



INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Interim
Financial Information for the
nine-month period ended
September 30, 2022



InterCement

Building sustainable partnerships



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo - SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

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 September 30, 2022 and the related condensed consolidated statements of profit or loss, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for the nine-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, November 18, 2022

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP - 034519/O

A handwritten signature in blue ink, appearing to read 'Cezar Augusto Ansoain de Freitas', is written over the printed name and title.

Cezar Augusto Ansoain de Freitas
Contador CRC SP - 246234/O

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Position as of September 30, 2022 and December 31, 2021

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

ASSETS	Notes	09.30.2022	12.31.2021	LIABILITIES AND EQUITY	Notes	09.30.2022	12.31.2021
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	202,619	205,803	Trade payables		293,068	258,467
Securities	5	654	40,899	Debentures	11	86,073	-
Trade receivables	6	112,681	82,032	Borrowings and financing	10	154,351	122,618
Inventories	7	257,489	222,739	Interest payable	10 and 11	60,120	24,503
Recoverable taxes		54,801	42,629	Leases liabilities	14	12,623	19,069
Other receivables		38,712	29,529	Taxes payable		55,704	64,099
Total current assets		666,956	623,631	Payroll and related taxes		39,959	38,883
				Advances from customers		39,678	19,539
				Other payables		24,496	26,758
						766,072	573,936
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Securities	5	6,953	1,103	Debentures	11	1,325,643	1,384,628
Trade receivables	6	721	372	Borrowings and financing	10	97,059	38,746
Inventories	7	80,680	81,942	Leases liabilities	14	19,062	15,250
Recoverable taxes		28,273	23,285	Provision for tax, civil and labor risks	12	42,870	46,163
Deferred income tax and social contribution		95,028	82,845	Provision for environmental recovery		13,305	12,688
Judicial deposits		15,247	12,490	Taxes payable		9,131	7,470
Derivatives	22.10	1,494	1,303	Deferred income tax and social contribution		243,862	215,391
Other assets and receivables		27,449	35,258	Other payables		38,619	25,597
Right-of-use assets	14	28,765	30,249	Total noncurrent liabilities		1,789,551	1,745,933
Property, plant and equipment	8	1,548,982	1,500,304	TOTAL LIABILITIES		2,555,623	2,319,869
Intangible assets:							
Goodwill	9	811,721	802,209	SHAREHOLDER'S EQUITY			
Other intangible assets	9	105,645	107,010	Capital	15	1,445,943	1,445,943
Total noncurrent assets		2,750,958	2,678,370	Capital reserves	15	603,095	603,095
				Earnings reserves	15	482,330	494,151
				Accumulated loss		(204,100)	-
				Other comprehensive loss		(1,811,529)	(1,938,416)
				Equity attributable to the Company's owners		515,739	604,773
				Non-controlling interests	15	346,552	377,359
				Total equity		862,291	982,132
TOTAL ASSETS		3,417,914	3,302,001	TOTAL LIABILITIES AND EQUITY		3,417,914	3,302,001

The accompanying notes are an integral part of this condensed consolidated interim financial information

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of profit or loss for the nine-month period ended September 30, 2022 and 2021

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

	Notes	09.30.2022	09.30.2021
CONTINUING OPERATIONS			
NET SALES	17	1,500,380	1,217,735
COST OF SALES AND SERVICES	18	(1,179,262)	(904,574)
GROSS PROFIT		321,118	313,161
OPERATING INCOME (EXPENSES)			
Selling expenses	18	(62,968)	(47,579)
Administrative expenses	18	(74,877)	(71,575)
Other income	18	14,370	23,176
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		197,643	217,183
FINANCIAL INCOME (EXPENSES)			
Foreign exchange gains/(losses), net	19	(126,251)	(9,432)
Financial income	19	68,378	35,437
Financial expenses	19	(306,970)	(119,422)
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(167,200)	123,766
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	16	(34,377)	(67,668)
Deferred	16	(5,960)	(30,889)
PROFIT (LOSS) FOR THE PERIOD		(207,537)	25,209
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Company's owners		(204,100)	(1,268)
Non-controlling interests		(3,437)	26,477
EARNINGS (LOSS) PER SHARE			
Basic/diluted loss per share	21	(3.86)	(0.02)

The accompanying notes are an integral part of this condensed consolidated interim financial information

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (loss) for the nine-month period ended September 30, 2022 and 2021

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

	Notes	09.30.2022	09.30.2021
PROFIT (LOSS) FOR THE PERIOD		(207,537)	25,209
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Employee benefits		576	-
Items that might be reclassified subsequently to profit or loss:			
Exchange differences from translation of foreign operations		(1,001,058)	(336,747)
Effects of hyperinflationary monetary adjustment	2.2	1,178,993	444,971
Derivative and hedging transactions		640	727
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		(28,386)	134,160
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Company's owners		(77,213)	65,781
Non-controlling interests		48,827	68,379

The accompanying notes are an integral part of this condensed consolidated interim financial information

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine-month period ended September 30, 2022 and 2021

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

	Notes	Share capital	Capital Reserves	Earnings reserves			Other comprehensive income (loss)	Accumulated profit / (losses)	Total attributable to Company's owners	Non-controlling interests	Total equity
				Legal	Capital Budget	Transactions with shareholders					
BALANCE AS OF DECEMBER 31, 2020		1,445,943	603,095	6,107	111,417	264,161	(2,011,728)	-	418,995	295,937	714,932
Profit (loss) for the period		-	-	-	-	-	-	(1,268)	(1,268)	26,477	25,209
Other comprehensive income	15	-	-	-	-	-	67,049	-	67,049	41,902	108,951
Dividends to preferred shares	15	-	-	-	(8,699)	-	-	-	(8,699)	-	(8,699)
Transactions with shareholders recognized directly in equity	15	-	-	-	-	(12,344)	-	-	(12,344)	(3,104)	(15,448)
Dividends declared and paid to noncontrolling interests	15	-	-	-	-	-	-	-	-	(7,729)	(7,729)
BALANCE AS OF SEPTEMBER 30, 2021		1,445,943	603,095	6,107	102,718	251,817	(1,944,679)	(1,268)	463,733	353,483	817,216
BALANCE AS OF DECEMBER 31, 2021		1,445,943	603,095	13,071	235,036	246,044	(1,938,416)	-	604,773	377,359	982,132
Loss for the period		-	-	-	-	-	-	(204,100)	(204,100)	(3,437)	(207,537)
Other comprehensive income	15	-	-	-	-	-	126,887	-	126,887	52,264	179,151
Transactions with shareholders, recorded directly in equity	15	-	-	-	-	(11,821)	-	-	(11,821)	(5,239)	(17,060)
Dividends declared and paid to noncontrolling interests	15	-	-	-	-	-	-	-	-	(74,395)	(74,395)
BALANCE AS OF SEPTEMBER 30, 2022		1,445,943	603,095	13,071	235,036	234,223	(1,811,529)	(204,100)	515,739	346,552	862,291

The accompanying notes are an integral part of this condensed consolidated interim financial information



INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2022 and 2021

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

	Notes	09.30.2022	09.30.2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before income tax and social contribution		(167,200)	123,766
Adjustments to reconcile income before income tax and social contribution with net cash generated by (used in) operating activities:			
Depreciation, amortization and impairment losses	18	151,052	127,894
Recognition (reversal) of expected credit losses, net	18	147	264
Recognition of allowance for inventories, net	18	567	1,067
Interest, accrued charges, and exchange differences	19	364,843	93,417
Gain on sale of long-lived assets	18	(5,513)	(3,297)
Other noncash operating losses, net		986	383
Decrease (increase) in operating assets:			
Related parties		171	164
Trade receivables		(43,798)	(29,185)
Inventories		(88,980)	(59,002)
Recoverable taxes		(8,767)	(19,323)
Other receivables		(6,660)	(5,914)
Increase (decrease) in operating liabilities:			
Related parties		(8)	(8)
Trade payables		112,683	1,266
Payroll and vacation payable		7,485	2,138
Other payables		7,170	(4,048)
Taxes payable		13,738	4,455
Cash generated by operating activities		337,916	234,037
Income tax and social contribution paid		(58,637)	(56,653)
Interest paid		(127,786)	(72,265)
Net cash generated by operating activities		151,493	105,119
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption (investments) in securities		27,066	(21,190)
Purchase of property, plant and equipment		(72,857)	(84,034)
Purchase of intangible assets		(3,937)	(5,350)
Cash received from discontinued operations		500	3,500
Cash received from sale of property, plant and equipment		12,269	7,918
Other		(1,034)	(683)
Net cash used in investing activities		(37,993)	(99,839)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings and financing	10	364,790	244,703
Acquisition of noncontrolling interests	15	(17,060)	(15,448)
Repayment of borrowings and financing	10	(243,726)	(294,807)
Dividends paid	15	(74,395)	(17,735)
Disbursements due to certain financial instruments liquidations	19	(96,730)	-
Payment of principal portion of lease liabilities	14	(20,457)	(20,989)
Other instruments		141	219
Net cash used in financing activities		(87,437)	(104,057)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26,063	(98,777)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(29,247)	(862)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	205,803	238,957
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	202,619	139,318

The accompanying notes are an integral part of this condensed consolidated interim financial information

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Notes to the Condensed Consolidated Interim Financial Information for the nine-month period ended September 30, 2022**

(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 5 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 32 cement plants, 23 concrete plants, and 6 aggregates plants (located in Brazil, Argentina, Egypt, Mozambique and South Africa). Additionally, in Brazil it holds participation in hydroelectric power generation equity interests and assets.

As of September 30, 2022, the working capital is negative in the amount of US\$99,116, having the Company incurred in losses of US\$207,537 in the nine-month period then ended (profits of US\$25,209 for the nine-month period ended September 30, 2021), primarily as a result of pressure over our margins in certain locations due to inflation and raising interest rates which impacted certain of our floating debts, combined with significant losses incurred in the liquidation of operations in foreign currency in Argentina as explained in note 22.4 (one time event). Nevertheless, considering different assumptions and scenarios when projecting our expected free cash flows for the next twelve-month period, Management considers the negative working capital as punctual and seasonable, as certain costs which had an abnormal accretion (particularly fuel and petcoke) already presented a significant reduction in this past quarter. Considering that our cash projections do not foresee difficulties to manage our business and liquidate our obligations in a predictable future, Management has prepared Company’s consolidated interim financial statements on the ongoing basis.

Effects of the Coronavirus pandemic (COVID-19)

Management is continually analysing the impacts in its business in respect of the pandemic scenario. As part of the preparation of the condensed consolidated interim financial information for the nine-month period ended September 30, 2022, management assessed all relevant estimates, the critical accounting judgments and any indicative of loss on the net realizable values of financial and non-financial assets, concluding that no additional provisions and allowances were deemed necessary due to COVID-19.

Russia x Ukraine conflict

The recent geopolitical events in Eastern Europe (Russia x Ukraine conflict) are a new challenge for the resilience of world economies and Management continues to monitor closely the evolution of these threats. As a result of such event, inflation is pressured, and interest rates are rapidly increasing across the world. Furthermore, financial and commercial operations between Russia or Ukraine with and other countries are significantly impacted. The Group does not have assets nor any financial and commercial operations with both countries, therefore, the Group was not directly impacted by such war. The Cement

industry, even under rising inflation and interests increasing, is being resilient and continues to generate cash as expected, while assets fair values were not significantly impacted. The Group has loans and debentures with floating rates, mainly Brazilian CDI (Interbank deposit certificates) and, therefore, interest expenses have increased as compared to prior periods. Sensitivity analysis are presented in Note 22.3.

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of preparation

The condensed consolidated interim financial information as of and for the nine-month period ended September 30, 2022 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, 2021.

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, 2021 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 for the year ended December 31, 2021, 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 nine-month period ended September 30, 2022, reflects an equity increase of US\$1,178,994 (US\$444,971 for the nine-month period ended September 30, 2021), with reference to the opening balance, reported in other comprehensive income (loss), and also the positive monetary adjustment for the nine-month period ended September 30, 2022, presented in financial income, in the amount of US\$46,593 (US\$16,805 for the period ended September 30, 2021) (see Note 19).

2.3. Functional, reporting and presentation currencies

The Company's functional currency is the Brazilian Reais (R\$); however, the financial information is presented in U.S. Dollars (presentation currency), for the convenience of readers outside Brazil. As prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial information in any currency.

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 periods, while the statements of profit or loss, comprehensive income and cash flows were translated considering the average exchange rates of the reporting periods.



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

		Closing exchange rate (R\$)		Average exchange rate (R\$)	
Currency		09.30.2022	12.31.2021	09.30.2022	09.30.2021
USD	US Dollar	5.40660	5.58050	5.12264	5.31688
EUR	Euro	5.29040	6.32100	5.40941	6.35994
MZN	Mozambique Metical	0.08549	0.08830	0.08158	0.08151
EGP	Egyptian Pound	0.27740	0.35640	0.28974	0.33815
ZAR	South African Rand	0.29920	0.34980	0.31833	0.36806
ARS	Argentinian Peso (*)	0.03670	0.05433	0.03670	0.05509

(*) As a result of the application of IAS 29, non-monetary assets and liabilities, shareholders' equity and statements of profit or loss 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, 2021.

4. Cash and Cash Equivalents

	09.30.2022	12.31.2021
Cash and bank accounts	105,423	77,510
Short-term investments	97,196	128,293
Total cash and cash equivalents	202,619	205,803

Short-term investments were as follows:

	09.30.2022	12.31.2021
Short Term Investment in Brazilian Reais (a)	66,029	83,004
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean Pesos (b)	11,655	28,963
Short-term investments in U.S. Dollars (c)	4,674	-
Short-term investments in Egyptian Pounds (d)	5,252	1,964
Short-term investments in South African Rand (e)	7,214	14,362
Short-term investments in Mozambique Metical (f)	2,372	-
Total short-term investments	97,196	128,293

- a) Short-term investments in Brazilian Reais have a yield between 70% and 106% interbank interest rate “CDI” per year (70% and 107% per year as of December 31, 2021).
- b) Represents short-term investments in Argentinean pesos with interest of 60.20% per year (between 34% and 38.5% per year as of December 31, 2021).
- c) Short-term investments in U.S. Dollars with interest of 0.14% per year.
- d) Deposit in Egyptian pounds with interest between 1.75% and 9.75% per year (between 1.15% and 12.30% as of December 31, 2021).
- e) Deposits in Rands with floating interest between 4.55% and 6.25% per year (between 3.55 to 3.75% as of December 31, 2021). Floating interests are indexed to the Repo rate (“South African repurchase rate”).
- f) Short-term investments in Mozambique Metical with interest of 13.15% per year.

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

5. Securities

Securities are classified as financial assets, as follows:

	09.30.2022	12.31.2021
Market investments	6,953	1,103
Investment funds	-	20,929
Bonds investments	-	19,134
Treasury Bills	654	836
Total	7,607	42,002
Total - current	654	40,899
Total - noncurrent	6,953	1,103

“Market investments” are held by the Brazilian subsidiaries, which are composed by (i) investments in Brazilian Reais amounting US\$6,941 yielding 101% of interbank interest rate “CDI” per annum with maturity in 2025 given as collateral to advances from customers to inventory purchases; and (ii) remaining amount composed by escrow accounts that do not bear interests.

“Investment funds” consisted in a portfolio of investment funds held by InterCement Reinsurance, which was presented at fair value as of December 31, 2021. In May, 2022 full amount was realized by US\$17,337, resulting in an accumulated realized gain of US\$6,076 (for the nine-month period ended September 30, 2022 a realized loss of US\$2,387). For the nine-month period ended September 30, 2021, the funds resulted in an unrealized gain of US\$0,664.

“Bonds investments” consisted in short-term government bonds in Argentinean pesos indexed to dollar plus of 0.2% per year as of December 31, 2021. The full amount was realized in July, 2022 in the context of dividends distribution by Loma Negra, see note 15 for further information.

“Treasury bills” are held by the Egyptian subsidiary, consist in a short-term investment that yield interest of 13.5% per year (13.10% per year as of December 31, 2021).

6. Trade Receivables

	09.30.2022	12.31.2021
<u>Current</u>		
Domestic and foreign customers	124,329	94,121
(-) Expected Credit Losses	(11,648)	(12,089)
Trade receivables	<u>112,681</u>	<u>82,032</u>
<u>Noncurrent</u>		
Domestic and foreign customers	1,364	1,100
(-) Expected Credit Losses	(643)	(728)
Trade receivables	<u>721</u>	<u>372</u>



7. Inventories

	09.30.2022	12.31.2021
Current:		
Finished products	17,990	17,677
Work in process	62,229	63,870
Raw material	75,637	68,694
Fuel	53,678	39,742
Supplies and consumable materials	67,362	63,011
Advances to suppliers	1,845	154
Packaging and other	6,222	5,148
Allowance for impairment losses	(27,474)	(35,557)
Total	257,489	222,739
Noncurrent:		
Raw material	28,681	28,461
Supplies and consumable materials	65,020	58,187
Packaging and other	281	281
Allowance for impairment losses	(13,302)	(4,987)
Total	80,680	81,942

8. Property, Plant and Equipment

	09.30.2022		12.31.2021	
	Cost	Depreciation & Impairment	Net book value	Net book value
Land	75,426	(26,709)	48,717	54,896
Buildings	777,449	(522,667)	254,782	246,984
Machinery and equipment	2,198,621	(1,197,230)	1,001,391	962,585
Vehicles	144,670	(133,049)	11,621	15,304
Furniture and fixtures	47,684	(45,653)	2,031	2,404
Mines and ore reserves	253,244	(197,179)	56,065	48,956
Reservoirs, dams and feeders	51,940	(23,366)	28,574	28,973
Spare parts	20,810	(2,892)	17,918	14,397
Other	15,250	(11,596)	3,654	3,680
Advances to suppliers	16,354	(5,864)	10,490	10,658
Construction in progress	201,955	(88,216)	113,739	111,467
Total	3,803,403	(2,254,421)	1,548,982	1,500,304

Construction in progress

As of September 30, 2022, construction in progress mainly relates to: (i) US\$9,888 (US\$18,449 as of December 31, 2021) in Argentinian business segment mainly explained by certain improvements in L'amali cement plant and in railways; and (ii) US\$71,539, net of impairment losses of US\$88,216 (US\$61,464 as of December 31, 2021, net of impairment losses of US\$83,448), in Brazilian business segment mainly due to expansion projects on production lines that were ceased for an undetermined period due to current demand. Such impairment losses are revised on an annual basis and might be reversed once the expansion projects are finalized and the expected future cash flows are sufficient to cover their respective costs.

As of September 30, 2022, there are assets in Brazil business segment given as collateral for loans obtained for their own acquisition in the amount of approximately US\$2,578 (US\$2,498 as of December 31, 2021).

In addition, in Brazil business segment, two cement plants were given as guarantee as part of "CADE" litigation, as referred in Note 12.

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, 2020	55,405	231,630	586,098	16,665	2,089	48,041	32,928	6,754	2,614	394,634	11,415	1,388,273
Effects of hyperinflationary monetary adjustment (Note 2.1)	2,601	37,085	48,487	4,850	198	12,024	-	-	176	99,644	-	205,065
Additions	-	1,538	14,457	-	17	-	2	424	1,011	58,304	-	75,753
Disposals	(4,595)	(54)	(95)	(56)	(21)	-	-	(84)	(34)	(35)	-	(4,974)
Depreciation	(146)	(13,772)	(54,906)	(5,618)	(566)	(15,149)	(1,356)	(129)	(782)	-	-	(92,424)
Impairment reversal (provision)	2,169	(3,195)	(58)	-	1	-	-	-	(3)	(1,357)	-	(2,443)
Effect of changes in exchange rates	(2,655)	(19,136)	(33,494)	(2,314)	(15)	(7,287)	(1,438)	(221)	(415)	(45,459)	(421)	(112,855)
Transfers	2,126	3,904	214,122	1,845	399	11,145	2	(1,100)	300	(232,743)	-	-
Balance as of September 30, 2021	54,905	238,000	774,611	15,372	2,102	48,774	30,138	5,644	2,867	272,988	10,994	1,456,395
Balance as of December 31, 2021	54,896	246,984	962,585	15,304	2,404	48,956	28,973	14,397	3,680	111,467	10,658	1,500,304
Effects of hyperinflationary monetary adjustment (Note 2.1)	4,853	64,938	270,493	7,042	450	23,818	-	3,909	488	8,970	-	384,961
Additions	-	839	6,864	-	4	-	-	2,926	38	63,064	-	73,735
Disposals	(4,524)	(1,754)	(3,980)	(104)	(7)	-	-	(664)	(4)	(35)	-	(11,072)
Depreciation	(176)	(18,210)	(72,255)	(8,046)	(995)	(14,986)	(1,404)	(242)	(1,038)	-	-	(117,352)
Impairment reversal (provision)	264	(3,540)	155	-	-	-	-	-	-	(2,368)	-	(5,489)
Effect of changes in exchange rates	(6,882)	(42,719)	(197,236)	(4,460)	(395)	(16,052)	1,005	(480)	(1,005)	(7,790)	(91)	(276,105)
Transfers	286	8,244	34,765	1,885	570	14,329	-	(1,928)	1,495	(59,569)	(77)	-
Balance as of September 30, 2022	48,717	254,782	1,001,391	11,621	2,031	56,065	28,574	17,918	3,654	113,739	10,490	1,548,982



Additions

Argentina business segment:

Disbursements in the total amount of US\$28,177 for the nine-month period ended September 30, 2022 (US\$33,436 for the nine-month period ended September 30, 2021), primarily due to the increase of the installed capacity at L'Amalí plant amounting to US\$2,833 (US\$11,744 for the nine-month period ended September 30, 2021) and quarry recovery of US\$13,662 (US\$10,851 for the nine-month period ended September 30, 2021).

Brazil business segment:

Disbursements in the total amount of US\$35,383 for the nine-month period ended September 30, 2022 (US\$31,169 as of September 30, 2021), primarily due to improvements in the production process for the full utilization of the capacity of certain units and optimization of existing machines with future benefits.

Impairment

The Group performs its property, plant and equipment impairment test annually or when the circumstances indicate that the carrying amount may be impaired.

The Group's impairment test for property, plant and equipment is based on estimates of the recoverable amount per cash-generating unit, as the higher of fair value less cost to sell and value in use. To estimate the value in use, the estimated future cash flows are discounted using a discount rate that reflects market appreciations at the end of the period regarding the time value of money considering the risks specific to the assets involved.

The Group has considered various factors when reviewing the impairment indicators, such as market capitalization, participation in each of the operating segments, unused installed capacity, trends in industry, among other factors.

As of September 30, 2022, there are no relevant indicators that property, plant and equipment could be impaired, even considering the continued pandemic scenario and indirect impacts arising from the conflict between Russia-Ukraine, further commented in Note 1 above, with exception of impairment losses recognized to specific assets that were impaired in the nine-month period ended September 30, 2022 due to their market value depreciation, mainly in Egypt. See Note 18 for further information.

9. Other intangible assets and goodwill

	09.30.2022	12.31.2021
Other intangible assets:		
Software licenses	6,206	5,625
Mining rights and concession related assets	82,138	83,885
Project development costs	449	914
Trademarks, patents and others	16,852	16,586
	<u>105,645</u>	<u>107,010</u>

Goodwill per operating segments:	09.30.2022	12.31.2021
Brazil	508,387	492,544
Argentina	179,184	173,538
Egypt	4,339	5,401
Mozambique	37,749	37,775
South Africa	82,062	92,951
	<u>811,721</u>	<u>802,209</u>

Goodwill is subject to impairment tests annually in the last quarter of the year, or whenever there are indications of impairment. The impairment tests are prepared based on the recoverable amounts of each of the corresponding business segments (cash generating units). As of September 30, 2022, there are no relevant indicators that goodwill could be impaired, even considering the continued pandemic scenario and indirect impacts arising from the conflict between Russia-Ukraine, further commented in Note 1 above.

Changes in intangible assets for the nine-month period ended September 30, 2022 and 2021 were as follows:

	Software licenses	Mining rights and concession related assets	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance as of December 31, 2020	5,546	86,674	3,954	16,676	857,128	969,977
Effects of hyperinflationary monetary adjustment (Note 2.1)	737	-	-	-	89	826
Additions	1,143	7,525	-	250	-	8,918
Disposals	-	(4,648)	(273)	-	-	(4,921)
Amortization	(2,172)	(10,157)	(670)	(183)	-	(13,182)
Impairment reversal (provision)	-	-	(1,247)	1	-	(1,246)
Effect of changes in exchange rates	(464)	(2,221)	(120)	(86)	(28,187)	(31,078)
Balance as of September 30, 2021	<u>4,790</u>	<u>77,173</u>	<u>1,644</u>	<u>16,658</u>	<u>829,030</u>	<u>929,295</u>
Balance as of December 31, 2021	5,625	83,885	914	16,586	802,209	909,219
Effects of hyperinflationary monetary adjustment (Note 2.1)	1,368	-	-	-	248	1,616
Additions	1,949	6,065	111	3,749	-	11,874
Disposals	-	(1,172)	(100)	(335)	-	(1,607)
Amortization	(2,013)	(9,145)	(506)	(393)	-	(12,057)
Impairment reversal	-	1,172	-	139	-	1,311
Effect of changes in exchange rates	(723)	1,333	30	(2,894)	9,264	7,010
Balance as of September 30, 2022	<u>6,206</u>	<u>82,138</u>	<u>449</u>	<u>16,852</u>	<u>811,721</u>	<u>917,366</u>

10. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Annual Interest rates	Maturity	09.30.2022		12.31.2021	
						Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral	USD	US Libor + 4.40%	Jan-22	-	-	14,000	-
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	3.20%	Apr-22	-	-	18,689	-
BRL	Holdings and Financial Vehicles (*)	Promissory note (**)	BRL	3% + 100% CDI	Mar-23	12,947	-	17,920	-
BRL	Holdings and Financial Vehicles (*)	Bilateral	BRL	3% + 100% CDI	Nov-22	18,496	-	17,920	-
ARS	U.N. Argentina	Bilateral	USD	US Libor + (7.5% to 8.0%)	Jul-24	4,870	56,975	18,374	3,900
ARS	U.N. Argentina	Working capital	ARS	47.0% - 73.0%	Oct-22	91,491	-	1,684	-
MZN	U.N. Mozambique	Bilateral (**)	MZN	Prime Rate + 4%	Mar-25	-	15,812	5,851	-
BRL	U.N. Brazil	Subsidised loan	BRL	2.50% - 5.00%	Dec-24	1,809	2,028	1,554	3,352
BRL	U.N. Brazil	Bilateral	BRL	15.34%	Dec-22	2,725	-	2,643	-
EGP	U.N. Egypt	Bilateral	EGP	Corridor + 1.50%	Aug-25	1,938	3,705	1,764	6,421
EGP	U.N. Egypt	Working capital	EGP	8.00%-16.51%	Oct-22	14,541	-	15,951	-
ZAR	U.N. South Africa	Bilateral (**)	ZAR	Jibar + 2%	Dec-26	5,534	18,539	6,268	25,073
						<u>154,351</u>	<u>97,059</u>	<u>122,618</u>	<u>38,746</u>

(*) 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.

As of September 30, 2022, and December 31, 2021, the incurred interest expenses related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to S\$7,988 and US\$3,138, respectively.

Changes in Borrowings and Financing for the nine-month period ended September 30, 2022 and 2021 were as follows:

	Borrowings and financing
Balance as of December 31, 2020	178,414
New borrowings and financing	62,556
Payments	(110,963)
Effect of changes in Exchange rates	1,042
Balance as of September 30, 2021	<u>131,049</u>
Balance as of December 31, 2021	161,364
New borrowings and financing	364,790
Payments	(243,726)
Effect of changes in Exchange rates	(31,018)
Balance as of September 30, 2022	<u>251,410</u>

Maturity schedule

As of September 30, 2022, the noncurrent portion of the borrowings and financing mature as follows:

Period	09.30.2022
2023	7,387
2024	65,193
2025	22,542
2026	1,937
	<u>97,059</u>

Covenants

The loans and financing agreements contain certain restrictive covenants, including change of control clauses and those requiring the maintenance of certain financial ratios, namely a Net Debt versus Adjusted EBITDA ratio, within pre-established parameters.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually or quarterly, which depends on conditions agreed upon on each contract entered into with the financial institutions.

The Mozambique bilateral in the amount of US\$15,812 requires the following ratios at stand-alone figures and in a twelve-month basis range at the end of each fiscal year (December 31st): (a) Senior Debt / EBITDA to be no higher than 1,5x and (b) EBITDA / Total Accrued Interest to be no lower than 4x.

The promissory note in the amount of US\$12,947 requires that Net Debt / Adjusted EBITDA ratio to be no higher than 4.5x as of December 31, 2022.

As of December 31, 2021, the covenants conditions of the borrowings and financing mentioned above were met and such obligations will only be remeasured again based on the financial figures as of December 31, 2022.

Additionally, the South Africa bilateral in the amount of US\$24,073 requires the following ratios at stand-alone figures and in a twelve-month basis range at the end of each quarter (March 31, June 30, September 30 and December 31): (a) Senior Debt / EBITDA to be no higher than 2x; (b) EBITDA / Total Accrued Interest (Interest Cover Ratio) to be no lower than 3x; (c) Free cash Flow / Debt service to be no lower than 1.3x for 2021 and 2022; 1.4x for 2023 and 1.5x for 2024 and 2025; and (d) current assets / current liabilities no lower than 1.3x. As of September 30, 2022 and previous quarters, the covenants conditions were met and such obligation will be remeasured on December 31, 2022.

11. Debentures

Functional Currency	Business unit	Instrument	Currency	Annual interest rate	Final maturity		09.30.2022		12.31.2021
							Current	Noncurrent	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Senior Notes	USD	5.75%	July-24	a)	-	547,950	548,107
BRL	Holdings and Financial Vehicles (*)	Debenture	BRL	CDI + 3.75%	June-27	b)	36,560	329,042	354,209
BRL	U.N. Brazil	Debenture	BRL	CDI + 3.75%	June-27	b)	31,446	283,014	304,661
BRL	U.N. Brazil	Debenture	BRL	CDI + 3.75%	June-27	c)	18,067	165,637	177,651
							<u>86,073</u>	<u>1,325,643</u>	<u>1,384,628</u>

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

(a) 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 September 30, 2022, the Group holds bonds at the face value of US\$199,812 (US\$198,812 as of December 31, 2021).

(b) On June 8, 2020, the Company issued two Debentures, one by InterCement Participações S.A in the amount of US\$579,502 (R\$2,976,666 thousands) and another by InterCement Brasil S.A. in the amount of US\$330,989 (R\$1,700,161 thousands). The interest expenses are presented separately in the statements of financial position as 'Interest payable'. On September 30, 2021, InterCement Participações S.A. partially prepaid a principal amount of US\$183,844 (R\$1,000,000 thousands).

(c) On September 30, 2021, InterCement Brasil S.A. issued new Debentures in the amount of US\$183,844 (R\$1,000,000 thousands). The commission fees were US\$1,697 (R\$9,230 thousands) and is being amortized during the life time of the loan using the effective interest method.

The instrument mentioned in items "b" and "c" are guaranteed by Loma Negra shares held by the Company. The debentures will be mandatorily redeemable in May, 2024 if the Group is unable to refinance its existing senior notes which are due in July, 2024. During the second quarter of 2022 part of the debentures obligations were reclassified to the current liabilities with instalments maturing in June 2023.

As of September 30, 2022, and December 31, 2021, the incurred interest expenses classified in current liabilities and presented as 'Interest payable' amounts to US\$52,132 and US\$21,365, respectively.

Changes in Debentures in the nine-month period ended September 30, 2022 and 2021 were as follows:

	Debentures
Balance as of December 31, 2020	1,446,648
New debentures	182,147
Payments	(183,844)
Effect of changes in Exchange rates, commissions and other	(40,155)
Balance as of September 31, 2021	1,404,796
Balance as of December 31, 2021	1,384,628
Effect of changes in Exchange rates	27,088
Balance as of September 30, 2022	1,411,716

Maturity schedule

As of September 30, 2022, the non-current portion of debentures mature as follows:

Period	09.30.2022
2023	66,183
2024	722,730
2025	214,692
Following years	322,038
	1,325,643

Covenants

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

Debentures

For December 31, 2021 and following years, the financial covenant are measured by the Net Debt over Adjusted EBITDA. In 2021, the limit was 5.85X, and for the following years are 5.35X in 2022; 4.85X in 2023; 3.85X in 2024 and 3.35X from 2025 until 2027.

Also, for the new debentures issued on September 30, 2021, the Company agreed with the debentures holders' compliance with net leverage, measured by the Net Debt over Adjusted EBITDA based on consolidated financial information of InterCement Brasil S.A. (Company's subsidiary in Brazil). In 2021, the limit was 3.25X and, for the following years, limits are 3.00X in 2022; 2.75X in 2023; 2.50X in 2024 and 2.00X from 2025 until 2027.

As of December 31, 2021, the covenants conditions were met. Next measurement is on December 31, 2022.

Senior notes

The non-compliance with financial covenant (ratio Net Debt / EBITDA 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 December 31, 2021, the conditions were met, therefore, restrictions are not applicable until the next measurement period that will be based on the financial figures for the year to be ended December 31, 2022.

12. Provisions for tax, civil and labor risks and judicial deposits

Provisions

The Group is subject to labor and social security, tax, civil and other risks. Management periodically reviews known contingencies and group tax positions, assesses the likelihood of losses and recognizes corresponding provisions 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:

	09.30.2022	12.31.2021
Labor and social security	7,996	6,739
Tax (a)	15,287	17,940
Civil and other (b)	21,779	23,431
	45,062	48,110
Judicial deposit (c)	(2,192)	(1,947)
Total	42,870	46,163

- (a) Brazil: Refer to tax assessment notices and lawsuits amounting to US\$1,245 (US\$0,898 as of December 31, 2021) mainly related to discussions on: (i) CFEM – discussion on the correct calculation basis; (ii) Income tax and social contribution related to disputes about the correct amount on moratoriums on the basis of compliance for the term of obligations assumed by third parties, and (iii) PIS and COFINS – undue credit caused by freight expenses in transfers of goods between the industrial establishment and the distributor.

InterCement Participações S.A: Refers to legal dispute regarding the charging of financial transaction services over purchasing and reselling InterCement Portugal's shares occurred in 2014 in the amount of US\$3,259 (US\$2,873 as of December 31, 2021).

InterCement Portugal: Refers basically to the provisions for tax risks related to income tax, amounting to US\$5,534 as of September 30, 2022 (US\$6,406 as of December 31, 2021), which are being challenged in courts.

Egypt: Is mainly justified by tax provisions in this business segment related to income tax from years 2011 to 2021, which is being challenged in courts, in the amount of US\$5,030 (US\$6,317 as of December 31, 2021).

- (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\$16,132 (US\$19,160 as of December 31, 2021).
- (c) The Group has escrow deposits related to the labor and social security, tax, civil and other risks as follows:

	09.30.2022	12.31.2021
Labor and social security	705	963
Tax	1,127	762
Civil and other	268	134
Environmental	92	88
Total	2,192	1,947

Changes in the provision for risks for the nine-month period ended September 30, 2022 and 2021 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance as of December 31, 2020	8,583	19,789	39,846	(1,900)	66,318
Effects of hyperinflationary monetary adjustment (Note 2.1)	24	15	10	-	49
Recognition/deposit	1,391	1,168	457	(1,806)	1,210
Payment	(1,641)	(3,292)	(648)	1,256	(4,325)
Reversal	(506)	(935)	(488)	-	(1,929)
Exchange differences	(473)	(778)	(231)	100	(1,382)
Balance as of September 30, 2021	7,378	15,967	38,946	(2,350)	59,941
Balance as of December 31, 2021	6,739	17,940	23,431	(1,947)	46,163
Effects of hyperinflationary monetary adjustment (Note 2.1)	1,122	188	(137)	-	1,173
Recognition/deposit	4,220	1,384	2,784	(528)	7,860
Payment	(3,567)	(1,024)	(536)	336	(4,791)
Reversal	-	(5)	(179)	-	(184)
Transfers	-	(911)	911	-	-
Exchange differences	(518)	(2,285)	(4,495)	(53)	(7,351)
Balance as of September 30, 2022	7,996	15,287	21,779	(2,192)	42,870

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 risks, which the likelihood of loss is assessed as possible or less likely than not of loss for uncertain income tax positions as per IFRIC 23.

As of September 30, 2022, and December 31, 2021, the Group has the following exposure:

	09.30.2022	12.31.2021
Labor and social security	13,605	15,116
Tax and uncertain income tax position (a)	1,450,477	1,415,792
Civil, administrative and other (b)	211,918	191,902
	<u>1,676,000</u>	<u>1,622,810</u>

The most significant contingencies are:

a) Tax and uncertain income tax position

Brazil – InterCement Brasil S.A.

Risk exposure amounts to US\$927,983 as of September 30, 2022 (US\$872,938 as of December 31, 2021) and refers mainly to administrative and judicial proceedings related to: (i) collection of alleged difference or non-payment of CFEM, a financial compensation paid to the Federal Government for the economic use of mineral resources; (ii) 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; (iii) undue PIS and COFINS credit resulting from freight expenses on goods transfers between industrial plants and distributors; (iv) non-collection of the Property Transfer Tax ("ITBI") on mergers transactions; (v) undue charge

of a municipal tax (Services Taxes - "ISS"); (vi) disallowance of credits for allegedly undue deduction of the IRPJ and CSLL calculation base, as goodwill amortization resulting from the acquisition of other companies; (vii) 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; (viii) alleged taxation of interest on capital not paid by the Company; (ix) Additional freight for Merchant Marine renewal ("AFRMM"); and (x) alleged non-payment of federal taxes resulting from non-approved deductible expenditures resulting in lower negative tax balances.

Brazil - InterCement Participações S.A.

Risk exposure amounts to US\$249,309 as of September 30, 2022 (US\$229,787 as of December 31, 2021) and refers mainly to ongoing challenges of taxable income earned abroad by subsidiaries and affiliated entities.

Spain

Risk exposure is US\$194,175 as of September 30, 2022 (US\$224,772 as of December 31, 2021) and refers mainly to dispute about events occurred from 2009 through 2012 related essentially to net financial items resulting from interpretations not adjusted to the nature of certain transactions.

In September 2019, similar dispute for the years from 2005 through 2008 was ruled by the Supreme Court and the decision was favourable to the Company, consequently, the respective tax assessment was cancelled. Therefore, Management and Company's legal counsel believe the risk of an unfavourable outcome of this dispute is "less likely than not" and no provision 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\$ 259,305 as of September 30, 2022 and US\$300,164 as of December 31, 2021 (equivalent to €265,000 thousand in both periods), were generated due to property, plant and equipment 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 property, plant and equipment sales, with the purpose of assessing the need for possible adjustments to the Group's taxable profit in that fiscal year and in the fiscal years ending in 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.

The final Income tax inspection Report for the year 2016 incorporated a correction of US\$96,800 as of September 30, 2022 and US\$112,053 as of December 31, 2021 (equivalent to €98,926 thousands in both periods) to the Group's Taxable base, corresponding to 25% (cf. Law No. 7-A / 2016, of December 31) of the eliminated results calculated by the Tax Authority by reference to December 31, 2015, and for that year an additional tax assessment as of September 30, 2022 of US\$4,137 and as of December 31, 2021 of US\$4,789 (equivalent to €4,228 thousands in both periods) was received and is being contested. Even so, the amount of US\$4,012 as of September 30, 2022 and of US\$4,644 as of December 31, 2021 (equivalent to €4,100 thousands in both periods) was already compensated with a Company tax credit.

The final Income tax inspection Report for the years 2017 and 2018 incorporated corrections to the Group available tax losses, and also for the above referred “eliminated results” partial incorporation, and accordingly additional tax assessments of US\$20,063 (equivalent to €20,504 thousands) and US\$55,775 (equivalent to €57,000 thousands), respectively for those years, and both are being contested, resulting in an exposure risk of US\$75,838 (equivalent to €77,504 thousands) as of September 30, 2022. As of December 31, 2021, the year of 2018 inspection was still in course and total exposure risk was estimated in US\$85,523 (equivalent to €75,504 thousands).

Based on the opinion of the Company’s legal advisors, the risk of an unfavourable outcome on these disputes is “less likely than not”, therefore, no contingency provision was recorded.

b) Civil

Brazil

The main lawsuits relate to: (i) reparation of damages due to contractual breach; (ii) overweight in road transport of cement loading; and (iii) 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 September 30, 2022, the fines imposed to the Group corresponds to US\$170,090 and as of December 31, 2021, fines correspond to US\$151,449, 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 September 30, 2022. 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.

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.

14. Right-of-use assets and lease liabilities

The changes of rights-of-use assets in the nine-month period ended September 30, 2022 and 2021 are demonstrated as follows:

Changes in right-of-use assets

	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other	Total
Cost						
As of December 31, 2020	12,779	79,063	3,849	34	322	96,047
Additions	1,514	3,852	183	-	311	5,860
Write-offs	(3,617)	(811)	-	-	-	(4,428)
Impairment	(90)	45	-	-	-	(45)
Exchange difference	1,218	(3,550)	(47)	-	(23)	(2,402)
As of September 30, 2021	11,804	78,599	3,985	34	610	95,032
As of December 31, 2021	12,758	76,666	3,700	32	595	93,751
Additions	283	14,955	-	-	318	15,556
Write-offs (a)	(1,377)	(4,039)	(55)	-	-	(5,471)
Exchange difference	890	1,486	213	5	2	2,596
As of September 30, 2022	12,554	89,068	3,858	37	915	106,432
(-) Accumulated depreciation						
As of December 31, 2020	(4,335)	(37,137)	(1,821)	(12)	(234)	(43,539)
Additions	(1,822)	(16,197)	(407)	(23)	(104)	(18,553)
Write-offs	953	261	13	-	-	1,227
Exchange difference	(364)	1,997	20	-	13	1,666
As of September 30, 2021	(5,568)	(51,076)	(2,195)	(35)	(325)	(59,199)
As of December 31, 2021	(6,298)	(54,557)	(2,255)	(32)	(360)	(63,502)
Additions	(1,444)	(15,358)	(538)	23	(148)	(17,465)
Write-offs (a)	1,377	3,239	29	-	-	4,645
Exchange difference	(378)	(1,434)	455	9	3	(1,345)
As of September 30, 2022	(6,743)	(68,110)	(2,309)	-	(505)	(77,667)
Balance as of September 30, 2022	5,811	20,958	1,549	37	410	28,765
Balance as of December 31, 2021	6,460	22,109	1,445	-	235	30,249

(a) Refers primarily of early termination of the lease contracts in Brazil business segment in the amount of US\$4,094 and Argentina business segment in the amount of US\$1,377.

The changes in obligations under finance leases in the nine-month period ended September 30, 2022 and 2021 are demonstrated below:

Changes in lease liabilities:

	Lease Liabilities
As of December 31, 2020	57,477
Additions, net of write-offs	1,432
Payments	(20,989)
Present value adjust	3,179
Exchange difference	(1,054)
As of September 30, 2021	40,045
As of December 31, 2021	34,319
Additions, net of write-offs	14,730
Payments	(20,457)
Present value adjust	2,522
Exchange difference	571
As of September 30, 2022	31,685

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:

	09.30.2022	12.31.2021
Current	12,623	19,069
Non-current	19,062	15,250
Lease liabilities	31,685	34,319

Lease liabilities - Maturity analysis:

	Lease Liabilities
Less than one year	12,623
One to five years	18,746
More than five years	316
Lease liabilities	31,685

15. Shareholder's Equity

Share Capital

As of September 30, 2022 and December 31, 2021 share capital is represented by 55,279,765 registered shares without par value, of which 52,920,764 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.

Earning Reserves – Transaction with non-controlling interests

a) Brazilian subsidiary – acquisition of non-controlling interests

In the nine-month period ended September, 2022, InterCement Brasil acquired from minority shareholders 5,360,083 preferred shares (equivalent to 2,95% equity interest) of its subsidiary Estreito disbursing cash in the amount of US\$8,669 (R\$43,787 thousands). The transaction resulted in a loss of US\$7,602 (R\$38,400 thousands) recorded as transaction with non-controlling interests.

b) Argentinian subsidiary – acquisition of non-controlling interests of Loma Negra own shares

In 2021, Loma Negra's Board of Director approved a plan to acquire up to US\$7,471 (ARS750,000 thousands) of its shares with the purpose to efficiently manage the cash and to return a greater value for the shareholders considering the attracted current prices of the shares that are on the market. Purchases took place according to market opportunities, closings, prices and corners, as determined by the Management of Loma Negra. The plan was extended for 2022.

The acquisition cannot exceed the limit of 10% of the share capital in conformity with article 64 of the Argentinian Capital Market Law.

For the nine-month period ended September 30, 2022, Loma Negra acquired 2,029,326 own shares for a total cash disbursement of US\$5,487, of which US\$3,959 were attributed to Company's owners (6,098,994 owns shares for a total value of US\$15,448, of which US\$12,344 were attributed to Company's owners for the nine-month period ended September 30, 2021).

As of September 30, 2022, Loma Negra had acquired 10,625,520 own shares for a total value of US\$29,394, which is equivalent to 1,78% of total shares (8,596,194 for a total value of US\$23,907 as of December 31, 2021, which is equivalent to 1.44% of total shares).

c) Others transactions with non-controlling interests

The Group realized some minor restructuring in Mozambique business segment that resulted in an increase in non-controlling interests of US\$260 (noncash transaction), recorded as a decrease in transactions with non-controlling interests.

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. It was not declared dividends to shareholders for the nine-month period ended September 30, 2022.

For the nine-month period ended September 30, 2021, it was declared and paid dividends to preferred shares holders in the amount of US\$8,699.

Other comprehensive income attributable to the Company's owners

Other comprehensive income attributable to Company's owners of US\$126,887 (US\$67,049 for the nine-month period ended September 30, 2021) corresponds to: i) equity recognition of actuarial gains on the employee benefits plan in the amount of US\$389; ii) negative equity recognition of exchange differences from translation of foreign operations in the amount of US\$483,456 (negative US\$161,053 for the nine month period ended September 30, 2021); (iii) positive equity recognition of derivative and hedging transactions amounting to US\$638, net of taxes (US\$725 for the nine-month period ended September 30, 2021); and (iv) positive effect of hyperinflationary monetary adjustment in Argentinian business segment of US\$609,316 (US\$227,377 for the nine-month period ended September 30, 2021).

Non-controlling interests

Changes in non-controlling interests

a) Other comprehensive income: the amount of US\$52,264 (US\$41,902 for the nine-month period ended September 30, 2021) corresponds to: i) equity recognition of actuarial gain on the liability to employees in the amount of US\$187 ii) negative exchange differences from translation of foreign operations in the amount of US\$517,603 (negative of US\$175,694 for the nine-month period ended September 30, 2021), iii) positive equity recognition of derivative, hedging and actuarial transactions amounting to US\$2 (positive of US\$2 for the nine-month period ended September 30, 2021) and (iv) positive effect of hyperinflationary monetary adjustment in Argentinian business segment of US\$569,678 (positive of US\$ 217,594 for the nine-month period ended September 30, 2021).

b) Transaction with shareholders, recorded directly in equity, following aforementioned transactions:

- i. Acquisition of 2,029,326 own shares of Loma Negra during the nine-month period ended September 30, 2022 for a total cash disbursement of US\$5,487, of which US\$1,528 were attributed to non-controlling interests (6,098,994 owns shares for a total value of US\$15,448, of which US\$3,104 were attributed to non-controlling interests for the nine-month period ended September 30, 2021);
- ii. The Brazilian subsidiary InterCement Brasil S.A. and non-controlling shareholders of the special purposes entities (Barra Grande, Estreito and Participações) decided to reduce the share capital

proportionally to their interests in these entities. The share capital reduction by cash disbursement to the non-controlling interests amounted to US\$2,904 (R\$14,673 thousands);

- iii. The Brazilian subsidiary acquired from non-controlling shareholders 5,360,083 shares of Estreito Participações S.A. with a book value of U\$1,067 (R\$5,387 thousands);
- iv. Other transactions with non-controlling interests resulting in an increase of US\$260 in minority interests.

c) Dividends declared and paid to non-controlling interests:

- i. On April 14, 2022, Argentinean subsidiary (Loma Negra) announced payment of dividends for a total amount of US\$44,902. The payment occurred on April 26, 2022, of which US\$21,566 was paid to non-controlling shareholders;
- ii. On July 01, 2022, Argentinean subsidiary (Loma Negra) announced payment of dividends for a total amount of US\$ 80,869. The payment occurred in July, 2022, of which US\$ 39,161 was paid to non-controlling shareholders;
- iii. Special purposes entities (SPEs) controlled by Brazilian subsidiaries declared and paid dividends to non-controlling interests in the amount of US\$13,515.
- iv. African entities declared and paid dividends to non-controlling interests in the amount of US\$153.

16. Income Tax and Social Contribution

For the nine-month period ended September 30, 2022 and 2021, the reconciliation between the nominal and the effective income tax was as follows:

	09.30.2022	09.30.2021
Profit (loss) before income tax and social contribution	(167,200)	123,766
Group Tax rate	34%	34%
Income tax and social contribution at statutory rates	56,848	(42,080)
Adjustments to calculate income tax and social contribution at effective rate:		
Non-deductible losses due to liquidation of certain financial instruments in Argentina (note 19)	(33,941)	-
Non-deductible financial expenses in Spanish subsidiary	(37,173)	(16,515)
Effect of differences in foreigner tax rates to Group tax rate (34%)	(16,834)	(8,505)
Permanent additions / (deductions), net	1,803	(274)
Interest on capital, net	-	1,651
Effect of changes in tax rates in Argentinian business (a)	-	(36,272)
Deferred income tax and social contribution recognized (not recognized) (b)	(9,064)	10,152
Other (c)	(1,976)	(6,714)
Income tax and social contribution expense	(40,337)	(98,557)
Current Income tax and social contribution expense	(34,377)	(67,668)
Deferred Income tax and social contribution expense	(5,960)	(30,889)

- (a) In 2021, Argentina authorities passed a tax reform resulting in a nominal tax rate of 35% from the previously 30%. Due to that, deferred income tax assets and liabilities were remeasured resulting in a loss of US\$36,272 not deductible for tax purposes for the nine-month period ended September 30, 2021.
- (b) For the nine-month period ended September 30, 2022, it includes the effect from tax losses and/or tax temporary differences mainly in Egypt business segment, where deferred tax assets were not recognized due to lack of positive evidences that would justify the corresponding recoverability in a foreseeable future. In 2021, due to business recoverability in Brazil segment, it was possible to partially recognize deferred taxes assets over tax temporary differences of previous years for utilization within the period.
- (d) For the nine-month period ended September 30, 2022, it mainly refers to (i) negative amount of US\$3,809 related to the impact of monetary adjustment in Argentina due to hyperinflationary economy (a negative amount of US\$2,393 as of September 30, 2021) (ii) a negative impact of US\$2,380 related to results recorded in our Spanish subsidiary that were eliminated for consolidation purposes as they were transactions between intragroup entities (a negative impact of US\$2,461 as of September 30, 2021). Such results are deductible for tax purposes in local books and, therefore, represent a permanent difference in the group effective tax rate. Such negative amount in 2022 were compensated by a positive amount of US\$5,456 generated by entities in Brazilian segment taxed under the presumed profit tax rules.

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 books and corporate records, to the extent considered realizable by the subsidiaries.

17. Net Sales

The breakdown of the Company's net sales for the nine-month period ended September 30, 2022 and 2021 are as follows:

	09.30.2022	09.30.2021
Products sold	1,890,775	1,515,239
Services provided	70,499	63,326
(-) Taxes on sales	(169,721)	(141,790)
(-) Discounts	(291,173)	(219,040)
Total	<u>1,500,380</u>	<u>1,217,735</u>

18. Information on the Nature of the Costs and Expenses Recognized in the statement of profit or loss

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:

	09.30.2022	09.30.2021
Depreciation and amortization	(146,874)	(124,160)
Impairment losses, net (a)	(4,178)	(3,734)
Salaries and employee benefits	(186,070)	(151,140)
Raw materials and consumables	(308,731)	(226,503)
Tax expenses	(26,365)	(21,685)
Outside services	(110,263)	(92,999)
Rental	(4,208)	(4,280)
Freight expenses	(143,884)	(106,066)
Maintenance costs	(70,618)	(60,591)
Fuel	(191,208)	(125,871)
Electricity	(93,410)	(86,810)
Recognition of inventories and trade receivable impairments	(715)	(605)
Gain on sale of property, plant and equipment	5,513	3,297
Other (b)	(21,726)	595
Total	<u>(1,302,737)</u>	<u>(1,000,552)</u>
Cost of sales and services	(1,179,262)	(904,574)
Selling expenses	(62,968)	(47,579)
Administrative expenses	(74,877)	(71,575)
Other income	14,370	23,176
Total	<u>(1,302,737)</u>	<u>(1,000,552)</u>

- (a) The nine-month period ended September 30, 2022 refers primarily of impairment losses recognized to certain fixed assets in Egypt due to market value depreciation in the amount of US\$3,723. The nine-month period ended September 30, 2021 mainly refers to impairment of certain fixed assets in Brazilian business segment in the amount of US\$3,901.
- (b) The nine-month period ended September 30, 2021 includes a gain of US\$13,026 related to the recognition of an earnout on the sale of extemporaneous tax credits recorded in prior years at our Brazilian subsidiary (earnout subsequently cash collected in May, 2022). This gain offset other expenses not segregated given its lower relevance to the corresponding disclosure. Additionally, such earnout resulted in the recognition in the third trimester of 2021 of interest income in the amount of US\$10,687, which was recorded as financial income – see note 19.

19. Financial Income (Expenses) and Foreign Exchanges Gain (Losses), net

	09.30.2022	09.30.2021
Foreign exchange gain (losses), net (a):		
Exchange gain	131,757	147,400
Exchange loss	(258,008)	(156,832)
Total	<u>(126,251)</u>	<u>(9,432)</u>
Financial income:		
Inflation adjustment (b)	5,482	14,350
Effects of Hyperinflationary monetary adjustments	46,593	16,805
Financial earnings	14,721	2,261
Interest income	267	357
Derivative financial instruments	535	-
Other income	780	1,664
Total	<u>68,378</u>	<u>35,437</u>
Financial expenses:		
Inflation adjustment	(6,270)	(4,023)
Loss on liquidation of certain financial instruments (c)	(108,709)	-
Expenses on interest and charges (d)	(163,608)	(85,031)
Expenses on banking commissions	(5,252)	(2,492)
Fines	(2,262)	(3,282)
Derivative financial instruments	(378)	(3,700)
Lease liabilities present value	(2,522)	(3,179)
Other expenses (e)	(17,969)	(17,715)
Total	<u>(306,970)</u>	<u>(119,422)</u>

- (a) The exchange differences are mainly influenced by the appreciation and depreciation of functional currencies against other currencies (mainly US\$ and Euro).
- (b) In the nine-month period ended September 30, 2021 includes a gain of US\$10,687 related to extemporaneous tax credit of PIS/COFINS as mentioned in note 18 (b).
- (c) This caption primarily includes the loss of US\$107,718 (cash disbursement of US\$96,730 and related monetary adjustment due to hyperinflationary environment (IAS29), recorded by the Argentinian subsidiary resulting from the liquidation of certain loans obtained in dollars (see note 22.4 for further information). Such loss is only tax deductible under certain specific situation and, therefore, it was not recorded the equivalent deferred income tax assets of US\$33,941.
- (d) The main increase in the interest expenses line item is related to the rising of the floating interest rate (CDI) when compared to 2021.
- (e) For the nine-month period ended September 30, 2022 it includes (i) as mentioned in note 5, realized loss in securities of US\$2,387 (unrealized gain of US\$0,491 for the nine-month period ended September 30, 2021) in InterCement Reinsurance; and (ii) expenses incurred of US\$3,183 related to PIS and COFINS on financial income (US\$1,771 as of September 30, 2021) in Brazilian business segment.

20. Commitments

Purchase agreements

The subsidiary InterCement Brasil S.A. has a contractual agreement for the acquisition of hydroelectric power until 2024 and contracts “take or pay contract” for rail transport services until 2023, logistics services for storage, transport and handling until 2029, sale of clinker in accordance with the minimum stipulated in the contract until 2024, purchase of cement in accordance with the minimum stipulated in the contract until 2023, purchase of limestone and plaster in accordance with the minimum stipulated in the contract until 2023 and purchase of slag and fuel in accordance with the minimum stipulated in the contract until 2024, whose estimated cash disbursements, in amounts nominal amounts are as follows:

	09.30.2022
2022	31,230
2023	74,627
2024	22,839
After 2024	6,005
Total	<u>134,701</u>

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:

	09.30.2022
2022	58,462
2023	56,932
2024	31,200
2025	26,912
After 2025	88,186
Total	<u>261,692</u>

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

The Argentina segment contains certain contractual commitments for the purchase of slag with effect until 2023, with estimated future cash flows of approximately US\$8,263 (ARS 1,217,320 thousands) during 2022 and 2023.

The Argentina segment also signed contracts (i) for the supply of gas, assuming payment commitments in the total amount of approximately US\$17,196 (ARS 2,533,263 thousands) to be paid during 2022 and US\$69,557 (ARS 10,247,105 thousands) to be paid between 2023 and 2026; and (ii) for the supply of energy in the amount of US\$3,541 (ARS 521,620 thousands) to be paid during 2022 and US\$127,020 (ARS 18,712,542 thousands) to be paid between 2023 and 2037.

21. Earnings (loss) Per Share

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

	09.30.2022	09.30.2021
Loss for the period attributable to Company's owners	(204,100)	(1,268)
Loss for the period attributable to common shares	(204,100)	(1,268)
Weighted average number of common shares	52,920,764	52,920,764
Basic/diluted loss per common share	<u>(3.86)</u>	<u>(0.02)</u>

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, debentures 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.

As mentioned in Note 10 and 11, the Company is subject to certain covenants metrics, as the ratio Net Debt / Adjusted EBITDA. The breach of such covenants can lead to the anticipation due date of the borrowings and financing and debentures.

For the purpose to determine the metrics aforementioned, the adjusted EBITDA is calculated as profit or loss from continuing operations adjusted by (i) financial income (expenses), (ii) income taxes and depreciation and amortization costs and expenses; (iii) plus or minus impairment loss and reversal, plus taxes on financial transactions in Argentinian businesses segment, plus or minus non-recurring expenses.

Gross Debt is calculated as the sum of current and non-current borrowings and financings and debentures (excluding interest payable, current and non-current obligations under finance leases and other financing liabilities, such as forfeiting).

Senior Debt is calculated as the sum of Gross Debt and the obligations under finance leases.

22.2. Financial risk management

General principles

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 Association (ISDA) contracts were completed in advance, in accordance with international standards.

The 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 September 30, 2022 and December 31, 2021, 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 and Libor on borrowings and financing 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	09.30.2022	12.31.2021
Assets:							
CDI	-	-	66,029	6,953	-	72,982	83,129
Repo Rate	-	-	7,214	-	-	7,214	-
Total	-	-	73,243	6,953	-	80,196	83,129
Liabilities:							
IGP-M	-	-	-	-	10,479	10,479	9,359
CDI	31,443	863,766	-	-	-	895,209	872,361
LIBOR	61,845	-	-	-	-	61,845	36,274
Prime Rate	15,812	-	-	-	-	15,812	5,851
JIBAR	24,073	-	-	-	-	24,073	31,341
Corridor	5,643	-	-	-	-	5,643	8,185
Total	138,816	863,766	-	-	10,479	1,013,061	963,371

As of September 30, 2022 and December 31, 2021, the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, are as follows:

	09.30.2022	12.31.2021
Floating rates	60%	62%
Fixed rates	40%	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 applicable.

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.

Additionally, considering the current exchange regulations existing in Argentina, the official exchange rates, which are considered by the Argentinian subsidiary to record any unrealized gain or loss resulting from changes in exchange rates as per IAS 21 — The Effects of Changes in Foreign Exchange Rates, might be considerable different from the exchange rates actually used when collecting financial assets or liquidating financial liabilities in a foreign currency (mainly U.S. dollars). This is mainly due to the U.S. dollars and other foreign currencies constraints in Argentina market, causing the effect “dollar blue” where the U.S. dollar can be worth twice as much in peso terms when exchanged.

Therefore, the Group is constantly monitoring the alternatives to collect financial assets and liquidate financial liabilities in foreign currency (other currencies than Argentinian Pesos) and their corresponding impacts. The realized profit or loss derived from the use of alternative financial instruments to liquidate operations in foreign currency is recognized at the time the Argentinian subsidiaries unconditionally commits or executes such financial asset or liability in kind (“cash”). As of September 30, 2022, in case such instruments were used for the liquidation of the aforementioned operations, would result in a negative impact of approximately 93% over the net position in dollars.

Likewise, for the nine-month period ended September 30, 2022, the loss from the use of such instruments for the liquidation of certain financial loans was US\$107,718 and is recorded in the Condensed Consolidated Statement of profit & loss within the financial expenses as “Loss on liquidation of certain financial instruments”. (see note 19 (c)).

Exposure to foreign exchange risk

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

The main account groups exposed to foreign exchange risk, excluding monetary assets and liabilities that are accounted as net investment in a foreign operation in light with IAS 21 – The Effect of Changes in Foreign Exchange Rates (see further information below), are as follows:

	09.30.2022	12.31.2021
Assets:		
Cash, cash equivalents and securities	40,332	39,962
Trade receivables	2,267	2,910
Related parties (a)	741,059	763,750
Other assets	7,153	1,068
Exposed assets	790,811	807,690
Liabilities:		
Interest, borrowings, financing and debentures (note 10 and 11)	609,795	584,381
Interest payable	7,837	15,338
Foreign trade payables	5,329	25,179
Related parties (a)	269,552	1,177,362
Other liabilities	32,077	91
Exposed liabilities	924,590	1,802,351
Exposed net position liability	(133,779)	(994,661)

(a) Include balances between related parties with currency exposure for creditor, debtor or both. Risk arises when the currency determined in the transaction is different from entities functional currencies and even though balances (assets and liabilities) are eliminated during the consolidation process; exchange variation results are not eliminated and are recognized directly into profit & loss, except when the monetary asset or liability is accounted as net investment in a foreign operation in light with IAS 21 – The Effect of changes in Foreign Exchange Rates.

Starting in July 01, 2022, certain Related Parties loans that are payable to or receivable from a foreign operation within the Group were accounted as part of entity's net investment in light with IAS 21 – The Effect of changes in Foreign Exchange Rates. Accordingly, exchange differences arising from such related parties loans were recognized as "Exchange differences from translation of foreign operations" within "other comprehensive income". Such results will be reclassified from equity to profit or loss on disposal of the corresponding net investment. As of September 30, 2022, the Related Parties payables and receivables of US\$1,108,723 and US\$199,812, respectively, were determined to be part of entity's net investment and the exchange difference since inception of US\$52,370 were recorded within "other comprehensive income".

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

Functional currency	Currency	09.30.2022		12.31.2021	
		Currency	USD	Currency	USD
ARS	USD	689,900	4,681	612	612
BRL	USD	3,871	716	-	-
EGP	USD	86,377	4,432	1,587	1,587
EUR	USD	30,440	29,786	36,810	36,810
MZN	USD	-	-	383	383
ARS	EUR	1,451	10	14	12
BRL	EUR	5	1	-	-
EGP	EUR	187	10	97	85
MZN	EUR	36	1	338	299
EUR	EGP	143	140	2,725	174
MZN	ZAR	3,643	58	-	-
EUR	ARS	508	497	-	-
Amount exposed to foreign exchange risks			40,332		39,962
BRL	BRL	363,145	67,167	474,128	84,962
EUR	EUR	46,551	45,551	31,115	27,470
ARS	ARS	2,877,164	19,530	5,219,633	50,814
MZN	MZN	793,124	12,541	1,096,321	17,347
EGP	EGP	92,891	4,766	94,360	6,026
ZAR	ZAR	241,888	13,386	320,991	20,121
Amount by functional currency			162,941		206,740
			203,273		246,702

The main debt instruments (essentially related with loans and debentures) as of September 30, 2022 and December 31, 2021, and considering the effect of the existing cross currency swaps, were denominated in the following currencies:

	09.30.2022	12.31.2021
USD	37%	38%
BRL	54%	57%
EUR	0%	1%
Other	9%	4%

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.

Management is continually working in its liability Management Plan announced in previous years and, as detailed mentioned in note 1, Management believes that there is sufficient financial resources to liquidate its liabilities in a predictable future.

22.6. Credit risk

The market 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, 2021, the Company complied with restrictive covenants. Furthermore, in 2020, the Company successfully refinanced some of its debts, extending debts maturities to 2024 and releasing financing pressures in a short term. Furthermore, covenants metrics were reviewed and management does not foresee any issue in complying with them at year end (see Notes 10 and 11 above) in accordance with current and expected Adjusted EBITDA.

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 pandemic which started in 2020, management reassessed the assumption related to the risk of defaults of our clients on each business units in order to determine if the expected credit losses reflected management's collectability risks, 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. Those actions are still in place in 2022.

Until the issuance of the condensed consolidated interim financial information, the Company has not observed a significant change in the assessed risks of its portfolio that could result in a significant increase in its expected credit losses as of September 30, 2022 compared to the amount as of December 31, 2021.

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 September 30, 2022 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 September 30, 2022, with all the other assumptions remaining constant would result in an increase in annual financial costs (before taxes) as shown in table below:

Indexing	Currency	Asset (Liability)	1%	2%	3%
US Libor	USD	(61,845)	(618)	(1,237)	(1,855)
CDI	BRL	(822,227)	(8,222)	(16,445)	(24,667)
JIBAR	ZAR	(24,073)	(241)	(481)	(722)
Prime Rate	MZN	(15,812)	(158)	(316)	(474)

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, with the exception of balances considered as net investment in a foreign operation) as of September 30, 2022, the significant impacts on net financial results would be as follows:

Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	USD depreciation -10% -5.0%	USD appreciation 5% 10%
US\$	20,331	EUR	1.02	(2,033) (1,017)	1,017 2,033
US\$	(58,584)	ARS	147.32	5,858 2,929	(2,929) (5,858)
US\$	716	BRL	5.41	(72) (36)	36 72
US\$	68,138	ZAR	18.07	(6,814) (3,407)	3,407 6,814
US\$	(44,553)	EGP	19.49	4,455 2,228	(2,228) (4,455)
US\$	(49,208)	MZN	63.24	4,921 2,460	(2,460) (4,921)
	(63,160)	Total exposure US\$ dollars x local currency			
Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	EUR depreciation -10% -5.0%	EUR appreciation 5.0% 10.0%
EUR	(338)	ZAR	17.68	35 18	(18) (35)
EUR	(17,304)	BRL	5.29	1,807 904	(904) (1,807)
EUR	(16,579)	EGP	19.07	1,732 866	(866) (1,732)
EUR	10	ARS	144.15	(1) (1)	1 1
EUR	(10,169)	MZN	61.88	1,062 531	(531) (1,062)
	(44,380)	Total exposure EURO x local currency			
Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	EGP depreciation -10% -5.0%	EGP appreciation 5.0% 10.0%
EGP	345	EUR	0.05	(31) (16)	16 31
	345	Total exposure EGP x local currency			
Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	ZAR depreciation -10% -5.0%	ZAR appreciation 5.0% 10.0%
ZAR	(230)	MZN	3.50	2 1	(1) (2)
	(230)	Total exposure ZAR x local currency			
Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	BRL depreciation -10% -5.0%	BRL appreciation 5.0% 10.0%
BRL	(25,910)	EUR	5.29	2,355 1,234	(1,234) (2,355)
BRL	(33)	ZAR	3.34	3 2	(2) (2)
	(25,943)	Total exposure BRL x local currency			
Transaction Currency	Amount in US\$ Asset (liability)	Local Currency	FX rate Local / Transaction	ARS depreciation -10% -5.0%	ARS appreciation 5.0% 10.0%
ARS	(411)	EUR	0.01	37 20	(20) (37)
	(411)	Total exposure ARS x local currency			

22.9. Categories of financial instruments

	09.30.2022	12.31.2021
Current assets:		
Cash and bank accounts (Note 4)	105,423	77,510
Financial assets at amortized cost:		
Securities - bonds investments and others (Note 5)	-	19,134
Trade receivables (Note 6)	112,681	82,032
Other receivables	38,712	29,529
Financial assets at fair-value through profit & Loss:		
Short-term investments - financial asset (Note 4)	97,196	128,293
Securities - Investments funds (Note 5)	654	21,765
Non-current assets:		
Financial assets at amortized cost:		
Trade receivables (Note 6)	721	372
Other receivables	27,449	35,258
Long-term investments - financial asset (Note 5)	6,953	1,103
Financial assets at fair-value through profit & loss:		
Derivatives (Note 22.10)	1,494	1,303
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	86,073	-
Borrowings and financing (Note 10)	154,351	122,618
Trade payables	293,068	258,467
Interest payable (Notes 10 and 11)	60,120	24,503
Lease liabilities (Note 14)	12,623	19,069
Other payables	24,496	26,758
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	1,325,643	1,384,628
Borrowings and financing (Note 10)	97,059	38,746
Lease liabilities (Note 14)	19,062	15,250
Other payables	38,619	25,597

22.10. Derivative transactions

It is represented by trading derivatives options in connection with “Baes”, “Machadinho” and “Estreito” operations, whose assets and liabilities fair value as of September 30, 2022 and December 31, 2021 are demonstrated below:

	Assets	
	Non-current	
	09.30.2022	12.31.2021
Written-put options (“Baesa”, “Machadinho” and “Estreito” operations)	1,494	1,303
	1,494	1,303

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 September 30, 2022 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 information;
- 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 2	Level 3
Assets:			
Financial assets at fair value	Securities	97,850	-
Financial assets at fair value	Financial derivative instruments	-	1,494

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

The valuation to fair value in relation to their book value (amortized cost) being as follows:

	09.30.2022		12.31.2021	
	Amortized cost	Fair value	Amortized cost	Fair value
Borrowing and financing (Note 10)	251,410	225,667	161,364	143,587
Debentures (Note 11)	1,411,716	1,306,941	1,384,628	1,339,415
Leases liabilities (Note 14)	31,685	29,640	34,319	30,873

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 profit or loss information are as follows:

	09.30.2022				09.30.2021			
	Net Revenue			Results	Net Revenue			Results
	Foreign sales	Intersegment sales	Total		Foreign sales	Intersegment sales	Total	
Operating segments:								
Brazil	526,757	17,872	544,629	57,094	431,048	12,607	443,655	93,084
Argentina	661,921	-	661,921	115,602	511,539	-	511,539	109,837
Egypt	110,120	-	110,120	937	74,350	-	74,350	(547)
Mozambique	71,360	-	71,360	10,288	78,632	-	78,632	9,300
South Africa	112,911	-	112,911	10,988	109,713	-	109,713	15,679
Total	1,483,069	17,872	1,500,941	194,909	1,205,282	12,607	1,217,889	227,353
Unallocated (a)	17,311	18	17,329	2,734	(28,467)	69,231	40,764	(10,170)
Eliminations	-	(17,890)	(17,890)	-	40,920	(81,838)	(40,918)	-
Sub-total	1,500,380	-	1,500,380	197,643	1,217,735	-	1,217,735	217,183
Income before financial income (expenses)				197,643				217,183
Foreign exchange, net				(233,971)				(9,432)
Financial income				68,378				35,437
Financial expenses				(199,250)				(119,422)
Income before income tax and social contribution				(167,200)				123,766
Income tax and social contribution				(40,337)				(98,557)
Profit (loss) for the period				(207,537)				25,209

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

The profit or loss for each nine-month period above includes the full amount of the Company's segments disregarding the following amounts attributable to non-controlling interests:

	09.30.2022	09.30.2021
Operating segments:		
Brazil	14,247	9,224
Argentina	(17,479)	15,767
Egypt	(241)	(75)
Mozambique	407	1,408
South Africa	179	444
	(2,887)	26,768
Unallocated	(550)	(291)
Profit (loss) for the period attributable to non-controlling interests	(3,437)	26,477

Other information:

	09.30.2022		09.30.2021	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	43,715	62,347	35,585	59,764
Argentina	28,387	61,897	33,644	43,963
Egypt	5,684	14,123	10,495	11,505
Mozambique	736	4,519	945	4,252
South Africa	6,764	7,931	3,727	8,185
	85,286	150,817	84,396	127,669
Unallocated	323	235	1	225
Total	85,609	151,052	84,397	127,894

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 September 30, 2022 and December 31, 2021 are as follows:

	09.30.2022			12.31.2021		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	1,453,322	785,558	667,764	1,374,340	704,231	670,109
Argentina	1,321,165	490,008	831,157	1,193,825	314,861	878,964
Egypt	227,592	194,179	33,413	257,053	238,639	18,414
Mozambique	157,026	120,538	36,488	167,714	132,161	35,553
South Africa	286,262	72,740	213,522	499,318	269,741	229,577
Total	3,445,367	1,663,023	1,782,344	3,492,250	1,659,633	1,832,617
Unallocated	145,331	1,065,385	(920,053)	19,356	869,840	(850,485)
Eliminations	(172,784)	(172,785)	-	(209,605)	(209,604)	-
Total	3,417,914	2,555,623	862,291	3,302,001	2,319,869	982,132

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

24. Authorization for issuance of the Condensed consolidated financial information

At the meeting held on November 18, 2022, the Board of Directors authorized the issuance of this condensed consolidated interim financial information, being approved by them for disclosure.