Votorantim Cimentos
Life is made to last

Financial Statements

St. Marys Cement Inc. (Canada) Condensed Consolidated Interim Financial Statements at June 30, 2022 (in thousands of U.S. dollars)

St. Marys Cement Inc. (Canada)

Condensed consolidated interim balance sheets
In thousands of U.S. dollars

Assets	Note	30-Jun-2022	31-Dec-2021
Current assets			
Cash and cash equivalents	E1	106,656	133,327
Trade receivables	E2	32,710	21,992
Inventories	E3	175,502	186,178
Income taxes recoverable		46,671	54,101
Prepaid expenses		21,447	13,052
Other assets		4,090	10,509
		387,076	419,159
Non-current assets			
Notes and capital related to SPE	E4	81,429	37,741
Prepaid expenses		9,634	9,368
Advance to suppliers		182	182
Pension assets		37,076	38,206
Financial assets at fair value through other comprehensive income		674	637
Deferred income tax asset	E11	86,400	100,757
Other assets		3,942	5,019
Investments accounted for using the equity method	E6	15,313	17,680
Property, plant and equipment	E7	1,284,747	1,327,553
Intangible assets and goodwill	E8	682,236	693,251
Right-of-use assets	E9(a)	202,514	210,397
		2,404,147	2,440,791
Total assets		2,791,223	2,859,950

Liabilities and shareholders' equity	Note	30-Jun-2022	31-Dec-2021
Current liabilities			
Accounts payable and accrued liabilities		219,220	224,217
Salaries and benefits		25,959	38,801
Indirect taxes payable		13,077	11,915
Borrowing	E10	12,073	12,068
Lease liabilities	E9(b)	35,902	27,618
		306,231	314,619
Non-current liabilities			
Borrowing	E10	698,914	542,537
Lease liabilities	E9(b)	180,954	184,925
Post-employment benefit obligations		54,566	54,093
Deferred income tax liability	E11	131,361	150,161
Provisions	E12	61,867	54,664
Other liabilities		8,487	12,123
		1,136,149	998,503
Total liabilities		1,442,380	1,313,122
Shareholders' equity	13		
Share capital		482,207	644,318
Retained earnings		623,545	656,528
Accumulated other comprehensive income	13(b)	243,091	245,982
Total shareholders' equity		1,348,843	1,546,828
Total liabilities and shareholders' equity		2,791,223	2,859,950

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

St. Marys Cement Inc. (Canada)

Votorantim Cimentos
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Condensed consolidated interim statements of income (loss) and comprehensive income (loss)
Period ended June 30
In thousands of U.S. dollars

	Note	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Revenue from goods sold	A3	424,588	365,651	617,543	514,626
Cost of goods sold	E15	(339,716)	(266,483)	(575,030)	(422,662)
Gross income		84,872	99,168	42,513	91,964
Operating expense					
Selling	E15	(9,135)	(5,180)	(16,645)	(10,421)
General and administrative	E15	(13,816)	(15,861)	(30,480)	(27,055)
Other operating income, net	E17	1,099	31,573	4,519	32,340
		(21,852)	10,532	(42,606)	(5,136)
Operating (loss) income before equity results and net financing expense		63,020	109,700	(93)	86,828
Investment results from equity share in joint ventures	E6	619	3,367	307	2,687
Financing results, net	E18	(16,462)	(13,981)	(26,947)	(18,982)
(Loss) income before income tax expense		47,177	99,086	(26,733)	70,533
Provision for income tax expense		(8,464)	(19,762)	(2,276)	(12,114)
Net (loss) income for the period		38,713	79,324	(29,009)	58,419
Other comprehensive (loss) income:					
Items that may be subsequent reclassified to profit or loss					
Accumulated foreign currency translation adjustment	E13(b)	7,823	(15,087)	4,821	(27,934)
Changes in fair value of financial assets at fair value through other comprehensive income	E13(b)	(318)	(134)	(281)	665
Conversion of preferred shares into common shares		-	(1,948)	-	-
Unrealized gain (loss) on net investment hedge, net of tax	D3.1	(12,421)	5,754	(7,430)	11,845
Other comprehensive (loss) for the period		(4,916)	(11,415)	(2,890)	(15,424)
Total comprehensive (loss) income for the period		33,797	67,909	(31,899)	42,995

In the other comprehensive (loss) income, the items are presented net of tax effects. The tax effects are presented in Note E13(b).

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

St. Marys Cement Inc. (Canada)

Condensed consolidated interim statements of changes in shareholder's equity
Period ended June 30
In thousands of U.S. dollars

	Share capital	Retained earnings	Accumulated other comprehensive income (Note 13(b))	Total equity
Balance - December 31, 2020	48,859	476,800	242,238	767,897
Net income for the period	-	58,419	-	58,419
Other comprehensive loss	-		(15,424)	(15,424)
Comprehensive income for the period	-	58,419	(15,424)	42,995
Foreign currency translation	(2,551)	13,502	-	10,951
Capital increase	56,900	-	-	56,900
McInnis acquisition	523,200	-	-	523,200
Conversion of preferred shares into common shares	9,226	1,948	-	11,174
Balance - June 30, 2021	635,634	550,669	226,814	1,413,117
Balance - December 31, 2021	644,318	656,528	245,982	1,546,828
				-
Net loss for the period	-	(29,009)	-	(29,009)
Other comprehensive income	-	-	(2,891)	(2,891)
Comprehensive loss for the period	-	(29,009)	(2,891)	(31,900)
Capital reduction (Note 13 (a))	(131,154)	-	-	(131,154)
Foreign currency translation	(30,957)	(3,974)	-	(34,931)
Balance - June 30, 2022	482,207	623,545	243,091	1,348,843

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

Condensed consolidated interim statements of cash flows
Period ended June 30
In thousands of U.S. dollars

	Note	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Cash flows from operating activities					
(Loss) income before tax expense		47,177	99,086	(26,733)	70,533
Adjustments of items that do not represent changes in cash and cash equivalents:					
Depreciation and amortization	E15	41,806	33,684	82,175	58,716
Investment results from equity share in joint ventures	E6	(619)	(3,367)	(307)	(2,687)
Gain on sale of property, plant and equipment and intangible assets	E17	(782)	(786)	(3,376)	(721)
Gain on investment acquisition	E17	-	(44,490)	-	(44,490)
Allowance for expected credit loss	E2	91	394	126	396
Financing results, net	E18	16,462	13,981	26,947	18,982
		104,135	98,502	78,832	100,729
Decrease (increase) in current assets					
Trade and other receivables		(35,218)	(24,342)	(51,867)	(41,133)
Inventories		305	8,833	9,009	6,835
Related parties		(2,721)	(2,388)	(2,258)	(1,473)
Other current assets		(5,432)	4,418	(2,205)	1,991
Increase (decrease) in current liabilities					
Accounts payable and accrued liabilities		45,984	8,656	(4,522)	(45,085)
Salaries and social charges		4,438	5,507	(10,067)	(6,007)
Related parties		(131)	2,598	(841)	242
Taxes payable		6,084	8,612	1,240	5,983
Change in non-current assets and liabilities					
Post-employment benefit obligations		823	792	(2,249)	1,588
Other		(2,253)	(5,522)	7,570	(7,074)
Cash used by operating activities before interest and income tax		116,014	105,666	22,642	16,596
Interest paid debt	E10(b)	(718)	(345)	(15,281)	(14,774)
Interest paid on lease liabilities	E9(b)	(1,790)	(1,984)	(3,664)	(2,635)
Income tax paid		-	(4,441)	-	(8,133)
Total cash provided by (used in) operating activities		113,506	98,896	3,697	(8,946)
Cash flows from investing activities					
Proceeds from disposals of property, plant and equipment and intangible assets		58	306	7,685	744
Dividends received		1,802	1,500	2,595	6,804
Payment for acquisition of McInnis Cement Inc., net of cash received		-	(9,460)	-	(9,460)
Acquisition of property, plant and equipment	E7	(25,971)	(27,567)	(42,059)	(40,383)
Acquisition of intangible assets	E8	(47)	-	(2,986)	(1,111)
Total cash used in investing activities		(24,158)	(35,221)	(34,765)	(43,406)
Cash flows from financing activities					
New borrowings	E10(b)	318,252	136,816	375,478	187,086
Payment borrowings	E10(b)	(217,452)	(179,702)	(218,882)	(180,009)
Payment of lease liabilities	E9(b)	(11,889)	(5,913)	(19,940)	(10,151)
Capital (decrease) increase		(131,154)	56,900	(131,154)	56,900
Financial costs, except interest		(239)	(141)	(406)	(401)
Total cash provided by financing activities		(42,482)	7,960	5,096	53,425
(Decrease) increase in cash and cash equivalents		46,866	71,635	(25,972)	1,073
Effect of foreign exchange on cash		(968)	284	(699)	492
Cash and cash equivalents at the beginning of the period		60,758	58,408	133,327	128,762
Cash and cash equivalents at the end of the period		106,656	130,327	106,656	130,327

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

Section A – General information

1 Operational context

St. Marys Cement Inc. (Canada) ("the Company" or "SMCI") is a subsidiary controlled by Votorantim Cimentos Internacional S.A. ("VCI") which holds 83% of the capital of SMCI and is in turn directly controlled by Votorantim Cimentos S.A. ("VCSA"), which holds 100% of VCI's capital. McInnis Holding Limited Partnership ("McInnis Holding") owns 17% of the Company's capital. McInnis Holding Limited Partnership is indirectly controlled by Caisse Dépôt et Placement du Québec ("CDPQ").

St. Marys Cement Inc. (Canada) and its subsidiaries (together "the Group") manufactures and distributes heavy building materials, which includes cement, aggregates, ready- mix concrete and construction related materials. The Group has facilities in Canada and the United States. The address of its registered office is 55 Industrial St, Toronto, Ontario, Canada.

2 Approval of the consolidated interim financial statements

These condensed consolidated interim financial statements for the six months ended June 30, 2022 were approved by the Management on August 3rd, 2022.

3 Main events which occurred in the period

3.1 Capital reduction

On June 28, 2022 the Company returned capital in the amount of $108.9 million to Votorantim Cimentos International S.A. and $22.3 million to McInnis Holding Limited Partnership, with no reduction in the number of outstanding Class A Common shares of the Company.

3.2 Change in debt issued by related parties guaranteed by the Company

During April 2022, the Company's related parties VCSA and Votorantim Cimentos N/NE S.A. ("VCNNE") renegotiated their "4131 Loan" agreements for which the Company was one of the guarantors, as detailed in note E5.1. After this event, the Company is no longer the guarantor for these contracts.

3.3 Committed credit facility

On June 27, 2022, VCI and its main subsidiaries including the company, entered into a USD 300,000 Revolving Credit Facility agreement, maturing June 2027. Borrowings can be made by the company and its main subsidiaries in Canadian and U.S. funds and are repaid and reborrowed at the borrower's discretion. During the quarter, the company repaid and derecognized the outstanding balance of the revolving credit facility contracted in August 2019.

The total amount drawn as at June 30, 2022 was $203 million, and the remaining available for use of this credit facility totalled $97 million.

3.4 Coronavirus outbreak identified effects

3.6.1 Effects of the pandemic caused by the new coronavirus (COVID-19)

The global pandemic declared by the World Health Organization (WHO) related to the Coronavirus (COVID-19), which has been affecting countries around the world, has had serious impacts to public health and the global economy. In accordance with its Risk Management Policy approved by the Board of Directors, and through its Corporate Crisis Committee, the Company implemented a plan in response to this pandemic. The Company believes it has mitigated as much as possible the potential impacts of the COVID-19 crisis on the health and safety of its employees, their relatives, associates and communities, and also has minimized the potential impact on its operating businesses.

In thousands of U.S. dollars, unless otherwise stated

Although the impact of COVID-19 may have reduced, the Company continues to monitor the developments caused by this pandemic and new measures will be implemented to address any adverse developments. Moreover, the solid liquidity position of the Company provides a comfortable financial position to help mitigate unexpected impacts.

The analysis disclosed in the Consolidated financial statements as at December 31st, 2021, remains appropriate, as well as the conclusion of no relevant impacts resulting from the COVID-19 crisis being identified during the first half of the year 2022 - including any effects that would require a change in the Company's critical accounting estimates and judgments.

3.5 Impacts of military conflict between Russian and invasion of Ukraine and sanctions

Since the beginning of the military invasion of Ukraine by Russian forces, global markets are suffering a period of economic uncertainty and volatility. The duration and impact of the military conflict is unpredictable, as are the continuous impacts in the global economy resulting from it, and from the potential long-term effects of geopolitical tensions. Moreover, United States of America and other countries governments imposed economic sanctions to Russia, including politicians, corporate and finance entities.

The Company does not conduct business directly with Russia, Ukraine, Belarus, and we are not aware of business transactions directly with any sanctioned person, corporation, or financial institution. Nevertheless, the pervasive economic impact of the conflict exposes the Company to global inflationary pressure, particularly in the energy and fuels sectors, with a direct impact on the Company's purchases and supply base.

The Company has not identified so far any material consequences affecting the business caused by the conflict; even so, the Company is closely monitoring the developments of the current situation and the sanctions, and its potential implications in the Company's business as a whole, including adverse effect in the financial and foreign exchange markets.

Section B – Supplementary information

1 EBITDA

The following table reconciles the quarterly, accumulated and last twelve months adjusted EBITDA from the profit for the period:

	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	Last twelve months ended 30-Jun-2022	Last twelve months ended 31-Dec-2021
Revenue from contracts with customers	424,588	365,651	617,543	514,626	1,429,718	1,326,801
(Loss) profit for the year	38,713	79,324	(29,009)	58,419	85,715	173,143
Profit before income tax	47,177	99,086	(26,733)	70,533	130,887	228,153
Depreciation and amortization	41,806	33,684	82,175	58,716	156,652	133,193
Financial results, net	16,462	13,981	26,947	18,982	54,348	46,383
EBITDA	105,445	146,751	82,389	148,231	341,887	407,729
Equity in the results of associates and joint ventures	(619)	(3,367)	(307)	(2,687)	(4,198)	(6,578)
Dividends received	1,802	1,500	2,595	6,804	3,650	7,859
Adjusted EBITDA items						
COVID-19 costs	11	111	393	280	918	805
Investment acquisition costs	-	12,289	-	12,289	2,942	15,231
Fair value gain resulting from remeasurement of previously owned interest	-	-	-	-	(24,124)	(24,124)
Gain on investment acquisition	-	(44,490)	-	(44,490)	(2,098)	(46,588)
Adjusted EBITDA	106,639	112,794	85,070	120,427	318,977	354,334

In thousands of U.S. dollars, unless otherwise stated

2 Capital management

The ratios at June 30, 2022 and December 31 2021 were as follows:

	30-Jun-2022	31-Dec-2021
Borrowing	710,987	554,605
Lease liabilities	216,856	212,543
Cash and cash equivalents	(106,656)	(133,327)
Net debt - (A)	821,187	633,821
Adjusted EBITDA - (B)	318,977	354,334
Financial leverage ratio - (A/B)	2.57	1.79

3 Net revenue by product line

	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Cement	223,230	194,195	324,097	257,860
Ready-mix	162,357	138,506	237,474	210,236
Aggregates	31,008	27,202	44,637	39,123
Other	7,993	5,748	11,335	7,407
	424,588	365,651	617,543	514,626

Section C – Presentation of the financial statement

1 Changes in accounting policies and disclosures

1.1 New standards and amendments issued and adopted by the Company and its subsidiaries

Sstandards and amendments became effective for annual periods commencing on or after January 1, 2022. The adoption of these new standards did not have an impact on the Company's financial statements.

1.2 New standards and amendments issued and not yet adopted by the Company and its subsidiaries

New standards and amendments to existent standards and interpretations have been issued but are not yet in force. We intend to adopt these new standards, changes and interpretations, if applicable, when they come into force. The Company performed a preliminary analysis of the applicability of these amendments and identified possible impacts to its accounting policies arising from the amendment to CPC 32/IAS 12 – "Income Taxes".

This amendment requires companies to recognize deferred taxes on transactions that give rise to the initial recognition of an asset or liability, resulting in equal amounts of taxable and deductible temporary differences, such as for lease agreements or asset retirement obligations. The amendment is effective for periods beginning on January 1, 2023, and the Company is currently analyzing the potential impacts, following local tax regulations.

2 Basis of presentation

2.1 Consolidated condensed interim financial statement

These condensed consolidated interim financial statements were prepared and are being presented in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements.

These condensed consolidated interim financial statements do not contain all of the explanatory notes and disclosures required by the accounting standards applicable to the annual financial statements, since its purpose is to provide an update on the significant activities, events and circumstances compared to the annual financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, approved by the board of Directors of the Company on February 22, 2022.

These condensed consolidated interim financial statements have been prepared in a manner consistent with the accounting policies disclosed in the consolidated financial statement for the year ended December 31, 2021.

These financial statements disclose all the applicable significant information related to the interim financial statements and are unaudited.

3 Critical accounting estimates and assumptions

In the period ended June 30, 2022, there have been no changes in estimates and assumptions that present a significant risk and probability of causing material adjustments to the carrying amounts of assets and liabilities for the current fiscal year, compared to those detailed in Note C3 to the financial statements as at December 31, 2021.

Section D – Risks

1 Seasonality of cement operations

Cement, ready-mix concrete and aggregate product shipments are highly seasonal in Ontario, Quebec, Atlantic Canada and the US Great Lakes Region because of the general slowdown of construction activity in the winter months and the difficulty of pouring concrete in cold weather during the first and fourth quarters. In contrast, during the summer season the activity increases in the second and third quarters. Due to the seasonal nature of the business, the financial results for the first six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the full year. Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

2 Environment risk management

The Company reviews periodically its environmental risk assessment and addresses the risks, either through risk mitigation actions or cost estimation actions to clear the risks identified. These risks are usually recorded as asset retirement obligations.

3 Financial risk management

The Company does not have relevant risk related to the gain or loss involving currency and interest rate risk, credit risk and liquidity risk apart from a debt held in US dollars.

In thousands of U.S. dollars, unless otherwise stated

3.1 Hedging of net investments in foreign operations

The Company evaluates quarterly the effectiveness of their net investment in foreign operations hedge accounting transactions, as required by IFRS 9 – Financial Instruments.

01/01/2022 to 06/30/2022

Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Underlying investment USD	Currency	Original amount	Loss recognized in other comprehensive income
St. Marys Cement Inc. (Canada)	CAD	VCNA US, Inc.	USD	44.96%	1,112,057	USD	500,000	(7,430)
								(7,430)

01/01/2021 to 06/30/2021

Investor		Hedged item				Instrument		
Entity	Currency	Investment	Currency	Percentage designated	Underlying investment USD	Currency	Original amount	Gain recognized in other comprehensive income
St. Marys Cement Inc. (Canada)	CAD	VCNA US, Inc.	USD	44.41%	1,125,990	USD	500,000	11,845
								11,845

The designated hedge transaction was effective therefore foreign exchange translation was included in other comprehensive income.

The amounts in this note are presented net of deferred tax, which are presented in Note E13(b).

3.2 Liquidity risk

The amounts below represent the contractual undiscounted and future estimated cash flows, which include interest to be incurred and, accordingly, do not reconcile directly with the amounts presented in the balance sheet.

	Less than one year	Between one and three years	Between three and five years	Over 5 years	Total
At June 30, 2022					
Borrowing	36,771	71,240	773,554	-	881,565
Lease liabilities	37,368	39,259	28,014	121,411	226,052
Trade payables	219,220	-	-	-	219,220
Salaries and payroll charges	25,959	-	-	-	25,959
	319,318	110,498	801,570	121,411	1,352,796

	Less than one year	Between one and three years	Between three and five years	Over 5 years	Total
At December, 2021					
Borrowings	29,183	104,504	54,645	514,235	702,567
Lease liabilities	35,036	25,682	48,784	138,438	247,940
Trade payables	224,217	-	-	-	224,217
Salaries and payroll charges	38,801	-	-	-	38,801
	327,237	130,186	103,429	652,673	1,213,525

In thousands of U.S. dollars, unless otherwise stated

4 Financial instruments by category

4.1 Analysis

The financial instruments of the Group are classified as follows:

				30-Jun-2022
	Note	Amortized cost	Fair value through other comprehensive income	Total
Current assets				
Cash and cash equivalents	E1	106,656	-	106,656
Trade receivables	E2	32,710	-	32,710
		139,366	-	139,366
Non-current assets				-
Notes and capital related to SPE	E4	81,429	-	81,429
Financial investments			674	674
		81,429	674	82,103
Current liabilities				
Borrowing	E10	12,073	-	12,073
Lease liabilities	E9(b)	35,902	-	35,902
Accounts payable and accrued liabilities		219,220	-	219,220
Salaries and benefits		25,959	-	25,959
		293,154	-	293,154
Non-current liabilities				
Borrowing	E10	698,914	-	698,914
Lease liabilities	E9(b)	180,954	-	180,954
		879,868	-	879,868

In thousands of U.S. dollars, unless otherwise stated

	Note	Amortized cost	Fair value through other comprehensive income	31-Dec-2021 Total
Current assets				
Cash and cash equivalents	E1	133,327	-	133,327
Trade receivables	E2	21,992	-	21,992
		155,319	-	155,319
Non-current assets				-
Notes and capital related to SPE	E4	37,741	-	37,741
Financial investments		-	637	637
		37,741	637	38,378
Current liabilities				
Borrowing	E10	12,068	-	12,068
Lease liabilities	E9(b)	27,618	-	27,618
Accounts payable and accrued liabilities		224,217	-	224,217
Salaries and benefits		38,801	-	38,801
		302,704	-	302,704
Non-current liabilities				
Borrowing	E10	542,537	-	542,537
Lease liabilities	E9(b)	184,925	-	184,925
		727,462	-	727,462

4.2 Fair value of financial instruments

		Price quoted in an active market Level 1	Valuation technique supported by observable prices Level 2	Fair value
Assets				
Financial investments		674	-	674
		674	-	674
Liabilities				
Borrowing	E10	-	710,986	710,986
		-	710,986	710,986

	Note	Fair value measured based on Price quoted in an active market Level 1	Valuation technique supported by observable prices Level 2	31-Dec-2021 Fair value
Assets				
Financial investments		637	-	637
		637	-	637
Liabilities				
Borrowing	E10	-	554,606	554,606
		-	554,606	554,606

In thousands of U.S. dollars, unless otherwise stated

All the financial instruments not included in the table above are measured at amortized cost and the Company believes their carrying amount and their fair value are materially the same. The fair value of these financial instruments is determined by observable price (Level 2) in arms-length transactions or equivalent, in the case of intercompany transactions. There was no transfer between the levels during the periods.

Section E – Relevant notes

1 Cash and cash equivalents

	30-Jun-2022	31-Dec-2021
$CDN Cash at bank and on hand	59,854	15,376
$US Equivalent	46,489	12,149
$US Cash at bank and on hand	60,167	121,178
	106,656	133,327

2 Trade receivables

	Note	30-Jun-2022	31-Dec-2021
Trade accounts receivable		32,229	22,512
Non-trade accounts receivable		367	1,512
Due from related parties	E5	2,871	613
		35,467	24,637
Provision for expected credit loss		(2,757)	(2,645)
		32,710	21,992

The fair value of current accounts receivable approximates their carrying amount due to their short-term nature.

Movements on the group provision for expected credit loss of trade receivables are as follows:

	30-Jun-2022	30-Jun-2021
Balance at the beginning of the period	2,645	603
Provision for receivables expected credit loss	126	396
Currency translation adjustments	(14)	13
Balance at the end of the period	2,757	1,012

The creation and release of provision for expected credit loss receivables have been included in ‘selling, general and administrative expenses’ in the statement of income and comprehensive income. Amounts charged to the provision for expected credit loss are generally written off when there is no expectation of recovering additional cash.

In thousands of U.S. dollars, unless otherwise stated

3 Inventory

	30-Jun-2022	31-Dec-2021
Raw materials	30,761	60,831
Fuels	21,879	12,594
Semi-finished product	57,917	53,074
Finshed product	23,826	36,931
Spare parts / maintenance materials	58,309	40,242
Less: Provision for obsolescence	(17,190)	(17,494)
	175,502	186,178

4 Securitization

On March 31, 2016, the Company and its subsidiaries entered into a revolving receivables securitization transaction with financial institutions for the sale of trade receivables to a special purpose entity ("SPE") which was established specifically for this purpose and which is not controlled by the Company and its subsidiaries. In March 2019, the Company and its subsidiaries renewed the transaction until March 2022. On September 2021, the Company extended its maturity from March 2022 to March 2024 and increased its facility amount to $225M, allowing the Company and its subsidiaries to include McInnis receivables.

	Note	30-Jun-2022	31-Dec-2021
Notes continuing to be recognized		71,236	29,908
Capital contribuition in the SPE		10,193	7,833
Notes and capital related to the SPE	E5	81,429	37,741
Security guarantee		(20,896)	(14,029)
Junior note guarantee losses		(3,850)	(2,791)
Junior subordinated note		(24,746)	(16,820)
Net carrying amount of the continuing involvement		56,683	20,921

5 Related party transactions

	Sales		Purchases		Financial expense (income)	
	30-Jun-2022	30-Jun-2021	30-Jun-2022	30-Jun-2021	30-Jun-2022	30-Jun-2021
Sister companies, associates or joint ventures						
VCNA SPE, LLC	-	-	-	-	6,528	(1,288)
RMC Leasing, LLC	-	-	775	642	-	-
Hutton Transport Limited	-	-	17,384	13,686	-	-
Superior Materials Holdings, LLC (I)	-	12,441	-	-	-	-
Midway Group, LLC	3,521	3,442	-	-	-	-
	3,521	15,883	18,159	14,328	6,528	(1,288)

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

In thousands of U.S. dollars, unless otherwise stated

		Receivables		Liabilities	
	Note	30-Jun-2022	31-Dec-2021	30-Jun-2022	31-Dec-2021
Sister companies, associates or joint ventures					
Votorantim Cimentos EAA Inversiones, S.L.		40	41	-	-
VCNA SPE, LLC	E4	81,429	37,741	-	-
Hutton Transport Limited		31	31	-	-
Midway Group, LLC		2,800	541	7	966
		84,300	38,354	7	966
Current		2,871	613	7	966
Non-current		81,429	37,741	-	-
		84,300	38,354	7	966

(i) As at July 31, 2021 Superior Materials Holdings LLC was fully consolidated as a result of the acquisition of remaining 50% described in Note E20(c) of December 31st, 2021 financial statements.

5.1 Debts issued by related parties guaranteed by the Company

Debtor	Guarantor	Percentage guaranteed by the Company	30-Jun-2022 Debt	30-Jun-2022 Amount guaranteed	31-Dec-2021 Debt	31-Dec-2021 Amount guaranteed
Votorantim Cimentos S.A.*	St. Marys Cement Inc. (Canada)	0%	-	-	100,000	100,000
Votorantim Cimentos N/NE S.A.*	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A.	0%	-	-	50,000	50,000
Votorantim Cimentos S.A.*	St. Marys Cement Inc. (Canada)	100%	50,021	50,021	50,000	50,000
Votorantim Cimentos Internacional S.A., Votorantim Cimentos EAA Inversiones, SL and St. Marys Cement Inc. (Canada)	St. Marys Cement Inc. (Canada) & Votorantim Cimentos S.A.	100%	203,234	203,234	45,803	45,803
			253,255	253,255	245,803	245,803

*These balances are not recorded in the Company's balance sheet.

5.2 Debts issued by the Company and its subsidiaries guaranteed by related parties

Instrument	Guarantor	Percentage guaranteed by the Company	30-Jun-2022	31-Dec-2021
Voto 2027*	Votorantim Cimentos S.A.	100%	512,139	512,139
Committed credit facility (Note A3.3)	Votorantim Cimentos S.A.	100%	203,234	45,611
			715,373	557,750

*These amounts are presented gross of its acquisition costs that are amortized through the debt duration.

6 Investments accounted for using the equity method

The amounts recognized in the balance sheet and the statement of income are as follows:

	Information as at June 30, 2022			Income from investments		Balance	
	Net equity	Net income for the period	Percentage of voting and total capital (%)	30-Jun-2022	30-Jun-2021	30-Jun-2022	31-Dec-2021
Joint ventures							
Hutton Transport Limited	18,959	1,666	25.00	417	448	4,740	5,497
Superior Materials Holdings, LLC (i)	-	-	50.00	-	2,184	-	-
Midway Group, LLC	11,834	(361)	50.00	(181)	23	5,917	7,597
RMC Leasing, LLC	9,311	141	50.00	71	32	4,656	4,586
				307	2,687	15,313	17,680

(i) As at July 31, 2021 Superior Materials Holdings LLC was fully consolidated as a result of the acquisition of remaining 50% described in Note E20(c) of December 31st, 2021 financial statements.

In thousands of U.S. dollars, unless otherwise stated

The changes for the period are as follows:

	30-Jun-2022	30-Jun-2021
Balance at the beginning of the period	17,680	33,171
Income from investments	307	2,687
Approved dividends	(2,595)	(6,804)
Currency translation	(79)	119
Balance at the end of the period	15,313	29,173

7 Property, plant and equipment

	Land	Land improvements & buildings	Equipment	Vehicles	Construction in progress	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Balance at the beginning of the period							
Cost	104,878	876,793	1,675,745	233,706	85,949	2,977,071	1,524,014
Accumulated depreciation	-	(450,170)	(1,058,170)	(141,178)	-	(1,649,518)	(830,485)
Net balance	104,878	426,623	617,575	92,528	85,949	1,327,553	693,529
Acquisitions	-	-	-	-	42,059	42,059	40,383
McInnis acquisition	-	-	-	-	-	-	397,370
Disposals	(3,368)	-	(393)	(26)	-	(3,787)	(139)
Depreciation (i)	-	(10,471)	(32,989)	(9,340)	-	(52,800)	(40,009)
Transfers	1,462	954	15,025	8,846	(26,288)	-	-
Translation differences	(821)	(5,933)	(19,755)	(711)	(1,057)	(28,278)	803
Balance at the end of the period	102,151	411,173	579,463	91,297	100,663	1,284,748	1,091,937
Cost	102,151	871,814	1,670,621	241,816	100,663	2,987,065	2,691,172
Accumulated depreciation	-	(460,641)	(1,091,158)	(150,519)	-	(1,702,318)	(1,599,235)
Net balance	102,151	411,173	579,463	91,297	100,663	1,284,747	1,091,937
Average annual depreciation rates %		18	15	7			

(i) Depreciation expense of $50.5M is included in 'cost of sales' and $2.3M is included in 'general and administrative expenses'.

(a) Construction in progress

The balance of construction in progress is made up mainly of projects for the expansion and optimization of the industrial units.

	30-Jun-2022	31-Dec-2021
Sustaining (i)	43,939	40,705
Modernization (ii)	45,296	39,260
Health & Safety	6,027	4,933
Expansion (iii)	5,401	1,051
	100,663	85,949

(i) Sustaining investments relate to the acquisition or replacement of industrial machinery and equipment linked to the operation of plants, mobile equipment and mines, with the purpose of improving reliability and continuity with the application of the same or new technologies.

(ii) Investments in industrial modernization mainly related to the use of new technologies or to the optimization of equipment and processes to generate improved financial benefits (reduced costs, improved revenue generation, improved return on investment and cashflow).

(iii) Expansion related investments are mainly related to the construction of, growth in, or improvement of the Company's assets in order to increase of the installed capacity, bring new products to markets or to enter new markets.

In thousands of U.S. dollars, unless otherwise stated

8 Intangible assets and goodwill

	Goodwill	Computer software	Exploration rights	ARO	Customer relationships and non-compete	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Balance at the beginning of the period							
Cost	295,361	30,913	480,302	54,158	121,274	982,007	757,610
Accumulated depreciation	-	(27,831)	(171,259)	(18,309)	(71,357)	(288,756)	(170,837)
Net balance	295,361	3,082	309,043	35,849	49,917	693,251	586,773
Acquisitions	-	2,752	234	-	-	2,986	1,111
McInnis acquisition	-	-	-	-	-	-	73,712
Disposals	-	-	(2,291)	(27)	-	(2,318)	-
Adjustments	-	-	-	1,236	-	1,236	105
Transfers	-	-	(1,452)	2,142	(691)	-	-
Amortization (i)	-	(1,157)	(2,726)	(1,365)	(4,125)	(9,373)	(8,110)
Translation differences	-	(78)	(4,086)	618	-	(3,546)	1,682
Balance at the end of the period	295,361	4,599	298,722	38,453	45,101	682,236	655,273
Cost	295,361	33,587	472,707	58,127	120,583	980,365	934,291
Accumulated depreciation	-	(28,988)	(173,985)	(19,674)	(75,482)	(298,129)	(279,018)
Net balance	295,361	4,599	298,722	38,453	45,101	682,236	655,273
Average annual amortization rates %		5	2	12	10		

(i) Amortization expense of $9.0M is included in 'cost of sales' and $0.4M is included in 'general and administrative expenses'.

9 Right-of-use assets and Lease liabilities

(a) Right of use assets

Balance at the beginning of the period	Land & Buildings	Machinery & Equipment	Vehicles	Barges	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Cost	98,851	18,658	31,563	151,017	300,088	107,176
Accumulated depreciation	(9,676)	(10,037)	(22,332)	(47,647)	(89,691)	(35,037)
Net balance	89,175	8,621	9,231	103,370	210,397	72,139
Acquisitions	565	3,726	357	10,661	15,309	2,974
McInnis acquisition	-	-	-	-	-	101,910
Adjustments and transfers	-	-	-	(1,957)	(1,957)	-
Amortization (i)	(2,214)	(3,822)	(2,459)	(11,506)	(20,002)	(10,597)
Currency translation adjustment	(1,552)	(71)	1,278	(888)	(1,233)	(747)
Balance at the end of the period	85,974	8,454	8,407	99,680	202,514	165,679
Cost	97,864	22,313	33,198	158,833	312,207	240,624
Accumulated depreciation	(11,890)	(13,859)	(24,791)	(59,153)	(109,693)	(74,945)
Net balance	85,974	8,454	8,407	99,680	202,514	165,679
Average annual amortization rates %	10	5	5	9		

(i) Amortization expense of $20.0M is included in 'cost of sales'.

In thousands of U.S. dollars, unless otherwise stated

(b) Lease liabilities

	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Balance at the beginning of the period	212,543	74,773
Additions	15,309	2,974
Payments	(19,940)	(10,151)
Interest expense	3,664	2,635
Interest paid	(3,664)	(2,635)
McInnis acquisition	-	109,472
Exchange variations	8,944	(1,600)
Balance at the end of the period	216,856	175,468
Current	35,902	27,175
Non-current	180,954	148,293
	216,856	175,468

(c) Short-term leases and leases of low-value assets

Expenses incurred and paid associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss as follows:

	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Amounts paid for short- term leases and leases of low value assets	3,484	3,839

10 Borrowings

Type	Average annual cost	Current 30-Jun-2022	Current 31-Dec-2021	Non-current 30-Jun-2022	Non-current 31-Dec-2021	Total 30-Jun-2022	Total 31-Dec-2021
CAD Revolver	CDOR + 1.20%	-	-	75,000	20,000	75,000	20,000
USD Revolver	SOFR + 1.20%	-	-	145,000	30,000	145,000	30,000
USD Equivalent		-	-	203,234	45,803	203,234	45,803
Total Revolver		-	-	203,234	45,803	203,234	45,803
Bond Payable	5.8%	10,789	10,784	494,240	493,531	505,029	504,315
Mortgages Payable	3.6%	1,284	1,284	1,440	3,204	2,724	4,488
		12,073	12,068	698,914	542,537	710,987	554,606

(a) Maturity profile

The schedule of repayments of the Group's loans and financings is as follows:

	30-Jun-2022		31-Dec-2021	
	Amortized	Balance	Amortized	Balance
6 months or less	1.71%	12,136	2.18%	12,108
6-12 months	-0.01%	(63)	-0.01%	(40)
1-5 years	98.30%	698,913	7.67%	42,538
Over 5 years	0.00%	-	90.15%	500,000
	100.00%	710,986	100.00%	554,606

(i) Negative balances relate to amortization of financing fees.

In thousands of U.S. dollars, unless otherwise stated

(b) Movements

The changes for the period are as follows:

	Note	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Balance at the beginning of the period		554,605	520,820
New borrowings		375,478	187,086
McInnis acquisition		-	135,607
Exchange rate variations		(882)	1,680
Interest expense	E18	15,281	15,023
Interest paid		(15,281)	(14,774)
Amortization of financing costs		667	628
Principal paid		(218,882)	(180,009)
Balance at the end of the period		710,986	666,061

(c) Credit Line

Credit line	Company	Start date	Maturity	Credit limit	Amount outstanding	Amount available
Committed Credit Facility	VCI/VCEAA/St Marys	Jun/22	Jun/27	300,000	(203,234)	96,766

In thousands of U.S. dollars, unless otherwise stated

11 Deferred income tax

	30-Jun-2022	31-Dec-2021
Deferred tax assets:		
Accelerated tax depreciation	(70,488)	(43,099)
Net operating losses	141,181	126,210
Provisions	15,583	17,498
Other	124	148
	86,400	100,757
Deferred tax liabilities:		
Accelerated tax depreciation	(145,812)	(166,639)
Net operating losses	23,021	24,570
Provisions	(6,384)	(5,132)
Retirement benefit obligation	(387)	(394)
Foreign exchange gains	(1,692)	(2,577)
Other	(107)	11
	(131,361)	(150,161)
Deferred tax (net):	(44,961)	(49,404)
Net deferred tax assets	86,400	100,757
Net deferred tax liabilities	(131,361)	(150,161)

12 Provisions and other liabilities

	Asset retirement obligation	Preferred shares classified as a long-term liability	A/R securitization (Note E4)	Total
Balance - December 31, 2020	22,849	11,030	14,735	48,614
Charged to the income statement	283	-	-	283
Change in provisions/estimates	105	-	(3,126)	(3,021)
McInnis acquisition	18,265	-	-	18,265
Exchange for common shares	-	(11,174)	-	(11,174)
Settlements	(2,365)	-	-	(2,365)
Exchange differences	263	144	-	407
Balance - June 30, 2021	39,400	-	11,609	51,009
Balance - December 31, 2021	37,844	-	16,820	54,664
Charged to the income statement	345	-	-	345
Change in provisions/estimates	1,235	-	7,926	9,161
Settlements	(2,101)	-	-	(2,101)
Exchange differences	(202)	-	-	(202)
Balance - June 30, 2022	37,121	-	24,746	61,868

13 Shareholders' equity

a) Share capital

During the first quarter of 2021, the Company reorganized its share capital structure. On February 26, 2021, VCSA contributed 12,000,000 preferred shares, being all of the issued and outstanding preferred shares of the Company, to VCI resulting in VCI becoming 100% owner of all ordinary and preferred shares of the Company.

In thousands of U.S. dollars, unless otherwise stated

On March 31, 2021, VCI converted the preferred shares, which were classified as a liability (Note E12), for 5,619,763 common shares of the Company. As of March 31, 2021, VCI held 1,691,783,138 common shares being all of the issued and outstanding shares of the Company. The transaction resulted in an increase of $9,226 and $1,948 in share capital and retained earnings, respectively.

On March 31, 2021, the Company amended its Articles of Incorporation to cancel the preferred shares and create a new class of common shares (referred to as Class A Common Shares). The Company entered into a share exchange agreement with VCI exchanging all its 1,697,402,901 common shares for 830,000 Class A common shares with no changes in the total share capital amount.

On April 28, 2021, VCI made a capital contribution to the Company amounting to $56,900 with no issuance of new shares.

On April 30, 2021, the Company issued 170,000 Class A common shares to McInnis Holding as part of the consideration for the acquisition of McInnis (as per Note E20 (a) of December 31st, 2021 consolidated financial statements), resulting in a share capital increase of $523,200.

On July 16, 2021 VCI made a capital contribution to the Company in the amount of $4,590 with no issuance of new shares. On July 16, 2021 the Company returned capital to VCI in the amount of $3,858 with no cancellation of shares.

On June 28, 2022 the Company returned capital in the amount of $108.9 million to VCI and $22.3 million to McInnis Holding Limited Partnership, with no cancellation of shares.

As at June 30, 2022 the Company's fully subscribed and paid-up capital was $482,207 (December 31, 2021– $644,318), consisting of 1,000,000 Class A Common Shares (December 31, 2021 – 1,000,000 Class A Common Shares).

b) Other comprehensive income

	Accumulated foreign currency translation adjustment	Hedge accounting of net investments	Other comprehensive income	Total accumulated other comprehensive income
Balance - December 31, 2020	239,454	4,703	(1,919)	242,238
Unrealized gain on net investment hedge, net of tax	-	13,545	-	13,545
income	-	-	665	665
Deferred taxes	-	(1,700)	-	(1,700)
Foreign currency translation	(27,934)	-	-	(27,934)
Balance - June 30, 2021	211,520	16,548	(1,254)	226,814
Balance - December 31, 2021	240,448	7,536	(2,002)	245,982
Unrealized gain on net investment hedge, net of tax	-	(8,504)	-	(8,504)
income	-	-	(296)	(296)
Deferred taxes	-	1,073	15	1,088
Foreign currency translation	4,821	-	-	4,821
Balance - June 30, 2022	245,269	105	(2,282)	243,091

14 Contingencies

The company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those already provided for.

In thousands of U.S. dollars, unless otherwise stated

15 Expense by nature

	Note	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Employee benefit expense	E16	81,414	74,259	146,738	126,151
Freight cost		59,933	46,694	85,036	61,805
Depreciation and amortization		41,806	33,684	82,175	58,716
Maintenance		26,965	36,608	70,049	66,525
Raw materials and consumables		77,342	44,807	97,892	63,328
Fuel costs		20,254	9,935	31,769	15,884
Electric power consumption		14,987	10,389	25,414	17,445
Services, miscellaneous		13,114	13,623	24,606	21,261
Taxes, fees and contributions		5,463	5,353	10,466	9,620
Insurance		2,597	2,449	5,186	4,149
Rents and leases		1,876	2,720	3,484	3,839
Utilities		2,038	1,184	4,092	2,558
Provision for loss		990	2,073	1,279	2,890
Other expenses		13,887	3,746	33,969	5,967
		362,667	287,524	622,155	460,138
Reconciliation					
Cost of sales		339,716	266,483	575,030	422,662
Selling		9,135	5,180	16,645	10,421
General and administrative		13,816	15,861	30,480	27,055
		362,667	287,524	622,155	460,138

16 Employee benefit expenses

	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Direct remuneration	59,042	51,873	106,896	87,171
Social charges	16,246	15,929	28,955	27,043
Benefits	6,126	6,457	10,887	11,937
	81,414	74,259	146,738	126,151

17 Other operating income (expense), net

	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Gain on sale of property, plant and equipment	782	786	3,376	721
Rental income	293	252	594	586
Gain on investment acquisition	-	44,490	-	44,490
Investment acquisition costs	-	(12,289)	-	(12,289)
Inventory obsolescence	(388)	(2,358)	(445)	(2,930)
Sales tax	-	533	-	533
Recoveries (provisions)	1,183	898	2,377	1,532
Exploration costs	(788)	(781)	(1,083)	(1,167)
Costs related to COVID	(11)	(111)	(393)	(280)
Other	28	153	93	1,144
	1,099	31,573	4,519	32,340

In thousands of U.S. dollars, unless otherwise stated

18 Financing expense, net

	Note	04/1/2022 to 06/30/2022	04/1/2021 to 06/30/2021	01/1/2022 to 06/30/2022	01/1/2021 to 06/30/2021
Financial income					
A/R securitization fees income		1,554	1,098	2,870	6,255
Cross guarantee revenue		-	-	916	-
Interest income		(40)	153	(13)	230
Financial expense					
Interest expense, third party loans	E10(b)	(7,719)	(7,646)	(15,281)	(15,023)
A/R securitization fees expenses		(4,389)	(3,966)	(9,398)	(4,967)
Cross guarantee expenses		-	-	(2,317)	-
Interest expense, leasing	E9(b)	(1,790)	(1,984)	(3,664)	(2,635)
Bank charges and other financial results		(970)	(349)	(1,821)	(1,149)
Amortization of prepaid financing costs		(376)	(334)	(749)	(663)
Net foreign exchange		(2,732)	(953)	2,510	(1,030)
		(16,462)	(13,981)	(26,947)	(18,982)

19 Business combination

During the year 2021 the Company acquired the following three new businesses: (i) McInnis Cement Inc., a Canadian cement producer, (ii) Superior Materials (“Superior”), a ready-mix concrete company located in Detroit, United States of America (“USA”), and for which St Marys already held a stake of 50% as joint venture, and (iii) the aggregates business of Valley View Industries located in Chicago, USA.

Details of these business combinations, as well as the provisional fair value balances for the assets and liabilities acquired were disclosed in Note 20 of the Company’s annual consolidated financial statements for the year ended December 31, 2021.

For McInnis Cement Inc., the purchase price allocation was completed. There were no changes to the provisional balances previously disclosed; therefore no impacts were accounted for in these interim financial statements as a result of this business combination.

For Superior Materials and Valley View Industries, the purchase price allocation is in the process of being completed. So far there have been no adjustments to the provisional balances previously disclosed; therefore no impacts were accounted for in these interim financial statements as a result of these business combinations.

Since some of the business combinations happened after the second quarter of 2021, there are relevant variations in the consolidated balances when comparing the second quarter of 2022 with the second quarter of 2021.

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