

MANAGEMENT REPORT AND FINANCIAL STATEMENTS **2017**



L'Amali Plant (Argentina)
by Diego Hall

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1 LETTER TO STAKEHOLDERS

João Pessoa Plant by Samuel de Brito

1. Letter to Stakeholders

2017 was a groundbreaking year for InterCement, opening the way for yet a new cycle of sustainable development for the company. Despite on-going challenging market conditions in key markets, InterCement made considerable strides in terms of its funding profile, governance, management, cost competitiveness, market positioning and social responsibility.

The macroeconomic scenarios in which we operate presented an ambiguity of particularly challenging trends, simultaneously requiring the capture of opportunities for growth and the response to adverse circumstances. The efficiency with which we addressed this context enabled us to ensure the foundations to benefit from the more favourable environment expected for 2018.

Moreover, aligned with the strategic direction that we established, we entered 2018 with a neat and stronger balance sheet showing not only a substantial reduction of leveraging, together with a funding profile improvement, but also the completion of an Extraordinary Adjustment Program. The latter has identified, evaluated, promoted and registered up to year-end a set of impairments, write-offs and write-down, provisions and one off transactions.

The success of the Initial Public Offering of Loma Negra, the company that congregates our activity in Argentina and Paraguay, on the NYSE (New York Stock Exchange) and BYMA (Bolsa y Mercados Argentinos) in 2017 was widely recognised in the international markets. We are delighted to mention that this transaction recorded a demand eleven times higher than the offer. This is easily explained by its brand's track record and strength as leader in the local market, which will further drive the company's value in the new economic cycle of Argentina and Paraguay.

The 1.1 billion US dollars raised on the placement of 48.4% of Loma Negra on capital markets, has been allocated to both the on-going expansion of the L'Amalí and to the redesigning of InterCement funding structure on a lower leverage degree that could be observed by year-end.

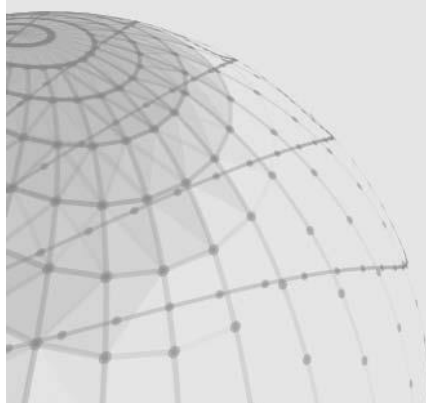
In Portugal and South Africa, the company embraced the growth opportunities of its business, while in Egypt it was compelled to position itself in an economy undergoing adjustment. In Brazil, while, as expected, cement demand lags from economic recovery first signs, InterCement



Paulo Nigro

Chief Executive Officer
of InterCement

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concentrated on responding to demand contraction, and in Mozambique, was challenged by local political and economic instability impacts on business.

InterCement operations kept a transversal firm stance in pursuing excellence, combining innovation and productivity on its sustainability road map, where, on the environmental front, increasing use of alternative fuels via co-processing stood out.

Our focus on social responsibility entered a new era with InterCement Institute focused on the support to influential business aiming value creation, employment and income in our surrounding communities.

InterCement entered 2018 with a restructured governance structure. In 2017, we ensured continuous training on transparency, compliance and anti-corruption, to both of which InterCement and its management is fully committed. Furthermore, management team was redesigned to embrace InterCement's new cycle. Recent appointments include the new chairman, Franklin Feder, and Nicolas Fournier as new members of the Board, as well as Paulo Nigro, the new CEO.

At this point, we express our gratitude to José Édison Barros Franco, who left the Chair of the Board after 41 years of dedication to the company. His name stays strongly connected to the history of InterCement. We are also grateful to Ricardo Lima, who left the Chair of the Executive Committee. His talent was of the utmost importance to the construction of InterCement as we know it.

On a final note, our message must include a personal and professional recognition of all the 7,886 InterCement professionals. It was through their dedication and commitment, expressed on the 65% favourability index achievement on our internal climate survey, that InterCement reaffirmed its position among the 10 largest international cement companies.

The Board of Directors



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2 HIGHLIGHTS 2017

Yguazu Plant by Jose Morel

2. Highlights 2017

InterCement has delivered on the targets set for 2017. The success of the Loma Negra IPO, the leveraging reduction and the improvement of the funding profile, alongside with the skill, the efficiency, and the commitment to stakeholders with which the company has addressed different operating challenges across its portfolio, stood out. Furthermore, InterCement 2017 Financial Statements reveal the completion of the Extraordinary Adjustment Program, which drove a series of initiatives to fit the Balance Sheet for the challenges of the company's new development cycle.

	Key Figures					
	Jan - Dec			4 th Quarter		
	2017	2016	Chg.	2017	2016	Chg.
Cement and Clinker Volumes Sold (t ton)	24,115	24,058	0.2%	6,277	6,049	3.8%
Sales (million €)	1,885	1,843	2.3%	478	464	3.2%
EBITDA (million €)	294	346	-15.0%	46	88	-48.5%
FCF (million €)	1,094	-86	n.m.	1,145	138	730.1%
Net Debt @ EoP (million €)	1,525	2,609	-41.6%			

Loma Negra IPO Sucess

The Initial Public Offering of Loma Negra, the leading cement producer in Argentina controlled by InterCement since 2005, represented a milestone in the international capital markets and a significant step in InterCement's strategic development. The Initial Public Offering took place on the New York Stock Exchange (NYSE) and Bolsas y Mercados Argentinos S.A. (BYMA), by the end of October, and recorded a demand eleven times higher than the volume offered. This was the largest IPO of the recent history of the cement industry and the second largest ever in Argentina – 48.4% of Loma Negra share capital was placed for the amount of 1,097 million US dollars.

This deal was a key milestone within the strategic programme to strengthen InterCement's capital structure, which, among other initiatives, includes the divestment of minority holdings in operational companies controlled by the company.

Completion of Energy Assets Divestment

In May 2017, InterCement signed an agreement to sell part of its stake in the Estreito Hydroelectric Plant for 290 million Brazilian reais (approximately 77 million euros).

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This transaction followed others alike announced in prior years — Barra Grande (BAESA) and Machadinho (MAESA) —, thus completing the process of divestment from energy assets defined in the strategic programme to strengthen InterCement's capital structure.

Funding Structure Targets Accomplishment

InterCement achieved the leveraging targets proposed for the end of 2017. The deleveraging objectives set after the expansion of the asset portfolio that took place in 2012, which was affected in the meantime by the performance of the Brazilian market and by adverse trends in exchange rate evolution, were achieved by the strategic combination of increased efficiency, investment discipline, monetisation of non-strategic assets and divestment of minority holdings.

Completion of the Extraordinary Adjustment Program

The so-called Extraordinary Adjustment Program was a wide action completed by the end of 2017. It envisaged the adequacy of InterCement Balance Sheet to its new reality and its support to the business challenges across portfolio in the new development cycle.

This program materialized in the identification and registration of fixed assets impairments – 230 million euros in Egypt (8 million euros) and in Brazil (221 million euros, mostly registered on the 1st Half) -, impairments on accounts receivables, provisions for contingencies, assets write off's and write downs – mainly on inventories - , and one off transactions essentially related to indemnities raising from restructurings. All these aimed at adjusting InterCement net assets and rights to the present reality following the unfavorable context developments recently observed.

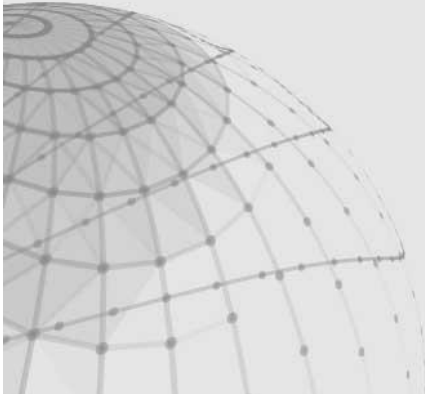
This program had an one-off impact of 326 million euros on InterCement P&L, of which 64 million euros “above the line”, affecting directly EBITDA, and 262 million euros “below the line”.

Excluding the above impacts, the statutory EBITDA of 294 million euros rises to an Adjusted¹ EBITDA of 358 million euros.

¹ Adjusted EBITDA excludes extraordinary items from EBITDA.
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Extraordinary Adjustment Program		
(€ million)	Total impact	EBITDA impact
Impairment on non-current assets	230	0
Impairment on account receivables	13	13
Write off / Write down on current assets	31	31
Indemnisations and one off transactions	6	6
Provisions	46	15
Total Program	326	64

Addressed Operating Challenges

In operational terms, the performance of Loma Negra in Argentina should be highlighted. Leveraged by the market momentum, the company showed an increased EBITDA growth of 29% in its Argentinian business and a 3.9 p.p. increase in the EBITDA margin in Paraguay, which stood above 40%. In Brazil, the operational and logistics efforts to contain the impact of demand contraction and the launch of a new commercial policy aiming at greater assertiveness in customer relations stood out.

In Africa, the expansion of the customer portfolio in South Africa pushed market share to record high levels, while in Egypt the commercial efforts enabled Ameryah to mitigate the local consumption reaction to the macroeconomic adjustments. Lastly, in Mozambique, special note should be made of the tenacity of the local operation in view of the circumstantial adversity, which in consolidated terms has been partially offset by the appreciation of the local currency.

Completion of the Succession Plan

The Succession Plan that was initiated two years ago was recently completed. Cibeles Castro was appointed vice president for Organizational Development in late November. Franklin Feder took up the position of chairman of the Board of Directors in December. Paulo Nigro was appointed CEO and Nicolas Fournier non-executive board member, both in March 2018.

João Pessoa Plant (Brazil)
by Samuel Brito

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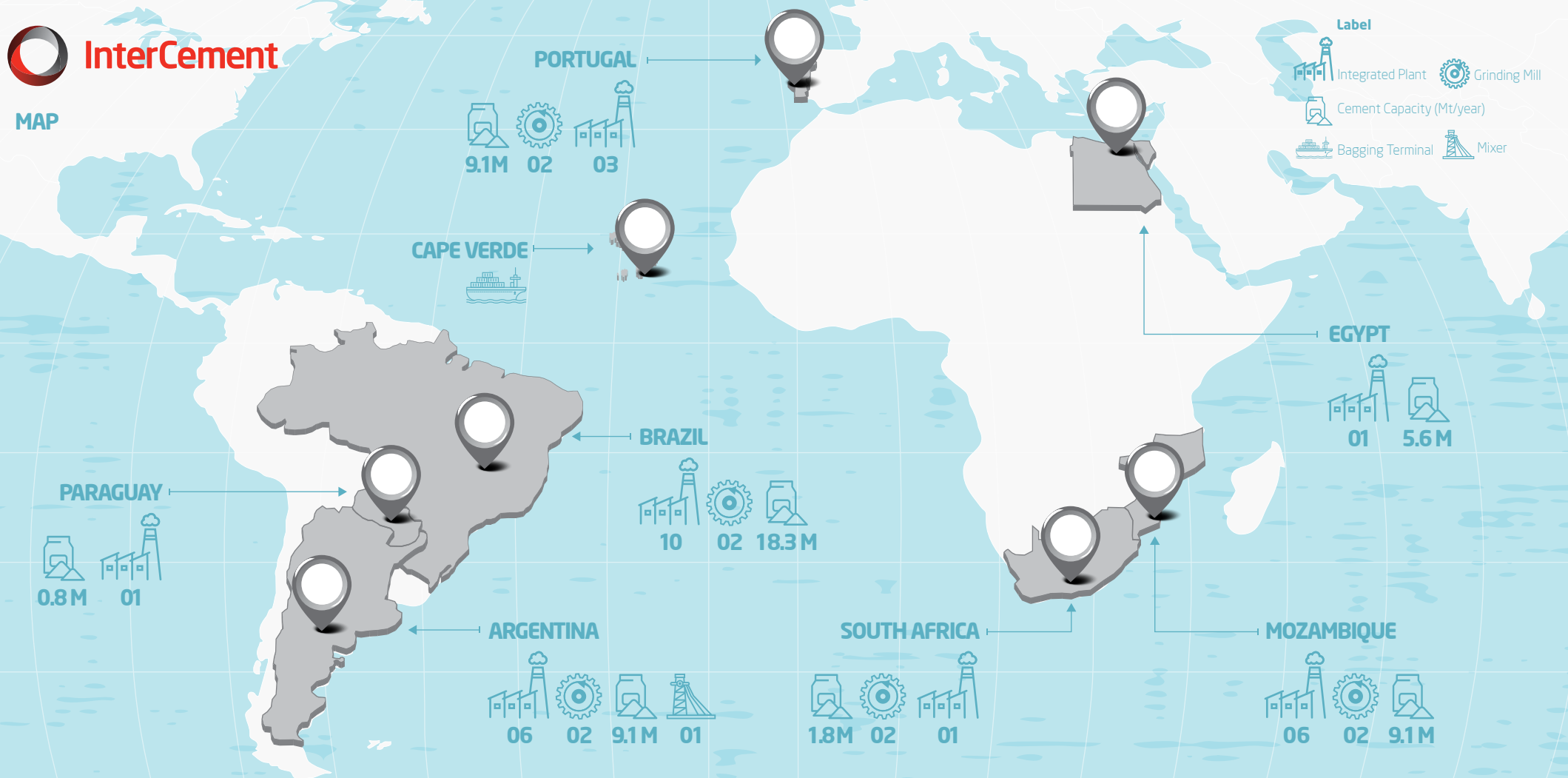
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3

**INTERCEMENT
AT A GLANCE**



3. InterCement at a Glance

InterCement is among the world's ten largest international cement producers (as measured by installed capacity), with 48 million metric tons of capacity and 40 cement production facilities located in Latin America, Europe and Africa.

A privately held company, headquartered in São Paulo, Brazil, InterCement is the cement market leader in Portugal, Mozambique and Cape Verde, the second largest player in Brazil, and it holds a regional leading position in South Africa and in Egypt. Additionally, through its stake in Loma Negra, InterCement is the cement market leader in Argentina and the second largest player in Paraguay. Furthermore, the company ranks among the largest cement traders worldwide.

InterCement produces and distributes cement, masonry cement, aggregates, concrete and lime to wholesale distributors, concrete producers and industrial customers, among others. Additionally, the company produces paper bags, suitable for its products.

3.1 Map

3.2 Mission and Vision

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Mission

Grow and develop together with customers, employees, suppliers, shareholders and communities, steered by innovation, sustainability and operational excellence.

Vision

Stand out to the customers through the level of collaboration and services provided, remaining in the top ten at all times and in the top five most solid and profitable international companies of the industry.

Business Approach

The company is focused on achieving steady and sustained growth, keeping costs competitive and building on competitive strengths in order to maintain and improve the position in the cement markets it operates in.

Furthermore, InterCement is currently reinforcing its Balance Sheet so as to enhance its future approach to new development opportunities.

10 INTERCEMENT ATTITUDES



**THINK AND ACT
SAFELY**



**BUILD SUSTAINABLE
PARTNERSHIPS**



**TAKE THE CUSTOMER
INTO CONSIDERATION**



COMMIT TO RESULTS



LEAD BY EXAMPLE



**STRENGTHEN THE
TEAM**



**HAVE AN INNOVATE
BEHAVIOUR**



OPTIMIZE PROCESSES



**EXERCISE POSITIVE
INFLUENCE**



**PERMANENTLY
CHALLENGE YOURSELF**



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4

**2017
PERFORMANCE**

Kiln by David Alvarenga

4. 2017 Performance

4.1 Globally

2017 was an eventful year worldwide that included natural disasters, geopolitical tensions and political divisions in several countries. Nevertheless, from an economic perspective, 2017 reached a high note, with GDP continuing to accelerate over much of the world in the most widespread cyclical upswing since the start of the decade.

4.2 A challenging 2017, paved the way for an improving 2018

The current statistics relative to 2017 show economic growth in the geographies in which InterCement operates, in a clear trend recovery in relation to that experienced in 2016. Argentina, Paraguay, Portugal and South Africa contexts clearly benefited cement operations. However, Brazil, Mozambique and Egypt continued to face important political and economic challenges. Through its balanced portfolio, InterCement managed to overcome setbacks and mitigate adverse impacts, stimulating solutions to increase efficiency which have strengthened its capacity to benefit from the more favourable scenario expected for 2018.

4.3 Consolidated Financial Results

In 2017, InterCement Free Cash Flow went above 1 billion euros, resulting in a positive impact on its' balance sheet and the attainment of its liability management plan, meeting all its financial structure targets. Furthermore, by December 31, 2017 InterCement Balance Sheet revealed the completion of the previously mentioned Extraordinary Adjustment Program, which came to impact P&L by 326 million euros.

Underlying the said level of cash generation was not only the Loma Negra IPO and the sale of InterCement stake in the Estreito Hydroelectric Plant, but also the careful management of resources in an especially challenging context due to the diversity of realities in which InterCement operates.



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Income Statement						
(€ million)	Jan - Dec			4 th Quarter		
	2017	2016	YoY	2017	2016	YoY
Sales	1,884.8	1,843.0	2.3%	478.4	463.6	3.2%
Net Operational Cash Costs	1,590.7	1,497.2	6.2%	432.8	375.2	15.4%
Operational Cash Flow (EBITDA)	294.0	345.7	-15.0%	45.5	88.4	-48.5%
Deprec. Amort. and Impairments	446.7	593.0	-24.7%	114.3	186.5	-38.7%
Operating Income (EBIT)	-152.7	-247.3	-38.3%	-68.8	-98.1	-29.9%
Financial Results	-140.8	-393.0	-64.2%	-71.0	-89.3	-20.4%
Pre-tax Income	-293.5	-640.4	-54.2%	-139.8	-187.4	-25.4%
Income Tax	137.2	15.0	812%	126.7	58.7	116%
Net Income	-430.7	-655.4	-34.3%	-266.5	-246.1	8.3%
Attributable to:						
Shareholders	-363.7	-508.3	-28.4%	-231.4	-202.5	14.3%
Minority Interests	-67.0	-147.1	-54.5%	-35.1	-43.5	-19.5%

On one hand, Argentina, Paraguay, Portugal and South Africa showed a clear growth of business, EBITDA generation and cash flow. On the other hand, the economic environment in Brazil, Egypt and Mozambique constrained the company's performance and financial results, diluting the gains obtained in the rest of the portfolio.

In 2017, cement and clinker volumes sold reached 24 million tonnes, in line with the figure observed in 2016. The slowdown of the Brazilian and Mozambican markets due to the macroeconomic conditions were essentially offset by the performance in Argentina and Portugal, where InterCement benefited from a period of good market conditions.

The challenges faced by the company in the recent past have led it to a higher efficiency level and to seek innovation in products, in industrial and production features, as well as in diverse commercial and management strategies. Despite keeping volumes sold at the same level as in the prior year, this has enabled Sales to rise by 2.3%, due to the 9.5% increase of the average sales price of cement, reaching 1.9 billion euros.

Notwithstanding the performance in Argentina, Paraguay, Portugal and South Africa, in 2017, the EBITDA of 294 million euros reflected the constraints in terms of the company's activity in Brazil, the depreciation of the EGP and the increase of energy and fuel costs.

Furthermore, the Extraordinary Adjustment Program distorted EBITDA generation by 64 million euros. Its effects comprehended impairments on accounts receivables, provisions for contingencies, assets write off's and write downs – mainly on inventories -, and one off transactions essentially related to indemnities raising from restructurings. Excluding the Extraordinary Adjustment Program effects, Adjusted EBITDA reached 358

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million euros, 9.0% below the figure for 2016, to which corresponds an Adjusted EBITDA margin of 19.0%.

Bellow the EBITDA, the impact of the Extraordinary Adjustment Program amounted to 262 million euros comprising:

- 230 million euros– mainly related to projects expansion impairments in Brazil and Egypt;
- 32 million euros – increase in financial and tax provisions.

Depreciation, amortization and impairment of 447 million euros in 2017 compares to 593 million euros in the prior year. These figures were largely impacted by the impairments registries in both 2017 and 2016. In 2017 the delayed recovery of the Brazilian market required the recognition of an impairment of 234 million euros mostly on assets allocated to capacity increase projects that currently lack of short-term demand expectations grounds to proceed. The impairment recorded during 2017, as an asset impairment, may be reversed if, and when, the profitability assumptions change in the future. In 2016 the company registered goodwill impairments, also related to Brazil, in the amount of 391 million euros.

Financial Results benefited from the USD depreciation, which impacted debt, following the USD/ Euro derivatives operation concluded in Q2'17.

Income Tax in 2017, was affected by adjustments in 4th quarter concerning deferred taxes mainly in Brazil.

Altogether, Net Income presented a 34% recovery from 2016 figure, adding up to a loss 430.7 million euros, and 363.7 million euros Net Loss for Shareholders.



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Free Cash Flow Generation Map		
(€ million)	Jan - Dec	
	2017	2016
Adjusted EBITDA	358	393
Change in Working Capital	74	-92
Others	-80	-82
Operating Activities	353	220
Interests Paid & Derivatives Unwinding	-16	-243
Income taxes Paid	-51	-38
Cash Flow before investments	286	-61
CAPEX	-147	-117
Assets Sales / Others	954	92
Free Cash Flow to the company	1,093	-86
Borrowings, financing and debentures	298	238
Repayment of borrowings, financ. and debent.	-689	-290
Dividends	0	-54
Other investment activities	-29	-20
Changes in cash and cash equivalents	673	-213
Exchange differences	-76	-14
Cash and cash equivalents, End of the Period	1,138	541

Operating activities of 353 million euros mostly benefitted from a positive impact in Change in Working Capital, as per extra initiatives taken on top of InterCement's Working Capital enhancement programme initiated in 2015. These initiatives comprehended on Q4'17, the sale of trade and receivables from the Portuguese, Brazilian and Trading activities and an inventory management upgrade.

Interests Paid & Derivatives Unwinding contemplate a cash and cash equivalents effect of 223 million USD (circa 209 million euros) from the Derivatives Unwinding concluded on the second quarter.

In what concerns investment activities in 2017, capex – mainly addressing energy upgrades and environmental requirements – weighted an additional 30 million euros from 2016. Asset Sales and Others in 2017 reflect firstly, the sale of the minority stake in Loma Negra (IPO) which generated net proceeds of 876 million euros and secondly, part of InterCement's stake in the Estreito Hydroelectric Plant for circa 77 million euros. In 2016 the same line, registers the sale of InterCement's stake in the Machadinho hydroelectric plant and of two vessels for circa 90 million euros.

Cash and Cash equivalents at the end of the period amounted to of 1.138 million euros, which compare to 541 million euros by the end of 2016. The IPO secondary proceeds enabled the paydown and refinancing of debt, rebalancing the maturity curve and expanding average maturity.

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Consolidated Balance Sheet Summary			
(million euros)	Dec 31 '17	Dec 31 '16	Var. %
Assets			
Non-current Assets	3 269	3 957	-17,4
Derivatives	7	215	-96,9
Current Assets			
Cash, Equivalents and Securities	1 200	591	103,1
Derivatives	4	26	-85,4
Other Current Assets	494	629	-21,5
Total Assets	4 973	5 419	-8,2
Shareholders' Equity attributable to:			
Equity Holders	841	564	49,2
Minority Interests	463	391	18,1
Total Shareholders' Equity	1 303	955	36,5
Current Liabilities			
Loans & Obligations under finance leases	573	336	70,7
Derivatives	0	8	-100,0
Provisions & Employee benefits	1	1	-14,4
Other Current Liabilities	534	569	-6,2
Non-current Liabilities			
Loans & Obligations under finance leases	2 139	3 090	-30,8
Derivatives	17	7	122,1
Provisions & Employee benefits	138	114	20,8
Other Non-current Liabilities	268	338	-20,8
Total Liabilities	3 670	4 464	-17,8
Total Liabilities & Shareholders Equity	4 973	5 419	-8,2

At December 31, 2017 Total Assets amounted to circa 5.0 billion euros, 8.2% below the figures recorded one year before, primarily due to the above mention impairments. Cash, Equivalents and Securities positively reflected the recent Loma Negra IPO, rising to an amount above the level that is to be presented set forth in accordance to the company liability management plan.

Net Debt at year end reduced 42% versus 2016, to a total amount of 1,525 million euros, following i) the positive Free Cash Flow generation (considering from the proceeds of the Loma Negra IPO) and ii) the Loans and Obligations under finance leases reduction of 714 million euros as per the debentures amortization and debt pre-payments carried out throughout 2017.

Equity Holders and Minorities Interest increased 49.2% and 18.1% on the back of the Loma Negra IPO and Estreito asset monetization.

4.4 Country Performance

Brazil

In Brazil, although some economic indicators showed signs of recovery throughout 2017, this trend is only expected to impact the cement industry by 2018, in line with the typical lag in the cement consumption reaction to the inversion of economic cycles. Even though, according to the SNIC

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cement consumption decrease was contained to 6.4% in 2017, following steeper drops of 11,7% in 2016 and 9.5% in 2015.

In this scenario, InterCement has adopted a more assertive commercial strategy in attracting and retaining customer loyalty, improving its customer segmentation programme according to their profile and needs, redefining the long-term positioning of the portfolio's brands, without neglecting to ensure the profitability of its local activity.

Likewise aimed at boosting efficiency, the company pursued the initiatives to improve productivity and control costs, in particular the pilot projects of partnerships with customers in order to reduce logistic costs, the use of gypsum, the inventory management improvement, renegotiating with suppliers, and the new strategy to sell the surplus electric power.

In 2017, Cement and Clinker Volumes Sold by InterCement Brazil were 9.4% lower than in 2016, also being penalised by the exposure to more competitive regions. Sales contracted by 13.3%, essentially due to the downward pressure on prices in a context of around 50% of idleness of the installed capacity in the local industry.

In turn, despite the reduction observed in variable costs per tonne, the immediate inelasticity of fixed costs and the Extraordinary Adjustment Program effects constrained EBITDA generation.

EBITDA adjusted for the above referred Program effects came to 39 million euros, even so 55% below the comparable value of 2016. These effects include: stock adjustments following the industrial footprint rationalization and provisions for trade and receivables as per construction industry market conditions.

The optimisation of the use of the industrial network in view of the demand level received special attention in the management of the Brazilian Business Unit.

This explains the impairments registration in the second quarter related to the suspension of investments to expand capacity, due to lack of visibility regarding their returns, as well as the creation of conditions that would enable the suspension of clinker production at the Pedro Leopoldo plant in early 2018 (keeping the supply of such assured by the local mill).

These provisional measures allow for a more efficient allocation of resources, while waiting for a recovery of local demand that could justify, in the first place, the reactivation of the suspended production units, Suape



and Cubatão, as well as the kilns of João Pessoa and Pedro Leopoldo, at suitable levels of capacity utilisation and, as such, of efficiency, as well as the resumption of the suspended projects to increase capacity, whenever market assumptions support their economic interest.

The Brazilian operation received various awards in 2017. Two strategic projects of the Supply Chain Department of InterCement Brazil were distinguished as TOP 3 of the Inbrasc Award 2017, a reference educational institute in the supply chain sector. InterCement Brazil was also recognised among the ten best suppliers of Cyrela São Paulo, a construction company specialised in high quality buildings. The evaluation took into account criteria such as product quality, punctuality, compliance with tax legislation, availability, among others.

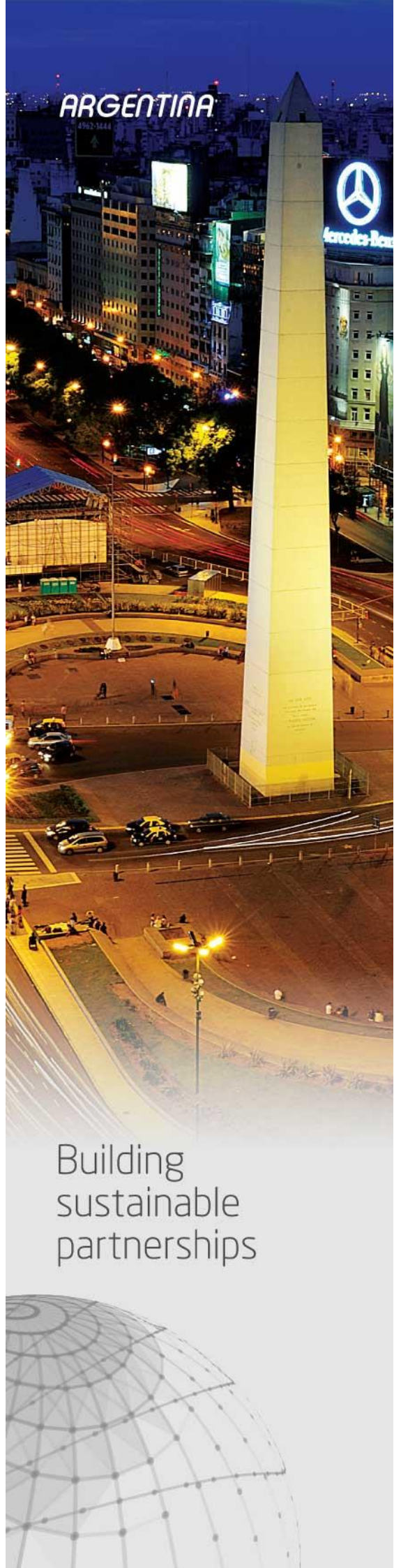
Argentina

InterCement's activity benefited from the current local momentum. 2017 was a crucial year for Argentina, marking the upswing of all the economic indicators and forecasts, following the political changes in force since late 2015.

In a gradualist approach of the national government, the implementation of various initiatives of macroeconomic impact and the dynamics provided by the development of the infrastructures plan have been fuelling a new economic cycle that shows a positive evolution of GDP, inflation, investment and employment and, consequently, increased demand for cement by both the public and private sector.

Under these circumstances, the Cement Volumes Sold of Loma Negra in Argentina showed a recovery of 8.9% in relation to 2016, thus coming close to the record experienced in 2015, while the concrete cubic meters sold increased by 37%.

Sales grew by 26.5% in relation to 2016 (43.1% in local currency) thanks to the commercial policy that enabled accommodating the inflation of local costs, namely costs related to fuel and electricity. The commercial policy, the higher efficiency and the economies of scale gained led to an EBITDA 29.0% above 2016 (+ 48.2% in local currency), while the EBITDA margin increased by 0.5 p.p. to 24.7%.



The IPO carried out in the fourth quarter was a success, bringing even more recognition to a company that is already the market leader, with a national market share of 45%.

In addition to the operational and financial conquests achieved in 2017, InterCement Argentina was also given various distinctions and awards. One of these was given by the American Chamber of Commerce (AmCham) in the modality of Thematic Initiatives, aspect of the Environment, category of Use of energy. Another distinction received by the company was leadership in the Ranking of Quality of the Real Estate and Construction Market, in the segment of Supplier of Products / Masonry, and second place in leadership of the general ranking of the sector, attributed by *Reporte Inmobiliario* and by the magazine *Mercado*. Ferrosur, a railway of circa 3 thousand kilometres, primarily owned by InterCement Argentina, received the DowGOL Award in the Transport category given by Dow Argentina.

Paraguay

Following the positive dynamics of the local economy, cement consumption recorded an increase of 3.4% in Paraguay.

The intensity of InterCement's commercial approach supported by the quality with which it serves the local market, namely on a prompt delivery basis, led to a 22.5% increase in Cement and Clinker Volumes Sold in 2017.

The high operational efficiency of the new integrated plant, functioning since 2015, with successive monthly production records and always responsive to cost control niches, once again granted this business unit an industrial benchmarking status and an EBITDA margin above 40%.

Argentina and Paraguay

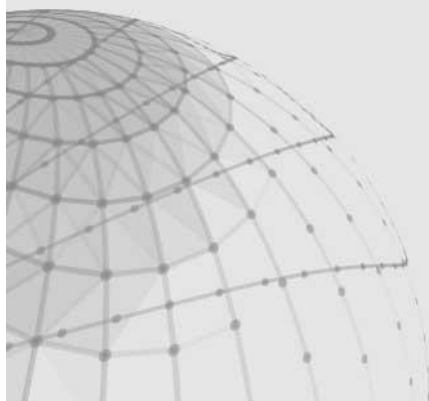
The EBITDA of the Argentina and Paraguay business segment amounted to 210.8 million euros, a 29.1% increase over 2016, showcasing the business momentum of this unit.

Portugal

PARAGUAY



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2017 was a year of growth for the Portuguese domestic cement market with investments in the civil construction segment, primarily in the rehabilitation of buildings. Civil engineering and public works also showed a positive evolution. The 16% growth of Cement and Clinker Volumes Sold in the market in relation to 2016 was also the result of the commercial policy focused on actively approaching the customer (namely aimed at the retention of loyalty and the attraction of new customers). At the same time, exports accompanied this rate having grown by 15% enlarging its client base worldwide, and so did the concrete and aggregate businesses.

Sales grew by 13.1%, while the recovery of the domestic market enabled an improvement of operating income, however this was negatively impacted by the effect of lower CO₂ allowances sales of 4 million euros, vis-à-vis 6,4 million euros in 2016. Nevertheless EBITDA by grew 32.8%.

In 2017, Cimpor, the holding company that owns the operating assets of InterCement, left the Lisbon Stock Exchange under proposal of InterCement Austria Holding, GmbH, a subsidiary of InterCement and the controlling shareholder of Cimpor. Pursuant to the legislation and guidelines of the Portuguese Securities Market Code, InterCement was acquiring Cimpor shares dispersed on the capital market, from the 27th of September to the 27th of December 2017. InterCement decision to promote Cimpor delisting was part of a series of strategic measures aimed at balancing management and administrative efficiency.

Cape Verde

In this country, despite the economic growth, the cement market contracted by 5% in terms of sales on account of the slowdown of some construction works in tourist enterprises in 2017. InterCement 's Cement and Clinker Volumes Sold fell by around 5%, and Sales declined by 7.6%. However, the company believes that an upswing is just around the corner, and that the operation will soon resume growth.

With a view to complementing its provision of services to the local market, apart from cement, InterCement also operates in concrete, aggregates, steel and roof tiles businesses locally. The recently initiated ceramic tile business (2014) already holds a 70% local market share, selling 0.5 million units per year.

PORTUGAL



Portugal and Cape Verde

EBITDA of this segment reflected the increase in the variable costs per tonne produced, having reached 47.4 million euros, a recovery of 24.6% in relation to 2016.

Egypt

One year after the IMF's intervention, the key economic indicators have shown an improvement. Despite a decline of approximately 4% in cement consumption, the company's volumes sold have remained stable at around 3.2 million tonnes. This performance was achieved due to the efforts made to adapt to a more competitive environment, in which the company benefited from its local premium brand.

The efficiency and operational flexibility required from the Ameryah Cement Company, InterCement in Egypt, leveraged by the recent investment in a coal mill, enabled meeting the increased energy and fuel costs (+38% and +30%, respectively), following the withdrawal of subsidies on these items.

In local currency, Sales increased by 9.1% while the Extraordinary Adjustment Program effects constrained EBITDA generation. These effects include stock adjustments, triggered by the EGP depreciation, and indemnity expenses. In euros, both these headings show significant declines, as in 2017 the average exchange rate was 46% lower than in 2016.

In 2017, Cimpor Trading started exporting cement from Egypt, a flow that is expected to be of high growth potential due to the need for reconstruction and the shortages of housing and infrastructures in the nearby countries.

Mozambique

Political and economic challenges restricted the demand for cement in Mozambique in 2017, implying a reduction of the company's Cement and Clinker Volumes Sold by around 30%. Nevertheless, InterCement's commercial policy enabled passing on the increased costs to the price, thus mitigating the impact of the business slowdown on Sales, which decreased by 22.1% in euros.



Despite the various initiatives to promote efficiency and control of operating costs, the increase of the electricity and fuels costs (40% and 33% per ton) together with 8 million euros of the Extraordinary Adjustment Program effects explained the fall in the generation of EBITDA by more than 50%. One-off effects mainly concerned a trade receivable impairment registration, induced by the recent local construction industry market adjustment, and an inventory impairment regarding spares and raw materials following InterCement's industrial footprint rationalization.

In 2017, with an innovative spirit and aimed at finding results, InterCement started to export from Mozambique to Swaziland and Malawi.

South Africa

The recovery of GDP growth did not yet result in a growth of cement consumption in the country. Nonetheless, the commercial dynamics, mainly supported by the opening of a new distribution centre with a supply chain partner and the creation of NPC Net (a consumer relations programme) contributed to expand the customer base with direct impact on the 12.8% growth of Cement and Clinker Volumes Sold and on the achievement of a record high national market share of 12%. Sales grew by 22.1%, underpinned by the commercial strategy referred to above, and also driven by favourable local currency performance.

In turn, despite the Extraordinary Adjustment Program effects (3 million euros), EBITDA grew by 3.5%, thus more than offsetting the increased costs, namely related to fuel and electricity.

Africa

The EBITDA of Africa recorded a slowdown of 54.1%, affected by lower activity in Mozambique and the depreciation of the EGP, resulting in a -45% net change of EBITDA in local currency. However, if adjusted from the Extraordinary Adjustment Program effects, EBITDA amounted to 64 million euros. The main effects were recorded in Egypt and in Mozambique, namely regarding write-downs on inventory following local currencies depreciations and provisions for trade and receivables justified by the adverse political-economic local condition.



MOZAMBIQUE



SOUTH AFRICA



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Trading

Cement and clinker trading activity in 2017, recorded 2.5 million tons, of which 2 million were to third parties reaching a Sales amount of 75 million euros.

Throughout 2017, InterCement Trading has enlarged its clients portfolio, balancing even more its activity, and reaching new markets and businesses. Regarding fuels trading, InterCement established new routes taking advantage of the company know-how and international networking. Furthermore, it has enlarged its trading products portfolio by adding material, directly or indirectly, related with the industry.



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Cement and Clinker Volumes Sold

(thousand tons)	Jan - Dec			4 th Quarter		
	2017	2016	YoY	2017	2016	YoY
Brazil	7,711	8,514	-9.4%	1,819	1,969	-7.6%
Argentina	6,419	5,893	8.9%	1,760	1,544	14.0%
Paraguay	568	464	22.5%	131	128	2.2%
Portugal	3,449	2,990	15.4%	783	866	-9.6%
Cape Verde	187	197	-4.9%	45	40	11.5%
Egypt	3,209	3,190	0.6%	1,058	808	31.0%
Mozambique	1,145	1,653	-30.8%	317	387	-18.2%
South Africa	1,613	1,424	13.3%	406	413	-1.7%
Sub-Total	24,301	24,323	-0.1%	6,320	6,156	2.7%
Intra-Group Eliminations	-186	-266	-29.9%	-42	-106	-60.2%
Consolidated Total	24,115	24,058	0.2%	6,277	6,049	3.8%

Sales

(€ million)	Jan - Dec			4 th Quarter		
	2017	2016	YoY	2017	2016	YoY
Brazil	455	525	-13.3%	106	127	-16.9%
Argentina	750	592	26.5%	200	165	21.2%
Paraguay	62	52	17.7%	14	14	-0.7%
Portugal	258	228	13.1%	62	61	2.4%
Cape Verde	30	32	-7.6%	7	7	7.6%
Egypt	104	177	-41.2%	35	33	3.3%
Mozambique	96	124	-22.1%	25	28	-9.3%
South Africa	136	111	22.1%	31	33	-4.6%
Trading / Shipping	156	173	-10.0%	25	58	-57.3%
Others	43	37	15.7%	8	5	72.5%
Sub-Total	2,089.3	2,052.3	1.8%	512.1	529.5	-3.3%
Intra-Group Eliminations	-204	-209	-2.3%	-34	-66	-48.8%
Consolidated Total	1,884.8	1,843.0	2.3%	478.4	463.6	3.2%

EBITDA

(€ million)	Jan - Dec			4 th Quarter		
	2017	2016	YoY	2017	2016	YoY
Brazil	4.0	62.2	-93.6%	-12.7	10.3	-222.6%
Argentina & Paraguay	210.8	163.2	29.1%	59.6	52.6	13.4%
Portugal & Cape Verde	47.4	38.0	24.6%	12.4	3.9	220.8%
Africa	38.8	84.6	-54.1%	-5.9	21.7	-127.4%
Trading / Shipping & Others	-7.0	-2.3	203.8%	-7.8	0.0	n.m.
Consolidated Total	294.0	345.7	-15.0%	45.5	88.4	-48.5%
EBITDA margin	15.6%	18.8%	-3.2 p.p.	9.5%	19.1%	-9.6 p.p.

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5

FINANCING STRUCTURE

5. Financing Structure

5.1 Financing Structure Enhancement

The success of the Loma Negra IPO in November 2017 was a major step in the improvement of InterCement's financing structure. Its contribution reduced the company's leverage. This happened despite the impacts on cash flow generation caused by the unfavourable macroeconomic situation in Brazil, the economic adjustments in Egypt and the political and economic constraints in Mozambique.

Throughout 2017, InterCement continued to pursue its Financing Policy, based on two major guidelines: (i) the reduction of financial leveraging and debt and (ii) the adjustment of the debt profile to the company's operations and development prospects. Encompassing these, InterCement drew up a four-pillar liability management plan aimed at reaching a Net Debt/adjusted EBITDA ratio of 3 by the end of 2018, balancing the amortisation schedule and achieving further progress in reducing the debt from holding companies to operating companies.

5.2 Liability Management Plan

1. Complete Credit Enhancement Measures

In 2017, the company stimulated the generation of free cash flow.

InterCement progressed in the enhancement of its operating efficiency, in spite of a scenario of lower dilution of fixed costs. There were visible EBITDA generation improvements in Argentina, Paraguay, Portugal and South Africa, although offset by the unfavourable contexts in other markets.

Working capital management enabled divestment, while disciplined CAPEX mode focused on fast returning projects, mostly in the energy and environment safeguarding front.

Furthermore, in addition to the Loma Negra IPO, which represented a deal worth 1,097 million US dollars, the company finalised the sale of Estreito Hydroelectric Plant in Brazil (77 million euros), as well as the sale of other non-strategic assets (8 million euros), namely of real estate assets in its portfolio.



2. Paydown and Balance of Bank Debt

Major Loma Negra IPO secondary proceeds enabled the paydown of debt and rebalancing of the maturity curve, expanding average maturity. Syndicated and bilateral loans at holding companies were first addressed and refinancing followed the plan to push debt down for operating companies.

3. New Bond Issuance

InterCement aims to achieve a debt structure where Senior Notes prevail as the main debt instrument for holding companies. As such, capital market opportunities will be evaluated throughout 2018 for a potential new issue of Senior Bonds.

4. Raise Equity via the subsidiaries

The ongoing deleveraging process implies the further sale of minority stakes in InterCement subsidiaries. Therefore, the company is getting ready a new vehicle comprising the Ibero-Africa assets for either a private placement or an IPO deal.

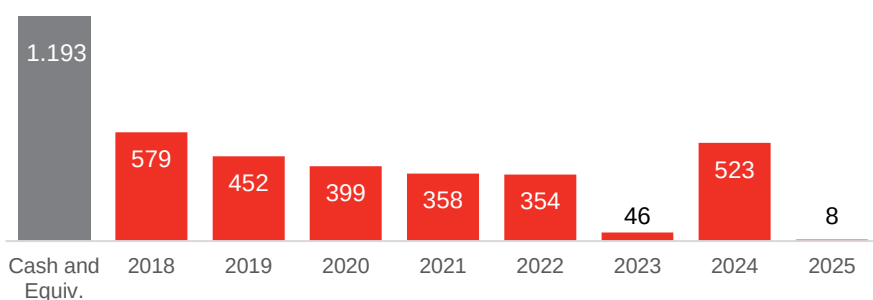
Following the company's efforts towards debt reduction, by 31 December 2017 net debt amounted to 1,525 euros, 42% below the figure as at 31 December 2016.

The refinancing process initiated in 2017, which continued in the first half of 2018 improved the debt profile. The average cost of debt remained the same despite the maturity expansion, with liquidity as at 31 December 2017 having been sufficient to cover the financial commitments of the following two years, due to the continued concentration of major refinancing in the next three years and the safeguarding of the average debt maturity period of 3.6 years.

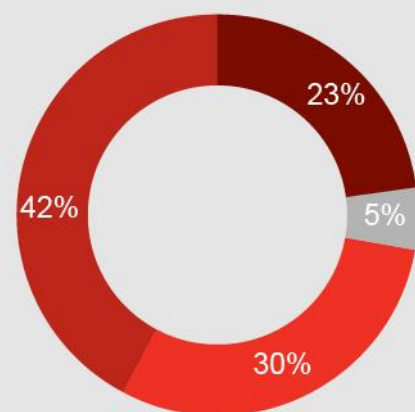
Debt Profile

December 31, 2017

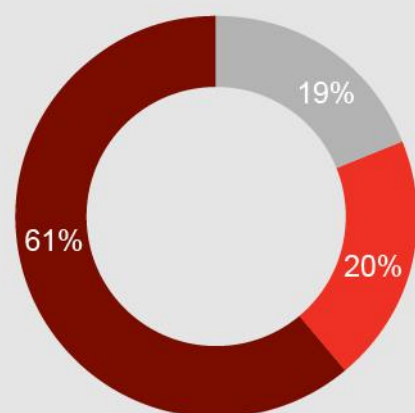
Maturities



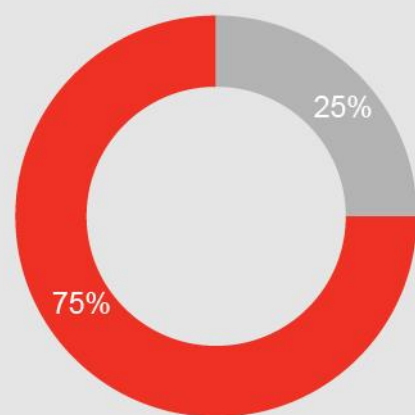
Profile



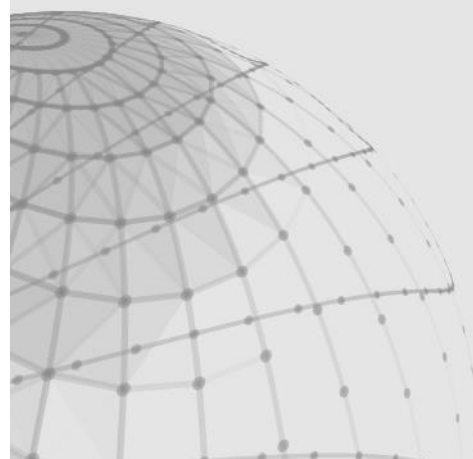
Others Europe USD BRL



Debentures Capital Markets Banks



Fixed rate Variable rate





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6

**HUMAN
RESOURCES**

6. Human Resources

InterCement has 7,686 professionals in eight countries ² who represent the company before customers, communities and other partners, and ensure the ongoing innovation of products, services and processes.

In order to promote a unified corporate culture, the company launched various programmes in the past, namely **InterCement Attitudes** in 2015, working biannually in monitoring its success through an "Organisational Climate Survey". In 2017, the Organisational Climate Survey collected a record favourability of 69%. During 2017, the company promoted two important programmes: People Management Policy and Employee Value Proposition.

The **Employee Value Proposition** called "Being InterCement", which is based on the four pillars—Being Differentiated, Being Heard, Being Challenged and Being Valued—, places in evidence the company's differentials and what it has to offer for employee development. It also highlights the importance of each professional and the weight of individual contributions for the company to continue to show solid and ethical actions.

BEING SPECIAL

BEING HEARD

BEING CHALLENGED

BEING VALUED



SER
InterCement

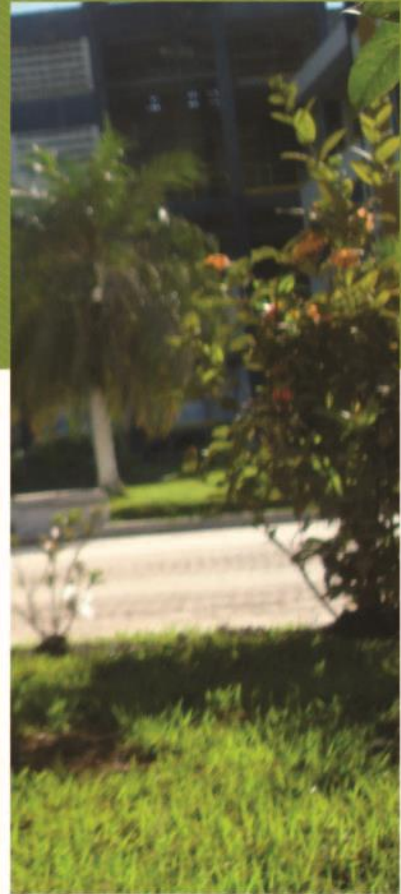
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² Where InterCement has operations, as it still owns financial holdings in Austria and Spain.
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7 SUSTAINABILITY

7. Sustainability

7.1 Safety

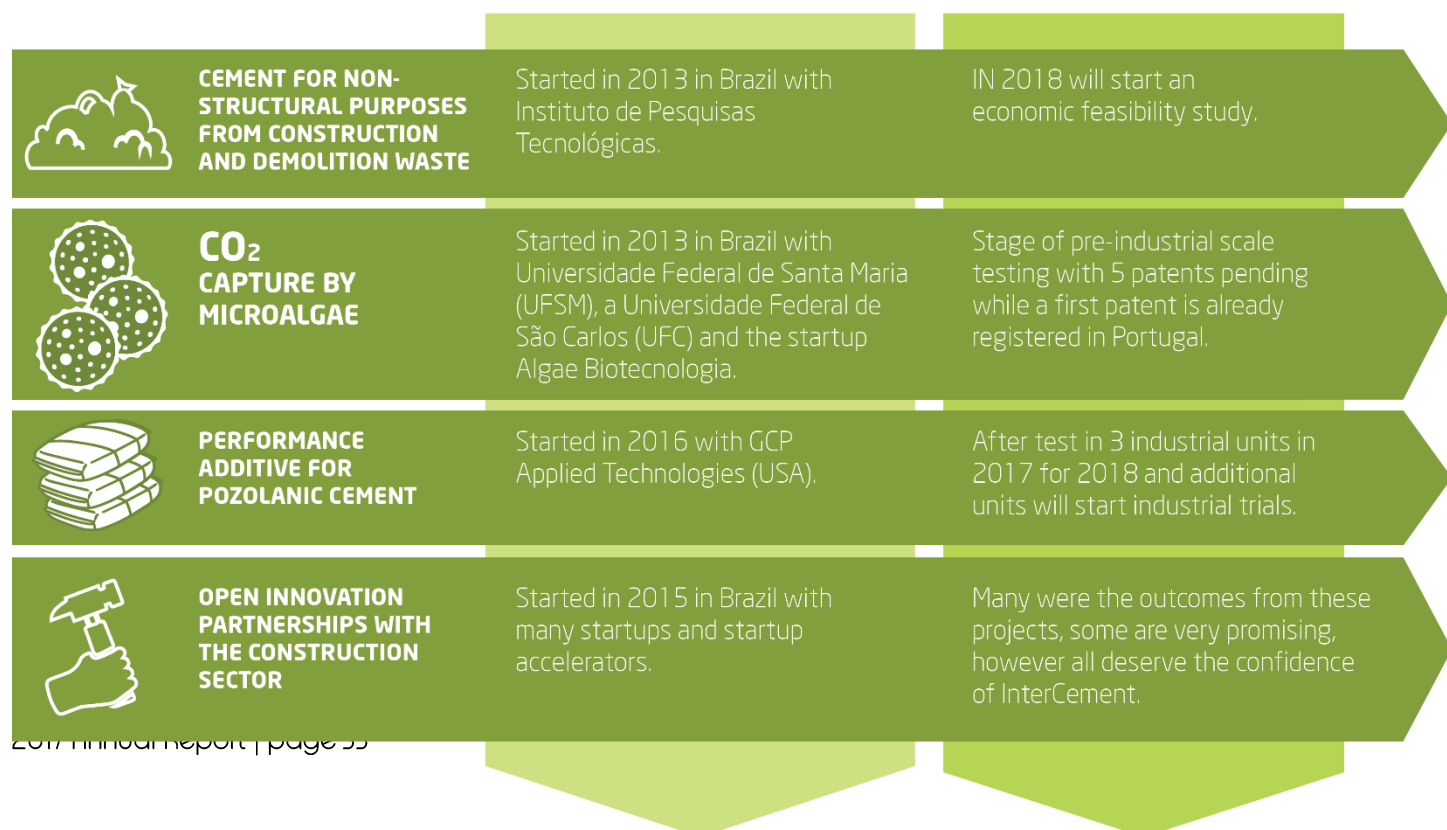
Safety is a non-negotiable value at InterCement. As such, it is constantly discussed and worked by means of a solid programme and continuous actions. The importance given to this topic is reflected in the corporate motto “Either we do it safe, or we don't do it”, assuring all professionals the prerogative to refuse to carry out any action or task that she/he considers not to be 100% safe.

The goal is to achieve an index of zero accidents. For such, a Behavioural Safety programme is worked every year with all the employees. In 2017, the proposed idea was “Safety: Rethink and Retrieve”. The goal is that each professional should rethink the way that this topic has been dealt with and retrieve everything that has already been taught on safety, so that each individual can put this knowledge into practice in an effective manner on a daily basis.

7.2 Innovation and R&D

Innovation at InterCement is a part of its business culture, taken as mean to ensure sustainability and enhance the company's competitive position. Here, innovation aims for new products, technologies and processes, keeping a view on its social and environmental responsibility ambitions.

Our R&D area works closely with 15 renowned institutions in Argentina, Brazil and Portugal and counts several reached milestones. The company is enthusiastic about open innovation, supporting and building sustainable partnerships with start-ups.



7.3 Environmental responsibility

Co-Processing

The cement production process requires an intensive use of thermal and electric power, causing the release of greenhouse gases (GHG), primarily carbon dioxide (CO₂). In view of the special focus of InterCement on Environmental Sustainability, many energy efficiency solutions have been adopted over these last decades. In this regard, at present the company is especially focused on strengthening the co-processing activity.

The co-processing of fuel derived from waste in cement plants is a process of **final destination of waste**, conducted in a safe form, monitored and environmentally correct, with the assured quality of the cement produced. This process enables **replacing** the consumption of fossil fuels and non-renewable natural raw materials with environmental, social and economic advantages, without generating an environmental liability (ashes). Strategically, InterCement recognises co-processing as a mechanism of **industrial symbiosis**, an example of application of the principles of **circular economy**, which supersedes the former linear economic model of “**extracting, manufacturing, discarding**”, recovering and recycling materials and energy, respecting the sustainability cycle. Co-processing is also internationally and institutionally recognised at the highest level. At the same time, it is important to highlight the role of co-processing for societies, as this technique definitively eliminates environmental liabilities that could otherwise constitute a danger to public health.

The company is already among the global leader in the use of co-processing. In 2017, the thermal substitution rate reached 17.3%, showing growth of approximately 2.2 p.p. in relation to 2016, and growth of close to 8.4 p.p. in relation to 2009.

Brumado Plant (Brazil)
by Nailza Pereira

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IN 2017, 582 THOUSAND TONNES OF WASTE WERE CO-PROCESSED, WHICH ENABLED:

IN 2017
582
THOUSAND
TONNES



**OF WASTE WERE
CO-PROCESSED,
WHICH ENABLED
INTERCEMENT:**

TO PREVENT THE
EMISSION OF :

453
TONNES OF CO₂



THE EQUIVALENT TO THE
EMISSIONS OF:

115
million cars during one year;



TO PREVENT THE
BURNING OF :

273
THOUSAND TONNES
OF PET COKE



ENOUGH TO GENERATE ENERGY
EQUIVALENT TO THE ANNUAL
CONSUMPTION OF :



556
THOUSAND
HOMES

TO PREVENT THE
CONSUMPTION OF :

108
TONNES OF
MINERALS



SUFFICIENT TO FILL A HOLE THE
SIZE OF A FOOTBALL FIELD, AND:



12
METERS
DEEP

Preservation of ecosystems and biodiversity

InterCement's Environmental Sustainability programme includes, among others, the development of Rehabilitation Plans & Biodiversity Management Plans for all the quarries of the cement activity. The "Quarry Roadmap 2016-2025", aims at ensuring that by 2025 all the quarries will have robust environmental impact studies, rehabilitation plans and, where applicable, biodiversity management plans according to the internal guidelines. New action plans were launched in 2017, according to priorities defined in the roadmap planning, in order to increase the number of quarries with rehabilitation plans, with the year having closed with 68% of InterCement's of cement activity quarries involved in its cement production already having a rehabilitation plan in progress.

7.4 Social responsibility

InterCement is committed to the sustainable development of each one of the communities it operates in. In order for this commitment to be reflected in an effective policy that, in turn, is embodied in transforming actions, the InterCement Institute was created in 2015. The Institute is responsible for implementing the company's private social investment in the eight countries where InterCement is present.

Aimed at valuing the local features and boosting the creation of employment and income, the Institute primarily acts in directly encouraging voluntary action and in supporting business ventures with high social impact that are in line with the company's value chain. Its pillars are **Community Development** and **Impact Business**.

Community Development

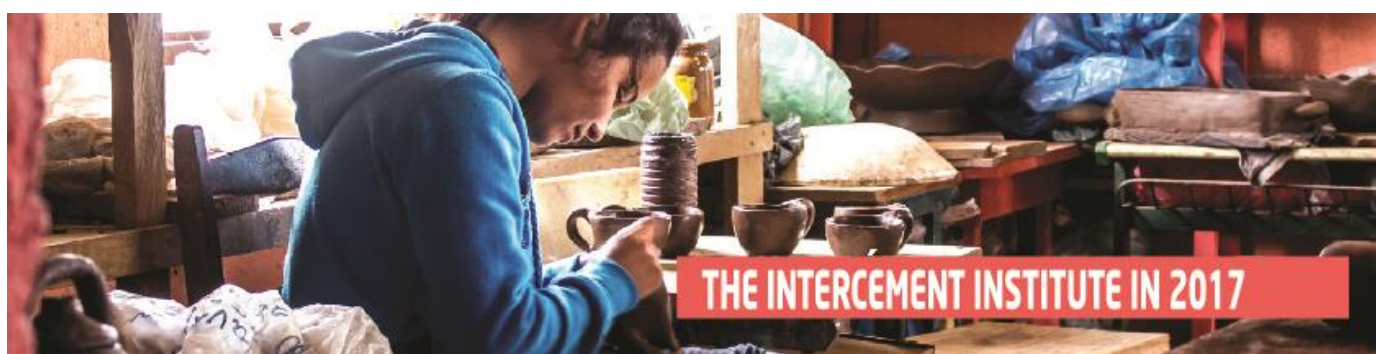
In partnership with civil society and state authorities, the InterCement Institute develops projects to generate opportunities for local development. Priority is given to action involving topics identified together with the communities, according to their needs, such as infancy, youth, education, strengthening social capital. An example of this action is the Day of Doing Good, organised annually in all the locations where InterCement has plants, mobilising volunteers to carry out activities of physical improvement, leisure and sports activities, and promotion of culture among



beneficiary entities, which may be schools, health centres or other units of community support.

Impact Business

The efforts of the InterCement Institute regarding this pillar seek to stimulate the dynamics of local economies by strengthening small business ventures and boosting innovative business directed at the most economically vulnerable populations, so as to respond to the challenges of poverty reduction. The projects focus on employment and income creation and the development of new products and services for the base of the pyramid that might solve certain social/environmental problems on a large scale.



2.5

MILLION EUROS
OF INVESTMENT



80
GAIVS

(IDEAL VOLUNTEER
ACTION GROUPS)



87,334

BENEFICIARIES

12,736

VOLUNTEERS OF THE **DAY OF
DOING GOOD**, INTERCEMENT'S
LARGEST VOLUNTARY MOBILIS-
ING ACTION, WHICH TAKES
PLACE IN ALL THE LOCATIONS
WHERE THE COMPANY HAS
PLANTS

37
CIVICOS

(COMMITTEES FOR THE ENCOURAGEMENT
OF VOLUNTARY ACTION AND INTERACTION
WITH THE COMMUNITY)



3,450

PERMANENT
VOLUNTEERS

WHO LEAD TO



300

INITIATIVES

24
CDCs

(COMMUNITY DEVELOPMENT
COMMITTEES)



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8

GOVERNANCE

8. Governance

8.1 Governance Philosophy

Following the guidelines of its controlling shareholder, the Governance Philosophy adopted at InterCement is driven by the company's goals of excellence in its sustainable development, promoting transparency in an attitude of absolute compliance and particular respect for the standards on anti-corruption.

Focused on improving controls and processes, and aimed at giving greater autonomy to local decision-making in the eight countries where the company operates, InterCement continuously develops its governance model.

8.2 Governance Structure

InterCement Board of Directors comprise five members being responsible for guaranteeing the effective supervision, monitoring and assessment of the activity of the Executive Committee.

InterCement Governance, Human Resources and Sustainability Committee, InterCement Strategy, Investment and Finance Committee and InterCement Audit, Risks and Compliance Committee report to the Board of Directors. The latter and is comprised of five members of which two representatives from the controlling shareholder and two members experts on financing and ethics.

THE BOARD OF DIRECTORS IS PRESENTLY COMPOSED OF:	THE EXECUTIVE COMMITTEE IS PRESENTLY COMPOSED OF:
Franklin Feder (Chairman)	Paulo Eduardo Nigro (CEO)
André Pires de Oliveira Dias	Paulo Diniz (CFO)
Claudio Borin Guedes Palaia	André Gama Schaeffer (Business Support VP)
Marcelo Condé	Cibele Castro (Organizational Development VP)
Nicolas Fournier	Luis Fernandes (Portugal and Cape Verde VP)
	Nelson Tambelini Junior (Brazil VP)
	Ricardo Barbosa (Africa VP)
	Sergio Faifman (Argentina and Paraguay VP)

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Six technical committees support the Executive Committee: Ethics and Compliance; Safety, Health and Environment; Human Resources; Efficiency and Productivity; Information Technology; Finance and Investments.

At a local level, each unit also has its own Management Committee, led by the local General Manager, and supported by two technical committees: Sustainability and Health, and Safety and Environment.

8.3 Compliance

The concept of Compliance encompasses the practices and disciplines adopted in order to comply with laws, regulations, policies, procedures and control guidelines.

Although this is a topic that has currently received great attention by companies worldwide, InterCement has been concerned with disseminating the concept and practices related to Compliance at all hierarchy levels at least since 2004, when its Code of Conduct was first published. InterCement's Code of Conduct is constantly under review (the next review will occur throughout the year of 2018).

In 2017, the new InterCement Compliance Communication Program, which is part of the InterCement Integrity Program, was formalized and presented in all geographies, and launched to cover all audit, risks and Compliance processes, therefore including Risk Management, the Ethics Line, Compliance, Internal Audit (which is currently outsourced), External Audit, Continuous Audit and Forensic Audit.

Within the said program and throughout the year of 2017, the company has strongly invested in communication to emphasize the importance of Compliance (doing the right thing) and to give visibility of the company's internal policies and regulations. In Addition to the Code of Conduct, InterCement has also launched an Anti-Corruption regulation, a Competition regulation and a Corporate Compliance regulation. Furthermore its Compliance policy establishes not only the internal procedures and mechanisms to ensure its Compliance is dully adopted and carefully monitored across the company (prevention, detection, response), but also defines the risk management approach at InterCement. The company's website contains significant information



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related to Compliance, in the web address <http://compliance.intercement.com/conducta.php>.

InterCement Compliance Academy is responsible for continuous compliance training for the company employees and management. In 2017, anti-corruption and antitrust online trainings were conducted to all of InterCement employees. Furthermore, in the past two years all of the top and medium management accomplished 100% in both a post training evaluations on said topics.

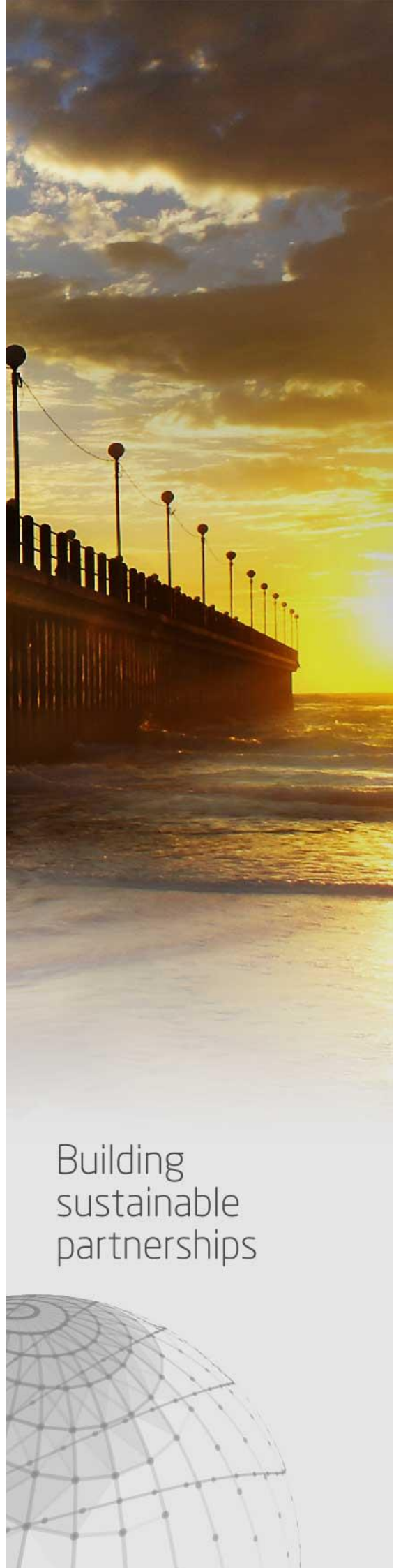
At InterCement, all whistle-blowing on deviations of conduct are received by the InterCement Ethics Line, a communication channel created in 2004 and available to all employees and stakeholders, that assures a direct, independent and confidential communication channel to deal with complaints, comments, suggestions and denouncements of any kind, either from employees or third parties (for example, violations to the Code of Conduct, to the Anti-Corruption regulations, among others). It is available at the InterCement website (<http://compliance.intercement.com/etica.php>), either by telephone or e-mail in all the countries where the company has business units. The service is handled by specialized and independent companies, that assure strict confidentiality to all reports, having a treatment and response ratio of 100%.

8.4 Risk Management

In the recent challenging years, the company was prepared to mitigate adversities thanks to various mechanisms, particularly risk management and control systems, essential in the agility of the company's response to its surrounding context. Those risks are analyzed and mitigated by a robust team of professionals, that assemble InterCement's Audit, Risks and Compliance Committee, a committee related to and responsible for supporting InterCement's Board of Directors. The Committee is composed of five members, being two external members (an accounting and an ethics expert), two holding representatives and one InterCement representative. The Committee held eight meetings in the year of 2017.

At InterCement, this management gained particular robustness in 2014, when a major corporate effort led to the design of the Risk Matrix, which was completed after a robust mapping a reassessment process of the most relevant factors of business and processes risks.

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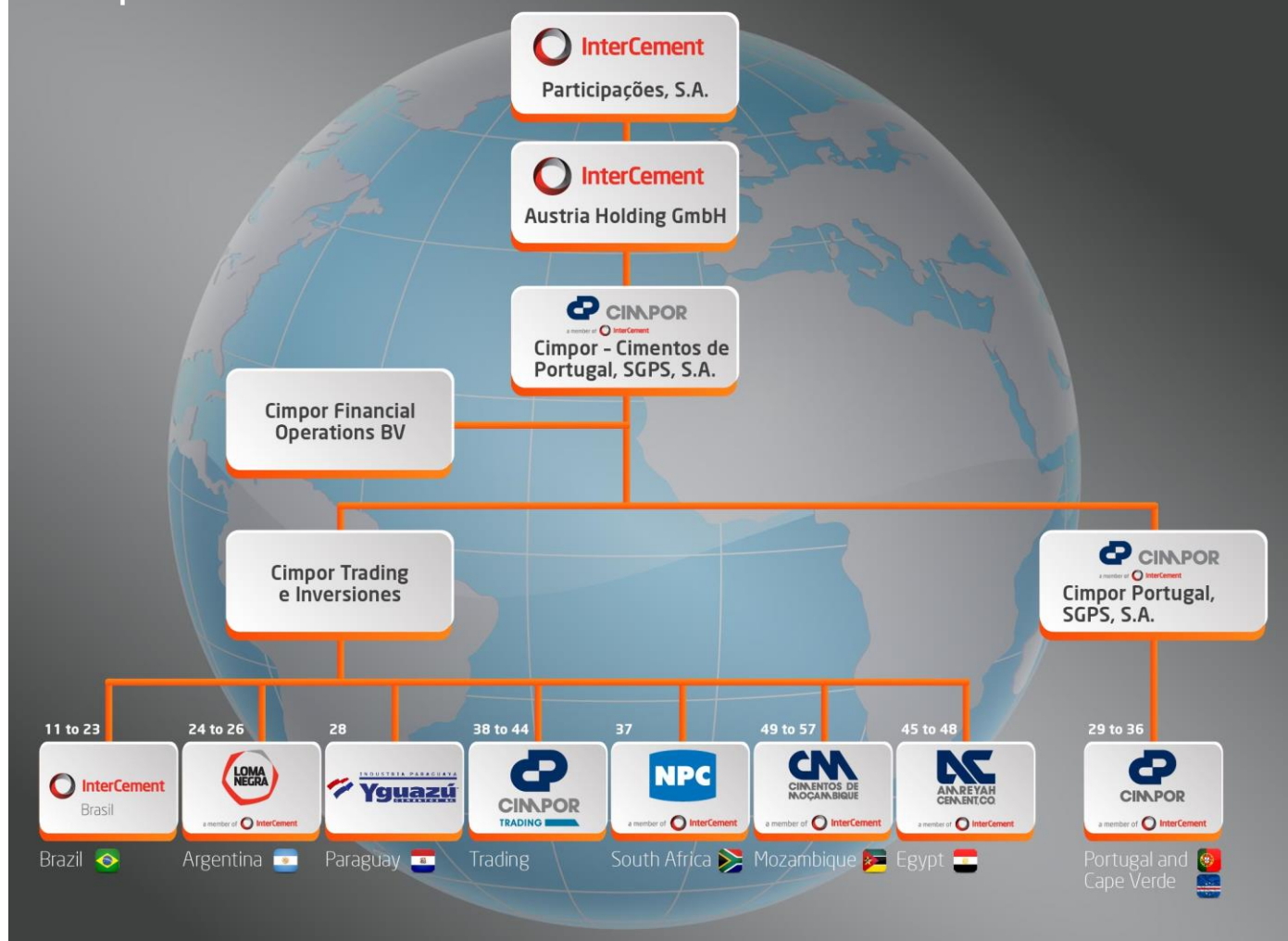
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It was after the design of the Risk Matrix that the corporate policies on Risk Management and Crisis Management were launched. Since then, these tools have been used by all company management levels in order to identify and evaluate scenarios and factors that might affect the company's results, and have also helped in the preparation of proposals for contingency actions in order to mitigate negative repercussions, when necessary.

The methodology adopted by InterCement includes the identification of Business Risks as those which, if materialized, would significantly affect the EBITDA, InterCement's market share, the main debt covenants, business continuity, reputation and image. Those risks are directly monitored by the Executive Commission, assisted by the Audit, Risks and Compliance Committee, with the knowledge of InterCement's Board of Directors.

On a different note, Processes Risks are those associated with operational and support activities that, if materialized, would affect operational activities. These risks are monitored within the compliance processes flow, directly in the business units, where there is a specific structure responsible for managing such risks within the Audit, Risks and Compliance global team.

8.5 Corporate Structure



Note: See note 2.30. - Consolidation of the Financial Statements for the correspondence of the numbered companies.

(A) InterCement Brasil S/A is controlled, at 57%, by Cauê Austria Holding GMBH, which is controlled, at 47%, by Cimpor Trading e Inversiones, Sociedad Unipersonal, S.A.

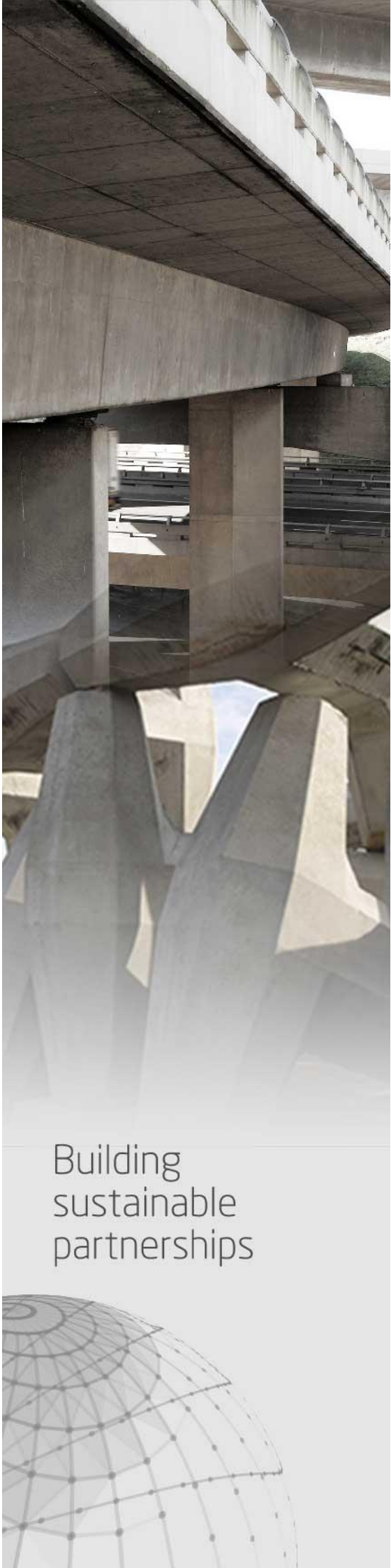
(B) Loma Negra C.I.A.S.A. is controlled, at 51%, by Loma Negra Holding GmbH, which is controlled at 100% by Cauê Austria Holding GMBH.

InterCement Participações S.A., 90.6% owned by Camargo Corrêa S.A. ("Camargo Corrêa Group") and 9.4% by Banco Bradesco BBI S.A., was created in 2010, incorporating the cement activity assets of the Camargo Corrêa Group.

Further details regarding InterCement Corporate structure namely a complete list of InterCement's subsidiaries and joint operations are disclosed on note 2.30. of the Financial Statements.

Delisting of the subsidiary Cimpor

The process of delisting Cimpor – Cimentos de Portugal, SGPS, S.A. was completed on 27 December 2017. This company had been listed in the NYSE Euronext Lisbon, presenting a free-float of less than 5% of its equity since 2012.

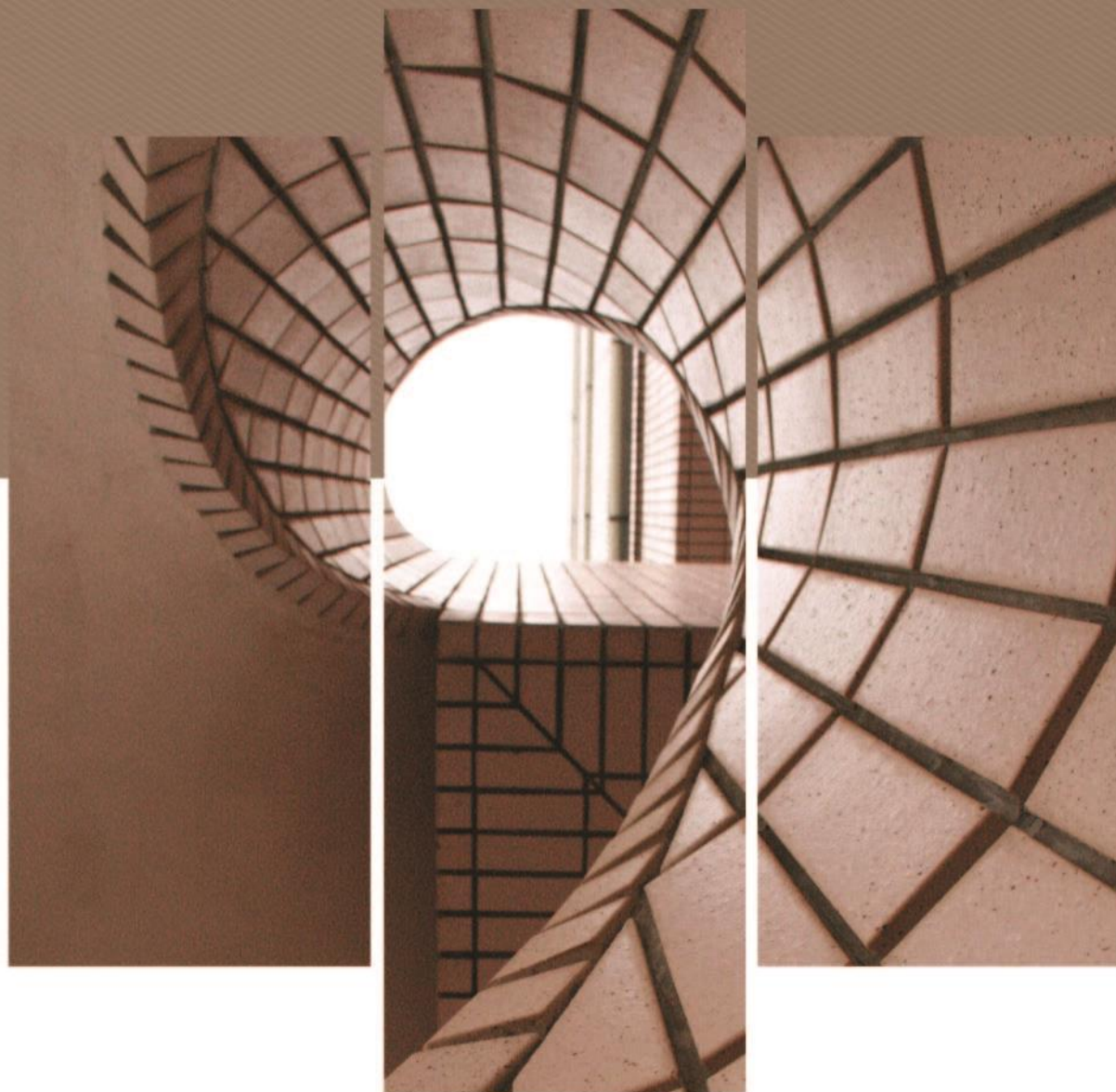


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9

OUTLOOK

9. Outlook

2017 was a turning point for InterCement. The Loma Negra 48.4% IPO, along the sale of InterCement stake in the Estreito Hydroelectric Plant, came to reinforce the company capital structure, which had been affected by the depressed Brazilian economy and adverse forex across its portfolio since 2014. This reinforcement combines with a set of other initiatives that the company has been implementing to enhance its operations, namely: drawing partnerships with clients worldwide, searching for value added deeper market penetration; establishing new partnerships with suppliers and improving industrial efficiency at its operating sites—progressing in its safety, environmental and sustainable strategies.

The increased efficiency should deliver results in 2018 in what is expected to be a more favourable industrial context in all the regions where the company operates, featuring a higher EBITDA when compared with 2017. Greater agility and management efforts should ease working capital investments and a disciplined CAPEX mode will remain in force, with Argentina increasing its installed capacity by 37% (by early 2020) in order to address the rising local demand for cement. Furthermore, InterCement will pursue market opportunities to continue its deleveraging process, with targeting close to 3 times Net Debt / EBITDA by the end of the year, rising on its new development cycle.

To embrace this new cycle, InterCement is improving its governance model and management approach, simplifying processes, increasing transparency and accountability for a greater businesses dynamics, aiming the sustainable and joint development with its stakeholders.

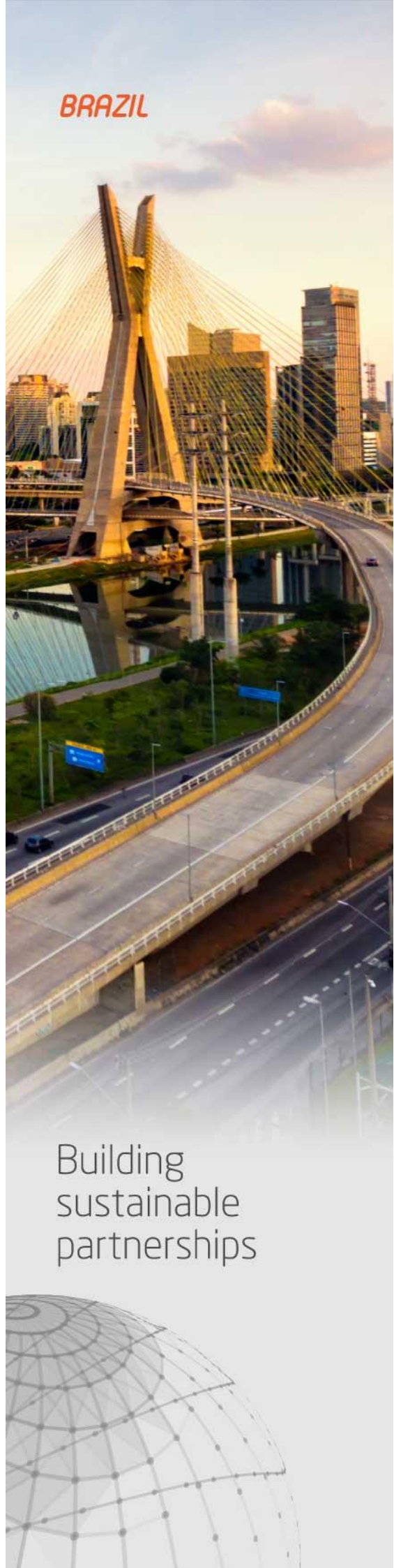
Brazil

Brazil's economic indicators presented a positive trend throughout 2017, inverting a deep, two-year-long recession and anticipating a better environment for 2018, despite still being inhibited by the presidential election anxiety.

The World Bank expects Brazil's GDP to grow by 2.0% in 2018 and 2.3% in 2019. The beginning of 2018 already witnessed higher household spending and investment growth, although politics and the lack of reforms remain the largest risks to Brazil's economic trajectory, clouding the country's outlook.

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BRAZIL



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The national cement industry association (SNIC) has incorporated the new economic trend by posting a 1.5% cement demand increase in its base case scenario, as cement consumption usually lags behind economic recovery.

In a context of higher construction activity with demand for cement growing, the industry is expected to finally have the chance to recover EBITDA margins, which have been strongly penalized as prices have not accommodated local cost inflation since 2014.

InterCement will pursue the path of growing assertiveness on its commercial policy by intensifying its partnerships with customers and delivering a higher value. The same approach will be followed regarding logistics and suppliers.

In 2018, InterCement should ensure further progress on management efficiency, cost structure leaning and assets optimisation. The Pedro Leopoldo kiln has now been mothballed awaiting recovered market conditions.

Overall, EBITDA generation in 2018, on a prudent basis, is expected to rise to close to 30 million euros, having emerged out of the lowest point of the most pronounced negative cycle ever observed in the Brazilian cement industry.

Argentina and Paraguay

The economic momentum drives of Argentina combined with InterCement's state-of-the-art operations in the rising Paraguayan market should present the highest EBITDA contribution increase within the InterCement Portfolio in 2018.

Argentina

Since taking up office in December 2015, the Macri administration has announced and started to implement a number of economic, regulatory and policy reforms in Argentina. As a result, Argentina has undergone certain fiscal, monetary and currency adjustments, which we believe are guiding the local economy towards a sustained path for growth in the medium term.



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In 2017, the main local macroeconomic indicators already started to show signs of recovery, anticipating a positive outlook for the country. GDP increased by 2.5%, inflation expectations curved down and are expected to decrease further in the future, while long-term capital markets remain open to Argentinian credit and the exchange is depreciating against the US dollar.

We believe that Argentina will not only normalize its economy in the next five years but will also generate a virtuous cycle that will drive investments boosting long-term sustainable growth. According to the IMF World Economic Outlook dated April 2017, Argentina's real GDP growth rate is expected to reach an average of 2.8% p.a. for the next 5 years compared to the (0.3%) annual growth rate experienced during the past 5 years.

The Macri administration announced an ambitious infrastructure plan, already under way, that will boost physical infrastructure. A capital market reform is being discussed in Congress that will allow market penetration and foster foreign participation, while helping to channel capital into productive investments. Moreover, a tax reform is in course aimed at lowering the burden on corporations and reducing the level of informal activity in the Argentinian economy.

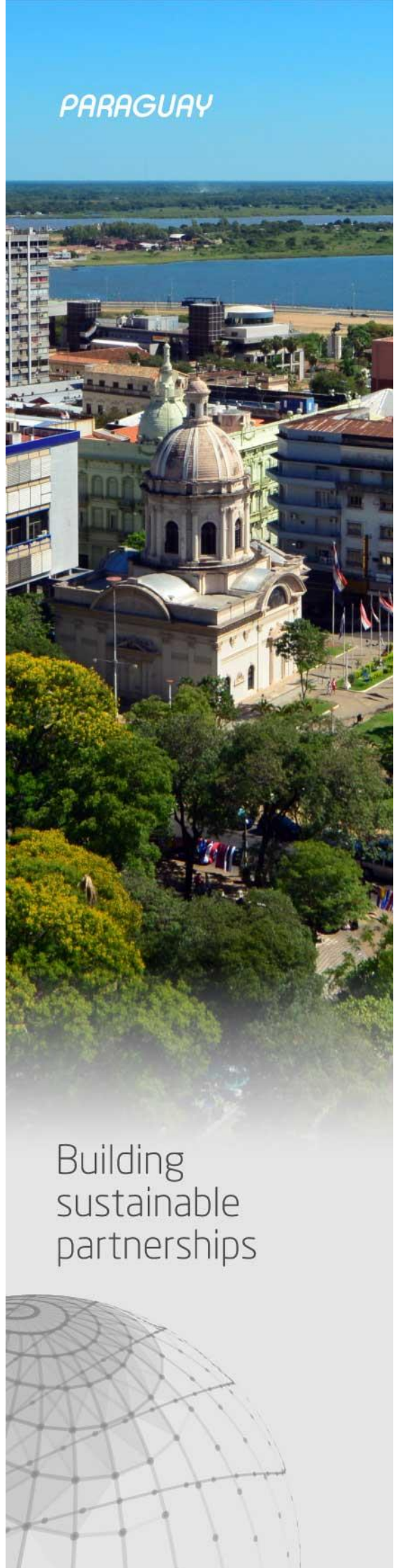
Benefiting from the present momentum in Argentina, InterCement expects cement demand to reach a record high volume in 2018, thus enabling a further increase in EBITDA generation. Furthermore, ABECEB, an Argentinian consulting firm, estimates that cement consumption will reach 17.0 million tonnes per year within the next five years.

In order to efficiently meet the rising demand for cement in Argentina, Loma Negra is increasing its installed capacity at the L'Amalí plant by 2.7 million tonnes. This ongoing project, which represents an investment of 350 million US dollars, is to be completed by the beginning of 2020 and will further streamline operations, reducing overall operating costs and enabling further growth of the EBITDA margin.

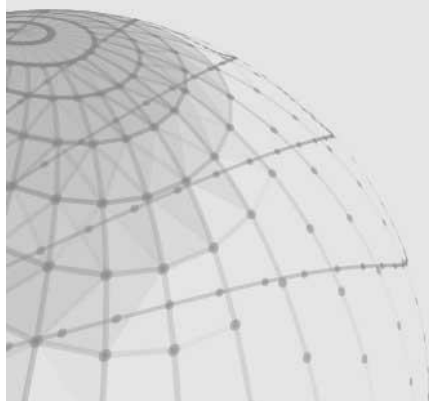
Paraguay

In the past five years, Paraguay has experienced a trend of economic expansion with an average annual real GDP growth rate of 5.9% (2013-2017).

PARAGUAY



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For the coming years, the country's construction sector is expected to pursue its growth path due to the increasing investments in private infrastructure projects, as well as the continuation of public sector investments in infrastructures, targeted at 1.0 billion US dollars. Furthermore, the housing deficit of approximately 1.4 million homes (1.6 million expected by 2020) is also being addressed by the local government, while the PLANHAVI programme, aimed at providing 297,000 housing solutions by 2020 and worth 3.2 billion US dollars, is still outstanding.

Yguazu Cementos is well positioned to take advantage of this growth opportunity as the largest privately-owned cement producer in Paraguay, with the ability to serve the country's key markets. For 2018, cement demand is expected to record a two-digit growth rate, sustaining a growth trend capable of accommodating the new addition to local public player cement production capacity.

Africa

A better economic context anticipates an improvement of EBITDA generation in Africa in 2018 and, at the same time, the company's working capital programme is expected to allow some divestment.

Furthermore, InterCement will reinforce its market approach and invest in both the commercial and operating fronts to address the rising demand with a renewed efficiency level.

InterCement is enhancing its approach to the Matola market potential (Mozambique), a new warehouse will open in East London (South Africa) and investments in alternative fuels will continue to progress in Egypt.

South Africa

The South African economy is likely to grow by 1.1% in 2018, according to IMF. The implementation of the National Policy Action Plan 2017-2020 stands among the country's drivers that will stimulate GDP growth, while simultaneously fighting local unemployment and poverty. This plan, in prioritising transport and water infrastructure investments, shall leverage cement consumption.

InterCement will pursue its strategy to invest in customer reach and satisfaction, namely improving sales conditions and possibilities,



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strengthening partnerships and market research. This drive will focus on strengthening its regional leadership and enhancing operational efficiency, in a higher capacity utilisation mode.

In 2018, EBITDA growth is expected to reach two digits in local currency, despite the increase of fixed costs inherent to recently built new commercial infrastructures, while the EBITDA margin is forecast to continue to improve, notwithstanding the higher contribution of the lower margin concrete business.

Mozambique

Similarly to 2017, Mozambican GDP will remain on a positive track, much fuelled by the exploration of natural gas deposits in the north of the country, rising by 5.3%, according to the IMF. Additionally, in a stable local politics scenario, a successful resumption of the IMF discussions in order to implement a sustainable financing plan for the economy should result in further stimulus for economic growth.

In 2018, the company will continue to invest in its relations and technical and commercial partnership with its customers, embracing an expected market growth of 5-7%. Its ability to serve the market without interruptions has recently required clinker to be stocked. Therefore, in 2018, cash generation is expected to surpass EBITDA, as per 2017 clinker stock sales effects. InterCement's efficiency programme entails further investments in Mozambique so as to address future demand growth prospects, reinforcing the company's local presence.

These investments should strengthen the local presence, further enabling the company to serve the country's demand in a more efficient manner.

Egypt

At the end of 2016, the IMF and Egypt agreed on a three-year support program that implied an economic reform, namely consisting of exchange rate liberalisation, fiscal consolidation (including energy subsidy cuts) and business climate improvement. GDP has grown by around 4% since 2016 and, according to the AFDB, is expected to increase by 4.8% in 2018 and 5.3% in 2019, benefiting from the economic reforms in place and favourable demographics.

MOZAMBIQUE



EGYPT



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As the economy adjusts, Egyptian cement demand will likely recover back to 56 million tonnes per year, as cement sales will naturally follow GDP evolution. InterCement will keep up with the market pace, addressing a more competitive environment with its premium cement brand.

EBITDA generation should rise more than 20% in local currency, surpassing 2016, while the EBITDA margin should still remain at the 2017 level, as higher sales are expected to be offset by stocked clinker utilisation and energy cost pressure.

Portugal and Cape Verde

The recovering economic environment in Portugal and Cape Verde shall support EBITDA growth expectations.

Portugal

Economic reforms from prior years have proved successful and the Portuguese economy is expected to continue to show solid growth, increasing by 2% in 2018, mostly driven by domestic demand and exports. In 2018, public investment should pick-up on the back of a slightly expansionary fiscal policy, as well as private investment, fuelled by growth of exports.

Altogether, the local economic trend is expected to support a single-digit increase of cement consumption, while higher margin export contracts will be prioritised, improving EBITDA generation.

Cape Verde

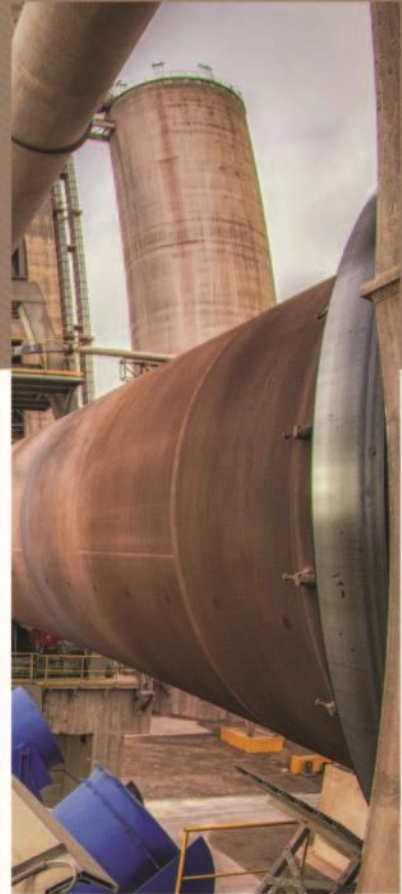
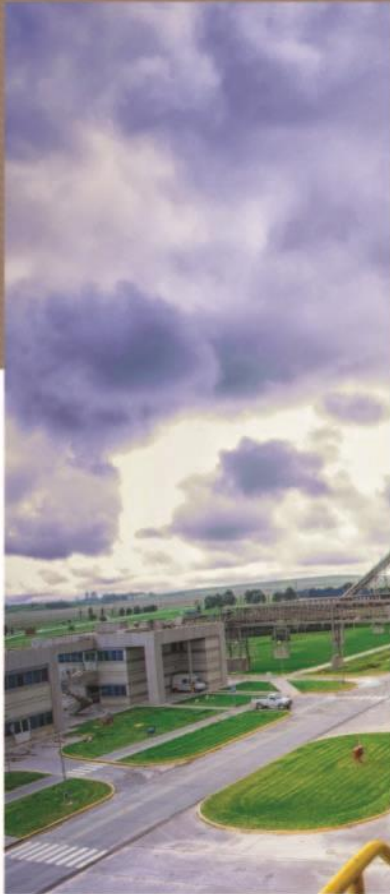
Tourism will remain the main source of economic growth for Cape Verde in 2018 and the trigger for local construction, enabling increased cement consumption and supporting further EBITDA generation.





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10 SUBSEQUENT EVENTS

L'Amali Plant by Diego Hall

10. Subsequent Events

InterCement Liability Management plan

In 2018, following InterCement Liability Management plan, the company has paid down debt in the amount of 289 million euros rebalancing the maturity curve and expanding the average maturity. Syndicated and bilateral loans at holding companies were prioritized. The prepayment of the Syndicated Loan amounted to 199 million euros - 30% of total amount -, while total prepayments of Bilateral Loans amounted to 89 million euros.

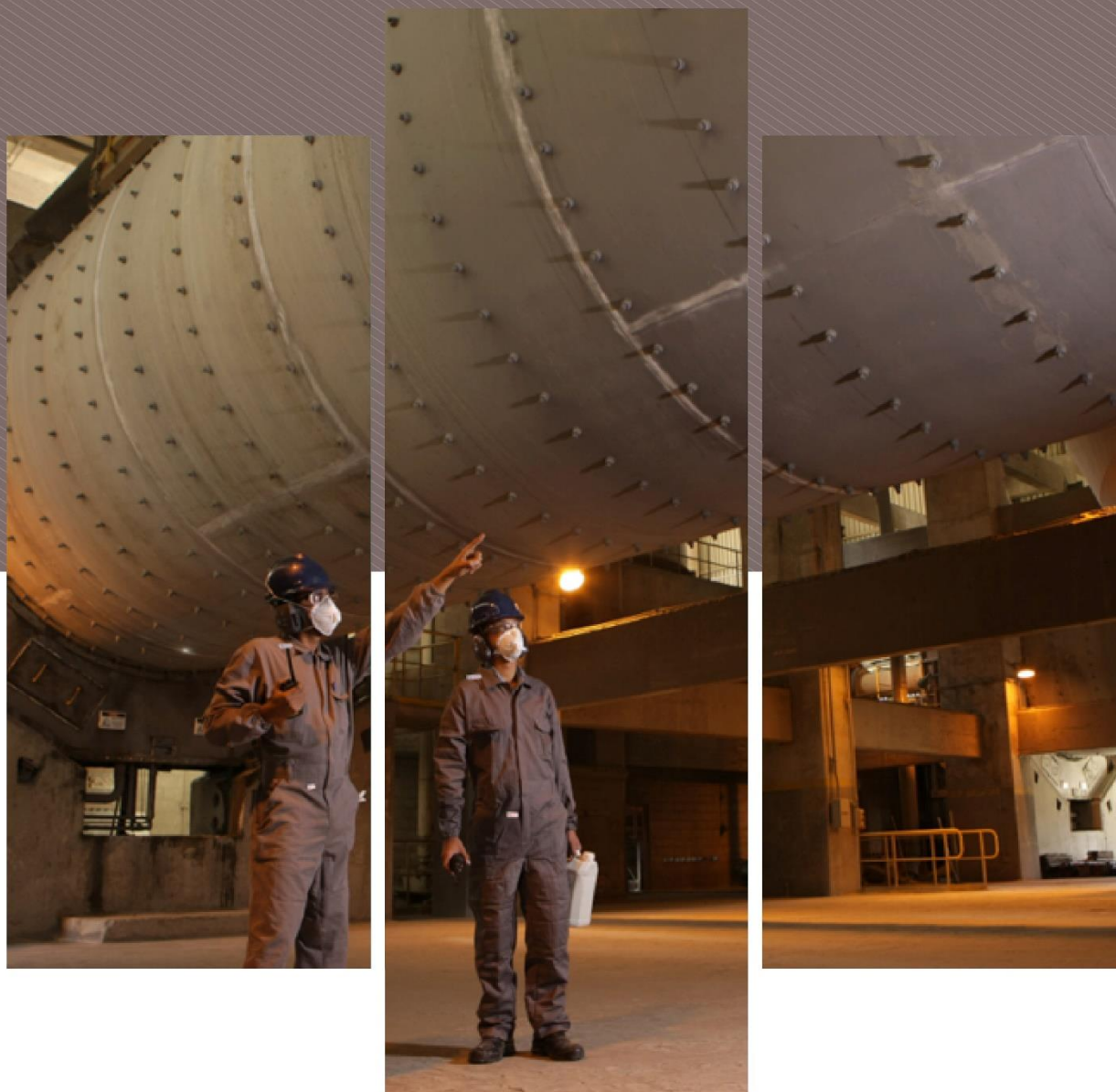
New Cement Grinding in Mozambique

In March 2018, InterCement acquired a new cement grinding in the region of Matola (Mozambique) for the amount of 32.5 million USD, reaffirming its commitment to the further economic development of the region.



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2017

FINANCIAL STATEMENTS



InterCement

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Directors and Management of

InterCement Participações S.A.

São Paulo - SP

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of InterCement Participações S.A. ("Company"), which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statements of loss, comprehensive loss, changes in shareholder's equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the information included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, April 25, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Torres dos Santos
Engagement Partner

(Unreadable signatures)

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Financial Position as of December 31, 2017 and 2016

(In thousands of euros - €)

ASSETS	Notes	12.31.2017	12.31.2016	LIABILITIES AND EQUITY	Notes	12.31.2017	12.31.2016
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	1,137,502	541,143	Trade payables		291,649	311,631
Securities	5	62,292	49,465	Debentures	11	105,682	121,926
Trade receivables	6	82,324	137,605	Borrowings and financing	10	467,604	213,866
Inventories	7	334,128	396,795	Interest payable	10 and 11	57,571	95,678
Recoverable taxes		40,998	42,603	Taxes payable		75,225	67,618
Derivatives	25	3,856	26,450	Payroll and related taxes		43,962	43,589
Other receivables		36,396	52,079	Dividends and interest on capital		4,162	2,455
Total current assets		<u>1,697,496</u>	<u>1,246,140</u>	Advances from customers		19,280	18,130
				Actuarial liabilities	14	773	903
				Derivatives	25	-	8,287
				Other payables		<u>42,221</u>	<u>30,223</u>
				Total current liabilities		<u>1,108,129</u>	<u>914,306</u>
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Securities	5	2,053	2,928	Trade payables		6,142	9,199
Trade receivables	6	1,137	6,199	Debentures	11	895,403	1,157,415
Inventories	7	19,730	12,461	Borrowings and financing	10	1,244,050	1,932,136
Recoverable taxes		8,273	29,675	Provision for tax, civil and labor risks	12	83,612	52,474
Deferred income tax and social contribution	17	16,860	29,827	Provision for environmental recovery	13	38,637	39,954
Escrow deposits		18,323	19,923	Taxes payable		12,684	13,138
Derivatives	25	6,690	215,450	Deferred income tax and social contribution	17	232,758	301,829
Other receivables		20,541	27,473	Actuarial liabilities	14	15,740	21,825
Property investment		7,079	7,442	Derivatives	25	16,589	7,468
Investments		9,350	13,340	Other payables		<u>16,252</u>	<u>13,831</u>
Property, plant and equipment	8	1,565,229	2,047,838	Total noncurrent liabilities		<u>2,561,867</u>	<u>3,549,269</u>
Intangible assets:				TOTAL LIABILITIES		<u>3,669,996</u>	<u>4,463,575</u>
Goodwill	9	1,399,695	1,546,629				
Other intangible assets	9	<u>201,001</u>	<u>213,388</u>				
Total noncurrent assets		<u>3,275,961</u>	<u>4,172,573</u>	SHAREHOLDER'S EQUITY			
				Capital	16	1,080,949	1,080,949
				Capital reserves	16	393,034	393,034
				Earnings reserves	16	918,110	317,733
				Accumulated losses	16	(714,314)	(507,726)
				Other comprehensive income	16	(836,819)	(720,321)
				Equity attributable to the Company's owners		<u>840,960</u>	<u>563,669</u>
				Noncontrolling interests	16	<u>462,501</u>	<u>391,469</u>
				Total equity		<u>1,303,461</u>	<u>955,138</u>
TOTAL ASSETS		<u>4,973,457</u>	<u>5,418,713</u>	TOTAL LIABILITIES AND EQUITY		<u>4,973,457</u>	<u>5,418,713</u>

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Profit or Loss for the years ended December 31, 2017 and 2016

(In thousands of euros - €, except per earnings per share)

	Notes	12.31.2017	12.31.2016
NET REVENUE	18 and 27	1,884,764	1,842,984
COST OF SALES AND SERVICES	19	(1,518,347)	(1,463,581)
GROSS PROFIT		366,417	379,403
OPERATING INCOME (EXPENSES)			
Administrative and selling expenses	19	(287,082)	(277,647)
Other income (expense)	19	(232,024)	(349,066)
Equity result		864	868
LOSS BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		(151,825)	(246,442)
FINANCIAL INCOME (EXPENSES)			
Foreign exchange gains/(losses), net	20	128,311	(124,111)
Financial income	20	34,839	68,503
Financial expenses	20	(304,777)	(338,306)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(293,452)	(640,356)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	17	(77,547)	(49,196)
Deferred	17	(59,679)	34,149
LOSS FOR THE YEAR		(430,678)	(655,403)
LOSS ATTRIBUTABLE TO			
Company's owners	22	(363,728)	(508,316)
Noncontrolling interests	27	(66,950)	(147,087)
LOSS PER SHARE			
Basic/diluted loss per share	22	(16.03)	(22.41)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Profit or Loss for the years ended December 31, 2017 and 2016

(In thousands of euros - €)

	Notes	12.31.2017	12.31.2016
LOSS FOR THE YEAR		(430,678)	(655,403)
Other comprehensive income:			
Items that will not be reclassified subsequently to the profit or loss:			
Employee benefits	16	1,464	(4,794)
Items that might be reclassified subsequently to the profit or loss:			
Exchange differences arising on translating foreign operations	16	(227,851)	138,313
Hedging derivatives financial instruments	16	15,443	(40,131)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(641,622)</u>	<u>(562,015)</u>
COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Company's owners		(478,739)	(487,685)
Noncontrolling interests		(162,883)	(74,330)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017 and 2016

(In thousands of euros - €)

	Notes	Share capital	Capital Reserves	Earnings reserves			Other comprehensive income	Accumulated losses	Total attributable to the Company's owners	Noncontrolling interests	Total equity
				Transactions with noncontrolling interests	Legal	Investments					
BALANCE AT DECEMBER 31, 2015		1,080,949	393,034	105,690	18,063	210,360	(738,671)	(20,657)	1,048,768	451,716	1,500,484
Loss for the year		-	-	-	-	-	-	(508,316)	(508,316)	(147,087)	(655,403)
Realization of deemed cost of property, plant and equipment		-	-	-	-	-	(2,281)	2,281	-	-	-
Sale of noncontrolling interests	16	-	-	56,390	-	-	-	-	56,390	18,307	74,697
Loss absorption through earning reserves		-	-	-	-	(18,965)	-	18,965	-	-	-
Dividends to ordinary and preferred shares - paid	16	-	-	-	-	(53,804)	-	-	(53,804)	-	(53,804)
Other		-	-	-	-	-	-	-	-	(3,646)	(3,646)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	-	(579)	(579)
Other comprehensive income	16	-	-	-	-	-	20,631	-	20,631	72,757	93,388
BALANCE AT DECEMBER 31, 2016		1,080,949	393,034	162,080	18,063	137,590	(720,321)	(507,726)	563,669	391,469	955,138
Loss for the year		-	-	-	-	-	-	(363,728)	(363,728)	(66,950)	(430,678)
Realization of deemed cost of property, plant and equipment		-	-	-	-	-	(1,487)	1,487	-	-	-
Sale of noncontrolling interests	1 and 16	-	-	703,041	-	-	-	-	703,041	316,152	1,019,193
Aquisition of noncontrolling interests	1 and 16	-	-	55,559	-	-	-	-	55,559	(64,400)	(8,841)
Loss absorption through earnings reserves		-	-	-	(18,063)	(137,590)	-	155,653	-	-	-
Transactions with shareholders, recorded directly in equity	2 and 15	-	-	(2,570)	-	-	-	-	(2,570)	(873)	(3,443)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	-	(16,964)	(16,964)
Other comprehensive income		-	-	-	-	-	(115,011)	-	(115,011)	(95,933)	(210,944)
BALANCE AT DECEMBER 31, 2017		1,080,949	393,034	918,110	-	-	(836,819)	(714,314)	840,960	462,501	1,303,461

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016

(In thousands of euros - €)

	Notes	12.31.2017	12.31.2016
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before income tax and social contribution		(293,452)	(640,356)
Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities:			
Depreciation, amortization and impairment losses		446,722	593,048
Recognition (reversal) of allowance for probable losses, net		(10,648)	(22,478)
Interest, accrued charges, and exchange differences		139,865	394,606
Gain on sale of long-lived assets		(7,292)	(11,858)
Equity result		(864)	(868)
Other noncash operating losses (gains)		4,646	(424)
Decrease (increase) in operating assets:			
Related parties		(367)	1,320
Trade receivables		51,594	(11,290)
Inventories		6,361	(48,866)
Recoverable taxes		(195)	1,714
Other receivables		237	(1,261)
Increase (decrease) in operating liabilities:			
Related parties		603	167
Trade payables		15,980	70,285
Payroll and vacation payable		1,776	1,024
Other payables		(13,456)	(109,606)
Taxes payable		11,366	5,003
Cash generated by operating activities		352,875	220,160
Income tax and social contribution paid		(50,704)	(38,018)
Interest paid		(225,158)	(242,847)
Net cash generated / (used) by operating activities		77,013	(60,705)
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		(11,294)	(7,510)
Purchase of property, plant and equipment		(130,336)	(116,087)
Increase in intangible assets		(2,437)	(1,104)
Sale of noncontrolling interests	1 and 16	953,685	79,851
Acquisition of noncontrolling interests	1 and 16	(21,269)	-
Sale of long-lived assets		7,732	6,440
Other		(1,436)	-
Dividends received		850	869
Net cash used in investing activities		795,495	(37,541)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures		298,469	237,606
Swap transactions	25	204,456	-
Repayment of borrowings, financing and debentures		(689,283)	(290,197)
Dividends paid		-	(53,804)
Other instruments		(13,521)	(8,053)
Net cash generated / (used) in financing activities		(199,879)	(114,448)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		672,630	(212,694)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(76,271)	(14,134)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	541,143	767,971
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	1,137,502	541,143

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements for the year ended December 31, 2017**

(Amounts in thousands of euros - €, unless otherwise stated)

1. General Information

InterCement Participações, S.A. ("Company") is a private 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 present in 8 countries ("ICP Group" or "Group"). Its ultimate parent company is Camargo Corrêa S.A.. The Group is primarily engaged in the manufacture and sale of cement and cement byproducts, in addition to the extraction of the minerals used to manufacture these products.

The Company owns 40 cement plants, 71 concrete plants, and 21 aggregates plants (located in Brazil, Argentina, Paraguay, Portugal, Egypt, Mozambique and South Africa). It also owns one port terminal in Cape Verde, and seven plants producing lime, packaging and mortar. Additionally, in Brazil it holds electric power generation equity interests and assets, as a self-generator for some of its production.

On September 5, 2017, the Company turned public that among the initiatives being undertaken to reduce its leverage, the board of directors of its controlled company in Argentina, Loma Negra, C.I.A.S.A. ("Loma Negra"), was promoting initiatives to enable Loma Negra to be in a position to pursue an equity offering in the domestic and international capital markets. Loma Negra initial public offering ("IPO") for partial share capital took place in a dual listing deal on the NYSE (USA) and BYMA (Argentina).

On November 3, 2017, the IPO closed at a price of US\$19.00 per American Depositary Shares ("ADSs").

Loma Negra sold 53,530,000 ADS in such international offering, representing 267,650,000 of Company's ordinary shares, including the full exercise of the underwriters' option to purchase an additional 7,530,000 ADSs. Loma Negra raised gross proceeds of USD 34,200 million and the selling shareholder (Loma Negra Holding GmbH) raised gross proceeds of USD 982,870 million. Loma Negra also received gross proceeds of USD 79,800 million from the sale of 21,000,000 ordinary shares in the concurrent Argentine offering. In total, the company and the selling shareholder raised gross proceeds of USD 1,096,870 million (from the global offering), for 48.43% of the share capital (€876,317 net proceeds - see Note 16).

On June 21, 2017, an extraordinary general shareholders' meeting ("EGM") of Cimpor – Cimentos de Portugal, SGPS, S.A. ("Cimpor") resolved on the loss of public company status, pursuant to article 27(1)(b) of the Portuguese Securities Code ("PSC"), upon a proposal of resolution to that effect presented by InterCement Austria Holding GmbH, a fully controlled subsidiary of InterCement Participações S.A., which directly held (prior to the delisting process) 74.64% of the company's share capital. The shareholders' resolution was passed by a majority of 99.28% of the votes cast corresponding to 94.67% of Cimpor's voting share capital.

Further to the aforementioned resolution and following the request of Cimpor, on September 26, 2017 the Portuguese Securities and Exchange Commission (Comissão do Mercado de Valores Mobiliários, or "CMVM") approved the said loss of public company status, under the terms of articles 27, 28 and 29 of the PSC. As a consequence of CMVM's decision, Cimpor shares were excluded from trading on the NYSE Euronext Lisbon.

Pursuant to article 27(3) of the PSC, InterCement Austria Holding GmbH undertook to acquire the remaining free-float (up to 29,907,603 shares) of Cimpor's share capital that did not vote in favour of the resolution on the loss of public company status at the EGM, for a unitary price of 0.340 euros per share. InterCement Austria Holding GmbH's undertaking was in force for a period of 3 months counted from the date of publication of the declaration of loss of public company status by the CMVM (i.e. until December 27, 2017). InterCement acquired 2.92% of Cimpor shares pursuant to this undertaking, in an investment of €6,663 (see Note 16).

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of presentation

The accompanying consolidated financial statements were prepared on a going concern basis from the books and accounting records of the Company and the companies included in the consolidation, maintained in accordance with Brazilian accounting practices, which are equivalent to International Financial Reporting Standards ("IFRS"). Such standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the Accounting Standards Committee ("ASC") and the interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to collectively as "IFRS".

The Company's functional currency is the Brazilian real (R\$) and the financial statements are presented in euros (presentation currency), for the convenience of readers outside Brazil and, as prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial statements in any currency.

2.2. New standards and interpretations, revisions and amendments

a) New standards and interpretations

The new standards and accounting interpretations below, which were issued until December 31, 2017 by the "International Accounting Standards Board - IASB", were not applied in advance by the Company in the financial statements for the year ended December 31, 2017. Those standards will be implemented as soon as its application becomes obligatory. The Company is in a process of estimating the possible impacts of these on its financial statements, the conclusion of it is not yet finalized.

Standard	Effective date	Description
IFRS 17 — Insurance Contracts	1st January, 2021	This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. This standard replaces IFRS 4 -Insurance Contracts.
Amendment to IFRS 2: Classification and measurement of share based payment transactions	1st January, 2018	This amendment clarify the classification and measurement of the standard related to: (i) accounting for cash-settled share-based payment transactions that include a performance condition; (ii) accounting for modifications of share-based payment transactions from cash-settled to equity-settled; (iii) Classification of share-based payment transactions with net settlement features.
Amendment to IAS 40: Transfers of investment property	1st January, 2018	This amendment provides guidance on transfers to, or from, investment properties, when there was an evident change in use.
Improvements to International Financial Reporting Standards (IFRS) (cycle 2014-2016)	1st January, 2018, except the amendments to IFRS 12, beginning on or after 1st January, 2017.	These improvements involve the clarification of certain aspects related to: IFRS 1 - First-time Adoption of International Financial Reporting Standards: Delete the short-term exemptions; IFRS 12 - Disclosure of Interests in Other Entities: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5; IAS 28 - Investments in Associates and Joint Ventures: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
Improvements to International Financial Reporting Standards (IFRS) (cycle 2015-2017)	1st January, 2019	These improvements involve the clarification of certain aspects related to: IFRS 3 - Business Combinations: clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business; IFRS 11 - Joint Arrangements: clarify that when an entity

obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; IAS 12 - Income Taxes: clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing Costs: clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Amendment to IFRS 9: Prepayment Features with Negative Compensation	1st January, 2019	This amendment will allow that financial assets with contractual conditions which, as a result of a prepayment feature, allows the payment of a considerable amount by the creditor, would be eligible to be measured at amortised cost or at fair value through other comprehensive income (depending on a company's business model) if two conditions are met: (i) when the entity initially recognises the financial asset, the fair value of the prepayment feature is insignificant; and (ii) the assessment that the prepayment amount is not solely a payment of principal and interest on the principal amount outstanding only hinges on the fact that the party that chooses to terminate the contract early may receive reasonable additional compensation for doing so.
Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures	1st January, 2019	This amendment clarifies that IFRS 9 should be applied (including its impairment requirements) to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1st January, 2018	This Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
IFRIC 23 — Uncertainty over Income Tax Treatments	1st January, 2019	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments.

Standard	Effective date	Description
IFRS 9 - Financial Instruments (2009) and subsequent amendments	1st January, 2018	This standard is part of the revision of IAS 39 project and sets new requirements for the classification and measurement of financial assets and also liabilities, impairment calculation methodology and the application of hedge accounting rules.
IFRS 15 - Revenue from contracts with customers	1st January, 2018	This standard introduces a structure of principles-based revenue and based on a model to be applied to all contracts with customers, replacing IAS 18 - Revenue, IAS 11 - Construction Contracts; IFRIC 13 - Customer loyalty programs; IFRIC 15 - Agreements for the Construction of Real Estate; IFRIC 18 - Coming Asset Transfer Customers and SIC 31 - Revenue - Transactions involving barter advertising services.
IFRS 16 - Leases	1st January, 2019	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. This standard defines a unique lease contracts accounting model that results in the recognition by the lessee of assets and liabilities for all leases, except for the locations with less than 12 months or for locations that relate to value assets reduced. Landlords continue to classify the leases between operating or financial, and IFRS 16 will not entail substantial changes to such entities in relation to the defined in IAS 17.
Clarifications on IFRS 15 - Revenue from Contracts with Customers	1st January, 2018	These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	1st January, 2018	Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. IFRS 4 will be replaced by the entry into force of IFRS 17.

b) New and revised standards and interpretations implemented during 2017

Standard	Effective date	Description
Amendment to IAS 12 - Amended by Recognition of Deferred Tax Assets for Unrealized Losses	1st January, 2017	This amendment clarify the conditions of recognition and measurement of Deferred Tax Assets for Unrealized Losses.
Amendments to IAS 7 - Disclosures	1st January, 2017	This amendment introduces additional disclosures related to cash flow statements of financing activities.

There were no significant effects in the consolidated financial statements resulting from the adoption of the standards, interpretations, amendments and revisions, with mandatory application for the first time in the year ended December 31, 2017.

2.3. Critical accounting judgements/estimates

The preparation of financial statements in accordance with IFRS recognition and measurement principles requires the Board of Directors ("Management") to make judgements, estimates and assumptions that can affect the presented amount of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as of income and expenses.

These estimates are based on the best knowledge existing at each moment and the planned actions, and are regularly reviewed based on the information available. Changes in facts and circumstances can lead to a revision of the estimates and so actual results may differ from these estimates.

The significant estimates and assumptions made by the Management in preparing these financial statements include assumptions used in estimating the following items:

- Impairment of non-current assets (excluding Goodwill)

The determination of a potential impairment loss can arise as result from the occurrence of several events, many of them external to the ICP Group, such as macroeconomic conditions, industry and market considerations, cost factors, financial performance or any other changes, either internal or external, to ICP Group.

The identification of impairment indicators and the determination of the assets' recoverable amount, are subject to a Management's judgement referring to the identification and evaluation of the different impairment indicators, cash-generating units, expected cash flows, applicable discount rates, growth rates, useful lives and transaction values.

- Impairment of goodwill

Goodwill is subjected to annual impairment tests or whenever there are indications of a possible loss in value. The recoverable amounts of the cash-generating units to which goodwill has been allocated, is the higher between the market value, determined according with recent transaction multiples, and the value in use, determined according to the expected cash flows. The calculation of these amounts requires the use by the Management of estimates regarding the future evolution of the activity and the discount rates considered.

- Accounts receivable impairment

The credit risk associated to accounts receivable is evaluated at the end of each reporting period, taking into consideration the debtor's historical information and his risk profile. The accounts receivable are adjusted by the assessment of the estimated collection risks at the balance sheet dates, which might differ from the effective risk to incur.

- Useful lives of intangible and tangible fixed assets

The useful life of an asset is the time period during which an entity expects that an asset will be available for use and it must be reviewed at least at the end of each year.

The determination of the assets useful lives, amortization/depreciation method to apply, its residual value and of the estimated losses resulting from the early replacement of equipment, due to technological obsolescence, is essential to determine the amount of amortization/depreciation charge to the profit and loss of each year.

These parameters are defined according to Management's best estimate, for the assets and businesses in question, also considering the best practices adopted by companies operating in the same business activity.

- Provisions recognition and contingent liabilities disclosure

The Group periodically analyses possible obligations that arise from past events that should be recognized or disclosed. The inherent subjectivity to the determination of the probability and amount of internal resources required to settle the obligations, might lead to significant adjustments, either by the variation of the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.

- Recognition of deferred tax assets

Deferred tax assets are only recognised when there is strong expectation that there will be sufficient future taxable income to utilise them or when there are deferred tax liabilities whose reversal is expected to occur in the same period of the reversal of the deferred tax assets. The carrying amount of deferred tax assets is reviewed by Management at the end of each year and takes into consideration the expectation about the future performance.

- Retirement and healthcare benefits

An actuarial valuation made by independent experts and based on economic and demographic assumptions is performed each year in order to assess the liabilities resulting from retirement and healthcare benefits granted to Group's employees. Any change in these assumptions will have an impact on the on the amount of the liability for retirement and health benefits, being the Group's policy to periodically review the assumptions.

- Measurement of derivative financial instruments

The measurement of derivative financial instruments involves a number of estimates and assumptions, in particular expectations about interest rate and exchange rates, as well as estimates of the Group's credit risk and the various involved counterparties, which may differ from the original ones.

2.4. Consolidation principles

a) Controlled companies

Controlled companies have been consolidated in each accounting period. Control is considered to exist where the Group holds, directly or indirectly, a majority of the voting rights at Shareholders' General Meetings, or has the power to determine the companies' financial and operating policies.

Third party participation in shareholders' equity and net profit of such companies is presented separately in the consolidated statement of financial position and consolidated statement of comprehensive income under the caption "Non-controlling interests".

The results of controlled companies acquired or sold during the period are included or excluded in the consolidated statement of comprehensive income from the date of their control is obtained to the date of their control is lost, respectively.

Significant balances and transactions between controlled companies are eliminated in the consolidation process. Capital gains or losses within the Group on the sale of subsidiary and associated companies are also eliminated.

Whenever necessary, adjustments are made to the financial statements of subsidiaries and associated companies to conform to the Group's accounting policies.

b) Business combinations

Business combinations, namely the acquisition of controlled companies are recorded in accordance with the purchase method.

Acquisition cost is determined by the sum of the fair value of the assets given, liabilities and contingent liabilities incurred or assumed and equity instruments issued by the Group in exchange for the assumption of control in the entity acquired. Costs relating to the acquisition are recognized as expenses when incurred. Where applicable, cost includes the fair value of the contingent payments measured as of the date of acquisition. Subsequent changes in the value of the contingent payments or deferred payments, measured in accordance with IFRS 13, are recorded in profit or loss.

The identifiable assets, liabilities and contingent liabilities of a subsidiary that meet the criteria to be recognised in accordance with IFRS 3 - Business Combinations ("IFRS 3"), are measured by their fair value as of the purchase date, except for non-current assets (or groups of assets) that are identified as held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognised and measured by their respective fair values less costs to sell.

Any excess of cost plus the amount of the non-controlling interests over the fair value of the identifiable assets and liabilities acquired as of the purchase date is recorded as Goodwill. Where acquisition cost increased with non-controlling interests is lower than the fair value of the net assets identified, the difference is recorded as a gain of profit and loss for the period in which the acquisition is made after reconfirmation of the fair value attributed.

If the process for recording combinations of business activities is incomplete at the end of the year in which the combination occurs, the Group discloses the situation and the amounts provided can be adjusted during the provisional measuring period (the period between the date of acquisition and the date the Group obtains complete information on the facts and circumstances that existed as of the date of acquisition, up to a maximum of 12 months).

Non-controlling interests are reflected separately in equity from the interests of the shareholders. Non-controlling interests can initially be measured at their fair value or by the proportion of the fair value of the assets and liabilities of the subsidiary acquired. This option is made separately for each transaction.

After initial recognition, the book value of the non-controlling interests is determined as the amount initially recognized plus the proportion of changes in equity of the subsidiary. Comprehensive income of a subsidiary is attributed to non-controlling interests even if it is negative.

The results of subsidiaries acquired or sold during the period are included in the statement of comprehensive income as from the date of acquisition or up to the date of sale.

In specific situations in which the Group has in substance control of other entities created for a specific purpose, even if it does not have participations directly in the entities, they are consolidated.

Changes in the percentage of control over subsidiaries that do not result in loss of control are recorded as equity transactions. The value of the Group's non-controlling interests is adjusted to reflect changes in percentages. Any difference between the amount for which the non-controlling interests is adjusted and the fair value of the transaction is recorded directly in equity and attributed to the shareholders of the parent company.

When the Group loses control over a subsidiary, the gain or loss on the sale is calculated as the difference between (i) the aggregated amount of the fair value of the assets received and the fair value of the interests retained and (ii) the book value of the assets (including goodwill) and liabilities of the subsidiary and the non-controlling interests. Amounts previously recognized in equity as "Other comprehensive income", namely the exchange effect resulting from the translation of foreign currency financial statements as set in the Note 2.9 below, are transferred to profit and loss or to retained earnings in the same way as would happen if related assets or liabilities were sold. The fair value of the interests retained corresponds to the fair value at the initial recognition for purposes of the subsequent recording in accordance with IAS 39 – Financial instruments or, where applicable, cost for purposes of the initial recognition of an investment in an associate or joint venture.

c) Investments in associates

An associated company is one over which the Group exercises significant influence, but does not have control or joint control, through participation in decisions relating to its financial and operating policies.

Investments in the associated companies are recorded in accordance with the equity method, except where they are classified as held for sale, being initially recorded at cost which is then increased or decreased by the difference between cost and the proportional value of the equity of such companies as of the purchase date or the date the equity method and adjusted, whenever necessary, to reflect the Group's accounting policies.

In accordance with the equity method investments are recorded at cost at purchase date, adjusted periodically by the amount of comprehensive income in the associate (including net results of associated companies) by corresponding entry to net profit for the year or other comprehensive income, respectively, and dividends received.

Losses in associated companies in excess of the investment in them are not recognised, unless the Group has assumed commitments to participate in the losses.

Any excess of cost over the fair value of the identifiable net assets and contingent liabilities is recorded as "Investments in associates – Goodwill". Where acquisition cost is lower than the fair value of the net assets and contingent liabilities identified, the difference is recorded as a gain in the consolidated statement of comprehensive income for the period in which the acquisition is made.

In addition, dividends received from these companies are recorded as decreases in the amount of the investments.

A valuation is made of investments in associated when there are indications that the asset may be impaired, any impairment losses being recognized. When impairment losses recognized in previous periods cease to exist, they are reversed. The reversal of impairment losses is recognized as income up to the carrying amount of the investment that would have been determined had no impairment loss been recognized.

d) Interest in joint ventures and operations

Investments in joint ventures are recorded using the equity method. According to this method, investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of these companies, against gains or losses for the year and dividends received net of accumulated impairment losses.

The classification of financial interests in jointly controlled entities is determined based on: i) shareholders' agreements governing joint control; ii) the effective percentage of detention; iii) the voting rights held.

Investments in joint operations are joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company records assets, liabilities and operations based on the rights and obligation determined in such arrangement.

e) Goodwill

Differences between the cost of investments in subsidiaries, plus the fair value of non-controlling interests, and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies as of the date of acquisition, if positive, are recognized as goodwill.

Goodwill is recorded as an asset and is not amortised, being reflected in a separate caption of the consolidated statement of financial position. Annually, or whenever there are indications of a possible loss in value, goodwill is subjected to impairment tests. Any impairment loss is immediately recorded as a cost in the consolidated statements of profit and loss and other comprehensive income for the period and is not subject to subsequent reversal.

Goodwill is included in determining the gain or loss on the sale of a subsidiary.

Goodwill is stated in the functional currency of the respective cash-generating unit, being translated to the Company functional currency (Brazilian reais) at the rate of exchange as of the balance sheet date. Exchange differences generated in that translation are recorded in the equity caption "Currency translation adjustments".

Goodwill on acquisition prior to 31 December 2008 was maintained at the former amount and denominated in reais, being subject to annual impairment tests as from that date.

Where cost is lower than the fair value of the net assets and contingent liabilities identified, the difference is recorded as a gain in the consolidated statement of profit and loss and other comprehensive income for the period in which the acquisition takes place.

2.5. Intangible assets

Intangible assets, which comprise essentially contractual rights and costs incurred on specific projects with future economic value, are stated at cost less accumulated amortisation and impairment losses. Intangible assets are only recognised if it is probable that they will produce future economic benefits for the Group, they are controlled by the Group and their value can be determined reliably.

Internally generated intangible assets, namely current research and development costs, are recognised as costs when incurred.

Internal costs relating to the maintenance and development of software are recorded as costs in the statement of profit and loss and other comprehensive income when incurred, except where such costs relate directly to projects which will probably generate future economic benefits. In such cases these costs are capitalised as intangible assets.

Amortisation of such assets is provided on a straight-line basis as from the date the assets are available for use, in accordance with their estimated useful life, as follows:

	Useful life in years
Software licenses	3 to 5
Project development costs	3 to 5
Concession-related assets	10 to 35

2.6. Property, Plant and Equipment

Property, plant and equipment used in production, rendering services or for administrative use are stated at cost, including expenses incurred with their purchase, less accumulated depreciation and impairment losses, when applicable.

Depreciation of tangible fixed assets is provided on a straight-line basis over their estimated useful lives, except when another method is shown to be more adequate based on its use, as from the date the assets become available for their intended use and in the proper place, in accordance with the following estimated periods of useful life:

	Useful life in years
Buildings and other constructions	3 to 50
Machinery and equipment	2 to 50
Vehicles	2 to 16
Furniture and fixtures	2 to 33
Mines and ore reserves	(*)
Reservoirs, dams and feeders	50
Furnaces, mills and silos	30 to 53

(*) The depletion of mines and ore reserves is conducted: (a) based on actual output as compared to total expected yield; or (b) on a straight-line basis over the mine's useful life.

Land relating to stone quarry operations and mineral resources is depreciated on a straight-line basis over their expected operating periods less, where applicable, their residual amount.

The amount subject to depreciation does not include, when determinable and significant the estimated residual value of the assets at the end of their useful lives. Additionally, the assets stop being depreciated when they are classified as assets held for sale.

Improvements are only recognised as assets when they increase the useful life or efficiency of the assets, resulting in increased future financial benefits.

Tangible assets in progress correspond to tangible assets under construction/production and are recorded at acquisition or production cost less possible impairment losses. These assets are depreciated as from the date they become available for their intended use.

Gains and losses arising from the sale or write off of tangible assets, which are determined by the difference between the proceeds of the sale of the assets and their net book value at the date of sale, are recognised by its net amount in the statement of profit and loss as "Other operating income" or "Other operating expenses".

2.7. Leases

Lease contracts are classified as: (i) finance leases, if substantially all the risks and benefits of ownership are transferred under them; and (ii) operating leases, if substantially all the risks and benefits of ownership are not transferred under them.

Leases are classified as finance or operating leases based on the substance and not on the form of the contract. Property, plant and equipment acquired under finance lease contracts, as well as the corresponding liabilities are recorded in accordance with the financial method. In accordance with this method, the cost of assets are recorded as property, plant and equipment assets, the corresponding liability is recognised and the interest included in the lease instalments and depreciation of the assets, calculated as explained in item 2.6, are recognised in the consolidated statement of comprehensive income for the period to which they relate.

In the case of operating leases, the lease instalments are recognised on a straight- basis, in the consolidated statement of profit and loss over the period of the lease contracts.

In accordance with IFRIC 4 – Determination if an agreement contains a lease, if an agreement entered into contains a lease in substance, including transactions that transfer the right to use an asset or, if compliance with the agreement depends on the use of a specific asset, the Group analyses the agreement so as to assess if it contains a lease and if the requirements of IAS 17 – Leases should be applied.

2.8. Impairment of non-current assets, excluding goodwill

Impairment valuations are made whenever an event or change in circumstances is identified that indicates that the book value of an asset may not be recovered. Where such indications exist, the Group determines the recoverable value of the asset, so as to determine the possible extent of the impairment loss. In situations in which the individual asset does not generate cash flows independently of other assets, the recoverable value is estimated for the cash generating unit to which the asset belongs.

Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised by charge to the consolidated statement of comprehensive income caption “Depreciation, amortisation and impairment losses on goodwill, tangible and intangible assets”.

The recoverable amount is the higher between the net selling price (selling price, less costs to sell) and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between knowledgeable independent entities, less the costs directly attributable to the sale. The value in use is the present value of the estimated future cash flows resulting from the continued use of the asset and sale thereof at the end of its useful life. The recoverable amount is estimated for each asset individually or, where this is not possible, for the unit generating the cash flows to which the asset belongs.

Impairment losses recognised in prior periods are reversed when there are indications that such losses no longer exist or have decreased. The reversal of impairment losses are recognised in the consolidated statement of comprehensive income caption “Depreciation, amortisation and impairment losses on goodwill, tangible and intangible assets”. However, the impairment loss is reversed up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in prior periods.

2.9. Foreign currency assets, liabilities and transactions

Transactions in currencies other than the functional currency of the respective subsidiary are recorded at the exchange rates in force on the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet dates are translated to the functional currency of the respective subsidiary at the rates of exchange in force on that dates.

Exchange gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those in force on the dates of collection, payment or the balance sheet date are recognised as income or expenses in the consolidated statement of comprehensive income, except for those relating to non-monetary items where the change in fair value is recognised directly in shareholders' equity ("Currency translation adjustments").

The foreign currency financial statements of subsidiary and associated companies are translated as follows: assets and liabilities at the exchange rates in force on the balance sheet dates; shareholders' equity captions at the historical exchange rates; and consolidated statement of profit and loss and other comprehensive income and statement of cash-flows captions at the average exchange rates.

The exchange effect of such translations is recognized in the shareholders' equity caption "Currency translation adjustments" in the case of subsidiary companies and in the shareholders' equity caption "Reserves - Adjustments in investments in associates" in the case of investments in associated companies, and is transferred to the statement of profit and loss when the corresponding investments are sold.

In accordance with IAS 21, goodwill and fair value corrections determined on the acquisition of foreign entities are considered in the reporting currency of such entities, and are translated to Brazilian Reais at the exchange rate in force on the balance sheet date. Exchange differences arising from these translations are reflected in the equity caption "Currency translation adjustments", except when they correspond to a discontinued operation, in which case they are included in Net result of discontinued operations.

2.10. Borrowing costs

Costs incurred on loans obtained directly to finance the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale ("qualifying assets") are capitalised as part of the cost of the assets during that period.

To the extent that variable interest rate loans, attributable to finance the acquisition, construction or production of qualifying assets, are being covered through a cash flow hedge relation, the effective portion of fair value of the derivative financial instrument is recognized in Reserves and transferred to profit and loss when the qualifying asset has an impact on results. Additionally, to the extent that fixed interest rate loans used to finance a hedged item are covered by a fair value hedge relation, the financial burden in addition to the cost of the asset should reflect the interest rate covered.

Any financial income generated by loans obtained in advance to finance specific capital expenditure is deducted from the capital expenditure subject to capitalisation.

2.11. Subsidies

Subsidies are recognised based on their fair value, when there is reasonable certainty that they will be received and that the Group will comply with the conditions required for them to be granted.

Investment subsidies relating to the acquisition of tangible fixed assets are recorded in the caption "Other non-current liabilities" or deducted from the asset cost and transferred to profit and loss for the period on a consistent straight-line basis in proportion to depreciation of the subsidised assets.

2.12. Inventories

Merchandise and raw, subsidiary and consumable materials are stated at average cost using the average cost as the costing method.

Finished and semi-finished products and work in progress are stated at production cost, which includes the cost of the raw materials incorporated, labour and production overheads.

Inventories are adjusted when net realisable value is lower than book value, through the recognition of an impairment loss, the reduction being reversed when the reasons that gave rise to it cease to exist.

2.13. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their value is realizable through a sale transaction rather than through its continued use. This situation is only considered to arise when: (i) the sale is highly probable; (ii) the asset is available for immediate sale in its present condition; (iii) the management is committed to a plan of sale; and (iv) the sale is expected to take place within a period of twelve months.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of the book value or their fair value less the costs incurred in their sale, and are presented separately in the consolidated statement of financial position.

A discontinued operation is a component of an entity which was either sold or is classified as available for sale and:

- Represents a significant separate operating or geographic business line;
- Is part of a single coordinated plan to sell a significant separate business line or geography
- Is a subsidiary acquired exclusively to be resold.

The amounts included in the consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flows relating to these discontinued operations are presented separately for the current period and all earlier periods that are presented in the financial statements.

Assets and liabilities relating to discontinued operations (not yet sold) are presented in separate lines for the latest year presented, without readjustment of prior years.

2.14. Segment reporting

An operating segment is a distinguishable component of an entity that is engaged in providing a product or service or a group of related products or services which are different from those of other segments.

The Group reports its assets and liabilities, as well as its operations, as geographical segments, following the way Management carries out businesses.

2.15. Balance sheet classification

Assets to be realized and liabilities to be settled within one year of the balance sheet date are classified as current assets and current liabilities, respectively.

In addition, the liabilities are also classified as current, when there is no unconditional right to defer its settlement for a period of at least twelve months after the balance sheet date.

2.16. Net operating income

Net operating income includes operating income and expenses, including restructuring costs and operating income and expenses associated to tangible assets and intangible assets. Also comprise gains or losses on the sale of direct or indirect subsidiaries and joint operations. As such the operating results, the net financial expenses, the share of results of associates, other financial investments and income tax are excluded.

2.17. Provisions

Provisions are recognised when: (i) exists an obligation (legal or constructive) resulting from a past event; (ii) under which it is probable that it will have an outflow of resources to settle the obligation; and (iii) the amount of the obligation can be reasonably estimated. At each balance sheet date provisions are reviewed and adjusted to reflect the best estimate as of that date.

When one of the conditions described is not completed the Group discloses the events in question as contingent liabilities, unless the possibility of outflow of resources is remote, in which case they are not subject to disclosure.

a) Provisions for restructuring costs

Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan which has been communicated to the parties involved.

b) Environmental recovery

In accordance with current legislation and practices in force in several business areas in which the Group operates, land used for quarries must be environmentally rehabilitated.

In this regard, provisions are recorded to cover the estimated cost of environmentally recovering and rehabilitating the land used for quarries, whenever this can be reasonably determined. Such provisions are recorded together with a corresponding increase in the amount of the underlying assets, based on the conclusions of landscape rehabilitation studies, being recognised in profit and loss as the corresponding assets

are depreciated.

In addition, the Group has the procedure of progressively rehabilitating the areas freed up by the quarries, using the recorded provisions.

2.18. Financial instruments

Financial assets and liabilities are recognised when the Group becomes part to the contractual relationship.

a) Cash and cash equivalents

The caption "Cash and cash equivalents" includes cash, bank deposits, term deposits and other treasury applications which mature in the short term (three months or less), highly liquid and immediately convertible into cash with insignificant risk of change in value.

b) Accounts receivable

Accounts receivable are measured at fair value on the initial recognition and are subsequently stated at amortised cost in accordance with the effective interest rate method. When there is evidence that the accounts receivable are impaired, the corresponding adjustment is recorded in profit and loss, for the difference between the book value of the accounts receivable and the present value of the cash flows discounted at the effective interest rate determined upon initial recognition.

c) Other investments

Other investments are recognised (and derecognised) as of substantially all the risks and benefits of ownership are transferred under them, irrespective of the settlement date.

Investments are initially recognised at cost, which is the fair value of the price paid, including transaction costs. The subsequent measurement depends on its classification.

Investments are classified as follows:

- Held-to-maturity investments;
- Assets at fair value through profit and loss; and
- Available-for-sale financial assets.

Held-to-maturity investments are classified as non-current assets, except if they mature in less than twelve months from the balance sheet date and include, investments with a defined maturity date which the Group intends and has the capacity to hold up to that date. These investments are recognised at amortised cost, using the effective interest rate, net of capital repayments and interest received. Impairment losses are recognised in the profit and loss when the recorded amount of the investment is higher than the estimated value of the cash flows discounted at the effective interest rate determined at the time of initial recognition. Impairment losses can only be reversed subsequently when there is an increase in the recoverable amount of the investment that can be objectively related to an event occurring after the date in which the impairment loss was recognised. In any case the recognised amount of the investment cannot exceed the amount corresponding to amortised cost of the investment had the impairment loss not been recognised.

After initial recognition, assets measured at fair value through profit and loss and available-for-sale financial assets are revalued to fair value by reference to their market value as of the balance sheet date with no deduction for transaction costs that could arise up to the date their sale. Investments in equity instruments not listed on regulated markets, where it is not feasible to estimate their fair value on a reliable basis, are maintained at cost less possible impairment losses.

Available-for-sale financial assets are classified as non-current assets. Gains and losses due to changes in the fair value of available-for-sale financial assets are reflected in "Other comprehensive income" as fair value reserve until the investment is sold, collected or in any other way realised, or where impairment losses are believed to exist, in which case the accumulated gain or loss is transferred to profit and loss. Those who do not have listed in an active market and whose fair value cannot be reliably measured are kept at cost adjusted for estimated impairment losses.

d) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contract independently of its legal form. Equity instruments are contracts that have a residual interest in the Group's assets after deducting its liabilities.

Equity instruments issued are recorded at the amount received net of costs incurred to issue them.

The Company also has contracts, which contains components of equity instruments and financial instruments, these components are classified separately according to their contractual characteristics. Equity instruments are measured at historical cost and derivative financial instruments at fair value through profit or loss.

e) Loans

Loans are initially recorded as liabilities at the amount received, net of loan issuing costs, which corresponds to their fair value on that date. Loans are subsequently measured at amortised cost, being the corresponding financial costs calculated at the effective interest rate.

Accrued interest is recognized on an accruals basis and is presented in the consolidated statement of financial position caption "Interest payable".

f) Accounts payable

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost in accordance with the effective interest rate method.

g) Derivative financial instruments and hedge accounting

The Group has the policy of using to financial derivative instruments to hedge the financial risks to which it is exposed as a result of changes in interest and exchange rates.

The Group contracts financial derivative instruments in accordance with internal policies set and approved by the Board of Directors.

Financial derivative instruments are measured at fair value. The method of its recognition depends on the nature and purpose of the transaction.

Hedge instruments

Derivative financial instruments are designated as hedging instruments in accordance with the provisions of IAS 39, as regards their documentation and effectiveness.

Changes in the fair value of derivative instruments designated as “fair value hedging” are recognised as financial income or expense for the period, together with changes in the fair value the asset or liability subject to the risk.

Changes in the fair value of derivative financial instruments designated as “cash flow hedging” instruments are recorded in “Other comprehensive income” as hedging operations reserves regarding their effective component and in financial income or expense for the period regarding their non-effective component. The amounts recorded are transferred to financial income or expense in the period in which the effect on the hedged item is also reflected in profit and loss.

Changes in the fair value of derivative financial instruments hedging net investments in a foreign entity, are recorded in “Other comprehensive income” as currency translation adjustments regarding their effective component. The ineffective component of such changes is recognised immediately as net financial expenses for the period. If the hedging instrument is not a derivative, the corresponding variations resulting from changes in the exchange rate are recorded in “Other comprehensive income” as currency translation adjustments.

Hedge accounting is discontinued when the hedging instrument matures, is sold or exercised, or when the hedging relationship ceases to comply with the requirements of IAS 39.

Trading instruments

Changes in the fair value of derivative financial instruments which are contracted for financial hedging purposes in accordance with the Group’s risk management policies, but do not comply with all the requirements of IAS 39 to qualify for hedge accounting, are recorded as net financial expenses in the statement of profit and loss for the period in which they occur.

h) Treasury shares

Treasury shares are recorded at cost, as a decrease in shareholders’ equity. Gains and losses on the sale of treasury shares are recorded in equity.

i) Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions;
- The fair value of derivative financial instruments is calculated using market prices. Where such prices are not available, fair value is determined based on discounted cash flows, which includes some assumptions that are supportable by observable market prices or rates.

2.19. Impairment of financial assets

At each balance sheet date, the Group reviews for any indication that a financial asset or a group of financial assets may be impaired.

Available-for-sale financial assets

For the financial assets classified as available-for-sale, a continuous or a significant decline in the fair value of the instrument below its cost, is considered as an indicator of impairment. In this situation, the eventual cumulative loss – measured as the difference between the asset's carrying amount and the current fair value, less any impairment loss already recognised in profit and loss – is recycled from reserves (other comprehensive income recognised in equity) to profit and loss for the period. Impairment losses on equity instruments are recognised in profit and loss; however, in case such financial assets increase again are not recorded through profit and loss for the period and directly affecting other income recognized in equity.

Clients, debtors and other financial assets

Impairment losses are recorded whenever there are clear indicators that the Group will not be able to collect all the amounts it should receive, according to the original terms contracted. To identify these losses, several indicators are used, such as:

- accounts receivable ageing;
- debtor's financial difficulties;
- debtor's bankruptcy probability.

The impairments are determined by the difference between the recoverable amount and the book value of the financial asset and recognized by corresponding entry to profit and loss. Whenever a trade or other receivable it is considered as uncollectible it is derecognized using the respective impairment. Subsequent recovery of these amounts is recorded in profit and loss.

2.20. Employee benefits - retirement

Responsibilities for the payment of retirement, pensions, disability and survivor are recorded in accordance with IAS 19 - Employee benefits ("IAS 19").

Defined benefit plans

Costs of these benefits are recognised as the services are rendered by the beneficiary employees.

Therefore, at the end of each accounting period actuarial valuations are performed by independent entities to determine the amount of the liability as of that date and the pension cost to be recognised in the period, in accordance with the “projected unit credit” method. The liability thus estimated is compared with the market value of the pension fund, so as to determine the amount of the difference to be recorded in the consolidated statement of financial position.

As established in the above mentioned standard, pension costs are recognised in the caption “Payroll costs – retirement benefits”, based on the amounts determined on an actuarial basis, and include current service costs (increase in the liability), which corresponds to the additional benefits accrued to the employees during the period and net interest costs, which result from updating the initial past service liability using the discount rate. Actuarial gains and losses are recorded as other comprehensive income directly in equity.

Defined contribution plans

Contributions made by the Group to defined contribution plans are recorded as costs when they are due.

2.21. Employee benefits - healthcare

Some Group companies provide supplementary healthcare benefits to their employees in addition to those provided by the Public Social Security, extensive to their families, early retired and retired personnel. The liability resulting from these benefits is recorded in a similar manner to the retirement pension liability, in the caption “Payroll costs - healthcare benefits”.

As in the case of retirement benefits, actuarial valuations made by an independent entity are obtained at the end of each accounting period, so as to determine the amount of the liability as of that date. Actuarial gains and losses are recognized directly in the statement of comprehensive income.

2.22. Contingent assets and liabilities

A contingent liability is (i) a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events; or (ii) a present obligation that arises from past events, but that is not recognized because an outflow of funds are not probable or the amount cannot be reliably measured.

Contingent liabilities are not recognised in the financial statements but are disclosed in their notes, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events.

Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements when a future economic benefit is probable.

2.23. Revenue recognition and accruals basis

Income resulting from sales is recognised in the profit or loss when the risks and rewards of assets ownership are transferred to the purchaser and the revenue amount can be reasonably quantified. Sales are recognised at the fair amount received or receivable, net of taxes, discounts and other costs incurred to realise them, by the fair value of the amount received or receivable.

Income from services rendered is recognised in the statement of profit or loss in the period in which they are rendered considering the phase of completion of the transaction as of the balance sheet date.

Interest and financial income are recognised on an accrual basis in accordance with the effective interest rate.

Costs and income are recognised in the period to which they relate regardless the date of invoicing. Costs and income, the amount of which is not known, are estimated.

Costs and income attributable to the current period which will only be paid or received in future periods, as well as amounts paid and received in the current period that relate to future periods and will be attributed to each of the periods by the amount corresponding to them, are recorded in the captions "Other current assets" and "Other current liabilities".

Dividends relating to investments recorded at cost or in accordance with IAS 39 are recognized when is given the right to receive them.

2.24. Income tax

Tax on income for the year is calculated based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current income tax is calculated based on the taxable results (which could differ from the accounting results) of the companies included in the consolidation, in accordance with the tax rules applicable to the area in which the tax jurisdiction of each Group company.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes and are recorded in the statement of profit and loss, except when they are related with items registered as other comprehensive income recognised directly in equity, in which case the deferred tax is recorded in equity.

Deferred tax assets and liabilities are calculated and assessed periodically using the tax rates expected to be in force when the temporary differences reverse, and are not subject to discounting.

Deferred tax liabilities are recognised for all the taxable temporary differences. Deferred tax assets are only recognised when there is reasonable expectation that there will be sufficient future taxable income to utilise them. At each balance sheet date a reappraisal is made of the temporary differences underlying the deferred tax assets so as to recognize or adjust them based on the current expectations of their future recovery. The compensation of deferred tax assets and liabilities is not allowed, except if: i) there is a legal right to compensate such assets and liabilities or there is the intention and its allowed to do such compensation; ii)

such assets and liabilities are related to income taxes due to the same tax authority; iii) there is an intention to clear those balances for settlement purposes.

Deferred income taxes assets are recognized by unused tax losses when it is probable that future income subject to taxation will be available and against which they will be used in accordance with each subsidiary's tax regulations.

2.25. Earnings per share

Earnings per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period.

The diluted earnings per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period, adjusted by potential ordinary diluting shares.

Potential ordinary diluting shares can result from options over shares and other financial instruments issued by the Group, convertible to shares of the parent company.

2.26. Subsequent events

Events that occur after the date of the balance sheet that provide additional information on conditions that existed as of the balance sheet date are reflected in the financial statements.

Events that occur after the balance sheet date, that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements.

2.27. Interest on capital

Stated as allocation of profit for the year directly in equity, and interest received or receivable from investments in subsidiaries, joint ventures, and associates is recorded as investment credit, when applicable. For tax purposes, interest on capital is treated as financial income or expenses, thus reducing or increasing the income tax and social contribution tax base.

2.28. CO₂ emission licences – Emissions market

Some of the Group's production units in Portugal are covered by the European greenhouse effect gas emissions market. While the IASB does not issue accounting policies covering the granting and trading of emission licences, the Group adopts the following policy:

- Emission licences granted at no cost, as well the corresponding emissions covered by that licences, do not give rise to the recognition of any asset or liability;
- Gains from the sale of emission rights are recognised in Net operating income;
- When it is estimated that annual CO₂ emissions will exceed the licences granted annually, a liability, measured in accordance with the price at the end of the year, is recognised by corresponding charge to "Other operating expenses";

- Licences acquired are recognised at cost, in a specific intangible assets account under the “Industrial property and other rights” caption.

2.29. Exchange rates

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

		Closing exchange rate (R\$)		Average exchange rate (R\$)	
Currency		12.31.2017	12.31.2016	12.31.2017	12.31.2016
USD	US Dollar	3,30800	3,25910	3,20721	3,46213
EUR	Euro	3,96930	3,43840	3,62428	3,83057
MZN	Mozambique Metical	0,05661	0,04572	0,05114	0,05456
CVE	Cape Verde Escudo	0,03600	0,03118	0,03287	0,03474
EGP	Egyptian Pound	0,18660	0,18110	0,18076	0,35427
ZAR	South African Rand	0,26900	0,23790	0,23988	0,23558
ARS	Argentinian Peso	0,17737	0,20510	0,19224	0,23342
PYG	Paraguayan Guaraní	0,00059	0,00056	0,00057	0,00061

2.30. Consolidation

The consolidated financial statements incorporate the following direct and indirect subsidiaries and joint operations:

			12.31.2017		12.31.2016	
			Equity interest - %		Equity interest - %	
			Direct	Indirect	Direct	Indirect
SUBSIDIARIES:						
HOLDINGS AND BUSINESS AND CORPORATE SUPPORT COMPANIES SEGMENT						
InterCement Austria Holding GmbH	1	Austria	100.00	-	100.00	-
CIMPOR - Cimentos de Portugal, SGPS, S.A.	2	Portugal	a)	77.55	-	74.63
Cimpor Trading e Inversiones, S.A.	3	Spain	-	77.55	-	74.63
InterCement Austria Equity Participation GmbH	4	Austria	-	77.55	-	74.63
Caue Austria Holding GmbH	5	Austria	-	77.55	-	74.63
Cimpor Financial Operations, B.V.	6	Netherlands	-	77.55	-	74.63
Cimpor Reinsurance, S.A.	7	Luxembourg	-	77.55	-	74.63
Cimpor - Serviços de Apoio à Gestão de Empresas S.A.	8	Portugal	-	77.55	-	74.63
Cimpor Portugal, SGPS, S.A.	9	Portugal	-	77.55	-	74.63
Cement Trading Activities – Comércio Internacional, S.A.	10	Portugal	-	77.55	-	74.63
BRAZIL SEGMENT						
InterCement Brasil S.A.	11	Brazil	-	77.55	-	74.63
Cauê Finance Limited	12	Virgin Islands	-	77.55	-	74.63
Neogera Investimentos em Inovação Ltda.	13	Brazil	-	77.55	-	74.63
Barra Grande Participações, S.A.	14	Brazil	b)	62.88	b)	60.52
Estreito Participações S.A.	15	Brazil	d)	77.55	-	74.63
Machadinho Participações S.A.	16	Brazil	c)	63.05	c)	60.68
CECC - Incorporadora e Administradora de Bens, Ltda.	17	Brazil	e)	77.55	-	-
Ecoprocessa - Tratamento de resíduos, Ltda.	18	Brazil	-	77.55	-	37.32
Comican - Companhia de Mineração Candiota, Ltda.	19	Brazil	g)	89.22	-	35.82
JOINT OPERATIONS:						
BRAZIL SEGMENT						
BAESA - Energética Barra Grande S.A.	20	Brazil	-	6.98	-	6.72
CONSORTIUM:						
BRAZIL SEGMENT						
Consórcio Estreito Energia - OESTE	21	Brazil	-	3.44	-	3.31
Consórcio Machadinho	22	Brazil	-	4.09	-	3.94
ARGENTINA AND PARAGUAY SEGMENT						
Loma Negra C.I.A. S.A.	23	Argentina	f)	39.58	-	74.21
Cofesur S.A.	24	Argentina	f)	39.58	-	72.06
Recycomb S.A.	25	Argentina	f)	39.58	-	74.21
Cementos del Plata S.A.	26	Uruguay	-	0.26	-	0.25
Yguazu Cementos S.A.	27	Paraguay	f)	20.19	-	37.85
PORTUGAL AND CAPE VERDE SEGMENT						
Cimpor - Indústria de Cimentos, S.A.	28	Portugal	-	77.55	-	74.63
Cimentaço - Cimentos dos Açores, Lda.	29	Portugal	-	77.55	-	74.63
Betão Liz, S.A.	30	Portugal	-	76.39	-	73.51
Agrepor Agregados - Extração De Inertes, S.A.	31	Portugal	-	77.55	-	74.63
Ibera - Indústria de Betão, S.A.	32	Portugal	-	38.77	-	37.32
Sacopor - Sociedade de Embalagens e Sacos de Papel, S.A.	33	Portugal	-	77.55	-	74.63
Ciarga - Argamassas Secas, S.A.	34	Portugal	-	77.55	-	74.63
Cimpor Imobiliária, S.A.	35	Portugal	-	77.55	-	74.63
Cimpor Cabo Verde, S.A.	36	Cape Verde	-	76.10	-	73.24

EGYPT SEGMENT

Cimpor Egypt for Cement Company, S.A.E.	37	Egypt	-	77.55	-	74.63
Amreyah Cement Company, S.A.E.	38	Egypt	-	76.88	-	73.99
Amreyah Cimpor Cement Company, S.A.E.	39	Egypt	-	77.05	-	74.15
Cement Services Company, S.A.E.	40	Egypt	-	77.25	-	74.34
Cimpor Sacs Manufacture Company, S.A.E.	41	Egypt	-	77.47	-	74.56
Amreyah Dekheila Terminal Company, S.A.E.	42	Egypt	-	77.06	-	74.16
Amreyah Cimpor Ready Mix Company, S.A.E.	43	Egypt	-	76.97	-	74.07

MOZAMBIQUE SEGMENT

Cimentos de Moçambique, S.A.	44	Mozambique	-	64.08	-	61.67
Cimpor Betão Moçambique, S.A.	45	Mozambique	-	64.08	-	61.67
Imopar - Imobiliária de Moçambique, S.A.	46	Mozambique	-	77.55	-	74.63
Cimentos de Nacala, S.A.	47	Mozambique	-	64.15	-	61.74

SOUTH AFRICA SEGMENT

Natal Portland Cement Company (Pty) Ltd.	48	South Africa	-	77.55	-	74.63
Durban Cement Ltd.	49	South Africa	-	77.55	-	74.63
Npc - Cimpor (Pty) Limited	50	South Africa	-	57.39	-	55.23
Simuma Rehabilitation Trust	51	South Africa	-	25.82	-	24.85
Npc Concrete (Pty) Ltd.	52	South Africa	-	77.55	-	74.63
South Coast Stone Crushers (Pty) Ltd.	53	South Africa	-	42.65	-	41.05
South Coast Mining (Pty) Ltd.	54	South Africa	-	77.55	-	74.63
Sterkspruit Aggregates (Pty) Ltd.	55	South Africa	-	42.65	-	41.05
Intercement South Africa (Pty) Ltd.	56	South Africa	-	77.55	-	74.63

Changes in ownership in 2016 and 2017 were mainly as follow:

- During the fourth quarter until December 27, 2017, an additional stake of 2.92% in Cimpor – Cimentos de Portugal, SGPS, S.A. ("Cimpor") was bought (Note 1). Consequently, as Cimpor is owner of the majority of Company's segments and entities, such change also increase equity interest of investments in all segments/geographies;
- On April 22, 2015, the company Barra Grande Participações S.A. ("Barra Grande") was incorporated by InterCement Brasil, engaged in holding interest in other companies. On December 8, 2015, its capital was increased in R\$63,828 thousand, through the conference of all shares held in the jointly operation, BAESA – Energética Barra Grande S.A. ("BAESA"), in the amount of R\$62,828 thousand, in addition to the contribution of R\$1,000 thousand. With the referred capital increase, the subsidiary Barra Grande held 63,829,456 shares, of which 51,701,860 ordinary shares and 12,127,596 preference shares, without voting rights, but with priority in the distribution of dividends.

BAESA is a company incorporated with specific purpose ("SPE") to build, operate, maintain, manage and explore the Barra Grande Hydroelectric.

On December 29, 2015, InterCement Brasil signed a promissory contract of transferring to third parties 12,127,596 preference shares, representing 18.91% of the share capital of the subsidiary Barra Grande, by €70,024 (R\$240,769 thousand), which had occurred, after the compliance of some contractual conditions and certain agreement changes occurred on October 28, 2016. Such transaction generated a net gain of €41,049 (R\$141,141 thousand, net of income tax and social contribution) recorded as transactions between shareholders.

- (c) On April 22, 2015, the company Machadinho Participações S.A. ("Machadinho") was incorporated by InterCement Brasil, engaged in holding interest in other companies. On July 28, 2016, its capital was increased in R\$30,795 thousand, through the conference of all shares held in the consortium Machadinho. With the referred capital increase, the subsidiary Machadinho held 31,795,658 shares, of which 25,849,870 are common shares and 5,945,788 preferred shares, with no voting rights, but with priority in the distribution of dividends.

On December 16, 2016, all the preferred shares of Machadinho, equivalent to 18.07% of the shareholding interest, were sold by the amount of R\$249,650 thousand, resulting in a net gain of €42,764 (R\$147,039 thousand, net of income tax and social contribution) recorded in shareholders' equity.

- (d) On April 22, 2015, the company Estreito Participações S.A. ("Estreito") was incorporated by InterCement Brasil, engaged in holding interest in other companies. On November 21, 2016, its capital was increased in R\$180,397 thousand, through the conference of all shares held in the consortium Estreito Energia. With the referred capital increase, the subsidiary Estreito held 31,795,658 shares, of which 146,569,168 are common shares and 34,828,317 preferred shares, with no voting rights, but with priority in the distribution of dividends.

On October 11, 2017, all the preferred shares of Estreito, equivalent to 19.2% of the shareholding interest, were sold by the amount of € 78,000 thousand (R\$290,000 thousand), resulting in a net gain of €42,000 (R\$165,302 thousand, net of income tax and social contribution) recorded in shareholders' equity.

- (e) During the first semester of 2017, there was an acquisition of 100% of the share capital of CECC Incorporadora e Administradora de Bens, Ltda. amounting of €14,642 (Note 15). This operation has generated an entry of €3,443 directly in equity.
- (f) Changes are mainly related to the Loma Negra IPO. See Note 1 for further information;
- (g) During the second semester of 2017, it was assumed the control of Comican – Companhia de mineração candiota, due to the increase of 52% of its share capital.

3. Change in accounting policies and errors

During the year ended December 31, 2017, there were no changes in accounting policies in relation to those considered in the preparation of the financial information for the year ended on December 31, 2016, except as regards the adoption of the revised or amended standards and interpretations, revisions and amendments mentioned in Note 2, which did not have a significant impact on financial position or comprehensive income, nor were any identified errors that should have been corrected.

4. Cash and Cash Equivalents

	12.31.2017	12.31.2016
Cash and bank accounts	909,868	325,110
Short-term investments	227,634	216,033
Total cash and cash equivalents	1,137,502	541,143

The increase in cash and bank accounts is mainly due to the proceeds received from the Loma Negra "IPO" (Note 1).

Short-term investments were as follows:

	12.31.2017	12.31.2016
Bank certificates of deposit (CDBs)	9,233	2,209
Short Term Investment in Reais	15,113	1,718
Exclusive funds:		
National Treasury Bills (LTNs)	742	12,781
National Treasury Bills (LTFs)	-	32,663
CDBs	195	1,135
Fixed-income funds	2,021	9,081
Others	18,251	-
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos	88,609	28,082
Short-term investments in US dollars	45,041	91,490
Short-term investments in euro	11,886	16,267
Short-term investments in Egyptian pound	701	2,717
Short-term investments in South African rand	35,388	8,256
Short-term investments in Mozambique metical	-	6,914
Short-term investments in Cape Verd escudos	454	2,720
Total short-term investments	227,634	216,033

As of December 31, 2017, short-term investments in Exclusive funds yielded an average of 100% to 115% of the Interbank Deposit Certificate (CDI) variation (102% to 112.7% of CDI as of December 31, 2016).

As of December 31, 2017, short-term investments in foreign subsidiaries includes, in Argentina business area, fixed rate bonds in pesos issued by governmental entities amounting to €56,143, short-term investments amounting to €32,467, with yields of 28.9% and 23.2%, respectively, and short-term investments in USD amounting to €45,003 with yields of 1.8%. In South Africa business area, term-bank deposit in rands yielded up to 6.55%.

All are available for immediate withdraw.

5. Securities

Securities are classified as financial assets, as follows:

	12.31.2017	12.31.2016
Market investments	32.087	44.143
Other	32.258	8.250
Total	<u>64.345</u>	<u>52.393</u>
Total - current	62.292	49.465
Total - noncurrent	2.053	2.928

In the years ended December 31, 2017 and 2016, included in "Market investments" are investments of the Brazil business area, in exclusive funds related to debentures, national treasury bills, among others.

The increase occurred in 2017, in the caption "Other", relates mainly to a short-term deposit in Cimpor trading e Inversiones.

6. Trade Receivables

	12.31.2017	12.31.2016
Domestic and foreign customers - current	117,006	166,328
(-) Impairment for doubtful accounts – current	<u>(34,682)</u>	<u>(28,723)</u>
Trade receivables - current	<u>82,324</u>	<u>137,605</u>
Domestic and foreign customers - noncurrent	1,757	6,295
(-) Impairment for doubtful accounts – noncurrent	<u>(620)</u>	<u>(96)</u>
Trade receivables - noncurrent	<u>1,137</u>	<u>6,199</u>

As of December 31, 2017, reduction in trade receivables were influenced mainly by accounts receivable securitization settled with related parties, Camargo Corrêa S.A. and CCSA Finance Ltd., amounting to €51,557 (Note 15), and with financial institutions in the amount of €8,124.

The impairment losses for doubtful accounts are set up based on the estimated or determined uncollectible amounts pursuant to the past default experience and analysis of the ability to pay of each customer, also taking into account the collaterals provided by such customer.

Aging list of trade receivables

	12.31.2017	12.31.2016
Current	60,121	100,961
Past-due:		
0 to 30 days	14,932	21,597
31 to 60 days	2,525	20,133
61 to 90 days	1,615	2,529
91 to 180 days	3,640	2,445
181 days or more	35,930	24,958
Total	<u>118,763</u>	<u>172,623</u>

Changes in the allowance for doubtful accounts

	12.31.2017	12.31.2016
Opening balance	28.819	28.043
Recognitions	9.499	3.187
Derecognitions	(459)	-
Amounts written off in the year as uncollectible	(1.067)	(3.693)
Exchange gains or losses	(1.489)	1.281
Closing balance	<u>35.302</u>	<u>28.819</u>

7. Inventories

	12.31.2017	12.31.2016
Current:		
Finished products	33,195	36,168
Work in process	87,228	110,245
Raw material	71,691	86,132
Fuel	42,912	45,457
Spare parts	101,532	103,310
Advances to suppliers	423	3,394
Packaging and other	10,399	14,622
Allowance for losses	(13,252)	(2,533)
Total	<u>334,128</u>	<u>396,795</u>
Noncurrent:		
Raw material	10,150	-
Spare parts	9,658	10,627
Allowance for losses	(78)	(127)
Advances to suppliers	-	1,962
Total	<u>19,730</u>	<u>12,461</u>

In the year ended December 31, 2017 the increase in allowance for losses relates to estimated inventories impairments mainly in raw materials and spare parts obsolescence provision.

Changes in the allowance for inventories accounts

	12.31.2017	12.31.2016
Opening balance	2,660	4,005
Recognitions	11,161	130
Derecognitions	(20)	(500)
Utilisations	(62)	-
Exchange gains or losses	(408)	(975)
Closing balance	<u>13,330</u>	<u>2,660</u>

8. **Property, Plant and Equipment**

	12.31.2017		
	Cost	Depreciation & impairment	Net book value
Land (*)	150.775	(18.169)	132.606
Buildings	490.882	(184.431)	306.451
Machinery and equipment (*)	1.662.953	(747.280)	915.673
Vehicles	37.440	(11.466)	25.974
Furniture and fixtures	9.402	(6.583)	2.819
Mines and ore reserves	139.937	(78.215)	61.722
Reservoirs, dams and feeders	70.707	(19.744)	50.963
Other	10.498	(8.812)	1.686
Spare parts	4.259	-	4.259
Advances to suppliers	23.239	-	23.239
Construction in progress	234.217	(194.381)	39.836
Total	<u>2.834.309</u>	<u>(1.269.081)</u>	<u>1.565.229</u>

(*) In the Argentina and Paraguay and Brazil business areas, there are assets given as guarantees in connection with loans obtained for such acquisition in the amount approximately of €62,940 and €3,020, respectively.

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

	12.31.2016		
	Cost	Depreciation & Impairment	Net book value
Land	187,522	(14,409)	173,113
Buildings	548,572	(191,537)	357,035
Machinery and equipment	1,782,857	(688,410)	1,094,447
Vehicles	44,809	(17,140)	27,669
Furniture and fixtures	11,036	(7,616)	3,420
Mines and ore reserves	104,055	(71,952)	32,103
Reservoirs, dams and feeders	80,553	(18,756)	61,797
Other	15,116	(10,121)	4,995
Spare parts	4,549	-	4,549
Advances to suppliers	26,614	-	26,614
Construction in progress	262,096	-	262,096
Total	3,067,779	(1,019,941)	2,047,838

Construction in progress and advances to suppliers as of December 31, 2017 and 2016, refers basically to investments in the expansion and construction on new units in Brazil, Argentina and Egypt, and investments in improvement of installations and equipment of the cement plants of other business units.

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 at December 31, 2015	195.124	339.112	1.178.288	42.670	4.573	34.072	47.641	6.208	4.946	261.180	31.043	2.144.857
Additions	1.167	5.926	40.752	86	367	23.347	30	-	265	81.263	715	153.918
Write-offs	(1.627)	(85)	(1.156)	(1.577)	(25)	-	-	-	(55)	(2)	(763)	(5.290)
Depreciation	(3.172)	(20.258)	(119.766)	(12.520)	(1.414)	(27.730)	(2.719)	-	(2.379)	-	-	(189.958)
Impairment	-	-	(29)	(4.252)	-	-	-	-	-	-	-	(4.281)
Effect of changes in exchange rates	(19.362)	10.843	(56.280)	(527)	(352)	722	11.548	613	468	18.813	1.181	(32.333)
Transfers	983	21.497	52.638	3.789	271	1.692	5.297	(2.272)	1.750	(99.158)	(5.562)	(19.075)
Balance at December 31, 2016	173.113	357.035	1.094.447	27.669	3.420	32.103	61.797	4.549	4.995	262.096	26.614	2.047.838
Changes in consolidation perimeter	10.295	-	1	-	2	2.104	-	-	-	1.296	-	13.698
Additions	707	1.264	20.419	160	487	20.922	58	310	124	90.510	118	135.079
Write-offs	(4.821)	(533)	(373)	(287)	(14)	-	-	-	(3)	-	-	(6.031)
Depreciation	(4.104)	(19.622)	(128.032)	(6.033)	(1.097)	(23.718)	(2.875)	-	(1.566)	-	-	(187.047)
Impairment	(5.234)	(5.216)	(20.343)	-	-	-	-	-	-	(212.885)	-	(243.678)
Effect of changes in exchange rates	(41.382)	(33.902)	(104.039)	(6.592)	(345)	21.205	(8.022)	(640)	(942)	(16.881)	(3.320)	(194.859)
Transfers	4.032	7.425	53.593	11.057	366	9.106	5	40	(922)	(84.300)	(173)	229
Balance at December 31, 2017	132.606	306.451	915.673	25.974	2.819	61.722	50.963	4.259	1.686	39.836	23.239	1.565.229

Additions

Additions already includes Argentinean business area disbursements related with the increase of the installed capacity at its L'Amalí plant by 2.7 million tons annually. This expansion involves a capital expenditure of approximately US\$350 million. The execution phase of the L'Amalí plant expansion started in August 2017, with a total execution time estimated at 31 months and is expected to be completed early 2020.

During the year ended December 31, 2017, the Company capitalized financial charges amounting to €121 related to loans granted to finance eligible assets (€854 as of December 31, 2016).

Impairment losses

Given the macroeconomic context in Brazil, which is reflected in reductions of cement consumption, the Group decided to interrupt certain investments that were underway in cement production lines. Conclusions of those investments could be reassessed in the future, depending on the economy returns and market conditions. During the twelve months period ended December 31, 2017, there was further deterioration of business activity, reflected in an increase in idle times and the shutting down of production lines. Considering this context, it is not reliable to predict the time when these investments may be resumed and to what extent the respective returns will materialise. Therefore, an impairment totalling €228,396 was recorded in the Brazilian business area related to tangible fixed assets in cement production lines undergoing investment, which is reversible once those investments are retake.

In Egypt business area an impairment related with fixed assets booked under construction in progress in the amount of €8,552, was booked, and also in Portugal business area an amount of €6,730 relative to tangible fixed assets was recorded.

During the year ended December 31, 2016, impairment losses were registered in tangible assets unallocated to operating segments of €4,281.

Other

As of December 31, 2016, in the caption "Other" is included the reclassification occurred in the first semester of the ships owned by Cimpship – Transportes Marítimos, S.A. to the caption "Assets classified as held for sale" in the net amount of €7,873. Additionally, it has been recognised impairment losses related to those assets of about €4,281 (Note 19). This company was sold during 3rd quarter of 2016 by the amount of €7,245.

9. Intangible Assets

	12.31.2017	12.31.2016
Other intangible assets:		
Mining rights	168,952	187,283
Concession-related assets	4,563	4,823
Software licenses	16,830	5,883
Project development costs	6,276	5,598
Trademarks, patents and others	4,380	9,801
	<u>201,001</u>	<u>213,388</u>
Goodwill:		
Loma Negra C.I.A. S.A.	243,263	280,824
CBC - Companhia Brasileira de Cimentos ("CBC")	25,857	29,849
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	19,097	22,045
Cimpor - Cimentos de Portugal, SGPS, S.A.	1,092,321	1,191,478
Other	19,157	22,433
	<u>1,399,695</u>	<u>1,546,629</u>
Total	<u><u>1,600,696</u></u>	<u><u>1,760,017</u></u>

Impairment on assets

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which are made based on the recoverable amounts of each of the corresponding business segments (Note 28).

Attending to business model and considering the financial statement structure adopted for management purposes, goodwill is attributed generally to each operating segment, due to the existence of synergies between the units of each segment in a perspective of vertical integration of business.

The recoverable value of each group of cash-generating units is compared, in the tests performed, with the respective recognized value of assets and liabilities ("book value"). An impairment loss is only recognized when the book value exceeds the higher of the value in use and transaction value, based on cash flow projections under medium and long term business plans approved by the Board of Directors, plus perpetuity.

Cash Flow projections

The Group annually or when there is impairment indicatives revises assumptions underlying to the determination of recoverable amount of liquid assets, considering the estimate of future cash flows which

reflect, among others, a set of estimates related to market growth, market share, investments and costs.

In general, the plan was projected by applying growth rates for the markets, considering the expected demands for building materials and taking into consideration the evolution of the related economies.

The projected sales volumes are based on the assumption of the capacity usage and market shares according to historical levels. Concerning to variable costs, it was assumed an evolution in line with the sales development. For the Brazilian cash flow, the Company considered improvement in operating margins through savings achieved by cost reduction programs and initiatives for price recovery, expecting to achieve in the 5th year of projection a margin close to the historical reference margin in the Brazilian market.

Determination of discount rate

Discount rates are calculated for each cash generating unit based on relevant local risk-free rate adjusted by the country risk premium, among other parameters.

The determination of the value in use was based on discounted cash flows calculated in local currency, using the corresponding WACC and perpetuities rates, as follows:

Segments	Currency	12.31.2017			12.31.2016		
		Goodwill	"WACC" rate (*)	Long term growth rate	Goodwill	"WACC" rate (*)	Long term growth rate
Brazil	BRL	692,476	10.6%	0.0%	799,396	10.5%	0.0%
Argentina and Paraguay (a)	ARS - PYG	245,021	(a)	0.0%	283,171	16.1%	0.0%
Egypt	EGP	19,195	24.9%	0.0%	21,506	22.9%	0.0%
Portugal and Cape Verde	EUR	304,861	7,9% - 9,8%	0.0%	304,858	6,7% - 7,8%	0.0%
Mozambique	MZN	37,647	19.0%	0.0%	35,100	17.5%	0.0%
South Africa	ZAR	100,495	12.5%	0.0%	102,599	9.3%	0.0%

(*) Discount rate calculated after taxes. For Egypt business area, "WACC" rate refers to the first year of the projection, and varies thereafter according to the inflation rate variation.

(a) For Argentina and Paraguay business area, the impairment test was performed by comparing the accounting value of the related assets with the market value of Loma Negra shares in the stock market at the year-end.

As of December 31, 2017, the Group calculate the eventual impact of a 0.5% change in discount rate and in the EBITDA margin in relation with all the business areas projections (excluding Argentina and Paraguay). With the exception of Brazil segment of with the following impacts in the valuation and impairment, no other impairment would result from such analysis:

	+50 BP	-50 BP
"WACC" rate	(129,795)	150,360
Impairment	(10,156)	n/a
EBITDA margin	45,116	(45,116)
Impairment	n/a	-

Stressing the above analysis to determine additional impairments, it would only occur with changes of 150BP in WACC rate, for Mozambique business area in the amount of €1,123, and for the same 150BP in EBITDA margin, for Brazil business area, in the amount of €15,709.

Changes in intangible assets in the year ended December 31, 2017 and 2016 were as follows:

	Software licenses	Concession-related assets	Mining rights	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance at December 31, 2015	4,303	4,420	163,515	4,564	9,809	1,721,808	1,908,419
Additions	1,753	174	-	4,938	72	-	6,937
Write-offs	(3)	-	-	-	-	-	(3)
Depreciation	(2,668)	(903)	(1,735)	(1,470)	(1,341)	-	(8,117)
Impairment	-	-	-	-	-	(391,352)	(391,352)
Effect of changes in exchange rates	(1,226)	(232)	25,503	307	72	216,173	240,597
Transfers	3,724	1,364	-	(2,741)	1,189	-	3,536
Balance at December 31, 2016	5,883	4,823	187,283	5,598	9,801	1,546,629	1,760,017
Changes in consolidation perimeter	-	-	-	-	-	-	-
Additions	14,074	1,185	605	155	588	-	16,607
Write-offs	(1)	-	-	-	(41)	-	(42)
Depreciation	(3,314)	(1,234)	(1,874)	(1,880)	(1,667)	-	(9,969)
Impairment	-	-	-	-	(2,175)	-	(2,175)
Effect of changes in exchange rates	(1,262)	(211)	(17,062)	(867)	(871)	(146,934)	(167,207)
Transfers	1,450	-	-	3,270	(1,255)	-	3,465
Balance at December 31, 2017	16,830	4,563	168,952	6,276	4,380	1,399,695	1,600,696

Additions

In the context of the industrial licensing process in the industrial unit of Amreyah Cimpor Cement Company in past years the Industrial Development Authority (IDA), an Egyptian government entity, claims a payment in the amount of EGP 217 million (around €11.4 million). The Board of Directors, supported on the understanding of the company's legal advisors submitted a legal petition in this respect, as it was considered that the payment was not due. In the year ended December 31, 2017, considering the rejection of the company's grievance, a liability related to the payment of this claim was booked (and also a provision for the estimation of delaying interests - see Note 20) being here registered the estimated amount of the above referred cost of the license.

Impairment losses

In the year ended December 31, 2017 an impairment loss of €2,175 related with the surface rights of the Sines grinding station, in the Portugal and Cape Verde business area, was booked (Note 19).

In the year ended December 31, 2016, the test performed for the Brazilian business area resulted in an impairment recorded, due to the deterioration of the economic and political scene of the country, in the amount of €391 million (R\$1,499,100 thousand), entirely affected to Goodwill.

10. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Interest rates (a)	Contract date	Maturity		12.31.2017		12.31.2016	
								Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May/12	Jan/22	(b)	-	242,217	-	396,651
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/12	Feb/22	(c)	-	205,231	-	306,796
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/14	Feb/19		26,739	27,404	6,037	54,041
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/19	(d)	80,279	82,047	20,616	183,992
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/14	Feb/22		18,026	42,160	-	60,078
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/22		54,121	126,227	-	204,605
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/24		60,922	137,253	-	224,536
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May/14	May/19		-	41,454	-	46,974
EUR	Holdings and Financial Vehicles (*)	Commercial paper	EUR	Floating rate	Mar/16	Mar/20		15,000	35,000	-	50,000
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Fixed rate	Dec/14	Dec/18		23,609	-	-	22,949
ARS	Argentina and Paraguay	Several bilateral	ARS	Fixed and floating rates	Several	Several		27,983	16,138	30,702	25,989
ARS	Argentina and Paraguay	Several bilateral	US\$	Floating rates indexed to US Libor	Several	Several		38,688	40,944	53,714	45,293
BRL	Brazil	Several bilateral	BRL	Fixed and floating rates	Several	Several	(e)	84,138	19,065	12,716	151,819
PYG	Argentina and Paraguay	Several bilateral	US\$	Fixed and floating rates	Aug/16	Jul/18	(f)	3,954	-	21,224	62,782
PYG	Argentina and Paraguay	Several bilateral	PYG	Fixed rates	Aug/17	Aug/25	(f)	4,196	58,432	13,751	-
ZAR	South Africa	Several bilateral	ZAR	Floating rate indexed to Jibar	Several	Several	(g)	-	-	31,135	13,838
EUR	Portugal and Cape Verde	Several bilateral	EUR	Fixed and floating rates	Several	Several	(h)	10,000	165,000	-	75,000
CVE	Portugal and Cape Verde	Bilateral	CVE	Floating rate indexed to TRIB 3M	Several	Several		700	2,800	-	-
EUR	Portugal and Cape Verde	Subsidised loan	EUR	Interest-free	Several	Jun/24		69	1,839	-	-
MZN	Mozambique	Several bilateral	MZN	Floating rates indexed to BT 3M	Dec/15	Dec/20		-	-	1,541	268
EGP	Egypt	Several bilateral	EGP	Floating rates indexed to Corridor	Several	Several		19,179	841	22,430	6,525
								<u>467,604</u>	<u>1,244,050</u>	<u>213,866</u>	<u>1,932,136</u>

- (*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities.
- (a) For the major funding, the variable rates contracted, both in dollars and euros, consider spreads between 2.75% and 3.95%.
- (b) During 2017, the variation is mainly due to a partial pre-amortization by Caue Austria Holding GmbH in the amount of approximately €110 million (USD 132 million).
- (c) During 2017, there was a partial settlement of such financing by Caue Austria Holding GmbH in the amount of approximately €100 million.
- (d) During 2017, the variation is mainly due to a partial pre-amortization by Cimpor B.V. in the amount of approximately €18 million (USD 22 million).
- (e) Guaranteed by Company's controlling entities, amounting to €30,424 in the year ended December 31, 2017, with spreads and fixed interest rates from 2.5% to 10%. In addition, in the year ended December 31, 2017, includes a partial pre-amortization, in the amount of approximately €37 million (R\$122 million).
- (f) During 2017, the Company decided to carry out their early settlement, by taking a new debt. On August 8, 2017, the subsidiary Yguazu has contracted two new loans in Paraguayan Guarani, in the total amount of PYG 423,000 million, equivalent to approximately €66 million. In the first year, interest rates vary between 8.5% and 9% per year, and after that, interest will be calculated according to the average rate published by the Central Bank of Paraguay, plus spread. The interests are payable in a semi-annually basis from February 2018, and the principal will be paid in fifteen semi-annual tranches, starting in August 2018. On August 14, 2017 the funds were used for the prepayment of USD loans of the subsidiary Yguazu. The mentioned loans are guaranteed by a mortgage on the plant in Paraguay and a pledge of its assets.
- (g) During 2017, the Company has decided to early settlement loans in South Africa's business area in the amount of €13,554 (total amount settled of €43,021).
- (h) In the Portugal and Cape Verde business unit, Cimpor Indústria de Cimentos, S.A. took a new loan in the amount of €100 million, with variable interest rate indexed to Euribor, quarterly payments and with maturity date beginning from August 2019 to October 2022.

As of December 31, 2017 and 2016, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to €30,614 and €26,130, respectively.

Changes in Borrowings and Financing in the year ended December 31, 2017 were as follows:

	Borrowings and financing
Balance at December 31, 2016	2,146,002
Captions	298,469
Payments	(564,161)
Currency translation adjustments, commissions and other	(168,656)
Balance at December 31, 2017	<u>1,711,654</u>

Maturity schedule

As of December 31, 2017 and 2016, the noncurrent portions mature as follows:

Period	12.31.2017	12.31.2016
2018	-	297,981
2019	347,073	767,802
2020	294,579	234,851
2021	253,908	423,178
Following years	348,490	208,324
	<u>1,244,050</u>	<u>1,932,136</u>

Covenants

The loan and financing agreements contain certain restrictive covenants, including change of control clauses, and those requiring the maintenance of certain financial ratios 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, which depends of conditions agreed in each contract with financial institutions. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016. For December 31, 2017 the Company agreed with the financial institutions the increase of such parameters from 4.5 to 5.0 (ratio Net Debt versus EBITDA). As of that date the covenants conditions were met.

11. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Interest rate (a)	Final maturity	12.31.2017		12.31.2016	
							Current	Noncurrent	Current	Noncurrent
BRL	Brazil	Debênture - Brazil	BRL	Mar-12	Floating rate indexed to CDI	Apr-22	55,414	221,964	63,920	320,168
BRL	Brazil	Debênture - Brazil	BRL	Aug-12	Floating rate indexed to CDI	Aug-22	50,268	201,352	58,006	290,483
EUR	Holdings and Financial Vehicles (*)	Senior Notes (b)	USD	Jul-14	5.75%	Jul-24	-	472,087	-	546,764
							105,682	895,403	121,926	1,157,415

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

(a) The contracted floating rates have spreads between 8% and 15% above the CDI (Interbank deposit rate in Brazil). During 2017, the Company has already paid a principal amount of R\$420,384 thousand (€115,991) and interest in the amount of R\$392,244 (€108,227) which explain the reduction in Debentures recorded in Brazil.

(b) In July, 2014, the Senior Notes ("Notes") were issued by Cimpor 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 on the Singapore Stock Exchange. During 2017, 2016 and 2015 the Group purchased bonds in the nominal value of USD 11,100 thousand, USD 108,378 thousand and USD 54,290 thousand, respectively. As of December 31, 2017 the Group holds bonds in the nominal value of USD 173,768 thousand (€144,818).

As of December 31, 2017 and December 31, 2016, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €26,957 and €69,548, respectively.

Changes in Debentures in the year ended December 31, 2017 were as follows:

	Debentures
Balance at December 31, 2016	1,279,341
Payments	(125,122)
Currency translation adjustments, commissions and other	(153,133)
Balance at December 31, 2017	<u>1,001,085</u>

Maturity schedule

As of December 31, 2017 and 2016, the debentures mature as follows:

Period	12.31.2017	12.31.2016
2018	-	120,710
2019	104,472	120,710
2020	104,472	120,710
2021	104,472	120,710
Following years	581,987	674,574
	<u>895,403</u>	<u>1,157,415</u>

Covenants

Debentures contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016. For December 31, 2017 the Company agreed with the financial institutions the increase of such parameters from 4.5 to 5.0 (ratio Net Debt versus EBITDA). As of that date the covenants conditions were met.

In the case of the Senior Notes, the non-compliance of the covenant (ratio of 4.5) foresees that the company operates with certain restrictions, being the principal

ones:

- i) Limitation in USD 500 million for new debt, provided it is not for refinancing the existing one;
- ii) Restrictions on certain payments, such as dividends to shareholders above the legal minimum;
- iii) Limitation of USD 25 million per year, cumulative, to preferred shareholders after the Senior Notes issuance (July/2014).

On December 31, 2017, the company complied with all contractual obligations.

12. Provisions and Contingent assets and liabilities

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

The provision for risks is broken down as follows:

	12.31.2017	12.31.2016
Labor and social security	25,848	27,703
Tax (a)	28,256	18,822
Civil and other (b)	32,531	8,825
	86,635	55,350
Escrow deposit (c)	(3,023)	(2,876)
Total	83,612	52,474

(a) Brazil: Refer basically to tax assessment notices and lawsuits related to: (i) ICMS (state VAT) - discussion on the tax base of ICMS owed under the reverse charge system, the tax base in transfers of goods between units; (ii) COFINS (tax on revenue) - discussion on the regularity in the offset of COFINS debts against FINSOCIAL (Social Investment Fund) credits, authorized by court; (iii) SUNAB (National Supply Authority) fine - discussion on the assessment of alleged violations of Laws 7784/89, 8035/90 and 8178/91, and (iv) IRPJ (corporate income tax) - discussion on the alleged tax underpayment related to the required inflation adjustment of the compulsory loan to Eletrobrás, in 1982, base year 1981.

Portugal: Refer basically to the provisions for tax risks related to income tax, amounting to €10,000 (2017 and 2016), which are being challenged in courts.

Egypt: In the year ended December 31, 2017, the increase is mainly justified by tax provisions in this business area related to income tax from years 2004 to 2014, which are being challenged in courts, in the amount of €9,765.

(b) In the year ended December 31, 2017, the increase is mainly due to a provision related with the industrial license estimation of delaying interests, totalling €20,075, in the Egypt business area (see notes 9 and 20).

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

	12.31.2017	12.31.2016
Labor and social security	2,323	2,329
Tax	655	497
Civil and other	45	50
Total	3,023	2,876

Changes in the provision for risks for the years ended December 31, 2017 and 2016 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance at December 31, 2015	29,175	35,235	22,681	(3,246)	83,845
Recognition/deposit	5,275	8,595	3,184	(2,834)	14,220
Payment/deposit derecognition	(7,450)	(8,960)	(12,490)	2,683	(26,217)
Reversal	(946)	(6,999)	(2,078)	-	(10,023)
Exchange differences	1,649	(9,049)	(2,472)	521	(9,351)
Balance at December 31, 2016	27,703	18,822	8,825	(2,876)	52,474
Recognition/deposit	8,151	13,912	30,437	(1,678)	50,822
Payment/deposit derecognition	(5,698)	(213)	(2,287)	1,096	(7,102)
Reversal	(2,269)	(2,564)	(1,838)	-	(6,671)
Exchange differences	(2,039)	(1,701)	(2,606)	435	(5,911)
Balance at December 31, 2017	25,848	28,256	32,531	(3,023)	83,612

Contingent liabilities

In the normal course of its business the Group is involved in several legal cases and complaints relating to its products and services as well, as of an environmental nature, labor cases and regulatory.

As of December 31, 2017, the Group has an exposure of €830 million (€932 million in December 31, 2016), being €7 million of contingencies related to labor contingencies (€7 million in December 31, 2016), €604 million of tax contingencies (€674 million in December 31, 2016), €219 million of civil contingencies and administrative processes of other natures (€251 million in December 31, 2016), whose likelihood of loss was considered possible, according to the opinion of legal counsellors.

The most significant of the contingencies are:

Brazil

a) Administrative Council for Economic Defence ("CADE")

The Group and other companies in the industry were parties to administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defence ("CADE"). In July, 2015, CADE's tribunal judged the administrative appeal presented by the Group under the process initiated in 2007 by the competition authorities in Brazil (as well by other involved companies), maintaining the condemnation decision as regards cartel formation and the imposition of a pecuniary fine and other accessory penalties. The fine imposed to the Group, amounted to, approximately, €127 million (which corresponds to R\$241,700 thousand to InterCement and R\$297,820 thousand to CCB, meanwhile merged), besides the obligation to sell 20% of its concrete's assets in Brazil, among other accessory penalties. On December 31, 2017 the fine imposed reach to, resulting from its financial actualization, €175 million (R\$695 million).

After the referred administrative CADE's decision become final, the Group appealed judicially, having obtained, on 22 October 2015, the grant of the preliminary injunction to suspend all penalties imposed by CADE, by the

presentation of real guarantees (two plants), until the judgment decision. Such preliminary injunction decision was judicially appealed by CADE, which was rejected. Based on the opinion of its legal advisors, the risk of loss in court is considered as possible, and therefore, no provision was recorded for this contingent liability as of December 31, 2017 and 2016.

b) Others contingencies classified as possible

The reduction in contingent liabilities considered as possible occurred in year ended December 31, 2017, is due mainly to the positive effect of BRL conversion in to euros in the amount by approximately €74 million.

Spain

As a result of tax inspections of the years 2005 to 2008, tax assessments of approximately €120 million were realized. These assessments relate essentially to net financial items resulting mainly from interpretations not adjusted to the nature of certain transactions. During the year ended December 31, 2017, we were notified of the ruling handed down by the Audiência Nacional court in Spain regarding judicial proceedings related to these tax inspections. The ruling has been almost entirely favorable to us. The Tax Authorities filed an appeal to the Supreme Court that was admitted to procedure in March, 2018 and it is pending of resolution. The guarantees of approximately €120 million provided for these proceedings continue to be in force until the final decision is handed down. Management believes that from the conclusion of the legal processes resulting from the actions in progress, will not result no significant costs for the Group. This opinion is confirmed by the understanding and opinion of its legal and tax advisors, which consider the possibility of loss, with the processes of 2005 to 2008, as possible (around €86 million) to remote (around €34 million).

During the second half of 2014, the Spanish tax authorities began inspecting the years 2009 to 2012. The tax authorities reports maintained the same interpretations as in the preceding years, and these corrections results in negative taxable income of approximately €28 million, setting the negative taxable income of that period in approximately €31 million. On July 2017, tax authorities report for the year 2012 resulted in a correction to negative taxable income of about €242 million. On August 2017 an appeal was filed against the Administrative Economic Court and it is pending of resolution. In both cases the deferred tax related to those losses are not booked. As in previous years, the Board of Directors and its legal and tax counsellors remains convinced that from the conclusion of the legal proceedings contesting these corrections, no significant charges will occur in the Group.

13. Provision for Environmental Recovery

Changes in the provisions for environmental recovery in the years ended December 31, 2017 and 2016 are as follows:

	Environmental recovery
Balance at December 31, 2015	36,613
Recognition	2,807
Payment	(1,495)
Exchange differences	2,029
Balance at December 31, 2016	39,954
Recognition	3,024
Payment	(995)
Exchange differences	(3,346)
Balance at December 31, 2017	38,637

14. Postemployment Benefits

Defined benefit plans

Some subsidiaries have defined benefit retirement pension plans and healthcare plans, for which the liability is determined annually based on actuarial valuations made by independent entities, the cost determined by these valuations being recognised in the year.

Most of the liability for the retirement benefit plans has been transferred to pension funds managed by specialised independent entities. The investment funds policies defines investment principles and assets management guidelines, in compliance with type of Fund, nature of the benefits covered by the Plan, characteristics of the population covered and time horizon of the liabilities assumed, as well as the level of coverage of the Fund's liabilities. The investment policy is reviewed at least every three years, with the definition of a central allocation level for each asset class. Regarding Health Plans, there are no Funds, being the amounts annually supported by the companies.

The valuations as of December 31, 2017 and 2016 were made using the "Projected Unit Credit" method and were based in the following assumptions and technical bases:

	12.31.2017	12.31.2016
Actuarial technical rate		
Portugal	1.85%	1.85%
South Africa	10.39%	9.9%
Annual pension growth rate		
Portugal	1%	1%
Annual fund income rate		
Portugal	1.85%	1.85%
Annual salary growth rate		
Portugal	2%	2%
Mortality tables		
Portugal	TV88/90	TV88/90
South Africa	SA 85-90	SA 85-90
Disability tables		
Portugal	EKV 80	EKV 80
Nominal growth rate of medical costs		
Portugal	2%	2%
South Africa	8.98%	9.2%

In accordance with the actuarial valuations the pension and healthcare benefits costs for the years ended December 31, 2017 and 2016 were as follows:

		Pension plans	
		12.31.2017	12.31.2016
Current service cost		277	460
Interest cost		1,201	1,648
Curtailment / settlements		(3,836)	172
Mutual agreement exits		(488)	-
Expected return of the plans' assets		(1,107)	(1,429)
Total cost/(income) of the pension plans	(I)	(3,953)	852
		Healthcare plans	
		12.31.2017	12.31.2016
Current service cost		96	79
Interest cost		274	285
Plan change		(32)	(132)
Total cost/(income) of the healthcare plans	(II)	338	232
Total cost/(income) of the defined benefit plans	(I) + (II)	(3,615)	1,083

Changes in the amount of the responsibilities for defined benefit plans and related market value of fund assets during the years ended December 31, 2017 and 2016 were as follows:

	Pension plans		Healthcare plans		Total	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Defined benefit liability - 1 january	72,084	70,527	12,038	10,088	84,122	80,615
Transfers (a)	(6,826)	-	-	-	(6,826)	-
Benefits and bonuses paid	(4,880)	(4,828)	(772)	(784)	(5,651)	(5,613)
Current service cost	277	460	96	79	373	539
Past service cost	-	-	(32)	(132)	(32)	(132)
Interest cost	1,201	1,648	274	285	1,476	1,933
Curtailment / Settlements (a)	(3,836)	-	-	-	(3,836)	-
Mutual agreement exits	(488)	-	-	-	(488)	-
Actuarial gains and losses	775	4,277	(2,000)	2,386	(1,225)	6,663
Exchange differences	-	-	(14)	116	(14)	116
Defined benefit liability - 31 december	58,308	72,084	9,590	12,038	67,898	84,122
Value of the pension funds - 1 january	61,394	64,069	-	-	61,394	64,069
Transfers (a)	(6,826)	-	-	-	(6,826)	-
Benefits and bonuses paid	(4,880)	(4,828)	-	-	(4,880)	(4,828)
Expected income of the funds' assets	1,107	1,429	-	-	1,107	1,429
Actuarial gains and losses in income from the funds' assets	606	896	-	-	606	896
Administrative costs	-	(172)	-	-	-	(172)
Value of the pension funds - 31 december	51,402	61,394	-	-	51,402	61,394

(a) In the year ended December 31, 2017, the Company allowed defined benefit plan beneficiaries to voluntarily move to the contribution benefit plan. A total of 139 workers accepted the change, which resulted in transfers between the funds (due to the adjustment between the responsibilities), and in a gain of €3,836.

Sensitivity analysis

Discount rate

The impact of a negative variation of 0.25 p.p. on the discount rate on the liability for defined pension benefit plans and for health plans, was estimated to increase the liabilities in the amount of €1.339 and €288, respectively.

Trend rate

The effect, for health plans, of a positive and negative variation of 1 p.p. on the health care cost trend rate was estimated to increase the liability in the amount of €1.292 or decrease it in €1.060, respectively.

The movements of net actuarial gains and losses during the years ended December 31, 2017 and 2016 were as follows:

	12.31.2017	12.31.2016
Changes during the year:		
Related to the liabilities	1.225	(6.663)
Related to the funds assets	606	896
Corresponding deferred tax	(368)	972
	<u>1.464</u>	<u>(4.794)</u>

In addition, actuarial gains and losses include the following experience adjustments:

	12.31.2017	12.31.2016
Related to the liabilities	(1,841)	1,488
Related to the funds assets	606	896

The difference between the present value of the benefit plan liability and the market value of the funds' assets for the last five years ended December 31 was as follows:

Pension plans	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Liability	58,308	72,084	70,527	73,663	71,402
Value of the pension funds	(51,402)	(61,394)	(64,069)	(66,246)	(68,085)
Deficit	6,906	10,690	6,458	7,417	3,317
Liability for employee benefits:					
Non-current liability	6,922	10,690	6,917	7,417	3,317
Fund surplus	(17)	-	(460)	-	-
Total exposure	6,906	10,690	6,458	7,417	3,317

Healthcare plans	12.31.2017	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Liability for employee benefits:					
Current liability	773	903	899	904	903
Non-current liability	8,817	11,135	9,190	9,812	13,320
Total exposure	9,590	12,038	10,088	10,716	14,223

The Group has not established funds for the healthcare plans. The main assets of the funds as at December 31, 2017 and 2016 were as follows:

	12.31.2017	12.31.2016
Shares	13%	15.3%
Fixed rate bonds	71%	65.9%
Variable rate bonds	1%	1.6%
Real estate investment funds, hedge funds, cash and insurance	15%	17.2%
	100%	100%

For the year ended December 31, 2017, real estate investments include a property valued at €5,723, which is leased to the Group for an annual rental of €375 (€373 in the year ended December 31, 2016).

Defined contribution plans

For the years ended December 31, 2017 and 2016, the Company incurred costs of €978 and €936 on defined contribution plans, respectively.

15. Related Parties

Transactions and balances between Group companies consolidated by the full consolidation method were eliminated in the consolidation process and therefore are not disclosed here. 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.

For the year ended December 31, 2017, it is worth of mention the following transactions with CCSA controlling companies, made in accordance with relevant market conditions:

- The acquisition from Administradora PMV Ltda. and Participações Morro Vermelho S/A, group controlling companies, a 100% stake of CECC – Incorporadora e Administradora de Bens, Ltda. shares, by €14,642 (R\$48,782 thousand) (Note 2). This operation has generated a loss in the amount of €3,443 recorded directly in equity;
- Credit assignment agreements were settled between several group companies, Camargo Corrêa, S.A. and CCSA Finance Ltd., in the amount of around €51,557 (Note 6);
- In the Brazilian business area several lands were sold to Participações Morro Vermelho, S.A. by the amount of €7,259 (R\$26,310 thousand), and in the Portugal and Cape Verde business area were sold several properties to PARMV Properties - Empreendimentos, S.A., by the amount of €3,465;

In addition to reinforce that as identified in Notes 10 and 11, there are loans guaranteed by the Company's controlling entities.

Balances as of December 31, 2017 and 2016 with related parties, are as follows:

	31.12.2017							
	Trade receivables	Current assets Dividends receivable	Advances to suppliers	Other receivables	Non current assets Other receivables	Current liabilities Trade payables	Other payables	Dividends payable
Affiliates:								
Algae	-	-	-	-	25	-	-	-
AVE- Gestao Ambiental e Valorização Energética, S.A.	3	-	-	44	-	441	3	-
Camargo Corrêa Desenvolvimento Imobiliário S.A.	134	-	-	-	-	-	0	-
Camargo Correa Infraestrutura S.A.	2	-	-	-	-	-	-	-
CCR S.A.	3	-	-	-	-	-	12	-
CCSA Finance Ltd.	-	-	-	-	-	-	5,536	-
Concret Mix S.A.	291	-	-	-	-	549	-	-
Consortio Concret Mix & Associados	146	-	-	-	-	-	-	-
Consortio Concret Mix S.A - OCHO A S.A.	11	-	-	-	-	-	-	-
Construções e Comércio Camargo Corrêa S.A.	130	-	302	252	1,335	638	9	-
Constructora Acaray S.A.	58	-	-	-	-	-	-	-
Construshopping S.A.	49	-	-	-	-	-	-	-
OCHO A S.A.	2	-	-	-	-	-	-	-
Setefrete - SGPS, S.A.	-	-	-	15	-	301	-	-
Loma Negra others	-	-	-	-	-	-	-	355
Egypt others	-	-	-	-	-	-	-	37
Others noncontrolling interests	-	-	-	-	-	-	-	84
Controlling shareholders:	-	-	-	-	-	-	-	-
Camargo Corrêa S.A.	-	-	-	38	-	-	1	-
Total as of December 31, 2017	829	-	302	349	1,360	1,930	5,561	477
Total as of December 31, 2016	921	6	-	457	1,832	2,319	98	492

Transactions conducted in the years ended December 31, 2017 and 2016 are as follows:

	31.12.2017			
	Sales	Other operating income	Purchases/ expenses	Financial income
Affiliates:				
Allpar S.E.	40	-	-	-
AVE- Gestao Ambiental e Valorização Energética, S.A.	18	1	2,720	-
Camargo Correa Infraestrutura S.A.	109	-	-	-
CCDI and subsidiaries	1,714	-	-	-
CCR S.A.	1,243	-	-	-
Concret Mix S.A.	3,385	154	8,180	-
Construções e Comércio Camargo Corrêa S.A.	513	-	3,363	21
IEHL	40	-	-	-
Instituto InterCement	-	-	1,097	-
Yguazú others	-	-	9	-
PARMV Properties-Empreendimentos, S.A.	-	-	1,566	-
Setefrete - SGPS, S.A.	-	16	782	-
Tersado - Terminais Portuários do Sado, S.A.	-	-	247	-
Controlling shareholders:				
Camargo Corrêa S.A.	-	-	(71)	-
Participações Morro Vermelho S.A.	-	-	295	-
Total as of December 31, 2017	7,062	170	18,190	21
Total as of December 31, 2016	11,929	18	19,139	-

Management compensation

Of the amount €10,021 paid in the year ended December 31, 2017: (i) €9,988 refers to short-term benefits, such as fees, charges, and other benefits, and (ii) €33 refers to long-term postemployment benefits, such as pension plan contributions (€11,653 in the year ended December 31, 2016, of which (i) €11,539 refers to short-

term benefits, and (ii) €114 refers to long-term postemployment benefits, such as pension plan contributions.

16. Shareholder's Equity

Capital

As of December 31, 2017, the Company's share capital is represented by 25,046,440 registered shares which 22,687,439 are common shares and 2,359,001 are preferred shares.

Capital Reserves - Preferred Shares – InterCement Participações Company

The preferred shares 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.

Earnings reserves

Transactions with non-controlling interests

In the year ended in December 31, 2017, the movement in this caption includes mainly the following:

a) Sale of non-controlling interest: i) the effect, net of expenses, of the sale of a non-controlling interest (IPO) of the Loma Negra (Note 1) with an equity increase by €876,317 (€966,900 after taxes adjustments) of which €599,782 (€670,028 after taxes adjustments) recognized here in this caption (the remaining as an increase in non-controlling interests) and ii) the amount net of tax effect of €32,419 (€51,498 including non-controlling interests), related to the gain on the sale of the participations in Estreito (Note 2);

b) Acquisition of non-controlling interest: an acquisition from minority shareholders of an additional stake of 2.92% of Cimpor shares (Note 1) in the amount of €6,663 which lead to a gain of €57,019 recognized directly in equity.

In the year ended in December 31, 2016 it was included the amount net of tax effect of €75 million (€84 million including non-controlling interests), related to the gain on the sale of the participations in Baesa and Machadinho (Note 2).

Legal and investment reserves

In the year ended in December 31, 2017, those reserves were used to absorb losses.

Dividends

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

As of December 31, 2017, considering the loss of the year no dividend proposal for the common or preferred shares will be presented.

On April 27, 2016, the Company has approved dividends to preferred and ordinary shares amounting to R\$215,027 thousands (€53,804), which has already been paid during the first half of 2016. Dividends are calculated and paid disproportional in accordance with shareholders' agreements and rights for each class of shares.

Other comprehensive income

In the year ended December 31, 2017, the movement in Other comprehensive income includes the negative equity amount of €210,944 corresponding to: i) the positive equity recognition of actuarial losses on the liability to employees in the amount of €1,464; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €227,851 and iii) the positive equity recognition of hedging operations amounting to €15,443.

In the year ended December 31, 2016, included the positive equity amount of €93,388 corresponding to: i) the negative equity recognition of actuarial losses on the liability to employees in the amount of €4,794; ii) the positive equity recognition of exchange differences arising on translating foreign operations in the amount of €138,313 and iii) the negative equity recognition of hedging operations amounting to €40,131.

Non-controlling interests

The non-controlling interests movements occurred during the year ended December 31, 2017, regarding the main transactions with sales and acquisitions of participations and other comprehensive income, were as follows:

- The impact of the sales of participations in non-controlling interests, especially with the sale of the participation in Estreito and Loma Negra "IPO", was €19,079 and €276,535 (€296,872 after taxes adjustments), respectively;
- In relation with the acquisitions, it is worthy of mention the effect of €63,682 with the additional stake of 2.92% of Cimpor shares;
- In other comprehensive income, the negative amount of €95,933 corresponds to: i) the positive equity recognition of actuarial losses on the liability to employees in the amount of €340; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €99,912 and iii) the positive equity recognition of hedging operations amounting to €3,639.

Additionally, in this caption, Preferred shares of special purpose entities of Barra Grande Participações, Machadinho Participações and Estreito Participações, were booked. These preferred shares have certain specific characteristics, in particular, in terms of:

- Right to priority dividends of the profit and/or reserves distributed in each year;
- Absence of voting rights (except for specific matters established in the corresponding statutes);
- Priority relating to the common shares in case of liquidation;
- Be converted into common shares (conversion rights);

- Non-participation in future capital increases.

There is also contracts clauses establish a set of assumptions which regulate terms of an eventual divestment by the holders, including rights to receive minimum dividends, as well as rights to convert preferred shares into common shares. The Company is not required or obligated to repurchase these preferred shares any time.

Considering all contract characteristics, attending to the disposals of IAS 32, the referred instruments (either Barra Grande, Machadinho and Estreito) acquire characteristics of equity and financial instruments components, taking into account that those instruments simultaneously incorporate components that can be classified as an equity instrument and a financial instrument (financial asset or liability). Consequently, these components were measured and recognized separately in the financial statements, as follows:

- a) The initial contribution received as a consideration of such preferred shared by InterCement Brasil was classified as an equity instrument, taking into consideration that, under the terms established, there is no obligation to repurchase those shares (obligation to deliver cash or other financial assets), as well as convertibility clauses in common shares (by option of the shareholders) and their respective dividends;
- b) There are also contractual clauses regards to options of minimum return and possible coverage of significant devaluation of these investments, for a period up to seven years or by the holders during that period, respectively. Such options generated gain or loss for the Company and such instruments were classified as derivative financial instruments and measured at fair value at the date of the financial statements.

In addition in the years ended December 31, 2017 and 2016, dividends to non-controlling interests were declared in the amount of, respectively, €16,964 and €579.

17. Income Tax and Social Contribution

For the years ended December 31, 2017 and 2016 the reconciliation between the nominal and the effective income tax was as follows:

	12.31.2017	12.31.2016
Loss before income tax and social contribution	(293,452)	(640,356)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	99,774	217,721
Adjustments to calculate income tax and social contribution at effective rates:		
Equity method gain	294	295
Permanent additions / (deductions), net (a)	(9,762)	(7,320)
Impairment losses on goodwill (b)	-	(133,060)
Unrecorded deferred income tax and social contribution tax (c)	(105,476)	(20,309)
Adjustments to deferred taxes (d)	(105,548)	(59,993)
Other (e)	(16,508)	(12,381)
Income tax and social contribution expense	(137,226)	(15,047)
Income tax and social contribution expense - Current	(77,547)	(49,196)
Income tax and social contribution expense - Deferred	(59,679)	34,149

- (a) Includes the effect of the differences in tax rates and other adjustments;
- (b) In the year ended December 31, 2016 it relates to impairment loss on goodwill which is not deductible for income taxes purposes (Note 9);
- (c) In the years ended December 31, 2017 and 2016, includes the tax effect from losses on entities not recognized since at present there are no projections that enable them to be expected to be recovered;
- (d) Includes the elimination of deferred tax assets in several jurisdictions due to uncertainty to recover it, mainly from Brazil business area, and also the effect in deferred tax from the change in tax rate in the Argentinian business area;
- (e) The caption Other, in the years ended December 31, 2017 and 2016, includes the registration of a tax income charge of around €7 million and around €12 million, related to the staged payments agreements from additional tax assessments made by tax authority to one of our companies in Egypt, referring to the year 2008 and 2000 to 2004, respectively. The Board of Directors has judicially appealed and, supported by the counsellors opinion, understands that the tax authorities have no grounds regarding the maintenance of the substantial of those assessments.

In addition, in the year ended December 31, 2017, also in the subsidiaries of Egypt business area, provisions for corporate income tax for the years 2004 to 2014, in the amount of approximately €9 million,

were booked (see Note 12).

Deferred income tax and social contribution

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

In addition to the income tax charge, for the years ended December 31, 2017 and 2016, the Group recorded deferred tax of €89,286 and €31,342, respectively, directly in equity.

Deferred income tax and social contribution are broken down as follows:

	12.31.2017	12.31.2016
Assets:		
Tax loss carryforwards	35,109	77,026
Tax, labor and civil liability	11,952	15,466
Valuation of the useful lives of property, plant and equipment	1,925	1,983
Allowance for doubtful debts	2,357	4,293
Provision for environmental recovery	629	6,186
PIS and COFINS on financial income and other nonoperating income (taxes in installments)	-	8,118
Accrued profit sharing	-	3,350
Provision for outside services	-	1,976
Exchange rate changes taxed on a cash basis	-	7,582
Other temporary provisions	29,273	35,817
Total assets	81,245	161,797
Liabilities:		
Goodwill amortization (future earnings)	45,023	152,112
Exchange rate changes taxed on a cash basis	11,826	-
Deemed cost of property, plant and equipment	47,068	52,370
Useful life estimate of property, plant and equipment (a)	34,311	42,513
Measurement of assets acquired at fair value (b)	138,403	162,091
Provision for environmental recovery	3	3
Present value adjustment - Banco Itaú debt - Fomentar	-	1,313
Other temporary provisions	20,509	23,397
Total liabilities	297,143	433,799
Total net in noncurrent assets	16,860	29,827
Total net in noncurrent liabilities	232,758	301,829

(a) In Brazil business area, these taxes continue to comply with Decree 3000/99, Income Tax Regulation (RIR).

(b) Refers to the revaluation of assets at fair value on the acquisition of subsidiary CIMPOR, in 2012.

As of December 31, 2017, considering market conditions the Brazilian operations and management expectation regards to realization of the majority tax loss carry forwards will occur only after 2020, management has decided to record an allowance provision for the deferred taxes assets in the amount by approximately €104 million (R\$376 million), based on possible uncertainty in the future assumptions.

These estimates are based on the Company's history of profitability, projected future taxable income and estimated period for reversal of temporary differences.

18. Net Revenue

The breakdown of the Company's net revenues for the years ended December 31, 2017 and 2016 is as follows:

	12.31.2017	12.31.2016
Products sold	1,993,236	1,972,718
Services provided	112,125	118,986
(-) Taxes on sales	(178,259)	(212,498)
(-) Rebates/discounts	(42,338)	(36,222)
Total	<u>1,884,764</u>	<u>1,842,984</u>

Taxes on sales comprise federal, state and municipal taxes such as Federal VAT (IPI), State VAT (ICMS), Taxes on Revenues (PIS and COFINS), and Service Tax (ISS).

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

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

	12.31.2017	12.31.2016
Depreciation, amortization, and impairment losses (a)	(446,722)	(593,048)
Salaries and employee benefits	(295,971)	(293,064)
Raw materials and consumables	(399,269)	(419,807)
Tax expenses	(36,537)	(17,837)
Outside services	(207,767)	(195,237)
Rental	(17,212)	(23,178)
Freight expenses	(180,888)	(168,802)
Maintenance costs	(110,008)	(101,053)
Fuel	(145,875)	(133,440)
Electricity	(134,789)	(133,746)
Reversal (recognition) of provision for risks	(20,660)	(2,936)
Gain on sale of property, plant and equipment	7,292	11,858
Gain on sale of carbon credits	3,869	6,231
Other (expenses)/income (net)	(52,916)	(26,235)
Total	(2,037,453)	(2,090,294)
Cost of sales and services	(1,518,347)	(1,463,581)
Administrative and selling expenses	(287,082)	(277,647)
Other (expenses)/income (net) (a)	(232,024)	(349,066)
Total	(2,037,453)	(2,090,294)

(a) In the years ended December 31, 2017 and 2016 includes the impairment in the tangible assets and goodwill, amounting to €233,573 (Note 8) and €391,352 (Note 9), respectively.

20. Financial Income (expenses) and Foreign exchanges losses (net)

	12.31.2017	12.31.2016
Foreign exchange gains / (losses), net (a):		
Exchange gain	249,756	72,591
Exchange loss	(121,445)	(196,702)
Total	128,311	(124,111)
Financial income:		
Inflation adjustment	6,724	8,420
Financial earnings	17,405	23,594
Interest income	1,369	1,679
Derivative financial instruments (b)	7,562	-
Other income (c)	1,779	34,810
Total	34,839	68,503
Financial expenses:		
Inflation adjustment	(3,447)	(7,402)
Expenses on interest and charges	(226,009)	(264,941)
Expenses on banking commissions	(23,317)	(21,290)
Fines (d)	(22,084)	(515)
Derivative financial instruments (b)	(10,221)	(3,975)
Loss recognized in asset held for sale	(5)	-
Other expenses (c)	(19,694)	(40,183)
Total	(304,777)	(338,306)

- (a) In the years ended December 31, 2017 and 2016, the exchange differences are mainly influenced by the valuation and devaluation of functional currencies against other currencies (mainly USD and Euro). In the year ended December 31, 2017 and mainly due to the settlement of the derivative instruments occurred in March and April (Note 25), exchanges variations from the loans were not fully compensated by derivative instruments, consequently, positive exchange differences of around €96 million were booked due to the favourable exchange rate of the euro against USD.
- (b) These captions are composed by fair value variation of trading derivative financial instruments contracted to cover exchange and interest rate risks, and the written-put options in connection with “Baesa”, “Machadinho” and “Estreito” operations (see Note 25.4);
- (c) In Other financial income and expenses, are included income and costs related to the financial adjustments of assets and liabilities, including the effect of the financial adjustment of provisions (Note 11), prompt payment discounts granted and obtained and the costs related to commissions, guarantees and other bank charges in general. In the year ended December 31, 2016, this caption was also influenced by the repurchase of bonds issued by Cimpor Financial Operations, B.V. with a nominal value of USD 108,378 thousand which has generated a financial income in the amount of €23,429.

- (d) In the year ended December 31, 2017 includes the estimation of delayed interests related with the industrial license in the Egypt business area (see note12)

21. Commitments

- (a) Lease agreements as lessee

Operating land, real state, vehicles, machinery and equipment lease agreements are effective from five to ten years. Lease payments are expected to be paid, in nominal amounts, as follows:

	12.31.2017	12.31.2016
Up to one year	9,535	4,288
From one to five years	11,997	51,509
More than five years	26	4,059
Total	21,558	59,856

The Group recognized, for the year ended December 31, 2017, as operating lease expenses in the amount of €12,941 (€16,507 for the year ended December 31, 2016).

- (b) Purchase agreements

InterCement Brasil has a contractual agreement for purchase of raw slag effective until 2021 adjusted by the General Market Price Index (IGP-M) ("take or pay contract") and also contracts for the acquisition of electric power until 2020, whose total estimated cash disbursements, in nominal amounts, are as follows:

	12.31.2017	12.31.2016
2017	-	12,344
2018	6,534	12,344
2019	7,355	12,344
2020	7,880	12,344
2021	-	1,029
Total	21,769	50,405

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:

	12.31.2017	12.31.2016
2017	-	24,452
2018	40,242	15,333
2019	22,572	14,797
2020	14,008	10,721
2021	12,448	22,212
After 2021	77,789	-
Total	167,059	87,515

The increase in commitments is due to an energy contract in the Argentinian business area, in the amount of €78 million (USD 92.4 million), starting in 2018 and for a period of 20 years.

Additionally, in accordance with the contract concluded with Sinoma International Engineering Co. Ltd for the construction of a new cement plant, Loma Negra C.I.A.S.A. assumed at December, 31, 2017 commitments in a total of €277,600 (ARS 6,212,214 thousand). The total amount is divided into ARS 2,167,648 thousand, USD 41,575 thousand and €107,415. The value in pesos is subject to a periodic update in accordance with an adjustment formula, so the committed amount at December 31, 2017 amounts to a total of ARS 2,397,552 thousand.

22. Earnings Per Share

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

	12.31.2017	12.31.2016
Loss for the year attributable to Company's owners	(363,728)	(508,316)
Loss for the year attributable to common shares	(363,728)	(508,316)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted earnings (loss) per common share	(16.03)	(22.41)

As a result of the net loss for the years ended December 31, 2017 and 2016 the loss per share calculation does not include profit allocation to preferred shares.

23. Insurance

Each business area is covered by Cimpore Reinsurance, S.A. that is a reinsurance company responsible for managing the operational risk. This company directly assumes all property damage with indemnity limits of up to €3,0 million per insured event, and third-party and product risks up to €250 per insured event; in each case, the excess is covered by international insurance companies. Cimpore Reinsurance, S.A. covers all business areas, except for third-party and product risks of the companies in business area Argentina.

Argentina business area companies have the policy of coverage insurance for third-party and product risks according to Management's assessment.

24. Guarantees

The comfort letters and guarantees given in the Group, in the amount of €2.6 billion, relates to financial liabilities already reflected in the consolidated financial position. In addition, as of December 31, 2017, several Group companies obtained guarantees with third parties, mainly related with tax processes, in the amount of €435 million (€473 million as of December 31, 2016).

25. 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 Group contracts short-term investments, borrowings and financing, as well as derivatives.

25.1 Capital risk management

The Group capital structure consists on net debt (borrowings less cash equivalents and securities) and equity (which includes issued capital, reserves, retained earnings and non-controlling interests).

In the year ended December 31, 2017 the Group achieved a significant improvement in its capital structure by reducing the level of indebtedness, mainly due to the operations of attracting minorities' shareholders to business equities (Loma Negra IPO and Estreito participation – see note 1 and 2). These operations allowed continuing the improvement of the Group financial position.

Concerning to the financing of its activity, ICP will continue to optimize its capital structure by promoting the reduction of the level of indebtedness leverage. For this purpose, it will combine the decrease in capital employed, the sale of non-strategic assets and minority interests, the CAPEX discipline and the increase in cash flow generation - either through EBITDA, or through the development of the working capital program.

25.2 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 is deemed to mean 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 meticulous financial planning based on multi-year budgets.

Furthermore, another concern of the Group is that the processes for managing these risks meet internal information needs and also 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 have been concluded beforehand, in accordance with international standards.

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

25.3 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 are normally contracted to hedge this type of risk, in accordance with the Group's expectations concerning the development of market rates.

Exposure to interest rate risks and to floating and fixed rates

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

	12.31.2017	12.31.2016
Assets:		
CDI	38,823	55,795
SELIC	36,558	33,466
Total	75,381	89,261
Liabilities:		
IGP-M	6,937	8,513
CDI	630,798	903,445
EURIBOR	419,559	531,411
LIBOR	662,014	458,907
TJLP	4,452	45,025
Others	40,865	120,225
Total	1,764,625	2,067,525

At December 31, 2017 and 2016 the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, was as follows:

	12.31.2017	12.31.2016
Floating rates	66%	61%
Fixed rates	34%	39%

25.4 Exchange rate risk

The Group's exposition to the exchange-rate risk for the currencies of different countries, particularly the following ones, due to the amounts of capital invested in each 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 made in those countries. These operations are not frequent, considering such operations which is generally too high considering the risks involved.

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.

The Company owns in the derivatives portfolio, hedging instruments, to help manage the Group's exchange exposure, namely a cross-currency swap that transforms a liability in USD to a liability contracted in Euros.

Exposure to foreign exchange risk

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

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

	12.31.2017	12.31.2016
Assets:		
Cash, cash equivalents and securities	803,623	298,927
Trade receivables	7,379	5,396
Related parties (a)	544,658	458,849
Other credits	3,552	373
Exposed assets	<u>1,359,212</u>	<u>763,545</u>
Liabilities:		
Interest, borrowings, financing and debentures	1,155,280	546,738
Foreign trade payables	32,981	51,439
Related parties (a)	430,052	458,237
Other debits	233	-
Exposed liabilities	<u>1,618,313</u>	<u>1,056,413</u>

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

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

2017			
Functional currency	Currency	Currency	Euros
ARS	USD	54,402	45,338
BRL	USD	143	119
PYG	USD	444	370
EGP	USD	2,587	2,156
EUR	USD	906,186	755,212
MZN	USD	90	75
ARS	BRL	10	2
PYG	BRL	1	0
ARS	EUR	15	15
PYG	EUR	28	28
EGP	EUR	32	32
MZN	EUR	142	142
EUR	EGP	2,731	128
ARS	PYG	6,155	1
MZN	ZAR	45	3
Amount exposed to foreign exchange risks			803,623
BRL	BRL	329,808	83,090
EUR	EUR	142,465	142,465
ARS	ARS	2,031,925	90,799
MZN	MZN	689,770	9,837
EGP	EGP	317,394	14,921
PYG	PYG	30,133,107	4,484
ZAR	ZAR	703,797	47,696
CVE	CVE	317,392	2,878
			396,171
			1,199,794

The main debt instruments as at December 31, 2017 and 2016, and considering the effect of the existing cross currency swaps, were denominated in the following currencies:

	12.31.2017	12.31.2016
USD	42%	17%
BRL	23%	28%
EUR	30%	50%
Other	5%	5%

25.5 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.

The refinancing processes of 2016 allowed to an improvement in the debt profile, by reducing the average cost of debt, ensuring a significant level of liquidity and the concentration of large refinancing only after 2019.

The debt profile, together with the significant amount in cash and cash equivalents at the end of the year practically eliminates the Group's liquidity risk and results in the need for the existence of backup lines being residual.

As of December 31, 2017 the level of liquidity would be sufficient to cover the financial commitments for the following two years and the safeguarding of the average debt maturity period of 3.6 years.

25.6 Credit risk

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

The Group's degree of solvency is also reflected in its Leverage ratio (Net Debt / EBITDA). As described in Notes 10 and 11, as of December 31, 2017, the Company agreed with financial institutions the increase of such parameters from 4.5 to 5.0 (ratio Net Debt versus EBITDA). As of that date the covenants conditions were met.

Besides Financial Covenant (Net Debt / EBITDA), the Group is also subject to some other restrictive clauses, such as "Change of control" and "Cross acceleration".

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist primarily of short-term investments and trade receivables. 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.

25.7 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.

No losses due to non-compliance are expected based on the information currently available.

25.8 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 December 31, 2017 were as follow:

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

A parallel change of +/- 1% in the interest rate curve with all the other assumptions remaining constant would result in an increase in financial costs for the period then ended (before taxes) of approximately €7 million on the euro liability indexed to the variable rate, and USD 7 million on the variable rate loan, and €6 million on the Real variable rate loan, as shown in table below:

Indexing	Currency	Value	1%	2%	3%
Euribor	EUR	419,559	4,196	8,391	12,587
US Libor	USD	662,014	6,620	13,240	19,860
CDI	BRL	630,798	6,308	12,616	18,924

Additionally, in the case of rates indexed in R\$ (Brazilian reais), 3 scenarios were also simulated: Scenario 1, assuming the expected rates according with the market, and two scenarios of increase of 25% (Scenario 2) and 50% (Scenario 3, Remote) in the rates, being specifically considered that as there were significant amounts invested in this currency, there was a simulation of the impact that an decrease in rates would have on these applications (CDI and Selic – Assets). The results for the assets and liabilities impacts are as follows:

	Total	Risk	Scenario 1	Scenario 2	Scenario 3
Asset					
CDI	38,823	Index Decrease	2,601	1,951	1,301
SELIC	36,558	Index Decrease	2,511	1,884	1,256
Liability					
IGP-M	6,937	Index Increase	270	337	405
CDI	630,798	Index Increase	42,263	52,829	63,395
TJLP	4,452	Index Increase	312	390	467

b) Exchange rates

In the debt and financial derivatives components, considering the currency distributing aforementioned, the exchange rate risks result from exchange rate volatility as well as its impact on consolidated financial results.

Considering the Group's companies financial asset and liability profile (including intercompany balances) at December 31, 2017 the more significant impact on net financial results would be as follows:

Amount in USD	Funcional currency	FX Rate (31-12-17)		USD depreciation		0.0%	USD appreciation	
				-10%	-5.0%		5.0%	10.0%
-170,215	EUR	1.1999	Effect in EUR	-14,186	-7,093	-	7,093	14,186
-58,121	ARS	18.65	Effect in ARS	-108,397	-54,198	-	54,198	108,397
			Effect in EUR	-5,382	-2,549	-	2,307	4,403
-3,500	PYG	5,600.98	Effect in PYG	-1,960,107	-980,054	-	980,054	1,960,107
			Effect in EUR	-324	-154	-	139	265
-139,718	BRL	3.31	Effect in BRL	-46,219	-23,109	-	23,109	46,219
			Effect in EUR	-12,938	-6,128	-	5,545	10,585
82,595	ZAR	12.30	Effect in ZAR	101,571	50,785	-	-50,785	-101,571
			Effect in EUR	7,648	3,623	-	-3,278	-6,258
-25,753	EGP	17.73	Effect in EGP	-45,655	-22,827	-	22,827	45,655
			Effect in EUR	-2,385	-1,130	-	1,022	1,951
-125,544	MZN	58.43	Effect in MZN	-733,614	-366,807	-	366,807	733,614
			Effect in EUR	-11,625	-5,507	-	4,982	9,512

Amount in EUR	Funcional currency	FX Rate (31-12-17)		EUR depreciation			EUR appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
-33,130	ZAR	14.76	Effect in ZAR	48,886	24,443	-	-24,443	-48,886
			Effect in EUR	3,068	1,453	-	-1,315	-2,510
165,067	BRL	3.97	Effect in BRL	-65,520	-32,760	-	32,760	65,520
			Effect in EUR	-15,285	-7,240	-	6,551	12,506

Amount in EGP	Funcional currency	FX Rate (31-12-17)		EGP depreciation			EGP appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
35,401	EUR	21.27	Effect in EUR	166	83	-	-83	-166

(Thousand)

25.9 Categories of financial instruments

	12.31.2017	12.31.2016
Current assets:		
Financial assets at amortized cost:		
Cash and bank accounts (Note 4)	909,868	325,110
Short-term investments - financial asset	237,555	157,680
Trade receivables (Note 6)	82,324	137,605
Related parties		-
Other receivables	36,396	52,079
Financial assets at fair-value:		
Exclusive funds	52,371	105,125
Derivatives (Note 25.10)	3,856	26,450
Non-current assets:		
Financial assets at amortized cost:		
Long-term investments - financial asset	2,053	2,928
Trade receivables (Note 6)	1,137	6,199
Other receivables	20,541	27,473
Financial assets at fair-value:		
Derivatives (Note 25.10)	6,690	215,450
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	105,682	121,926
Borrowings and financing (Note 10)	467,604	213,866
Trade payables	291,649	311,631
Interest payable (Notes 10 and 11)	57,571	95,678
Other payables	42,221	30,223
Financial liabilities at fair value:		
Derivatives (Note 25.10)	-	8,287
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 11)	895,403	1,157,415
Borrowings and financing (Note 10)	1,244,050	1,932,136
Trade payables	6,142	9,199
Other payables	16,252	13,831
Financial liabilities at fair value:		
Derivatives (Note 25.10)	16,589	7,468

25.10 Derivative transactions

As of December 31, 2017 and 2016, the fair value of derivatives is as follows:

	Other assets				Other liabilities			
	Current		Non Current		Current		Non Current	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Trading derivatives	-	-	6,690	200	-	4,876	-	-
Cash flow hedges - Interest rate and cross currency swaps	3,856	26,450	-	215,249	-	3,411	16,589	7,468
	3,856	26,450	6,690	215,450	-	8,287	16,589	7,468

Hedging derivatives

The following schedule shows the operations at December 31, 2017 and 2016 that qualify as hedging accounting instruments:

						Fair value	
Type of hedge	Notional	Type of Operation	Maturity	Financial purpose		12.31.2017	12.31.2016
Cash-flow	USD 200,000,000	Cross Currency Swap to EUR	Jul/24	Switch a USD loan into EUR loan	(a)	-	36,488
Cash-flow	USD 100,000,000	Cross Currency Swap to EUR	Jul/24	Switch a USD loan into EUR loan	(a)	-	15,960
Cash-flow	USD 50,000,000	Cross Currency Swap to EUR	Jul/24	Switch a USD loan into EUR loan	(a)	-	9,073
Cash-flow	USD 150,000,000	Cross Currency Swap to EUR	Jul/24	Switch a USD loan into EUR loan	(a)	-	26,021
Cash-flow	USD 195,750,000	Cross Currency Swap to EUR	Feb/19	Switch a USD loan into EUR loan	(a)	-	28,977
Cash-flow	USD 217,500,000	Cross Currency Swap to EUR	Feb/19	Switch a USD loan into EUR loan	(a)	-	43,488
Cash-flow	USD 424,000,000	Cross Currency Swap to EUR	Jan/22	Switch a USD loan into EUR loan	(a)	-	81,692
Cash-flow	EUR 379,218,809	Interest Rate Swap	Jan/22	Switch to fixed interest rate	(a)	-	(10,878)
Cash-flow	USD 292,000,000	Cross Currency Swap to EUR	Jan/22	Switch a USD loan into EUR loan	(b)	(12,733)	-
						(12,733)	230,821

(a) Derivative instruments settled in March and April 2017, having been received, during the year ended December 31, 2017, the amount of €209,004 at the time of its settlements. In accordance with IAS 39, the remaining amount excluding tax effect, accumulated up to December 2017, recorded as “other comprehensive income”, in the amount of approximately €18,000 will be amortized to profit and loss, when the cash flow is realized;

(b) On June 29, 2017 a cash-flow derivative to hedge a financial debt of USD 292 million was contracted. Because the conditions of such instrument only allow hedge to start from July 31, 2017, it was recorded as being as held for trading until that date.

On December 31, 2017, essentially due to the derivative settlements occurred in March and April, the debt exposure to USD dollar increased by USD 953 million compared to the December 2016 exposure.

Trading derivatives

In the year ended December 31, 2017, the settlement of the derivative financial instrument that did not qualified as hedge accounting, resulted in a payment of €4,548, being maintained in the portfolio at December 31, 2017 three derivatives (the first two ones in 2016) written-put options in connection with "Baesa", "Machadinho" and "Estreito" operations, whose asset and liability fair value as of December 31, 2017 and 2016, were of about €6,690 and €248, respectively.

25.11 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 December 31, 2016 in accordance with the following fair value seniority levels:

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

Category	Item	Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	Cash and cash equivalents	52,371	-	-
Financial assets at fair value	Financial derivative instruments	-	3,856	6,690
Liabilities:				
Financial liabilities at fair value	Financial derivative instruments	-	16,589	-

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 non-current loans the majority of financial assets and liabilities mature in the short term and so their fair value is considered to be the same as their book values.

Regarding loans and debentures, as shown in Notes 10 and 11, in general, are contracted at variable interest rates. Consequently, it is understood that the corresponding book value (amortized cost) does not differ significantly from their corresponding market value, except for the Senior Notes issued by Cimpor B.V. and for the fixed interest rate loans contracted in the Brazilian segment (and also in the Argentinian and Paraguayan segments for the presented comparative December 2016), which effect of their valuation to fair value in relation to their book value being as follows:

	12.31.2017	12.31.2016
Fair value	1,012,444	1,410,143
Carrying amount	1,019,187	1,500,195

26. Supplemental Cash Flow Information

Investment and financing activities not involving cash

	12.31.2017	12.31.2016
Interest capitalization	121	854
Non-cash acquisition of property, plant and equipment	-	19,186
Purchase of property, plant and equipment through trade payables	1,788	17,791
Purchase of intangibles through trade payables	14,169	6,141
Sales of property, plant and equipment that will be received futurally	2,649	4,275

27. 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 profit and loss information are as follows:

	12.31.2017				12.31.2016			
	Net Revenue			Results	Net Revenue			Results
	Foreign sales	Intersegment sales	Total		Foreign sales	Intersegment sales	Total	
Operating segments:								
Brazil	453,607	1,017	454,624	(307,595)	523,198	1,305	524,503	(406,147)
Argentina and Paraguay	811,211	-	811,211	176,236	644,733	-	644,733	123,224
Portugal and Cape Verde	230,773	56,853	287,626	(10,978)	199,495	60,828	260,323	(3,642)
Egypt	104,024	-	104,024	(24,447)	176,860	-	176,860	12,507
Mozambique	96,417	-	96,417	1,814	123,764	-	123,764	13,568
South Africa	133,696	2,386	136,082	21,110	108,509	2,955	111,464	22,542
Total	1,829,728	60,256	1,889,984	(143,860)	1,776,559	65,088	1,841,647	(237,948)
Unallocated (a)	55,036	144,237	199,273	(8,829)	66,426	144,243	210,669	(9,362)
Eliminations	-	(204,492)	(204,492)	-	-	(209,331)	(209,331)	-
Sub-total	1,884,764	-	1,884,764	(152,689)	1,842,984	-	1,842,984	(247,310)
Share of profit of associates				864				868
Income before financial income (expenses)				(151,825)				(246,442)
Foreign exchange gains/(losses), net				128,311				(124,111)
Financial income				34,839				68,503
Financial expenses				(304,777)				(338,306)
Income before income tax and social contribution				(293,452)				(640,356)
Income tax and social contribution				(137,226)				(15,047)
Loss for the year				(430,678)				(655,403)

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

During the year ended December 31, 2017, operating results in the segment “Portugal and Cape Verde” are positively influenced by a net gain of €3,869 (€6,231 in year ended December 31, 2016), as a result of the sale of 750,000 tons of CO2 emissions allowances (3,200,000 tons of allowances in the year ended December 31, 2016), deducted of the liability of €172 (€9,426 in the year ended December 31, 2016), corresponding, essentially, to 35,784 tons of CO2, emitted above the licenses held, totalizing 2,398,347 tons of CO2 emitted in the year ended December 31, 2017 (2,070,879 tons of CO2 emitted in the year ended December 31, 2016).

Also note that, in the year ended December 31, 2017, was also contracted the purchase of 2,000,000 tons of CO2 emissions allowances, by the amount of €9,503 (in the year ended December, 31, 2016, 2,940,000 tons of CO2 emissions allowances were purchased, by the amount of €22,296). In April 2017, 2,106,622 licenses were used, relating to emissions in the year 2016 (in April 2016, 2,927,535 licenses were returned, relating to emissions in the year 2015).

The profit for each years above includes the full amount of the Company’s segments disregarding the following amounts attributable to noncontrolling interests:

Noncontrolling interests		
	12.31.2017	12.31.2016
Operating segments:		
Brazil	(94,326)	(120,711)
Argentina and Paraguay	39,537	10,273
Portugal and Cape Verde	(2,808)	(1,794)
Egypt	(14,654)	(3,864)
Mozambique	7,053	(15,806)
South Africa	2,019	2,489
	(63,179)	(129,413)
Unallocated	(3,771)	(17,674)
	(66,950)	(147,087)

Other information:

	12.31.2017		12.31.2016	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	45,231	311,554	38,104	468,297
Argentina and Paraguay	71,021	34,571	60,444	40,004
Portugal and Cape Verde	5,595	58,388	8,341	41,689
Egypt	14,599	23,920	42,044	22,399
Mozambique	6,216	6,511	5,722	6,170
South Africa	7,223	9,917	4,442	7,421
	149,885	444,861	159,097	585,980
Unallocated	1,800	1,861	1,759	7,068
Total	151,685	446,722	160,856	593,048

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

In the year ended December 31, 2017 impairment losses were recorded in Brazilian business segment for tangible assets in the amount of €233,573, in Portugal and Cape Verde business segment were registered impairment losses on tangible and intangible assets amounting of €6,730 and €2,175, and in Egypt business area an impairment related with fixed assets in the amount of €8,552 was booked (Notes 8 and 9).

In the year ended December 31, 2016, impairment losses were recorded in Brazilian business segment for goodwill in the amount of €391,352, and it is also worthy of mention in this year, impairment loss in tangible assets unallocated to operating segments, in the amount of €4,281 (Notes 8 and 9).

In addition, segment assets and liabilities reconciled with the consolidated balances as of December 31, 2017 and 2016 are as follows:

	12.31.2017			12.31.2016		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	1,797,170	1,084,849	712,321	2,634,316	1,422,322	1,211,994
Argentina and Paraguay	821,083	381,235	439,848	815,454	467,661	347,793
Portugal and Cape Verde	859,140	383,624	475,516	755,806	411,951	343,855
Egypt	222,793	157,506	65,287	254,226	110,963	143,263
Mozambique	197,421	145,498	51,923	204,868	173,504	31,364
South Africa	364,037	100,672	263,365	351,045	145,045	206,000
Total	4,261,644	2,253,384	2,008,260	5,015,715	2,731,446	2,284,269
Unallocated	1,249,422	1,962,846	(713,424)	1,023,499	2,362,606	(1,339,107)
Eliminations	(546,234)	(546,234)	-	(630,477)	(630,477)	-
Other investments	8,625	-	8,625	9,976	-	9,976
Total segments	4,973,457	3,669,996	1,303,461	5,418,713	4,463,575	955,138

The assets and liabilities unallocated includes assets and liabilities not attributable to specific segments

basically allocated to holding and trading companies.

28. Events After the Reporting Period

InterCement Liability Management plan

In 2018, following InterCement Liability Management plan, the company has prepaid debt in the amount of €289 million rebalancing the maturity curve and expanding the average maturity. Syndicated and bilateral loans at holding companies were prioritized. The prepayment of the Syndicated Loan amounted to €199 million - 30% of total amount -, while total prepayments of Bilateral Loans amounted to €90 million.

New Cement Grinding in Mozambique

In March 2018, InterCement acquired a new cement gridding in the region of Matola (Mozambique) for the amount of USD 32.5 million, reaffirming its commitment to the further economic development of the region.

29. Authorization for Completion of Financial Statements

At the meeting held on April 25, 2018, the Board of Directors authorized the completion of this consolidated financial statements.

INTERCEMENT
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InterCement

**Building
sustainable
partnerships**