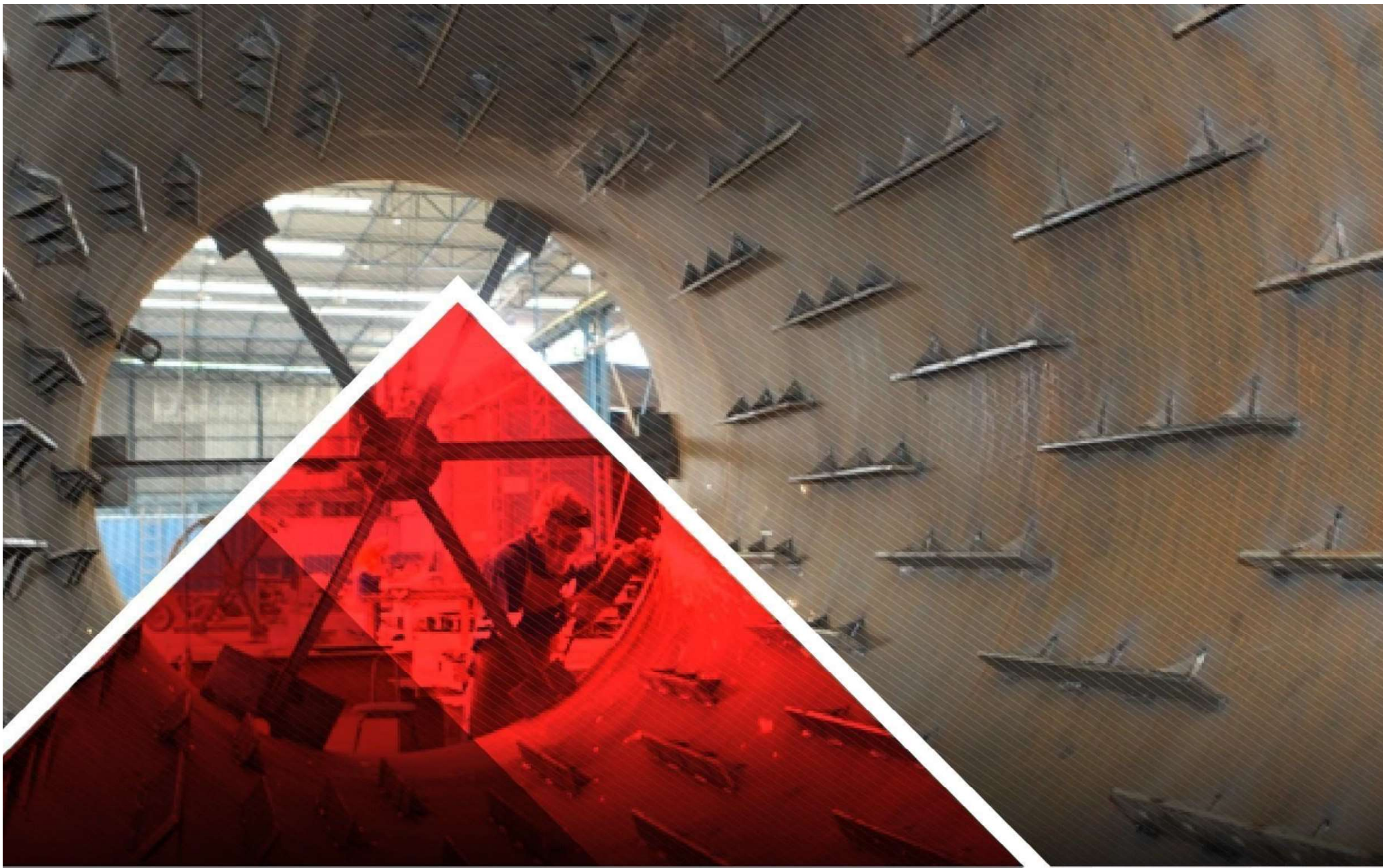

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIÁRIES

Condensed Consolidated Interim Financial Information for the six-months period ended June 30, 2020

InterCement

Building sustainable partnerships

São Paulo Corporate Towers
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Independent auditor's review report on interim financial information

To
Shareholders, Board of Directors and Officers of
InterCement Participações S.A.
São Paulo - SP, Brazil

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of InterCement Participações S.A. and subsidiaries (the "Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements - ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information, is not prepared, in all material respects, in accordance with IAS 34 - Interim Financial Reporting.

São Paulo, September 03, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Marcos Alexandre S. Pupo
Accountant CRC-1SP221749/O-0

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Position as of June 30, 2020 and December 31, 2019

(In thousands of U.S. Dollars - US$)

ASSETS	Notes	06.30.2020	12.31.2019
CURRENT ASSETS			
Cash and cash equivalents	4	184,210	333,869
Securities	5	18,785	19,516
Trade receivables	6	84,475	75,490
Inventories	7	238,560	279,103
Recoverable taxes		48,145	58,658
Other receivables		47,187	37,693
Total current assets		621,362	804,329
NONCURRENT ASSETS			
Securities	5	1,005	1,427
Trade receivables	6	261	504
Inventories	7	88,026	80,607
Recoverable taxes		25,953	35,213
Deferred income tax and social contribution		14,723	10,706
Escrow deposits		12,722	17,607
Derivatives	22.10	6,742	7,060
Other receivables		30,987	39,621
Property Investment		848	1,353
Investments		583	483
Right-of-use assets	19	40,526	60,750
Property, plant and equipment	8	1,449,454	1,690,789
Intangible assets:			
Goodwill	9	807,269	1,076,173
Other intangible assets	9	113,985	150,708
Total noncurrent assets		2,593,084	3,173,001
TOTAL ASSETS		3,214,446	3,977,330

LIABILITIES AND EQUITY	Notes	06.30.2020	12.31.2019
CURRENT LIABILITIES			
Trade payables		237,221	295,625
Debentures	11	19,656	178,623
Borrowings and financing	10	190,705	220,663
Interest payable	10 and 11	26,283	27,632
Obligations under finance leases (IFRS 16)	19	17,536	30,644
Taxes payable		60,470	54,777
Payroll and related taxes		22,089	33,604
Dividends and interest on capital		216	229
Advances from customers		9,230	10,019
Other payables		28,254	49,026
Total current liabilities		611,660	900,842
NONCURRENT LIABILITIES			
Trade payables		3,365	3,033
Debentures	11	1,394,814	781,490
Borrowings and financing	10	159,949	750,459
Obligations under finance leases (IFRS 16)	19	33,733	39,708
Provision for tax, civil and labor risks	12	57,660	58,971
Provision for environmental recovery		16,898	20,751
Taxes payable		7,462	7,181
Deferred income tax and social contribution		221,234	257,006
Actuarial liabilities		599	724
Other payables		21,079	29,232
Total noncurrent liabilities		1,916,793	1,948,555
TOTAL LIABILITIES		2,528,453	2,849,397
SHAREHOLDER'S EQUITY			
Capital	14	1,440,119	1,440,119
Capital reserves	14	550,676	550,676
Earnings reserves	14	421,217	421,217
Accumulated losses		(36,948)	-
Other comprehensive income		(2,000,951)	(1,622,369)
Equity attributable to the Company's owners		374,113	789,643
Non-controlling interests	14	311,880	338,290
Total equity		685,993	1,127,933
TOTAL LIABILITIES AND EQUITY		3,214,446	3,977,330

The accompanying notes are an integral part of this condensed consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations for the six-months periods ended June 30, 2020 and 2019

(In thousands of U.S. Dollars - US$, except per earnings (loss) per share)

	Notes	06.30.2020	06.30.2019 (Recasted)
CONTINUING OPERATIONS			
NET REVENUE	16	591,957	783,735
COST OF SALES AND SERVICES	17	(503,339)	(672,836)
GROSS PROFIT		88,618	110,899
OPERATING INCOME (EXPENSES)			
Administrative and selling expenses	17	(67,403)	(88,363)
Other income	17	5,540	10,836
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		26,755	33,372
FINANCIAL INCOME (EXPENSES)			
Foreign exchange gains/(losses), net	18	48,325	(2,754)
Financial income	18	8,491	27,398
Financial expenses	18	(94,272)	(89,511)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(10,701)	(31,495)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	15	(12,324)	(20,740)
Deferred	15	906	2,297
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(22,119)	(49,938)
DISCONTINUED OPERATIONS			
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2.3	-	349,475
PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Company's owners		(36,948)	264,892
Non-controlling interests		14,829	34,645
LOSS PER SHARE FOR CONTINUING OPERATIONS			
Basic/diluted loss per share	21	(1.63)	(3.50)
PROFIT / (LOSS) PER SHARE FOR CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS			
Basic/diluted profit / (loss) per share	21	(1.63)	11.68

The accompanying notes are an integral part of this condensed consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (loss) for the six-months periods ended June 30, 2020 and 2019

(In thousands of U.S. Dollars - US$)

	Notes	06.30.2020	06.30.2019 (Recasted)
CONTINUING OPERATIONS			
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(22,119)	(49,938)
Other comprehensive income:			
Items that might be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(508,497)	(221,731)
Hyperinflationary monetary adjustment	2.2	89,807	84,423
Hedging derivatives financial instruments		2,115	1,671
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(438,694)	(185,575)
DISCONTINUED OPERATIONS			
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2.3	-	349,475
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS		-	349,475
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO:			
Company's owners		(415,530)	(231,258)
Non-controlling interests		(23,164)	45,683
COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO:			
Company's owners		(415,530)	113,098
Non-controlling interests		(23,164)	50,802

The accompanying notes are an integral part of this condensed consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders' Equity for the six-months periods ended June 30, 2020 and 2019

(In thousands of U.S. Dollars - US$)

				Earnings reserves							
	Notes	Share capital	Capital Reserves	Legal	Capital Budget	Transactions with noncontrolling interests	Other comprehensive income (loss)	Accumulated profit / (losses)	Total attributable to the Company's owners	Non-controlling interests	Total equity
BALANCE AS OF DECEMBER 31, 2018		1,440,119	625,418	-	-	581,421	(1,410,308)	(229,120)	1,007,530	322,390	1,329,920
Capital decrease	14	-	(74,742)	-	-	-	-	-	(74,742)	-	(74,742)
Profit for the period		-	-	-	-	-	-	264,892	264,892	34,645	299,537
Dividends to ordinary and preferred shares - paid	14	-	-	-	-	(53,497)	-	-	(53,497)	-	(53,497)
Other comprehensive income (loss)		-	-	-	-	-	(192,227)	-	(192,227)	(27,833)	(220,060)
Hyperinflationary monetary adjustment	2.2	-	-	-	-	-	40,433	-	40,433	43,990	84,423
BALANCE AS OF JUNE 30, 2019 (Recasted)		1,440,119	550,676	-	-	527,924	(1,562,102)	35,772	992,389	373,192	1,365,581
BALANCE AS OF DECEMBER 31, 2019		1,440,119	550,676	6,107	116,039	299,071	(1,622,369)	-	789,643	338,290	1,127,933
Profit (Loss) for the period		-	-	-	-	-	-	(36,948)	(36,948)	14,829	(22,119)
Dividends paid to noncontrolling interests	14	-	-	-	-	-	-	-	-	(3,246)	(3,246)
Other comprehensive income (loss)		-	-	-	-	-	(421,942)	-	(421,942)	(84,440)	(506,382)
Hyperinflationary monetary adjustment	2.2	-	-	-	-	-	43,360	-	43,360	46,447	89,807
BALANCE AS OF JUNE 30, 2020		1,440,119	550,676	6,107	116,039	299,071	(2,000,951)	(36,948)	374,113	311,880	685,993

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows for the six-months periods ended June 30, 2020 and 2019

(In thousands of U.S. Dollars - US$)

	Notes	06.30.2020	06.30.2019 (Recasted)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before income tax and social contribution from continuing and discontinuing operations		(10,701)	317,980
Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities:			
Depreciation, amortization and impairment losses	17	86,090	91,293
Reversal of allowance for probable losses, net		(1,115)	(2,771)
Interest, accrued charges, and exchange differences		37,456	64,867
Gain on sale of long-lived assets		(1,209)	(2,967)
Gain on sale of discontinued operations	2.3	-	(349,475)
Other noncash operating losses (gains)		(11,469)	10,907
Decrease (increase) in operating assets:			
Related parties		(41)	-
Trade receivables		(29,600)	(53,679)
Inventories		(21,900)	(51,674)
Recoverable taxes		3,533	(1,076)
Other receivables		98	(25)
Increase (decrease) in operating liabilities:			
Related parties		627	-
Trade payables		57,416	(55,229)
Payroll and vacation payable		(2,729)	1,826
Other payables		(47,946)	(22,706)
Taxes payable		2,948	773
Cash generated by (used in) operating activities		61,458	(51,956)
Income tax and social contribution paid		(7,142)	(15,811)
Interest paid		(83,137)	(74,627)
Net cash used in operating activities		(28,821)	(142,394)
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		256	(309)
Purchase of property, plant and equipment		(101,378)	(144,390)
Increase in intangible assets		(4,427)	(585)
Cash received from discontinued operations, net o cash balance carved-out	2.3	-	706,652
Intersegment payments to carved-out companies	2.3	-	(133,667)
Cash received from sale of property, plant and equipment		1,932	5,117
Other		(351)	(530)
Net cash generated by (used in) investing activities		(103,968)	432,288
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures	10 and 11	1,118,737	102,379
Capital decrease	14	-	(74,742)
Repayment of borrowings, financing and debentures	10 and 11	(1,084,108)	(388,065)
Dividends paid	14	(3,246)	(53,497)
Payment of principal portion of lease liabilities	19	(10,534)	(11,496)
Other instruments		498	754
Net cash generated by (used in) financing activities		21,347	(424,667)
DECREASE IN CASH AND CASH EQUIVALENTS		(111,442)	(134,773)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(38,217)	(12,828)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	333,869	441,062
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	184,210	293,461

The accompanying notes are an integral part of this condensed consolidated financial statements.

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Notes to the Consolidated Interim Condensed Financial Information for the six months period ended June 30, 2020

(Amounts in thousands of U.S. Dollars - US$, unless otherwise stated)

1. General Information

InterCement Participações, S.A. ("Company" or "ICP") is a privately-held company headquartered in the City of São Paulo, State of São Paulo, Brazil, engaged in holding equity interests and investments abroad, leading a business group operating in 6 countries ("ICP Group" or "Group"). Its ultimate parent company is Mover Participações S.A.. The Group is primarily engaged in the manufacture and sale of cement and cement by-products, in addition to the extraction of the minerals used to manufacture these products.

The Company owns 35 cement plants, 45 concrete plants, and 6 aggregates plants (located in Brazil, Argentina, Paraguay, Egypt, Mozambique and South Africa). Additionally, in Brazil it holds participation in hydroelectric power generation equity interests and assets.

Refinancing of debts

On June 8, 2020, the Company concluded a debenture issuance by InterCement Participações S.A. and InterCement Brasil S.A. in an aggregate principal amount of R$4,676,827 thousands (equivalent to approximately US$910,490 considering the exchange currency rate at the date of the transaction. The proceeding was fully addressed to prepay existing debts. See note 10 and 11 for further information.

Such transaction released from the current portion of borrowing and financing and debentures US$260,633 (considering the exchange currency rate at the date of the transaction), which was sufficient to equilibrate the working capital to a sustainable level.

Divesture in Paraguay Business

As mentioned in note 24, on August 21, 2020, the Company, through its Argentinian subsidiary Loma Negra C.I.A.S.A., sold its total interests in Yguazú Cementos S.A. ("Yguazú), represented by 51,0017% of the entity's capital stock. The sale was made to the local shareholders of Yguazú.

The goal of the Company is to seek and execute high potential projects, for this reason, after having started marketing operations in Paraguay in 2000, built and operated the factory since 2013, and currently reaching high standards of production and profitability, Management have finally decided to sell its Paraguayan operations.

The Company considers that the result obtained by this operation is very beneficial and is in line with Group intention of maximizing value for the shareholders.

The proceedings will be applied to partially repay some of the existing debts, and the Company is evaluating alternatives to return capital to its shareholders.

Effects of the new Coronavirus pandemic (COVID-19)

In the first quarter of 2020, a new virus (Corona Virus) spread out across the globe and to contain the dissemination several actions were taken by authorities from different countries. Among others, the action taken restricted travels and any kind of agglomeration.

The global market were severed impacted, resulting in volatility and uncertainties in several perspectives and also about Global Gross Domestic Product (“GDP”) in 2020 and upcoming years.

Management quickly responded to the situation and created committees to respond to the situation with the purpose to prevent labours contamination and implement measures to mitigate or reduce the impact in Company´s business, clients, suppliers, credits and community.

The committees have constantly being in communication with Company´s board and current and future impacts in economy and society are closely monitor by this multi-task team and decisions are being taking as deemed necessary.

Since May 2020, all plants returned to operation. South Africa and Argentina were the two segments mostly impacted due to a complete lockdown mainly in April 2020.

Besides South Africa, the cement industry was considered to be an essential segment of product and services, therefore, the business impacts to date were less severe than initially expected by Management.

As part of the preparation of the condensed consolidated interim financial information as of and for the three-months period ended March 31, 2020, when the business impacts were still unclear, management analysed the relevant estimates and critical accounting judgments, as well as any other balances that could have a potential impact in terms of net realizable values. The conclusion reached did not result in impairments of monetary and non-monetary assets (including goodwill). Refer to the aforementioned condensed interim financial information for further detail of the main analysis performed and conclusions reached.

As of and for the six-months period ended June 30, 2020, Management reassessed the main assumptions of the relevant estimates, the critical accounting judgements and the evaluation of net realizable values of long lived assets, including volumes and prices practiced on each business segments for the six-months period ended June 30, 2020, founding no additional evidences that could negatively impact the business compared to the assessment performed in the preparation of March 31, 2020 condensed consolidated interim financial information. Specifically, to Egypt segment, sales volumes performed above the budget in approximately 25% to date, which significantly minimizes any risk of additional impairment.

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of preparation

The condensed consolidated interim financial information as of and for the six-months period ended June 30, 2020 has been prepared based on the International Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), which allows the entities to present selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. Accordingly, this Interim Financial Information should be read together with Company´s consolidated financial statements for the year ended December 31, 2019.

All relevant information in the financial statements is being evidenced and corresponds to that used by the management in the conduction of the Company.

2.2. Significant accounting policies

The accounting policies adopted are consistent with those considered in the consolidated financial statements for the year ended as of December 31, 2019 and disclosed in the corresponding notes.

Reference also to the application of hyperinflation accounting for our Argentinean subsidiaries. As described in the consolidated financial statements as of and for the year ended December 31, 2019, note 2.1, applying IAS 29 rules requires that the financial statements recorded in a hyperinflationary currency are adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of the reporting period prior to conversion to the Company´s functional currency.

As a result of the above, our condensed consolidated interim financial information for the six-month period ended June 30, 2020, reflects an equity increase of US$89,807 (US$84,423 for the same period ended June, 30, 2019), with reference to the opening balance, reported in other comprehensive income (loss), and also the monetary adjustment for the six-month period ended June 30, 2020, presented in financial income, in the amount of US$2,736 (US$13,372 for the period ended June 30, 2019) (see Note 18).

2.3. Portugal and Cape Verde Discontinued Operations

As described in the consolidated financial statements as of and for the year ended December 31, 2019, Note 1, on January 17, 2019 the final closing agreement was signed to sell the business operations in Portugal and Cape Verde to "Ordu Yardimlasma Kurumu" (OYAK Group) of Turkey.

The final selling price of US$806,181 for the transaction was determined. As required by International Financial Reporting Standard 5 ("IFRS 5") – Non-Current Assets Held for Sale and Discontinued Operating Units, the results recorded was presented as discontinued operation.

The impacts in condensed consolidated interim financial information as of June 30, 2019 are the following:

	06.30.2019 (Recasted)
DISCONTINUED OPERATIONS	
Gain on the sale of "Assets held for sale"	157,017
Reversal of accumulated exchange differences	192,458
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	349,475
PROFIT FOR THE PERIOD ATTRIBUTABLE TO	
Company's owners	344,356
Non-controlling interests	5,119

The reconciliation of the referred selling price to the cash received and the amounts presented in the cash flow statements is demonstrated below:

	06.30.2019 (Recasted)
Cash received as of June 30, 2019	773,899
Cash balance carved-out	(67,247)
	706,652
Intersegment payments to carved-out companies	(133,667)
Cash received, net (as of June 30, 2019)	572,985
Final sales price	806,181
Intercompany working capital adjustment	10,343
Outstanding amount to be received as of June 30, 2019	42,625

As of June 30, 2020 and December 31, 2019, the outstanding such receivable was fully cash collected.

2.4. Functional, reporting and presentation currencies

The Company's functional currency is the Brazilian real (R$). As prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial statements in any currency. As such, considering (i) the fact the Brazilian Real presents certain challenges for benchmarking certain business operations; (ii) that world trade reference prices for clinker and cement are in U.S. Dollars, and; (iii) the ongoing negotiations with Company's creditors and the rising interests from our stakeholders on financial information to be presented in U.S. Dollars, which currency is a benchmark that trades against other major currencies (including Euro, Japanese yen, and British pound), the Company decided to change the presentation currency of the consolidated financial statements from Euro to U.S. Dollars starting in December 31, 2019.

Accordingly, the comparative interim financial information for the six-month period ended June 30, 2019, previously prepared in Euro and released on September 12, 2019 are now being presented in U.S. Dollars following requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, once the change in the presentation currency represents a change in accounting policies. The comparative interim financial information is identified as "Recasted".

For the translation into the presentation currency, changes in equity were translated from functional currency considering the historical exchange rates of each transaction. The financial position was translated from functional currency considering the closing exchange rates of the reporting period, which the operations and cash flows were translated considering the average exchange rates of the reporting period.

The main exchange rates used to translate the financial information were as follows:

		Closing exchange rate (R$)			Average exchange rate (R$)	
Currency		06.30.2020	12.31.2019	06.30.2019	06.30.2020	06.30.2019
USD	US Dollar	5.47600	4.03070	3.83220	4.87088	3.84982
EUR	Euro	6.15390	4.53050	4.35870	5.37953	4.34862
MZN	Mozambique Metical	0.07862	0.06592	0.06241	0.07329	0.06189
EGP	Egyptian Pound	0.33990	0.25190	0.23000	0.30112	0.22610
ZAR	South African Rand	0.31550	0.28760	0.27090	0.30036	0.27073
ARS	Argentinian Peso (*)	0.07772	0.06730	0.09025	0.07772	0.09025
PYG	Paraguayan Guaraní	0.00080	0.00062	0.00062	0.00074	0.00062

(*) As a result of the application of IAS 29, non-monetary assets and liabilities, shareholders' equity and income statement of subsidiaries operating in highly inflationary economies shall be expressed in terms of the unit of measurement current at the balance sheet date and translated at the period-end exchange rate (rather than the average rate), thus resulting in year-to-date effects on the income statement of both inflation and currency conversion.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainties

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no changes in relation to what was presented in Note 2.3 to the Company's consolidated Financial Statements as of December 31, 2019.

Our COVID-19 analysis is stated in Note 1 above.

4. Cash and Cash Equivalents

	06.30.2020	12.31.2019
Cash and bank accounts	68,219	195,569
Short-term investments	115,991	138,300
Total cash and cash equivalents	184,210	333,869

Short-term investments were as follows:

	06.30.2020	12.31.2019
Certificate of Bank Deposit (CDBs)	26,160	26,465
Short Term Investment in Brazilian Reais (a)	50,577	62,341
Fixed-income funds in Brazilian Reais (b)	540	18,648
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos (c)	27,194	15,549
Short-term investments in US dollars (d)	1,356	1,475
Short-term investments in euro	-	15
Short-term investments in Egyptian pounds (e)	1,313	1,134
Short-term investments in South African rand (f)	6,431	12,673
Short-term investments in Mozambique metical (g)	2,420	-
Total short-term investments	115,991	138,300

a) Short-term investments in Brazilian Reais have a yield between 70% and 100% of the Interbank Deposit Certificate (CDI) (70% and 98.75% as of December 31, 2019).

b) Fixed income funds in Brazilian Reais have a yield of 71.1% of the Interbank Deposit Certificate (CDI), (100% as of December 31, 2019).

c) Represents short-term investments in Argentinean pesos with interest of from 19.1% to 30.02% per annum (49.7% per annum as of December 31, 2019).

d) Short-term investments in US Dollars with yields of 0.1% per annum (0.1% to 0.61% per annum as of December 31, 2019).

e) Deposit in Egyptian pounds yielded interest from 5% to 8.50% per year (7% to 8.50% as at December 31, 2019).

f) Deposit in Rands yielded interest from 3.55% to 3.80% per year (6.30% to 6.55% as at December 31, 2019).

g) Deposit in Meticais yielded interest from 8.75% to 9.50% per year as at June 30, 2020.

Short-term investments are available for immediate withdraws, without significant risks of changes in value.

5. Securities

Securities are classified as financial assets, as follows:

	06.30.2020	12.31.2019
Market investments	1,005	1,676
Investment funds	18,785	19,267
Total	19,790	20,943
Total - current	18,785	19,516
Total - noncurrent	1,005	1,427

"Market investments" are held by the Brazilian subsidiaries, which are composed mainly by escrow accounts that do not bear interests.

"Investment funds" consist in a portfolio of investment funds held by InterCement Reinsurance, which is presented at fair value as of June 30, 2020 and December 31, 2019. The funds resulted in an unrealized loss of US$0,471 for the six-month period ended June 30, 2020 (US$1,839 unrealized gain for the year ended December 31, 2019).

6. Trade Receivables

	06.30.2020	12.31.2019
Current		
Domestic and foreign customers	103,055	99,051
(-) Allowance for doubtful accounts	(18,580)	(23,561)
Trade receivables	84,475	75,490
Noncurrent		
Domestic and foreign customers	831	1,285
(-) Allowance for doubtful accounts	(570)	(781)
Trade receivables	261	504

As of December 27, 2019, the Company derecognized receivables in the amount of US$22,537 at a marginal discount, due to corresponding securitization with a financial institution (true sale). No similar financial transaction was performed during the six-month period ended June 30, 2020.

7. Inventories

	06.30.2020	12.31.2019
Current:		
Finished products	15,022	24,224
Work in process	60,369	81,144
Raw material	70,329	51,979
Fuel	30,611	32,529
Spare parts	68,763	100,385
Advances to suppliers	3,165	1,198
Packaging and other	3,010	4,507
Allowance for losses	(12,709)	(16,863)
Total	238,560	279,103
Noncurrent:		
Raw material	51,805	41,649
Spare parts	36,912	39,434
Packaging and other	29	30
Allowance for losses	(720)	(506)
Total	88,026	80,607

8. Property, Plant and Equipment

	06.30.2020			12.31.2019
	Cost	Depreciation & Impairment	Net book value	Net book value
Land	92,741	(35,887)	56,854	70,402
Buildings	585,744	(350,692)	235,052	277,791
Machinery and equipment	1,605,255	(935,862)	669,393	814,498
Vehicles	102,485	(77,168)	25,317	30,442
Furniture and fixtures	29,761	(27,330)	2,431	2,340
Mines and ore reserves	152,417	(107,010)	45,407	46,513
Reservoirs, dams and feeders	51,274	(19,071)	32,203	45,044
Spare parts	3,625	(1,778)	1,847	3,237
Other	14,188	(7,965)	6,223	7,342
Advances to suppliers	19,439	-	19,439	24,870
Construction in progress	469,499	(114,211)	355,288	368,310
Total	3,126,428	(1,676,974)	1,449,454	1,690,789

Construction in progress and advances to suppliers as of June 30, 2020 and December 31, 2019, refers basically to investments in the expansion and construction on new plants and investments in the improvement of facilities and equipment of the cement plants of other business units.

Construction in progress includes the construction of the new L´Amalí II cement plant in the city of Olavarría, province of Buenos Aires, in Argentina and Paraguay business segment, with a total investment of US$264,731 (ARS18,652,938) as of June 30,2020. The conclusion is expected to occur during the 1st quarter of 2021. It also includes impairment losses in Brazil business segment of US$114,211 (US$154,804 as of December 31, 2019) due to expansion projects production lines that were ceased for an undetermined period due to current demand. Such impairment losses might be reversed once the expansion projects are finalized and the expected future cash flows are sufficient to cover their respective costs.

In the Argentina and Paraguay business segment and Brazil business segment, as of June 30, 2020, there are assets given as collateral for loans obtained for their own acquisition in the amount of approximately US$38,257 and US$2,195 respectively (US$50,365 and US$4,603 as of December 31, 2019).

In addition, in Brazil business segment, two cement plants were given as guarantee in the “CADE” process, as referred in Note 12.

During the six months periods ended June 30, 2020, the Company capitalized interest expenses amounting to US$2,267, related to loans granted to finance eligible assets.

Changes in property, plant and equipment were as follows:

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Mines and ore reserves	Reservoirs, dams and feeders	Spare parts	Other	Construction in progress	Advances to suppliers	Total
Balance as of December 31, 2018	41,461	282,655	860,586	36,685	4,054	78,000	49,522	4,848	4,191	160,152	24,295	1,546,449
Effects of IAS 29 (Note 2.2)	1,647	26,914	32,649	6,405	194	8,990	-	-	143	17,290	-	94,232
Additions	-	579	5,275	25	2	-	21	-	164	182,199	165	188,430
Disposals	(982)	(108)	(21)	(25)	(6)	-	-	-	-	-	(146)	(1,288)
Depreciation	(3,386)	(10,997)	(45,704)	(4,276)	(410)	(9,759)	(1,354)	-	(727)	-	-	(76,613)
Impairment provision	-	-	-	-	-	-	-	-	(443)	-	-	(443)
Effect of changes in exchange rates	1,230	(13,343)	(10,305)	(3,574)	(73)	(4,797)	545	62	(15)	(7,641)	457	(37,454)
Transfers	26,935	7,216	15,846	1,144	(1,143)	(11,092)	-	1,678	2,608	(43,360)	(219)	(387)
Balance as of June 30, 2019 (Recasted)	66,905	292,916	858,326	36,384	2,618	61,342	48,734	6,588	5,921	308,640	24,552	1,712,926
Balance as of December 31, 2019	70,402	277,791	814,498	30,442	2,340	46,513	45,044	3,237	7,342	368,310	24,870	1,690,789
Effects of IAS 29 (Note 2.2)	963	14,839	18,771	3,201	88	5,699	-	-	79	32,566	-	76,206
Additions	-	176	5,494	8	40	-	-	871	625	33,542	29	40,785
Disposals	(4)	(95)	(3)	(593)	(110)	-	-	-	(820)	-	(114)	(1,739)
Depreciation	(106)	(10,643)	(42,251)	(4,315)	(382)	(5,702)	(1,071)	(101)	(225)	-	-	(64,796)
Impairment provision	-	-	-	-	113	-	-	-	-	(308)	-	(195)
Effect of changes in exchange rates	(14,401)	(53,497)	(135,612)	(4,411)	(296)	(6,639)	(11,770)	(788)	(1,829)	(57,036)	(5,346)	(291,625)
Transfers	-	6,481	8,496	985	638	5,536	-	(1,372)	1,051	(21,786)	-	29
Balance as of June 30, 2020	56,854	235,052	669,393	25,317	2,431	45,407	32,203	1,847	6,223	355,288	19,439	1,449,454

Additions

During the six-month period ended June 30, 2020 there were additions in the amount of US$40,785 (US$188,430 for the period ended June 30, 2019), from which US$18,432 refers to Argentina and Paraguay business segment (US$135,918 for the period ended June 30, 2019), primarily due to the increase of the installed capacity on its L'Amalí plant, amounting to US$13,255 (US$124,658 for the period ended June 30, 2019), US$4,396 related to quarry recovery (US$11,260 for the period ended June 30, 2019).

9. Other intangible assets and goodwill

	06.30.2020	12.31.2019
Other intangible assets:		
Software licenses	4,090	5,595
Concession-related assets	80,228	112,389
Mining rights	9,993	12,488
Project development costs	3,207	3,608
Trademarks, patents and others	16,467	16,628
	113,985	150,708

	06.30.2020			12.31.2019
	Cost	Impairment	Net book value	Net book value
Goodwill:				
Loma Negra C.I.A. S.A.	176,330	-	176,330	239,558
CBC - Companhia Brasileira de Cimentos ("CBC")	18,742	-	18,742	25,463
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	13,842	-	13,842	18,806
Intercement Portugal, S.A.	879,184	(293,853)	585,331	774,787
Other	13,024	-	13,024	17,559
	1,101,122	(293,853)	807,269	1,076,173

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which is prepared based on the recoverable amounts of each of the corresponding business segments. As of June 30, 2020, even considering the impacts of COVID-19 in our projections, management found no need to register additional impairment loss provisions (refer to Note 1 above).

Changes in intangible assets for the six-months periods ended June 30, 2020 and 2019 were as follows:

	Software licenses	Concession-related assets	Mining rights	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance as of December 31, 2018	6,244	125,394	20,174	4,640	20,969	1,128,142	1,305,563
Effects of IAS 29 (Note 2.2)	417	-	-	-	729	-	1,146
Additions	550	1,343	-	-	-	-	1,893
Disposals	-	(9,887)	-	(26)	(2,578)	-	(12,491)
Amortization	(1,306)	(5,942)	(187)	(727)	(172)	-	(8,334)
Effect of changes in exchange rates	(165)	1,291	256	80	545	13,872	15,878
Balance as of June 30, 2019 (Recasted)	5,740	112,199	20,243	3,967	19,493	1,142,014	1,303,655
Balance as of December 31, 2019	5,595	112,389	12,488	3,608	16,628	1,076,173	1,226,881
Effects of IAS 29 (Note 2.2)	273	-	-	-	-	55	328
Additions	428	2,734	-	4,296	1,298	-	8,756
Disposals	-	(1,462)	-	-	-	-	(1,462)
Amortization	(1,253)	(4,462)	(164)	(3,774)	(628)	-	(10,281)
Effect of changes in exchange rates	(953)	(28,971)	(2,331)	(923)	(831)	(268,959)	(302,968)
Balance as of June 30, 2020	4,090	80,228	9,993	3,207	16,467	807,269	921,254

10. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Annual Interest rates	Maturity		06.30.2020 Current	06.30.2020 Noncurrent	12.31.2019 Current	12.31.2019 Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral (**)	USD	US Libor + 3.10% - 4.40%	Jan/22-Jan/23	a)	-	20,967	50,782	173,546
EUR	Holdings and Financial Vehicles (*)	Bilateral	USD	US Libor + 3.95%	Feb-24	a)	-	-	-	159,452
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Euribor + 3.60%	Feb-24	a)	-	-	-	220,587
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	2.55%	Jun-20		-	-	5,620	-
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	3.20%	Oct-21		3,090	18,543	3,091	18,546
EUR	Holdings and Financial Vehicles (*)	Commercial paper	EUR	2.80%	Mar-20		-	-	39,340	-
BRL	Holdings and Financial Vehicles (*)	Promissory note (**)	BRL	3% + 100% CDI	Mar-21		19,368	-	-	-
ARS	U.N. Argentina Paraguay	Billateral	USD	US Libor + (4.25% to 7.38%)	Several		30,506	36,316	36,074	42,555
ARS	U.N. Argentina Paraguay	Bilateral	USD	9.11% - 9.50%	Several		10,001	-	11,505	-
ARS	U.N. Argentina Paraguay	Billateral	EUR	4.00%	Apr-Sep/21		3,777	8,507	-	9,047
PYG	U.N. Argentina Paraguay	Billateral	PYG	8.5% - 9.00%	Aug-25		-	36,958	5,260	43,385
ARS	U.N. Argentina Paraguay	Billateral	ARS	8.00% + Badlar	Jan-22		73,337	24,407	-	16,697
ARS	U.N. Argentina Paraguay	Working capital	ARS	21.70% - 70%	Jul-20		17,361	-	34,845	-
BRL	U.N. Brazil	Billateral	BRL	126% CDI	Apr-23	a)	-	-	-	49,297
BRL	U.N. Brazil	Subsidised loan	BRL	2.50% - 5.00%	Dec-24		1,722	7,270	2,886	9,988
BRL	U.N. Brazil	Billateral	BRL	15.34%	Dec-22		756	2,542	551	3,207
EGP	U.N. Egypt	Billateral	EGP	Corridor + 1.50%	Apr-24		799	4,439	671	4,152
EGP	U.N. Egypt	Billateral	EGP	15.50% - 17.00%	Apr-21		29,988	-	30,038	-
							190,705	159,949	220,663	750,459

(*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate and trading entities.
(**) The borrowings contain certain restrictive financial covenants, which are described below.

(a) On June 08, 2020, the following bilateral were prepaid with the proceedings from the new debenture issuances indicated in Note 11:

- Caue Austria Holding prepaid US$420,050, (which US$197,356 were denominated in US$ and the remaining portion denominated in Euros);
- InterCement Financial Operations B.V. prepaid US$159,452; and
- InterCement Brasil prepaid US$38,949 (equivalent to R$200,062 thousands).

As of June 30, 2020 and December 31, 2019, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to US$8,613 and US$19,298 respectively.

Changes in Borrowings and Financing in the six-months periods ended June 30, 2020 and 2019 were as follows:

	Borrowings and financing
Balance at December 31, 2018	1.190.789
New borrowings and financing	103.088
Payments	(333.121)
Effect of changes in exchange rates	5.107
Balance at June 30, 2019 (Recasted)	965.863
Balance at December 31, 2019	971.122
New borrowings and financing	208.246
Payments	(792.066)
Effect of changes in exchange rates	(36.648)
Balance at June 30, 2020	350.654

Maturity schedule

As of June 30, 2020, the noncurrent portion of the borrowings and financing mature as follows:

Period	06.30.2020
2021	77,180
2022	46,937
2023	3,611
2024	4,541
2025	7,998
Following years	19,682
	159,949

Covenants

The loans and financing agreements contain certain annual restrictive covenants, including change of control clauses and those requiring the maintenance of certain financial ratios.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually, which depends on conditions agreed upon on each contract entered into with the financial institutions. As of December 31, 2019, the all covenants conditions were met.

The outstanding bilateral in the amount of US$20,967 is subject to restrictive covenants and is required to maintain the same financial rations of the debentures issued in 2020 (see Note 11 below).

The promissory note in the amount of US$19,368 requires that Net Debt / Adjusted EBITDA ratio is not higher than 5.0x as of December 31, 2020.

11. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Annual interest rate	Final maturity		06.30.2020 Current	06.30.2020 Noncurrent	12.31.2019 Current	12.31.2019 Noncurrent
BRL	Holdings and Financial Vehicles (*)	Debenture	BRL	June-20	100% CDI + 3.75%	June-27	a)	-	543.584	-	-
BRL	Brazil	Debenture	BRL	June-20	100% CDI + 3.75%	June-27	a)	-	309.372	-	-
BRL	Brazil	Debenture	BRL	Mar-12	115% - CDI	Apr-22	b)	19.656	10.931	54.655	109.363
BRL	Brazil	Debenture	BRL	Aug-12	115% - CDI	Aug-22	b)	-	-	123.968	124.010
EUR	Holdings and Financial Vehicles (*)	Senior Notes	USD	Jul-14	5.75%	Jul-24	c)	-	530.927	-	548.117
								19.656	1.394.814	178.623	781.490

(*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities.

(a) As mentioned in note 1 above, on June 8, 2020, the Company issued two Debentures, one by InterCement Participações S.A of US$579,502 (equivalent to R$2,976,666 thousand)) and another by InterCement Brasil S.A. of US$330,989 (equivalent to R$1,700,161 thousand).

The instrument is guaranteed by Loma Negra shares held by the Company. The debentures will be mandatorily redeemable on May 2024 if the Group is unable to refinance its existing senior notes due in 2024.

(b) On June 08, 2020, InterCement Brasil partially prepaid the amount of US292,040 (equivalent to R$1,500,100 thousands) of its debentures issued in 2012 with the proceedings from the issuance of new debentures, as mentioned in item (a) above.

(c) In July 2014, the Senior Notes ("Notes") were issued by InterCement Financial Operations, B.V., with a payment maturity of 10 years. The notes were launched with coupon of 5.75% per annum and are listed at the Singapore Stock Exchange. As of June 30, 2020 and December 31, 2019, the Group holds bonds at the face value of US$198,812. On June 24, 2020 InterCement Financial Operations B.V., announced a private exchange offer to any and all of its 5.750% Senior Notes due 2024. On July 22, 2020, as the conditions to the Exchange Offer were not satisfied, the Exchange Offer were not consummated.

As of June 30, 2020 and December 31, 2019, the incurred interest classified in current liabilities and presented as 'Interest payable' amounts to US$17,670 and US$8,334, respectively.

Changes in Debentures in the six-months periods ended June 30, 2020 and 2019 were as follows:

	Debentures
Balance at December 31, 2018	1.029.588
Payments	(57.632)
Effect of changes in Exchange rates, comissions and other	6.166
Balance at June 30, 2019 (Recasted)	978.122
Balance at December 31, 2019	960.113
New debentures	910.491
Payments	(292.042)
Effect of changes in Exchange rates, comissions and other	(164.092)
Balance at June 30, 2020	1.414.470

Maturity schedule

As of June 30, 2020, the non-current portion of debentures mature as follows:

Period	06.30.2020
2022	9.826
2023	54.333
2024	613.283
2025	77.619
Following years	639.753
	1.394.814

Covenants

Debentures contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements.

<u>Debentures issued in 2012:</u>

Covenants conditions were met for the year ended December 31, 2019. Next measuring is based on financial figures as of December 31, 2020 and Net Debt over adjusted EBITDA is limited to 5.00X.

<u>Debentures issued in 2020:</u>

Company agreed with debentures holders compliance with a gross debt cap of €1,800,000 thousands (equivalent to US$2,022,840 as of June 30, 2020) to be measured as of December 31, 2020. In the following years, the financial covenant changes from gross debt cap to net leverage, measured by the Net Debt over Adjusted EBITDA. In 2021, the limit is 5.85X, and for the following years 5.35X in 2022; 4.85X in 2023; 3.85X in 2024 and 3.35 from 2025 until 2027.

Senior notes
The non-compliance with covenant (ratio of 4.5) foresees that the Company operates with certain restrictions, being the principal ones:

i) Limitation in US$500,000 for new debts, provided it is not used to refinance the existing debt;
ii) Restrictions on certain payments, such as dividends to shareholders above the statutory minimum legal required amount;
iii) Dividends limitation of US$25,000 per year, on a cumulative basis, for preferred shareholders after the Senior Notes issuance (July/2014).

As of June 30, 2020, Company is in compliance with the restrictions imposed. Such restrictions are maintained until the next measurement period that will be based on the financial figures for the year to be ended December 31, 2020.

12. Provisions and contingent assets and liabilities

Provisions

The Group is subject to tax, civil, labor and other risks. Management periodically reviews known contingencies, assesses the likelihood of losses and recognizes corresponding provision based on its legal counsel's opinion and other available data at the date of the reporting period.

The provision for risks is demonstrated as follows:

	06.30.2020	12.31.2019
Labor and social security	5,447	6,963
Tax (a)	15,619	17,013
Civil and other (b)	38,016	37,835
	59,082	61,811
Escrow deposit (c)	(1,422)	(2,840)
Total	57,660	58,971

(a) Brazil: Refer to tax assessment notices and lawsuits amounting to US$966 (US$2,294 as of December 31, 2019) mainly related to discussions on: i) absence of Value Added Tax ("ICMS") collection and improper credits taken in a variety of operations, including import of goods carried out through trading companies; (ii) improper compensation of income tax and social contribution; and (iii) absence of services tax (ISS) collection in a variety of services provided.

InterCement Portugal: Refers basically to the provisions for tax risks related to income tax, amounting to US$6,356 as of June 30, 2020 (US$6,351 as of December 31, 2019), which are being challenged in courts.

Egypt: Refers basically to tax provisions related to income tax matters between the calendar years 2004 and 2016, in the amount of US$7,403 (US$7,574 in December 31, 2019), which are being challenged at court.

(b) Egypt: Includes mainly a provision related to a dispute about the requirement of an industrial license and corresponding interest and monetary accretion totalling US$33,603 (US$33,831 on December 31, 2019).

(c) The Group have escrow deposits related to the provision for tax, civil and labor risks as follows:

	06.30.2020	12.31.2019
Labor and social security	800	2,079
Tax	556	745
Civil and other	66	16
Total	1,422	2,840

Changes in the provision for risks for the six-months periods ended June 30, 2020 and 2019 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance as of December 31, 2018	9,966	19,736	35,114	(3,087)	61,729
Effects of IAS 29 (Note 2.2)	252	132	177	-	561
Recognition/deposit	1,170	1,507	587	(570)	2,694
Payment	(1,456)	(1,211)	(712)	931	(2,448)
Reversal	(961)	(1,185)	(1,148)	-	(3,294)
Exchange differences	(61)	1,042	1,893	(34)	2,840
Balance as of June 30, 2019 (Recasted)	8,910	19,287	36,645	(2,760)	62,082
Balance as of December 31, 2019	6,963	17,013	37,835	(2,840)	58,971
Effects of IAS 29 (Note 2.2)	172	99	55	-	326
Recognition/deposit	968	(306)	1,246	(265)	1,643
Payment	(415)	(110)	(342)	1,016	149
Reversal	(712)	(417)	(104)	-	(1,233)
Exchange differences	(1,529)	(660)	(674)	667	(2,196)
Balance as of June 30, 2020	5,447	15,619	38,016	(1,422)	57,660

Contingent liabilities

In the normal course of its business the Group is involved in several legal cases and complaints relating to its labor and social security, tax, civil and other natures, which the likelihood of loss is assessed as possible or less likely than not for uncertain income tax positions in light of IFRIC 23.

As of June 30, 2020, the Group has an exposure of US$979,272 (US$1,177,867 as of December 31, 2019), being US$12,060 of contingent liabilities related to labor contingencies (US$14,612 as of December 31, 2019), US$787,069 of tax contingencies, including uncertain income tax position as per IFRIC 23 assessment (US$896,867 as of December 31, 2019), US$180,143 of civil contingencies and administrative processes of other natures (US$266,388 as of December 31, 2019), whose likelihood of loss was considered possible, according to the opinion of our legal counsel. The reduction compared to December 31, 2019 is mainly explained by the depreciation of Brazilian Reais against U.S. dollars.

The most significant of the contingencies are:

Brazil

a) Tax

The tax contingencies, in the approximately amount of US$674,970 (US$785,306 as of December 31, 2019) refer mainly to administrative and judicial proceedings related to: (i) disallowance of credits for allegedly undue deduction of the IRPJ and CSLL calculation base, as goodwill amortization resulting from the acquisition of other companies; (ii) collection of IRPJ and CSLL, based on the fact that the Company would no longer offer to tax profits earned abroad by subsidiaries and affiliated entities; (iii) collection of alleged difference or non-payment of CFEM, a financial compensation paid to the Federal Government for the economic use of mineral resources; (iv) several discussions related to the ICMS: rate differential, absence of payment in different operations, applicability of tax agenda and transfer of goods between plants of the same taxpayer, improper credits taken upon intermediate materials and fixed assets considered for use and consumption; (v) non-ratified IRPJ credit compensation resulting from the improper application of the tax incentive granted by Authorities and credits resulting from the lower calculation of the negative tax balance; (vi) undue PIS and COFINS credit resulting from freight expenses on goods transfers between industrial plants and distributors; (vii) taxation of interest on capital; (viii) non-collection of the Property Transfer Tax ("ITBI") on mergers transactions; (ix) alleged non-payment of federal taxes; and (x) undue charge of a municipal tax (Services Taxes - "ISS").

b) Civil

The main lawsuits relate to: (i) reparation of damages due to contractual breach; (ii) indemnity for accidents at work in the civil sphere and for undue collection; (iii) non-compliance with operating license conditions and alleged lack of licensing; (iv) air and soil pollution; and (v) infraction against the economic order ("CADE), as described below:

Administrative Council for Economic Defence ("CADE")

The Company, along with other companies in the industry, is part of administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defense ("CADE"). In July 2015, CADE's tribunal judged the administrative appeal presented by the Group under the process initiated in 2007 regarding competition in Brazil (as well by other involved companies), maintaining the condemnation decision about cartel formation and the imposition of a pecuniary fine and other accessory penalties. As of June 30, 2020, the fines imposed to the Group corresponds to US$145,320 (R$795,774 thousand), equivalent to US$194,748 (R$784,971 thousand) as of December 31,2019, besides the obligation to sell 20% of its installed capacity of the concrete assets in the relevant Brazilian markets in which the Company operates, among other accessory penalties.

After the referred administrative CADE's decision became final, the Group appealed judicially, having obtained, on October 22, 2015, the grant of the preliminary injunction to suspend all penalties imposed by CADE, by the presentation of real guarantees (two plants), until the final judgment decision. Such preliminary injunction decision was judicially appealed by CADE, and was rejected. The proceeding did not have any significant change until June 30, 2020. Based on the opinion of the legal advisors, the risk of loss in court has been considered as possible, therefore, no provision was recorded for this contingent liability.

Spain

As a result of the tax inspections of the years 2005 to 2008, tax assessments of approximately US$134,855 (US$134,880 as of December 31, 2019) were issued against the Company related essentially to net financial items resulting from interpretations not adjusted to the nature of certain transactions. Based on opinion of the legal advisors, the risk of loss in court was considered as possible. During September 2019, the Supreme Court's ruled the dispute and the decision was favourable to the Company, therefore the tax assessment was cancelled.

During the second half of 2014, the Spanish tax authorities began inspecting the years 2009 to 2012 related to the same matters in dispute as mentioned previously. The amounts under dispute are negative taxable income of approximately US$31,466 for 2009 to 2011, and negative taxable income of approximately US$271,958 for 2012 (US$272,008 as of December 31, 2019). Management and Company's legal counsel believe the risk of a favourable outcome of this dispute is "more likely than not", therefore, no contingency reserve was recorded.

Portugal

Under the Consolidated Income Tax Regime (RETGS), applicable to the Company and other Portuguese entities of the Group until the year 2000, intra-group results ("eliminated results"), amounting to US$297,806 (€265,000 thousand) as of June 30, 2020 and US$297,860 (€265,000 thousand) as of December 31, 2019, were generated due to tangible fixed assets sales between group companies.

During the Corporate Income tax (CIT) inspection of the fiscal year 2016, the Tax Authority requested the provision of information relating to such tangible fixed assets sales, with the purpose of assessing the need for possible adjustments to the Group's taxable profit in this fiscal year and in the fiscal years ending on 2017 and 2018, due to the transitional rules successively inserted in the State Budget Laws of the years 2016, 2017 and 2018, which required partial or total incorporation (in the event of termination of the Group) in those years of any taxable income that were still pending from taxation.

On July 9, 2020, the final Report was received, incorporating a correction of US$111,173 (€98,926 thousand) to the Group's Taxable base, corresponding to 25% (cf. Law No. 7-A / 2016, of June 30) of the eliminated results calculated by the Tax Authority by reference to December 31, 2015.

Based on the opinion of the Company´s legal advisors, the risk of a favourable outcome of on this dispute is "more likely than not", therefore, no contingency reserve was recorded.

13. Related Parties

Transactions and balances between Group companies consolidated upon the full consolidation method were eliminated in the consolidation process and therefore are not disclosed herein. The balances and transactions between the Group and associated companies and with other related parties fall within normal operational activities, and include advances, loan agreements, sales and purchases of products and services.

In the year ended December 31, 2019 the Company (i) released Capital Reserves in the amount of US$74,742 (R$300,000 thousand) to its parent company, Mover Participações S.A. and (ii) sold fixed assets (land) to A.Y.U.S.P.E. Empreendimentos e Participações S.A., with outstanding receivables in the amount of US$4,164 (US$5,657 as of December 31, 2019) recorded within “Other Receivables” non-current. During the first semester of 2020, rights over such the land and corresponding payment obligations over were transferred from A.Y.U.S.P.E. to HM Engenharia e Contrução S.A.

14. Shareholder’s Equity

Share Capital

As of June 30, 2020 and December 31, 2019 share capital is represented by 25,046,440 registered shares without par value, of which 22,687,439 are common shares and 2,359,001 are preferred shares Class A.

Capital Reserves - Preferred Shares – InterCement Participações

Class A

The preferred shares (Class A) grant their holders the right to receive minimum dividends, not accumulating losses, do not grant voting rights in the Company’s shareholders’ meetings, and can be redeemed by decision of the Board of Directors. Any contractual obligations are guaranteed and recorded at Company’s controller shareholder; consequently, the Company does not have any contractual obligation assumed with such holders of the preferred shares.

Class B

The preferred shares (Class B) does not grant their holders the right to receive minimum dividends, do not grant voting rights in the Company’s shareholders’ meetings, and can be redeemed by decision of the Board of Directors.

As previously informed in “Capital section”, the dividends to which the Class B Preferred Shares may be entitled has the preference in relation to the common shares issued by the Company. Notwithstanding and with no prejudice, the dividends to which Class A Preferred Shares may be entitled shall have preference over Class B Preferred Shares. Class B Preferred Shares will have no preference in capital reimbursement in relation to common shares, considering the holders of Class B is the final controlled entity of the Company (Mover S.A.).

On April 30, 2019, the Board of Director decided to redeem the 2,836,773 Class B preferred shares entirely held by its parent company, Mover Participações S.A. at a share value of R$105,75397 totaling R$300,000 thousands (US$74,742) by releasing Capital Reserves. The liquidation took place in May 2019 and the shares were subsequently cancelled.

Earning Reserves

The movement occurred in the six-month period ended June 30, 2019 relates to the dividend payments below referred. No dividends were declared or paid for the semester ended June 30, 2020.

Dividends

The holders of common shares are entitled to annual minimum mandatory dividends equivalent to 25% of the profits for the year adjusted as provided for by the bylaws and the Brazilian Corporate Law.

For the six-month period ended June 30, 2019, US$53,497 of dividends were paid to preferred shares Class A, related to prior years' profits and reserves of profits.

Non-controlling interests

Other comprehensive income (loss) movements relates to (i) the negative equity recognition of exchange differences arising on the translation of foreign operations in the amount of US$84,549 (negative of US$27,919 as of June 30, 2019) and ii) the positive equity recognition of hedging operations amounting to US$109 (positive of US$86 as of June 30, 2019).

In addition, in the six-month period ended June 30, 2020, dividends to non-controlling interests were declared and paid in the amount of US$3,246.

15. Income Tax and Social Contribution

For the six-months periods ended June 30, 2020 and 2019, the reconciliation between the nominal and the effective income tax was as follows:

	06.30.2020	30.06.2019 (Recasted)
Losss before income tax and social contribution	(10,701)	(31,495)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	3,638	10,708
Income tax and social contribution at effective rates:		
Permanent additions / (deductions), net	5,337	8,153
Effect of differences between juridictions and changes in tax rates (a)	605	2,593
Unrecorded deferred income tax and social contribution tax (b)	(26,776)	(35,852)
Other (c)	5,778	(4,045)
Income tax and social contribution expense	(11,418)	(18,443)
Current Income tax and social contribution expense	(12,324)	(20,740)
Deferred Income tax and social contribution expense	906	2,297

(a) Includes the effect of the differences in tax rates in other countries were the tax rates differs from 34% and other permanent differences adjustments in tax rates;

(b) Includes the tax effect from tax losses on entities were deferred tax assets were not recognized due to lack of positive evidences that would justify the corresponding recoverability in a foreseeable future;

(c) For the six-months period ended June 30, 2020, includes the amount of US$4,092 related to the positive impact of monetary adjustment in Argentina due to hyperinflationary economy (negative impact of US$0,322 for the six-months period ended June 30, 2019).

Deferred income tax and social contribution

Deferred income tax and social contribution were recognized on tax losses carryforwards and temporary differences in the recognition of revenues and expenses between tax and corporate books, to the extent considered realizable by the subsidiaries.

In addition to the income tax charge, in the six months periods ended June 30, 2020 and 2019, the Group recorded deferred taxes in the amount of US$108 and US$197, respectively, directly in equity.

16. Net Revenue

The breakdown of the Company's net revenues for the six-months periods ended June 30, 2020 and 2019 is as follows:

	06.30.2020	06.30.2019 (Recasted)
Products sold	710,500	845,451
Services provided	36,521	47,920
(-) Taxes on sales	(70,174)	(84,244)
(-) Discounts	(84,890)	(25,392)
Total	591,957	783,735

17. Information on the Nature of the Costs and Expenses Recognized in the Income Statement

The consolidated statements operations are presented based on a classification of expenses according to their function. Information on the nature of such expenses is as follows:

	06.30.2020	06.30.2019 (Recasted)
Depreciation, amortization and impairment losses	(86,090)	(91,293)
Salaries and employee benefits	(90,215)	(122,781)
Raw materials and consumables	(136,272)	(154,073)
Tax expenses	(8,468)	(17,579)
Outside services	(55,488)	(86,388)
Rental	(3,098)	(4,989)
Freight expenses	(45,616)	(74,230)
Maintenance costs	(30,999)	(42,084)
Fuel	(51,989)	(83,270)
Electricity	(44,836)	(66,399)
Recognition of provision for risks	117	(1,693)
Gain on sale of property, plant and equipment	1,209	2,967
Other	(13,457)	(8,551)
Total	(565,202)	(750,363)
Cost of sales and services	(503,339)	(672,836)
Administrative and selling expenses	(67,403)	(88,363)
Other income	5,540	10,836
Total	(565,202)	(750,363)

18. Financial Income (Expenses) and Foreign Exchanges Losses (net)

	06.30.2020	06.30.2019 (Recasted)
Foreign exchange gain (losses), net (a):		
Exchange gain	140,708	38,283
Exchange loss	(92,383)	(41,037)
Total	48,325	(2,754)
Financial income:		
Inflation adjustment	1,097	2,785
Effects of IAS 29 (b)	2,736	13,372
Financial earnings	1,865	6,191
Interest income	255	491
Derivative financial instruments	1,737	4,594
Other income	801	(35)
Total	8,491	27,398
Financial expenses:		
Inflation adjustment	(4,675)	(2,073)
Expenses on interest and charges	(56,779)	(70,186)
Expenses on banking commissions	(3,935)	(5,434)
Fines	(275)	(55)
Derivative financial instruments	-	(2,016)
Obligations under finance leases present value	(5,625)	(6,841)
Other expenses (c)	(22,983)	(2,906)
Total	(94,272)	(89,511)

(a) The exchange differences are mainly influenced by the appreciation and depreciation of functional currencies against other currencies (mainly US$ and Euro).

(b) It relates to the application of IAS 29 to Argentinean pesos (Note 2.2).

(c) In the six-months period ended June 30, 2020, includes US$2,324 related with financial operations taxes paid over intercompany loans transactions in the period; and US$13,806 related with bank commissions incurred as part of the new debentures issued by the Company and its Brazilian subsidiary (see note 11). The recognition as expenses of such commissions is in light with IFRS9. When a debt instruments is accounted for as an extinguishment of the original debt, fees incurred should be immediately recognized as part of gain or loss on the extinguishment.

19. Leasing

The change of rights-of-use assets in the six months period ended June 30, 2020 is demonstrated as follows:

Composition and movements of right-of-use assets

	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other	Total
Cost						
As of December 31, 2019	13,197	62,168	4,799	-	266	80,430
Additions	670	-	1,916	33	-	2,619
Write-offs	(67)	(913)	(56)	-	-	(1,036)
Exchange difference	(1,429)	(16,147)	(1,056)	1	(70)	(18,701)
As of June 30, 2020	12,371	45,108	5,603	34	196	63,312
(-) Accummulated depreciation						
As of December 31, 2019	(2,161)	(16,776)	(591)	-	(152)	(19,680)
Additions	(1,086)	(7,249)	(716)	(7)	(63)	(9,121)
Write-offs	3	420	13	-	-	436
Exchange difference	255	5,104	172	-	48	5,579
As of June 30, 2020	(2,989)	(18,501)	(1,122)	(7)	(167)	(22,786)
Balance as of June 30, 2020	9,382	26,607	4,481	27	29	40,526
Balance as of December 31, 2019	11,036	45,392	4,208	-	114	60,750

The obligations under finance leases changed since December 31, 2019 through June 30, 2020 as demonstrated below:

Composition and movements of lease liabilities:

	06.30.2020
As of December 31, 2019	70,352
Additions	2,619
Write-offs	(483)
Payments	(10,534)
Present value adjust	5,021
Exchange difference	(15,706)
As of June 30, 2020	51,269

The obligation under finance leases are broken down as current and non-current and is aged as demonstrated below:

Lease liabilities included in the statement of financial position:

	06.30.2020
Current	17,536
Non-current	33,733
Lease liabilities	51,269

Lease liabilities - Maturity analysis:

	06.30.2020
Less than one year	17,536
One to five years	31,442
More than five years	2,291
Lease liabilities	51,269

20. Commitments

Purchase agreements

InterCement Brasil has a contractual agreement for purchase of raw slag effective until 2021 adjusted by the Brazilian Chamber of Construction Industry (CBIC) ("take or pay contract") and also contracts for the acquisition of hydroelectric power until 2024 whose total estimated cash disbursements, in nominal amounts, are as follows:

	06.30.2020	12.31.2019
2020	12,793	36,783
2021	22,804	31,150
2022	22,695	30,833
After 2022	36,748	49,924
Total	95,040	148,690

Other subsidiaries are parties to contractual agreements for the purchase of inventories and property, plant and equipment, and the operation of facilities located in third-party properties, as follows:

	06.30.2020	12.31.2019
2020	47,120	18,522
2021	29,548	28,695
2022	19,852	25,402
After 2022	129,520	157,149
Total	226,040	229,768

The above balances refer mainly to the contracts signed by Loma Negra as details below:

The Argentina and Paraguay segment has certain contractual commitments for the purchase of slag with effect until 2022. Estimated future cash flows are approximately US$11,786 (ARS830,443 thousand) between 2020 and 2022.

The Argentina and Paraguay segment also signed contracts for the supply of gas, assuming payment commitments in the total amount of approximately US$18,537 (ARS1,306,084 thousand), with payment of US$8,840 (ARS622,888 thousand) during the year 2020 and US$9,696 (ARS683,196 thousand) in 2021.

In the year ended December 31, 2017, the Argentina and Paraguay segment signed energy supply contracts with certain suppliers, in the total amount of US$7,085 (ARS499,197 thousand) and US$14,170 (ARS998,393thousand) during 2020 and 2021 and US$141,951 (ARS10,001,874 thousand) between 2022 and 2037.

Additionally to the above figures, in accordance with the contract concluded with Sinoma International Engineering Co. Ltd for the construction of a new cement factory, Loma Negra C.I.A.S.A. made commitments totalling US$30,755 (ARS2,167,000 thousand), plus US$98,254 (ARS6,923,000 thousand) and US$46,750. Whereas, as agreed, the amounts in pesos (ARS2,167,000 thousand) are subject to periodic updating in accordance with an adjustment formula. The amount committed as of June 30, 2020 is US$5,352 (ARS377,112 thousand).

21. Earnings Per Share

The table below shows the reconciliation of profit/loss for each period with the amounts used to calculate basic and diluted earnings (loss) per share:

	06.30.2020	06.30.2019 (Recasted)
Profit (Loss) for the period from continuing and discontinuing operations attributable to Company's owners	(36,948)	264,892
Profit (Loss) for the period attributable to common shares	(36,948)	264,892
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted gain (loss) per common share	(1.63)	11.68
Loss for the period from continuing operations attributable to Company's owners	(36,948)	(79,464)
Loss for the period attributable to common shares	(36,948)	(79,464)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	(1.63)	(3.50)

22. Financial Instruments

The Group conduct transactions involving financial instruments, including derivatives, all of which recorded in balance sheet accounts, which are intended to meet their operating and financial needs. The Company contracts short-term investments, borrowings and financing, as well as derivatives.

22.1. Capital risk management

The Group capital structure consists on net debt and equity. The net debt comprises borrowings and financing and debentures less the cash and cash equivalents, current securities and derivatives. Interest payable and obligations under finance leases are not included within the net debt.

22.2. Financial risk management

<u>General principles</u>

During its normal business activities, ICP Group is exposed to a variety of financial risks likely to change its net worth, which can be grouped, according to their nature, in the following categories:

- Interest rate risk;
- Exchange rate risk;
- Liquidity risk;
- Credit risk;
- Counterparty risk.

Financial risk means the probability of obtaining a positive or negative outcome different to that expected, and which materially and unexpectedly alters the Group's net worth.

All risk management, focused on that objective, is conducted according to two core concerns:

- Reducing, whenever possible, fluctuations in profit/loss and cash flows that are exposed to risk situations;

- Curbing deviation from forecast financials by means of strict financial planning based on multi-year budgets.

Furthermore, another concern of the Group is that the processes for managing these risks meet internal information requirements and external requirements (regulators, auditors, financial markets and all other stakeholders).

The Group, as a rule, does not take speculative positions and so the sole aim of all operations carried out with the purpose of managing financial risks is to control existing risks to which the Group is unavoidably exposed.

Hedging the interest-rate risk and exchange-rate risk normally means contracting financial derivatives on the over-the-counter market (for reasons of flexibility), involving a limited number of counterparties with high ratings. These operations are undertaken with financial entities with which International Swaps and Derivatives Associaton (ISDA) contracts were completed in advance, in accordance with international standards.

The whole treasury department is responsible for managing financial risks, including identifying, assessing and hedging such risks. This risk management is conducted under the guidance of the Executive Committee, in particular of the director responsible for the financial risk area (whose approval is required prior to any operation).

22.3. Interest rate risk

The Group's exposure to interest-rate risk arises from the fact that its balance sheet includes financial assets and liabilities that may have been contracted at fixed interest rates or at variable interest rates. In the former case, the Group runs the risk of variation in the fair value of those assets and liabilities, whereby any change in market rates involves a (positive or negative) opportunity cost. In the latter case, such change has a direct impact on the amount of interest paid/received, resulting in cash account changes.

Interest-rate swaps can be contracted to hedge this type of risk, in accordance with the Group's expectations concerning the development of market rates

As of June 30, 2020 and December 31, 2019, there were no hedge instruments contracted to protect such risks.

Exposure to interest rate risks and to floating and fixed rates

The Group is exposed to floating interest rates and inflation rates mainly related to changes in the IGP-M, CDI, Libor, Euribor and Badlar on borrowings and debentures. Interest rates on short-term investments are mostly linked to the CDI and Selic fluctuation. These positions are as follows:

	Borrowings and financing	Debentures	Cash and cash equivalents	Securities	Other payables	06.30.2020	12.31.2019
Assets:							
CDI	-	-	77,277	174	-	77,451	107,754
Total	-	-	77,277	174	-	77,451	107,754
Liabilities:							
IGP-M	-	-	-	-	6,295	6,295	7,116
CDI	19,368	883,543	-	-	-	902,911	461,292
EURIBOR	-	-	-	-	-	-	220,587
LIBOR	87,789	-	-	-	-	87,789	462,409
Badlar	97,744	-	-	-	-	97,744	-
Outros	5,238	-	-	-	-	5,238	51,559
Total	210,139	883,543	-	-	6,295	1,099,977	1,202,963

As of June 30, 2020 and December 31, 2019, the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, was as follows:

	06.30.2020	12.31.2019
Floating rates	62%	62%
Fixed rates	38%	38%

22.4. Exchange rate risk

The Group is exposed to the exchange-rate risk for the currencies of different countries due to the amounts of capital invested in those countries where functional currency is different from Group functional currency.

The exchange effects of the translation of local financial statements in the Group's consolidated financial statements can be mitigated by hedging the net investments in such countries.

When hedging the exchange-rate risk, swaps and forward contracts and with maturities equivalent to the instrument that serves as a hedging basis, are contracted.

The Group does not carry out exchange-rate operations that do not adequately cover existing or contracted positions.

The fact that the Group operates in countries with significant interest rate differentials in relation to the consolidation currency, results in the search for natural hedge strategies. In this respect there was a seeking to increase the debt of the Business Units in order to obtain better correspondence between assets and liabilities in the same currency, thus decreasing the Group's overall exposure.

Exposure to foreign exchange risk

The Group has assets and liabilities in currencies other than their own functional currencies, mainly the US Dollars, and their individual financial results may be materially impacted by exchange rate fluctuations.

The main account groups exposed to foreign exchange risk are as follows:

	06.30.2020	12.31.2019
Assets:		
Cash, cash equivalents and securities	22,509	76,939
Trade receivables	1,803	1,111
Related parties (a)	370,454	454,694
Other credits	2,976	1,534
Exposed assets	397,742	534,278
Liabilities:		
Interest, borrowings, financing and debentures	746,116	1,053,579
Foreign trade payables	109,838	6,390
Related parties (a)	893,948	488,788
Other debits	3,543	1,379
Exposed liabilities	1,753,445	1,550,136

(a) It relates to intercompany balances with currency exposure at least in one of the related companies, (considering subsidiaries with different functional currencies), where balances (assets and liabilities) are eliminated during the consolidation; however, gain or loss impact in exchange variation are not eliminated since impacts the profit or loss of individual entities.

The presentation of cash and cash equivalents and current securities by currencies and related foreign exchange exposures are as follows:

		06.30.2020		12.31.2019	
Functional currency	**Currency**	**Currency**	**USD**	**Currency**	**USD**
ARS	USD	1.356	1.356	4.557	4.557
BRL	USD	3	3	206	206
PYG	USD	10.395	10.395	684	684
EGP	USD	474	474	3.273	3.273
EUR	USD	8.576	8.576	64.144	64.144
MZN	USD	92	92	99	99
ARS	BRL	0	0	9	2
PYG	BRL	1	0	1	0
ARS	EUR	-	-	27	30
PYG	EUR	37	33	18	20
EGP	EUR	49	44	92	104
MZN	EUR	1.479	1.316	1.579	1.774
EUR	EGP	2.701	168	2.745	172
ARS	PYG	0	0	5.475	1
MZN	ZAR	899	52	2.008	143
EUR	MZN	-	-	105.821	1.731
Amount exposed to foreign exchange risks			22.509		76.939
BRL	BRL	423.996	77.428	437.043	108.429
EUR	EUR	47.163	41.968	73.821	82.974
ARS	ARS	2.161.927	30.683	1.178.500	19.678
MZN	MZN	764.503	10.976	998.691	16.333
EGP	EGP	69.998	4.345	108.098	6.756
PYG	PYG	37.322.952	5.472	130.908.940	20.252
ZAR	ZAR	166.861	9.614	308.669	22.023
Amount by functional currency			180.486		276.445
			202.995		353.385

The main debt instruments (essentially related with loans and debentures) as of June 30, 2020 and December 31, 2019, and considering the effect of the existing cross currency swaps, were denominated in the following currencies:

	06.30.2020	12.31.2019
USD	36%	53%
BRL	52%	25%
EUR	2%	15%
Other	11%	7%

22.5. Liquidity risk

Liquidity risk management means maintaining an appropriate level of cash resources and contracting credit limits that not only ensure the normal pursuit of the Group's activities but also meet the needs of any extraordinary operations.

As mentioned in note 11, Company successfully refinanced its debts, releasing pressures in the next three years related to liquidity risk. Management continues to work in its liabilities plan, targeting extension of the remaining loans and debentures providing sufficient period of time to Brazilian business to recover from recent financial crises and, also, the world economy to recover from COVID-19 crisis.

22.6. Credit risk

The markets view of Group's credit risk in regards to financing operations is naturally reflected in the financial costs associated to such operations. The Group's influence in such matters is merely ancillary, embodying the prudent and balanced management of the business in order to lessen the probability of defaulting on its obligations.

The Group's level of solvency is also reflected in its Leverage ratio (Net Debt / EBITDA). As described in Notes 10 and 11, as of December 31, 2019, the Company complied with restrictive covenants. Furthermore, the Company successfully refinanced some of its debts, which included different covenant clauses to be met as of December 31, 2020 and following years (see note 10 and 11 above).

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist primarily of short-term investments. The Company and its subsidiaries maintain bank accounts and short-term investments with financial institutions approved by Management, and only carry out sale transactions according to credit approval criteria for minimizing default risks.

22.7. Counterparty risk

When the Group establishes different contractual relations with third parties, it takes on the risk of the probability of non-fulfilment or even, in an extreme scenario, default by a counterparty.

The Group endeavours to limit its exposure to this risk, when making bank deposits and other cash investments and also, when contracting derivative instruments, by carefully selecting the counterparties, based on their rating and taking into account the nature, maturity and scope of the operations.

Due to COVID-19 crisis, Management reassessed the assumption related to the risk of defaults by its clients by each business units in order to determine if the allowance for doubtful accounts reflected Management´s expected losses, which are based on historical losses for each aging list bucket and prospective data. The prospective data are obtained from Legal, Credit and Accounts Receivable departments. Furthermore, Management implemented more restrictive rules to authorize new sales due to COVID-19.

Until the issuance of the condensed consolidated interim financial statements, the Company has not observed a significant change in the assessed risks of its portfolio that could result in a significant increase in its allowance for doubtful accounts as of June 30, 2020, when compared to the amount recorded as of December 31, 2019.

22.8. Sensitivity analysis of financial instruments

Exposure to interest-rate risk results in the variability of the Group's net financial expenses. The results of a sensitivity analysis of exposure as of June 30, 2020 were as follow:

a) Sensitivity analysis - Interest rates with US Libor and CDI index

A parallel change of +/- in the interest rate curves applied on principal amounts as of June 30, 2020, with all the other assumptions remaining constant would result in an increase in annual financial costs (before taxes) as shown in table below:

		Recasted			
Indexing	Currency	Asset (Liability)	1%	2%	3%
US Libor	USD	(87,789)	(878)	(1,756)	(2,634)
CDI	BRL	(825,460)	(8,255)	(16,509)	(24,764)

b) Exchange rates

In the debt balances, considering the currency distribution aforementioned, the exchange rate risks from exchange rate volatility may result in significant impacts on consolidated financial results.

Considering the Group's companies financial asset and liability profile (including intercompany balances) as of June 30, 2020, the significant impacts on net financial results would be as follows:

				USD depreciation		USD appreciation	
Amount in USD	Funcional currency	FX Rate (06-30-20)		-10%	-5%	5%	10%
(624,643)	EUR	0.89	Effect in USD	(70,197)	(35,099)	35,099	70,197
(77,193)	ARS	70.46	Effect in ARS	(543,905)	(271,953)	271,953	543,905
			Effect in USD	(8,577)	(4,063)	3,676	7,018
10,400	PYG	6820.47	Effect in PYG	7,093,345	3,546,673	(3,546,673)	(7,093,345)
			Effect in USD	1,156	547	(495)	(945)
(24,948)	BRL	5.48	Effect in BRL	(13,662)	(6,831)	6,831	13,662
			Effect in USD	(2,772)	(1,313)	1,188	2,268
41,199	ZAR	17.36	Effect in ZAR	71,507	35,753	(35,753)	(71,507)
			Effect in USD	4,578	2,168	(1,962)	(3,745)
(10,749)	EGP	16.11	Effect in EGP	(17,318)	(8,659)	8,659	17,318
			Effect in USD	(1,194)	(566)	512	977
(47,381)	MZN	69.65	Effect in MZN	(330,013)	(165,007)	165,007	330,013
			Effect in USD	(5,265)	(2,494)	2,256	4,307

				EUR depreciation		EUR appreciation	
Amount in EUR	Funcional currency	FX Rate (06-30-20)		-10%	-5.0%	5.0%	10.0%
(22,097)	ZAR	19.51	Effect in ZAR	43,100	21,550	(21,550)	(43,100)
			Effect in USD	2,759	1,307	(1,182)	(2,257)
82,289	BRL	6.15	Effect in BRL	(50,640)	(25,320)	25,320	50,640
			Effect in USD	(10,275)	(4,867)	4,404	8,407
(50,590)	EGP	18.11	Effect in EGP	91,594	45,797	(45,797)	(91,594)
			Effect in USD	6,317	2,992	(2,707)	(5,168)
(10,881)	ARS	79.18	Effect in ARS	86,158	43,079	(43,079)	(86,158)
			Effect in USD	1,359	644	(582)	(1,112)

				BRL depreciation		BRL appreciation	
Amount in BRL	Funcional currency	FX Rate (06-30-20)		-10%	-5.0%	5.0%	10.0%
(2,976,668)	EUR	0.16	Effect in EUR	48,370	24,185	(24,185)	(48,370)
			Effect in USD	54,358	27,179	(27,179)	(54,358)

(Thousand)

22.9. Categories of financial instruments

	06.30.2020	12.31.2019
Current assets:		
Cash and bank accounts (Note 4)	68,219	195,569
Financial assets at amortized cost:		
Short-term investments - financial asset (Note 4)	1,356	1,475
Trade receivables (Note 6)	84,475	75,490
Other receivables	47,187	37,693
Financial assets at fair-value through profit & Loss:		
Short-term investments - financial asset	114,635	137,074
Investments funds (Note 5)	18,785	19,267
Non-current assets:		
Financial assets at amortized cost:		
Trade receivables (Note 6)	261	504
Other receivables	30,987	39,621
Financial assets at fair-value through profit & loss:		
Long-term investments - financial asset (Note 5)	1,005	1,427
Derivatives (Note 22.10)	6,742	7,060
Current liabilites:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	19,656	178,623
Borrowings and financing (Note 10)	190,705	220,663
Trade payables	237,221	295,625
Interest payable (Notes 10 and 11)	26,283	27,632
Leasing (Note 19)	17,536	30,644
Other payables	28,254	49,026
Non-current liabilites:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	1,394,814	781,490
Borrowings and financing (Note 10)	159,949	750,459
Trade payables	3,365	3,033
Leasing (Note 19)	33,733	39,708
Other payables	21,079	29,232

22.10. Derivative transactions

As of June 30, 2020 and December 31, 2019, the fair value of derivatives is as follows:

	Assets	
	Non-current	
	06.30.2020	12.31.2019
Written-put options ("Baesa", "Machadinho" and "Estreito" operations)	6,742	7,060
	6,742	7,060

Trading derivatives

Represented by three derivative options in connection with "Baesa", "Machadinho" and "Estreito" operations, whose asset and liability fair value as of June 30, 2020 and December 31, 2019, were estimated in the amount of US$6,742 and US$7,060, respectively.

22.11. Market values

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value as of June 30, 2020 in accordance with the following fair value seniority levels:

– Level 1: the fair value of financial instruments is based on listings on net active markets as of the date of the financial statements;
– Level 2: the fair value of financial instruments is not based on listings on net active markets but rather based valuation models;
– Level 3: the fair value of financial instruments is not based on listings on net active markets but rather on valuation models, the principal inputs of which are not observable in the market.

Category	Item	Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value through profit & loss	Securities	18,785	114,635	-
Financial assets available for sale	Securities - non current	-	1,005	-
Financial assets at fair value through profit & loss	Financial derivative instruments	-	-	6,742

The valuation technique to determine the fair value measurement of the financial instruments categorized within Level 3 of the fair value hierarchy, which comprises the derivative options of "Baesa", "Machadinho" and "Estreito" operations, was Black-Scholes. The significant unobservable inputs to the measurement include: expected future dividends payments based upon on discounted cash flows projections; benchmarking information of comparative listed entities volatility, among others. We have also used the Monte Carlo valuation technique to create a probability distribution (or risk assessment) in the determination of the exercise of the put options, which assumption was also used in the determination of the fair value.

Estimated fair value – assets and liabilities not measured at fair value

Measurement of fair value of derivatives financial instruments is based on criteria extracted from external database agencies, and the results obtained faced with the corresponding evaluations made by counterparties.

Except as regards borrowings and financing and debentures, the majority of financial assets and liabilities mature in the short term and so their fair value is considered to be the same as their book values.

Regarding borrowings, financing and debentures, as shown in Notes 10 and 11, in general, are contracted at variable interest rates. Consequently, it is understood that the corresponding book value (amortized cost) does not differ significantly from their corresponding market value, except for the Senior Notes issued by InterCement B.V. and for the fixed interest rate debenture contracted in the Brazilian segment, which effect of their valuation to fair value in relation to their book value being as follows:

	06.30.2020	12.31.2019
Fair Value	1,226,006	875,653
Carrying amount	1,432,140	968,446

23. Operating Segment

The operating segments are identified based on the internal reports on the Company's components, periodically reviewed by the Chief Executive Officer (CEO), the chief operating decision-maker, so that funds can be allocated to the segments and their performances assessed.

To manage its business taking into consideration its financial and operating activities, the Company classified its business into each geographical area where the Company operates.

The statement of operations information are as follows:

	06.30.2020				06.30.2019 (Recasted)			
	Net Revenue				Net Revenue			
	Foreign sales	Intersegment sales	Total	Results	Foreign sales	Intersegment sales	Total	Results
Operating segments:								
Brazil	198,832	231	199,063	(4,701)	226,199	-	226,199	(25,721)
Argentina and Paraguay	247,174	-	247,174	45,062	364,142	-	364,142	67,880
Egypt	47,324	-	47,324	(4,153)	62,820	-	62,820	(4,994)
Mozambique	53,793	-	53,793	2,917	55,716	-	55,716	3,807
South Africa	44,811	-	44,811	1,473	67,565	1,395	68,960	7,699
Total	591,934	231	592,165	40,598	776,442	1,395	777,837	48,671
Unallocated (a)	23	7,857	7,880	(13,843)	7,293	59,977	67,270	(15,299)
Eliminations	-	(8,088)	(8,088)	-	-	(61,372)	(61,372)	-
Sub-total	591,957	-	591,957	26,755	783,735	-	783,735	33,372
Income before financial income (expenses)				26,755				33,372
Foreign exchange, net				48,325				(2,754)
Financial income				8,491				27,398
Financial expenses				(94,272)				(89,511)
Income (loss) before income tax and social contribution				(10,701)				(31,495)
Income tax and social contribution				(11,418)				(18,443)
Loss for the period from continuing operations				(22,119)				(49,938)
Profit for the period from discontinuing operations				-				349,475
Profit/(Loss) for the period				(22,119)				299,537

(a) This caption includes holding companies and trading companies not attributable to specific segments.

The profit for each six-months periods above includes the full amount of the Company's segments disregarding the following amounts attributable to non-controlling interests:

	Noncontrolling interests	
	06.30.2020	06.30.2019 (Recasted)
Continuing operating segments:		
Brazil	8,033	3,073
Argentina and Paraguay	8,631	28,234
Egypt	(789)	(305)
Mozambique	(1,935)	(35)
South Africa	709	627
	14,649	31,594
Unallocated	180	(2,068)
	14,829	29,526
Discontinued operating segments	-	5,119
Profit for the period attributable to non-controlling interests	14,829	34,645

Other information:

	06.30.2020		06.30.2019 (Recasted)	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	16,699	37,266	33,257	46,381
Argentina and Paraguay	26,134	28,008	147,343	28,266
Egypt	3,295	7,946	467	6,674
Mozambique	1,531	7,439	3,258	4,153
South Africa	1,285	5,321	5,487	5,118
	48,944	85,980	189,812	90,592
Unallocated	597	110	511	701
Total	49,541	86,090	190,323	91,293

The impairment losses, when it occurs, respects to impairment losses on goodwill, tangible and intangible assets.

In addition, segment assets and liabilities reconciled with the consolidated balances as of June 30, 2020 and December 31, 2019 are as follows:

	06.30.2020			12.31.2019		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	1,274,679	635,603	639,076	1,745,111	833,861	911,250
Argentina and Paraguay	1,130,664	468,330	662,334	1,225,221	496,406	728,815
Egypt	288,861	262,887	25,974	283,685	244,327	39,358
Mozambique	229,420	158,502	70,918	261,495	163,862	97,633
South Africa	310,526	75,912	234,614	385,038	106,258	278,780
Total	3,234,150	1,601,234	1,632,916	3,900,550	1,844,714	2,055,836
Unallocated	265,587	1,212,510	(946,923)	365,201	1,293,104	(927,903)
Eliminations	(285,291)	(285,291)	-	(288,421)	(288,421)	-
Total	3,214,446	2,528,453	685,993	3,977,330	2,849,397	1,127,933

The unallocated assets and liabilities include assets and liabilities not attributable to specific segments basically allocated to holding and trading companies.

24. Events After the Reporting Period

Divesture in Paraguay Business

As mentioned in note 1, on August 21, 2020, the Company, through its Argentinian subsidiary Loma Negra C.I.A.S.A. sold its total interests in Yguazú Cementos S.A., represented by 51,0017% of the entity’s capital stock.

New loan agreement

On August 14, 2020, Mozambique business unit, Cimentos de Moçambique S.A., entered on an unsecured loan agreement in the total amount of US$22,000 (MZN1,550,000 thousands), with quarterly amortizations and final payment on September 2025. The loan interest rate is based on the Mozambique prime rate minus a margin of 2% per year.

Senior notes interest payment

On July 16, 2020, the Company amortized interests in the amount of US$15,847 as previously committed with senior notes holders.

Debentures principal payment (2° issuance by InterCement Brasil)

On July 15, 2020 the Brazilian business unit, InterCement Brasil, amortized the amount of US$9,822 (R$53,785 thousand) related to the 2° issuance of debentures, as previously committed with the debentures holders.

Sales of tax credits (Exclusion of ICMS from calculation basis of PIS and COFINS) and some other judicial disputes

On July 16, 2020, the Brazilian subsidiary (InterCement Brasil) entered into an agreement to sell some legal disputes, including the dispute of the exclusion of ICMS from the calculation basis of PIS and COFINS, which the Brazilian subsidiary obtained a favourable decision in 2019. The sales amount of US$24,835 (equivalent to R$136,000 thousands) were already fully collected.

Exchange offer expiration

As mentioned in note 11, on June 24, 2020 InterCement Financial Operations B.V., a wholly-owned subsidiary of InterCement Participações S.A. announced a private exchange offer to any and all of its 5.750% Senior Notes due 2024. On July 22, 2020, as the conditions to the Exchange Offer were not satisfied, the Exchange Offer were not consummated.

25. Authorization for issuance of the Condensed consolidated financial information

At the meeting held on September 03, 2020, the Board of Directors authorized the issuance of this condensed consolidated interim financial information, being approved by them for disclosure.