both facilities are secured by a Corporate Guarantee from Titan Cement Company S.A.

The maturities of the long-term loans are as follows:

	31 December 2019	31 December 2018
After one year but not more than two years	11,480,998	652,248
After two year but not more than five years	550,463	11,511,905
More than five years	-	-
Total	12,031,461	12,164,153

b) Short – term borrowings

Short term borrowings and short-term portions of long-term borrowings are disclosed as follows.

	31 December 2019	31 December 2018
<u>Borrowings from shareholders</u>		
Alvacim Accrued Interest (Note 29e)	30,168	33,783
IFC Accrued Interest (Note 29e)	-	8,451
<u>Subtotal</u>	30,168	42,234
<u>Borrowings from Financial Institutions</u>		
Societe General Bank - (OTP Bank Albania)	-	290,912
Banka Kombetare Tregtare	-	375,000
Raiffeisen Bank	126,000	330,548
Raiffeisen Bank Revolving Loan	-	97,375
Alpha Bank Term Loan	230,261	87,294
Alpha Bank Revolving Loan	-	244,490
Accrued Interest on Borrowings	4,177	10,634
Deferred disbursement fee	(1,864)	(6,822)
<u>Subtotal</u>	358,574	1,429,431
Total	388,742	1,471,665

Further information on the borrowings from related parties / shareholders are disclosed in note 29(e).

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26. TRADE PAYABLES

Trade payables are non-interest-bearing liabilities with domestic and foreign suppliers and are normally settled on a period ranging from 30 days to 90 days.

	31 December 2019	31 December 2018
Trade creditors third parties	600,998	695,062
Accruals for supplies	5,860	9,836
Total	606,858	704,898

27. OTHER PAYABLES

Other payables are composed of the following balances.

	31 December 2019	31 December 2018
Clients advance payments	81,708	91,977
Income tax payable	32,958	77,671
Provisions	17,780	16,346
Other taxes	13,487	15,376
Other payables	9,739	6,519
VAT payable	8,581	-
Social security	4,702	4,570
Payroll taxes	2,318	2,310
Due to employees	1,764	-
Total	173,015	214,769

Other provisions relate to provisions for un-used days of vacation, other additional personnel costs, as well as other operational items. The movements in the provisions are shown as follows:

	31 December 2019	31 December 2018
Balance at 1 January	16,346	52,471
Provision for Un-Used Days of Vacations (Note 10/9)	(258)	(2,612)
Other Provisions (Note 10/9)	-	(843)
Provision for Additional Personnel Costs (Note 10/9)	1,692	1,816
Forestation Provision (Note 10/9)	-	(16,140)
Additional Provision for Operational Risk (Note 10/9)	-	(18,346)
Balance as at 31 December	17,780	16,346

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During 2010, the Group established a fully owned subsidiary Cementi Antea Srl, which is operating in Italy. Cementi Antea Srl has EURO as its functional currency, however, in order to be consolidated with Antea Group it must be converted into ALL, which is the Group's presentation and functional currency. An amount of ALL (2,101) thousand (31 December 2018: ALL (7,297) thousand) has resulted from the translation and has been recognized under other comprehensive income.

29. RELATED PARTY TRANSACTIONS

The Group is controlled by ALVACIM Ltd which is in turn a fully owned subsidiary of Titan Cement International S.A. The Group considers as related parties all the group companies that are controlled by Titan Cement International S.A.

The following tables provide the total amount of transactions that have been entered with the related parties for the relevant financial year.

a) Sales of goods

	2019	2018
TCK MONTENEGRO	829,049	780,149
CEMENT PLUS	29,629	-
SHARRCEM (other)	10,479	-
SHARRCEM (sales of Clinker)	4,945	88,553
TITAN CEMENT COMPANY SA	2,394	-
FINTITAN	-	144,440
CEMENTARICA USJE	-	3,270
CEMENTARA KOSJERIC	-	489
Total	876,496	1,016,901

The major transactions during the year are related with TCK Montenegro for sales of. Outstanding balances arising from the transactions mentioned above are presented below:

b) Receivables from related parties

	31 December 2019	31 December 2018
TCK MONTENEGRO	120,929	83,740
SHARRCEM	5,202	174,123
CEMENT PLUS	5	-
Total	126,136	257,863

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Purchases of goods and services

	2019	2018
TITAN CEMENT COMPANY SA - SERVICES	408,052	282,992
TITAN CEMENT COMPANY SA - GOODS	19,533	14,415
CEMENTARNICA USJE AD	13,105	-
ZLATNA PANEGA CEMENT	3,709	-
FINTITAN	1,218	1,234
TCK MONTENEGRO	-	38
Total	445,617	298,679

d) Payables to related parties

Outstanding balances arising from the transactions mentioned above are presented below:

	31 December 2019	31 December 2018
TITAN CEMENT COMPANY SA	119,181	172,637
CEMENTARNICA USJE AD	13,054	-
ZLATNA PANEGA CEMENT	3,704	-
FINTITAN SRL	1,461	1,481
Total	137,400	174,118

e) Loans from related parties/shareholders

Long-Term Borrowings

	31 December 2019	31 December 2018
Alvacim Ltd	11,182,303	9,180,325
IFC	-	2,331,580
Total	11,182,303	11,511,905

During 2008, the Group entered into several loan agreements for a total amount of Euro 84 million ("the Loan") to finance the construction of a green field cement factory in Boka Kuqe Borizane. There are no undrawn loan amounts at 31 December 2019 and 31 December 2018, respectively.

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

e) Loans from related parties/shareholders (continued)

The loan agreements are as follows:

INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC provided a loan amounting to Euro 16.8 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + a Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The further relations between the Company and the lender are subject to the respective Facility Agreements.

ALVACIM LTD (PARENT)

The parent company provided a loan amounting to Euro 50.4 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The further relations between the Company and the lender are subject to the respective Facility Agreements.

Following the acquisition of the EBRD's Share in the company, effective on 20th of January 2015, Alvacim Ltd novated the shareholder loan provided by EBRD under the same terms and conditions.

Effective on 17 December 2019 based on the Novation Agreement agreed between the parties Alvacim Ltd novated the loan of the Company with IFC in the amount of Euro 18,539 thousand. All terms and conditions of the Loan remain the same as per the previous contracts.

During 2019 the Group has repaid principal in the amount of Euro 1,494 thousand or the equivalent of ALL 183,831 thousand (2018 the Group repaid principal in the amount of Euro 1,180 thousand or the equivalent of ALL 145,601 thousand).

According to the Loan Facility Agreement on 15th of March 2019 and 15th September 2019, the Group paid the accrued interest on Long term loans from ALVACIM, and IFC amounting to Euro 2,011 thousand or the equivalent of ALL 307,506 thousand. (2018: 15 March 2018 and 15 September 2018, the Group deferred the accrued interest on Long term loans from ALVACIM and IFC amounting to Euro 3,001 thousand or the equivalent of ALL 381,326 thousand).

Short Term portion of Borrowings

	31 December 2019	31 December 2018
Alvacim accrued Interest (note 25)	30,168	33,783
IFC accrued Interest (note 25)	-	8,451
Total	30,168	42,234

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Risk management is carried out under policies approved by the Board of Directors.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

a) Interest risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. At 31 December 2019 no interest rate swaps were agreed, which makes 100% of the Group's borrowings to be at a variable rate of interest.

	31 December 2019	31 December 2018
Fixed rate instruments		
Financial assets	-	-
Financial Liabilities	-	-
Variable rate instruments	12,564,823	13,635,818
Financial assets		
Financial Liabilities	12,564,823	13,635,818

Cash flow sensitivity analysis for variable rate instruments

The Group's Income and operating cash flows are substantially independent of changes on market interest rates. The effect that a change in interest rates on the Group's long-term debt might have on the Group's results is shown as follows:

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in interest rates applied at the end of the reporting period, with all other variables held constant:

In ALL'000	31 December 2019		31 December 2018	
	Increase/ Decrease in Basis/Point	Effect on Profit Before Tax	Increase/ Decrease in Basis/Point	Effect on Profit Before Tax
EURO	20	22,365	20	23,024
ALL	100	8,492	100	6,522
EURO	(20)	(22,365)	(20)	(23,024)
ALL	(100)	(8,482)	(100)	(6,522)

b) Foreign exchange risk

The Group enters into transactions denominated in foreign currencies related to the sales of its products and purchase of fixed assets and trade goods from related parties. The Group does not use any special financial instruments to hedge against these risks, since no such instruments are in common use in the Republic of Albania. Therefore, the Group is potentially exposed to market risk related to possible foreign currency fluctuations.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Foreign exchange risk (Continued)

<i>In thousands of Albanian Lek</i>	31 December 2019		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	217,139	(1,636,127)	(1,418,988)
Euro	1,123,939	(11,852,152)	(10,728,213)
USD	22,999	(4,765)	18,234
Total	1,364,077	(13,493,044)	(12,128,967)

<i>In thousands of Albanian Lek</i>	31 December 2018		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	193,863	(2,622,613)	(2,428,750)
Euro	1,142,060	(12,102,225)	(10,960,165)
USD	150,324	(4,765)	145,559
Total	1,486,247	(14,729,603)	(13,243,356)

The following significant exchange rates applied during the year:

ALL	Reporting date spot rate		Average rate	
	2019	2018	2019	2018
EUR/ALL	121.77	123.42	123.02	127.36

The Group's main exposure is toward Euro as such a change of +/- 5% in exchange rate of Euro to ALL at the reporting date would have increased/(decreased) equity and profit by ALL 536,411 thousand for the group and AL 540,332 thousand for the company (2018: ALL 548,008 thousand for the Group and ALL 552,586 thousand for the company).

c) Liquidity risk

Prudent liquidity risk management implies maintaining enough cash and availability of funds through an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018, based on contractual undiscounted payments.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Liquidity risk (continued)

Year ended 31 December 2019 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	12,058,547	-	12,058,547
Short-term borrowings	-	70,867	457,293	-	-	528,160
Trade and other payables and leases	-	758,007	205,718	50,606	47,562	1,061,893

Year ended 31 December 2018 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	12,388,960	-	12,388,960
Short-term borrowings	-	522,797	1,099,058	-	-	1,621,855
Trade and other payables	-	906,977	186,808	-	-	1,093,785

d) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Group has required as collateral: bank guarantees and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other financial assets (non-current), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	31 December 2019	31 December 2018
Trade and other receivables (refer to notes 21, 22)	428,513	469,464
Cash and cash equivalents (refer to note 23)	809,428	758,920
	1,237,941	1,228,384

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31. FAIR VALUES

The fair values of current assets and current liabilities approximate their carrying value due to their short-term nature. The fair value of non-current interest-bearing loans and borrowings also approximate their carrying value due to variable interest rate on the loans.

Set out as a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements.

in ALL'000	Carrying amount		Fair Value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets				
Cash and banks	809,428	758,920	809,428	758,920
Trade receivables	368,742	346,698	368,742	346,698
Related parties	126,136	257,863	126,136	257,863
Other receivables	59,771	122,766	59,771	122,766
Total	1,364,077	1,486,247	1,364,077	1,486,247

in ALL'000	Carrying amount		Fair Value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial Liabilities				
Trade accounts payable	606,858	704,898	606,858	704,898
Related parties	137,400	174,118	137,400	174,118
Bank loan/short-term loans	388,742	1,471,665	388,742	1,471,665
Lease Liability	144,620	-	144,620	-
Other payables	173,015	214,769	173,015	214,769
Long-term debts	12,031,461	12,164,153	12,031,461	12,164,153
Total	13,482,096	14,729,603	13,482,096	14,729,603

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

Fair Value Hierarchy

As the fair value of the group financial assets and liabilities approximates it's carrying value and no valuation techniques are applied in order to determine the fair value of Group's financial instruments.

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32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Group monitors its economic performance using earnings before interest, tax, depreciation and amortization (EBITDA) for the year to be calculated as follows:

	31 December 2019	31 December 2018
Operating profit	958,850	446,526
Depreciation and amortization	959,527	871,447
EBITDA	1,918,377	1,317,973

The Group is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined at TITAN Group level.

33. COMMITMENTS AND CONTINGENCIES

a. Commitments

At 31 December 2019 the Group has the following outstanding commitments, related to leases:

	31 December 2019	31 December 2018
No Later than 1 Year	-	84,306
Later than one but not later than five years	-	101,020
More than 5 years	-	61,274
	-	246,600

Commitments relate to operational leases for vehicles, terminals and plots of lands used by the Group in course of its business.

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33. COMMITMENTS AND CONTINGENCIES (CONTINUED)

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st of January 2019 was 3.75%.

	2019
Operating lease commitments disclosed on 31.12.2018	246,600
A: Discounted using the lessee's incremental borrowing rate (IBR) on 1.1.2019	193,582
B: (Less): short-term leases recognized on 1.1.2019 as expenses on a straight-line basis	(5,093)
C: Add/(less): Other adjustments	(4,313)
Lease liability recognized on 1.1.2019 (A-B-C)	184,176
Of which are:	
Current lease liabilities	53,985
Non-current lease liabilities	130,191

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial recognition.

b. Taxation

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

c. Litigations

The Group is involved in different litigations in course of its business activities. The material litigation the Group is involved is as follows:

At 31 December 2019, the Group was involved in litigation proceedings as a defendant with a third-party raising claim in relation to the costs of an entry road utilized by the Group, constructed in 2010. The case was lodged in front of the District Court of Kruja which ruled to partially accept the claim. The total amount of liabilities to be paid by the Group amounted to ALL 68,000 thousand. The Group appealed the decision in front of the Tirana Appeal Court which during 2017 dismissed the Judgement of the Kruja District Court and ruled for a new trial in the Kruja District Court. Against this judgement the Group filed an appeal to Supreme Court. Based on its own estimates and both external legal advice, management is of the opinion that no material losses will be incurred in respect of this claim and accordingly no provision has been booked in these consolidated financial statements.

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34. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group has participation in the following subsidiaries, which are fully consolidated in these consolidated financial statements. The Group has no participation in associates and joint-venture.

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
Alba Cemento Shpk	Cement Handling Terminal	100%	100%	Albania
Cementi Antea SRL	Cement Handling Terminal	100%	100%	Italy

35. EVENTS AFTER THE REPORTING PERIOD

Late in 2019 news first emerged from China about COVID – 19 (Coronavirus). The situation at year end was that a limited number of cases of an unknown virus had been reported to the WHO. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact of the Consolidated Antea's regular business operations, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects. It should be emphasized that the Consolidated Antea has rolled out its business continuity plans and has taken precautionary measures to keep its people healthy, to ensure that the workplace is safe and to preserve cash. The Consolidated Antea has a strong balance sheet and ample liquidity of immediate cash availability. In response to the changed business context, the Consolidated Antea is also delaying certain capital expenditures programs and will continue to respond as required.

There are no other events after the reporting date that would require adjustments or additional disclosure in these financial statements

36. ACCOUNTING POLICIES FOR LEASES BEFORE 1 JANUARY 2019

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, *Leases*, are as follows.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.