*(Convenience Translation into English from the Original Previously Issued in Portuguese)*

# *InterCement Participações S.A. and Subsidiaries*

*Consolidated Financial Statements for the Year Ended December 31, 2013 and Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Directors and Management of
InterCement Participações S.A.
São Paulo - SP

We have audited the consolidated financial statements of InterCement Participações S.A. ("Company"), which comprise the balance sheet as of December 31, 2013, and the statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the financial statements**

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of InterCement Participações S.A. as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the IASB.

**Other matters**

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 28, 2014

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Roberto P. Carneiro
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(In thousands of euros - €)

| ASSETS | Note | 12.31.2013 | 12.31.2012 (Restated) |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 1,227,676 | 990,170 |
| Securities | 5 | 50,570 | 59,724 |
| Trade receivables | 6 | 212,492 | 211,124 |
| Allowance for doubtful debts | 6 | (31,480) | (40,033) |
| Inventories | 7 | 428,469 | 420,081 |
| Recoverable taxes | | 76,248 | 48,660 |
| Assets classified as held for sale | | 237 | 10,587 |
| Related parties | 15 | 868 | 2,279 |
| Other receivables | | 73,218 | 48,691 |
| Total current assets | | 2,038,298 | 1,751,283 |
| NONCURRENT ASSETS | | | |
| Securities | 5 | 1,627 | 1,199 |
| Trade receivables | 6 | 245 | 118 |
| Related parties | 15 | - | 20 |
| Inventories | 7 | 21,778 | 18,121 |
| Recoverable taxes | | 21,273 | 21,785 |
| Deferred income tax and social contribution | 17 | 80,337 | 6,877 |
| Escrow deposits | | 13,876 | 16,785 |
| Other receivables | | 25,489 | 13,385 |
| Investments | | 20,357 | 36,295 |
| Property, plant and equipment | 8 | 2,604,005 | 2,883,437 |
| Intangible assets: | | | |
| Goodwill | 9 | 2,135,017 | 2,490,091 |
| Other intangible assets | 9 | 231,404 | 268,206 |
| Total noncurrent assets | | 5,155,408 | 5,756,319 |
| TOTAL ASSETS | | 7,193,706 | 7,507,602 |

| LIABILITIES AND EQUITY | Note | 12.31.2013 | 12.31.2012 (Restated) |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Trade payables | | 296,836 | 274,068 |
| Debentures | 11 | 179 | 219 |
| Borrowings and financing | 10 | 104,682 | 202,187 |
| Interest payable | 10 and 11 | 76,652 | 59,793 |
| Taxes payable | | 57,401 | 59,589 |
| Payroll and related taxes | | 54,053 | 51,912 |
| Dividends and interest on capital | 15 | 39,134 | 1,333 |
| Advances from customers | | 17,397 | 7,415 |
| Related parties | 15 | 1,131 | 1,134 |
| Actuarial liabilities | 14 | 903 | 902 |
| Other payables | | 26,576 | 30,598 |
| Total current liabilities | | 674,944 | 689,148 |
| NONCURRENT LIABILITIES | | | |
| Trade payables | | 13,496 | 23,012 |
| Debentures | 11 | 835,577 | 1,000,400 |
| Borrowings and financing | 10 | 2,803,423 | 2,822,235 |
| Provision for tax, civil and labor risks | 12 | 82,431 | 131,657 |
| Provision for environmental recovery | 13 | 42,802 | 48,625 |
| Taxes payable | | 7,664 | 9,717 |
| Payroll and related taxes | | 1,784 | 2,747 |
| Advances from customers | | - | 3,794 |
| Deferred income tax and social contribution | 17 | 442,497 | 480,160 |
| Actuarial liabilities | 14 | 16,637 | 21,129 |
| Other payables | | 13,105 | 16,747 |
| Total noncurrent liabilities | | 4,259,416 | 4,560,223 |
| EQUITY | | | |
| Issued capital | 16 | 1,080,949 | 1,002,749 |
| Capital reserve | | 393,034 | - |
| Earnings reserves | | 203,974 | 66,835 |
| Other comprehensive income | | (329,470) | (108,874) |
| Equity attributable to the Company's owners | | 1,348,487 | 960,710 |
| Noncontrolling interests | | 910,859 | 1,297,521 |
| Total equity | | 2,259,346 | 2,258,231 |
| TOTAL LIABILITIES AND EQUITY | | 7,193,706 | 7,507,602 |

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of euros - €, except per earnings (loss) per share)

| | Note | 12.31.2013 | 12.31.2012 (Restated) |
|---|---|---|---|
| REVENUE | 18 | 2,624,392 | 2,033,161 |
| COST OF SALES AND SERVICES | 19 | (1,919,143) | (1,438,857) |
| GROSS PROFIT | | 705,249 | 594,304 |
| OPERATING INCOME (EXPENSES) | | | |
| Administrative and selling expenses | 19 | (266,810) | (247,712) |
| Other income (expenses), net | 19 | 49,203 | 68,651 |
| Equity in subsidiaries | | 741 | 403 |
| INCOME BEFORE FINANCIAL INCOME (EXPENSES) | | 488,383 | 415,646 |
| FINANCIAL INCOME (EXPENSES) | | | |
| Foreign exchange losses, net | 20 | (82,410) | (137,558) |
| Financial income | 20 | 77,975 | 63,608 |
| Financial expenses | 20 | (296,428) | (305,824) |
| PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | 187,520 | 35,872 |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | |
| Current | 17 | (74,177) | (56,477) |
| Deferred | 17 | 47,158 | (80,141) |
| PROFIT (LOSS) FOR THE YEAR | 22 | 160,501 | (100,746) |
| PROFIT (LOSS) ATTRIBUTABLE TO | | | |
| The Company's owners | | 170,876 | (90,383) |
| Noncontrolling interests | | (10,375) | (10,363) |
| EARNINGS (LOSS) PER SHARE | | | |
| Basic/diluted earnings per share | 22 | 7.07 | (5.61) |

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of euros - €)

| | 12.31.2013 | 12.31.2012 (Restated) |
|---|---|---|
| PROFIT (LOSS) FOR THE YEAR | 160,501 | (100,746) |
| Other comprehensive income: | | |
| Exchange differences arising on translating foreign operations | (481,240) | (116,806) |
| Employee benefits | 1,683 | - |
| Hedging financial Instruments | 1,019 | 2,594 |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | (318,037) | (214,958) |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| The Company’s owners | (84,213) | (112,419) |
| Noncontrolling interest | (233,824) | (102,539) |

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

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INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of euros - €)

| | Note | Share capital | Capital reserves | Earnings reserves - Legal | Earnings reserves - Investments | Other comprehensive income | Retained earnings | Attributable to the Company's owners | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| BALANCE AT DECEMBER 31, 2011 | | 891,324 | - | 6,805 | 151,573 | (87,998) | - | 961,704 | 6,661 | 968,365 |
| Capital increase | | 111,425 | - | - | - | - | - | 111,425 | - | 111,425 |
| Loss for the year | | - | - | - | - | - | (90,383) | (90,383) | (10,363) | (100,746) |
| Realization of deemed cost of property, plant and equipment | | - | - | - | - | 1,160 | (1,160) | - | - | - |
| Absorption of losses with the investment reserve | | - | - | - | (91,543) | - | 91,543 | - | - | - |
| Effects of business combinations on noncontrolling interests | | - | - | - | - | - | - | - | 1,414,411 | 1,414,411 |
| Transactions with shareholders recognized directly in equity | | - | - | - | - | - | - | - | 22,896 | 22,896 |
| Other- | | | | | | | | | | |
| Dividends paid to noncontrolling interests | | - | - | - | - | - | - | - | (43,908) | (43,908) |
| Other comprehensive income | | - | - | - | - | (22,036) | - | (22,036) | (92,176) | (114,212) |
| BALANCE AT DECEMBER 31, 2012 (RESTATED) | | 1,002,749 | - | 6,805 | 60,030 | (108,874) | - | 960,710 | 1,297,521 | 2,258,231 |
| Capital increase | 16 | 78,200 | 393,034 | - | - | - | - | 471,235 | - | 471,235 |
| Profit for the year | | - | - | - | - | - | 170,876 | 170,876 | (10,375) | 160,501 |
| Realization of deemed cost of property, plant and equipment | | - | - | - | - | (8,978) | 8,978 | - | - | - |
| Effects of business combinations on noncontrolling interests | | - | - | - | - | 43,471 | - | 43,471 | (145,676) | (102,205) |
| Allocation: | | | | | | | | | | |
| Recognition of legal reserve | 16 | - | - | 8,993 | - | - | (8,993) | - | - | - |
| Recognition of investment reserve | 16 | - | - | - | 128,146 | - | (128,146) | - | - | - |
| Proposed dividends | 16 | - | - | - | - | - | (42,716) | (42,716) | - | (42,716) |
| Other- | | | | | | | | | | |
| Dividends paid to noncontrolling interests | | - | - | - | - | - | - | - | (7,162) | (7,162) |
| Other comprehensive income | | - | - | - | - | (255,089) | - | (255,089) | (223,449) | (478,538) |
| BALANCE AT DECEMBER 31, 2013 | | 1,080,949 | 393,034 | 15,798 | 188,176 | (329,470) | - | 1,348,487 | 910,859 | 2,259,346 |

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

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INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS - INDIRECT METHOD
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of euros - €)

| | 12.31.2013 | 12.31.2012 (Restated) |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before income tax and social contribution | 187,520 | 35,872 |
| Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities: | | |
| Depreciation, amortization, depletion, and impairment losses | 199,259 | 136,472 |
| Recognition (reversal) of allowance for potential losses, net | 8,756 | (4,603) |
| Interest, accrued charges, and exchange differences | 354,064 | 474,903 |
| Gain on sale of long-lived assets | (42,302) | (9,996) |
| Equity in subsidiaries | (741) | (403) |
| Other noncash operating losses (gains) | 5,752 | (8,460) |
| Decrease (increase) in operating assets: | | |
| Related parties | (322) | 153 |
| Trade receivables | (17,190) | 33,986 |
| Inventories | (14,339) | (38,577) |
| Recoverable taxes | (5,180) | 17,586 |
| Dividends received | - | 26 |
| Other receivables | 14 | (7,131) |
| Increase (decrease) in operating liabilities: | | |
| Related parties | (119) | 19,176 |
| Trade payables | 30,396 | (2,423) |
| Payroll and vacation payable | 7,745 | (5,731) |
| Other payables | (104,808) | (10,979) |
| Taxes payable | (14,457) | 4,477 |
| | 594,048 | 634,348 |
| Income tax and social contribution paid | (106,202) | (76,656) |
| Interest paid | (227,372) | (184,363) |
| Net cash generated by operating activities | 260,474 | 373,329 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Redemption of (investments in) securities | 28,542 | (21,522) |
| Purchase of property, plant and equipment | (331,058) | (260,311) |
| Increase in intangible assets | (6,290) | (9,105) |
| Changes in investment | - | (339) |
| Sale of long-lived assets | 21,807 | 33,513 |
| Purchase of subsidiary, net of acquired cash | (14) | (968,929) |
| Dividends received | 713 | 689 |
| Net cash used in investing activities | (286,300) | (1,226,004) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Borrowings, financing and debentures | 473,407 | 3,665,332 |
| Sale of receivables and trade payables | - | 45,579 |
| Acquisition of noncontrolling interests | (100,071) | - |
| Capital increase | 533,656 | 111,425 |
| Repayment of borrowings, financing and debentures | (442,673) | (1,900,806) |
| Dividends and other capital instruments | (17,134) | (67,957) |
| Related parties | - | (37,757) |
| Net cash generated by financing activities | 447,185 | 1,815,816 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 421,359 | 963,141 |
| EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS | (183,853) | (68,836) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 990,170 | 95,865 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 1,227,676 | 990,170 |

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

## 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. The Company, through its subsidiaries InterCement Brasil, Loma Negra Compañía Industrial Argentina S.A. ("Loma Negra") and CIMPOR - Cimentos Portugal, SGPS, S.A., 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.

InterCement Brasil approved on February 19, 2013, the spin-off of investee Machadinho Energética S.A. ("Maesa") and a 6.3522% stake of Maesa's assets and liabilities was merged with and into InterCement Brasil, based on the valuation report of January 15, 2013.

Subsidiary InterCement Austria Holding GmbH ("InterCement Austria") acquired on August 9, 2013, an additional stake of 4.79% in CIMPOR. This additional stake was acquired from Camargo Corrêa Cimentos Luxembourg S.à.r.l. ("CCCLux").

InterCement Brasil sold on December 11, 2013 a stake equivalent to 3% in Yguazu Cementos S.A., for US$3,250, equivalent to €2,343, to the noncontrolling shareholder. This transaction generated a gain of €1,254, recognized in equity.

The Company owns 40 cement plants, 131 concrete plants, and 25 aggregates plants (located in Brazil, Argentina Portugal, and the African continent). It also owns one port terminal in Cape Verde, and seven plants producing lime, packaging and mortar. The subsidiaries InterCement Brasil and Loma Negra also hold the control over Yguazu Cementos S.A. ("Yguazu"), a Paraguayan company that opened a crushing operation and is building an integrated cement plant. Additionally, subsidiary InterCement Brasil holds electric power generation equity interests and assets, as a self-generator.

Acquisition of assets and liabilities of CIMPOR

In 2012, there were several corporate transactions, including the following:

1) On May 30, 2012, subsidiary InterCement Austria announced a Takeover Bid ("OPA") for the acquisition of all the shares of the Portuguese cement company CIMPOR, in which its controlling shareholder Camargo Corrêa S.A. already held a 32.9% stake through its wholly-owned subsidiary CCCLux. The takeover bid corresponded to €5.50 per share.

2) The OPA was completed on June 20, 2012, resulting in the acquisition of an additional stake of 39.96% of CIMPOR's capital and voting stock by subsidiary InterCement Austria. Consequently, the controlling shareholder of the Company and CCCLux became the indirect holder of 72.9% of CIMPOR's capital stock. Votorantim Cimentos S.A. ("Votorantim") maintained its 21.2% stake in CIMPOR, and the remaining 5.9% is diluted among several shareholders.

3) On June 25, 2012, considering the concerns raised by the national antitrust authorities in Brazil and to ensure a stable shareholding structure, the subsidiary InterCement Austria, CCCLux and Votorantim negotiated a reorganization proposal for CIMPOR, which sought to segregate assets and liabilities related to operations of cement, concrete and aggregates in China, Spain, India, Morocco, Tunisia, Turkey and Peru, and the equivalent to 21.2% of consolidated net debt of CIMPOR ("Separate Assets"), to be transferred to Votorantim, and the consequent withdrawal of Votorantim from CIMPOR's capital.

4) The proposed reorganization, which included two share exchanges, described below, was completed on December 20, 2012:

   a) The subsidiary InterCement Austria transferred to a company controlled by CIMPOR its cement, concrete and aggregates operations in Brazil, Argentina, Paraguay and Angola and receiving in return the Separate Assets related to CIMPOR's cement, concrete and aggregates operations in China, Spain, India, Morocco, Tunisia, Turkey and Peru, and the equivalent to 21.2% of consolidated net debt of CIMPOR.

   b) Afterward, InterCement Austria transferred said Separate Assets to Votorantim and received in exchange the latter's entire stake in CIMPOR. As a result, Votorantim withdrew completely from CIMPOR's capital.

   The fair value of the exchanged assets and liabilities was determined by two renowned investment banks engaged by CIMPOR. Based on these analyzes, the amounts receivable or payable have been duly recognized in the financial statements. During the first half of 2013 Management substantially determined the final fair value amount, which resulted in an increase in goodwill amounting to R$15,679.

5) Finally, beginning June 30, 2012 the subsidiary InterCement Austria became the holder of CIMPOR's assets corresponding to the cement, concrete, and aggregates operations in Portugal, Cape Verde, Brazil, South Africa, Egypt, and Mozambique, and 78.8% of CIMPOR's consolidated net debt, as a result of corporate reorganization commitments undertaken on June 25, 2012. The Company decided to reflect the accounting impacts since June 30, 2012.

The table below shows the consideration transferred and the amounts of the assets acquired and liabilities assumed as of June 30, 2012:

| | |
|---|---|
| Cash and cash equivalents | 541,670 |
| Trade receivables and advances to suppliers | 180,062 |
| Inventories | 207,634 |
| Recoverable taxes | 37,476 |
| Assets classified as held for sale | 41,055 |
| Other receivables | 153,317 |
| Total current assets | 1,161,215 |

| | |
|---|---|
| Recoverable taxes | 11,046 |
| Other receivables | 457,329 |
| Investments | 21,052 |
| Property, plant and equipment | 1,963,893 |
| Intangible assets | 257,567 |
| Total noncurrent assets | 2,710,887 |
| | |
| Trade payables and advances from customers | (136,017) |
| Borrowings | (1,415,706) |
| Taxes and obligations payable | (34,846) |
| Provision for tax, civil, labor and environmental risks | (655) |
| Other payables | (465,372) |
| Total current liabilities | (2,052,597) |
| | |
| Borrowings | (553,871) |
| Provision for tax, civil, labor and environmental risks | (138,931) |
| Deferred income tax and social contribution | (361,988) |
| Other payables | (51.794) |
| Noncontrolling interests | (25.706) |
| Total noncurrent liabilities | (1.132.290) |
| | |
| Fair value of net assets acquired | 687.215 |

The allocation of the acquisition price is as follows:

| | |
|---|---|
| Total fair value of the consideration transferred and noncontrolling interests | 2,822,586 |
| Fair value of the assets acquired and liabilities assumed as an addition to the historical amount previously stated (*) | (687,215) |
| Goodwill arising on acquisition | 2,135,371 |

(*) The fair value of assets acquired and liabilities assumed was allocated as follows:

| Country | Historical amount | Property, plant and equipment | Intangible assets | Deferred taxes | Net |
|---|---|---|---|---|---|
| Brazil | - | 232,594 | 171,709 | (137,463) | 266,840 |
| Egypt | - | 210,779 | - | (52,695) | 158,084 |
| Mozambique | - | 25,438 | 1,878 | (8,741) | 18,575 |
| Portugal | - | 146,930 | 51,589 | (57,570) | 140,949 |
| South Africa | - | 82,073 | 19,289 | (28,382) | 72,980 |
| Accounting net assets | 29,787 | - | - | - | 29,787 |
| | 29,787 | 697,814 | 244,465 | (284,851) | 687,215 |

The net assets acquired disclosed above already include the fair value measurement of the assets acquired and liabilities assumed, which was completed by the end of measurement period allowed by IFRS 3 - Business Combination, and are reflected herein.

The balance sheet as of December 31, 2012, presented for purposes of comparison, has been restated to include the effects of the final valuations performed by the Company and external experts with regard to the previously recognized preliminary "acquisition price", as allowed by IFRS 3. The table below shows, consequently, the difference in the fair value of assets acquired and liabilities assumed:

| | 12.31.2012 | | |
|---|---|---|---|
| ASSETS | Originally stated | Fair value adjustment at December 31, 2012 | Restated |
| CURRENT ASSETS | | | |
| Total current assets | 1,751,286 | - | 1,751,286 |
| NONCURRENT ASSETS | | | |
| Deferred income tax and social contribution | 7,341 | (464) | 6,877 |
| Other noncurrent assets | 107,704 | - | 107,704 |
| Property, plant and equipment | 2,758,053 | 125,384 | 2,883,437 |
| Intangible assets: | | | |
| Goodwill | 2,603,896 | (113,805) | 2,490,091 |
| Other intangible assets | 212,145 | 56,062 | 268,207 |
| Total noncurrent assets | 5,689,139 | 67,177 | 5,756,316 |
| TOTAL ASSETS | 7,440,425 | 67,177 | 7,507,602 |

| | 12.31.2012 | | |
|---|---|---|---|
| LIABILITIES AND EQUITY | Originally stated | Fair value adjustment at December 31, 2012 | Restated |
| Total current liabilities | 689,149 | - | 689,149 |
| NONCURRENT LIABILITIES | | | |
| Debentures | 1,000,400 | - | 1,000,400 |
| Borrowings and financing | 2,822,235 | - | 2,822,235 |
| Provision for tax, civil, and labor risks | 131,657 | - | 131,657 |
| Deferred income tax and social contribution | 424,092 | 56,068 | 480,160 |
| Other noncurrent liabilities | 125,770 | - | 125,770 |
| Total noncurrent liabilities | 4,504,154 | 56,068 | 4,560,222 |
| EQUITY | | | |
| Issued capital | 1,002,749 | - | 1,002,749 |
| Earnings reserves | 60,533 | 6,302 | 66,835 |
| Cumulative translation adjustments | (109,246) | 372 | (108,874) |
| Equity attributable to the company's owners | 954,036 | 6,674 | 960,710 |
| Noncontrolling interests | 1,293,086 | 4,434 | 1,297,520 |
| Total equity | 2,247,122 | 11,108 | 2,258,230 |
| TOTAL LIABILITIES AND EQUITY | 7,440,425 | 67,176 | 7,507,602 |

| STATEMENT OF OPERATIONS | 12.31.2012 Originally stated | 12.31.2012 Fair value adjustment at December 31, 2012 | 12.31.2012 Restated |
|---|---|---|---|
| REVENUE | 2,033,161 | - | 2,033,161 |
| COST OF SALES | (1,454,396) | 15,539 | (1,438,857) |
| GROSS PROFIT | 578,765 | 15,539 | 594,304 |
| Administrative and selling expenses | (247,712) | - | (247,712) |
| Other income (expenses), net | 68,651 | - | 68,651 |
| Share of profit of investees | 403 | - | 403 |
| INCOME BEFORE FINANCIAL INCOME (EXPENSES) | 400,107 | 15,539 | 415,646 |
| FINANCIAL INCOME (EXPENSES) | | | |
| Foreign exchange losses, net | (137,558) | - | (137,558) |
| Financial income | 63,608 | - | 63,608 |
| Financial expenses | (305,824) | - | (305,824) |
| INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | 20,333 | 15,539 | 35,872 |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | |
| Current | (56,477) | - | (56,477) |
| Deferred | (75,246) | (4,895) | (80,141) |
| LOSS FOR THE YEAR | (111,390) | 10,644 | (100,746) |
| LOSS ATTRIBUTABLE TO | | | |
| The Company's owners | (96,685) | 6,302 | (90,383) |
| Noncontrolling interests | (14,705) | 4,342 | (10,363) |

Previously stated results of operations for 2012 incorporate only six months of CIMPOR assets.

Consolidation

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

| | 12.31.2013 | | 12.31.2012 | |
|---|---|---|---|---|
| | Equity interest - % | | Equity interest - % | |
| | Direct | Indirect | Direct | Indirect |
| Subsidiaries: | | | | |
| Holding companies and business support, corporate and trading entities: | | | | |
| InterCement Austria Holding GmbH | 100.00 | - | 100.00 | - |
| CIMPOR - Cimentos de Portugal, SGPS, S.A. | - | 65.95 | - | 61.16 |
| Cimpor Inversiones, S.A. | - | 65.95 | - | 61.16 |
| InterCement Austria Equity Participation GmbH | - | 65.95 | - | 61.16 |
| Caue Austria Holding GmbH | - | 65.95 | - | 61.16 |
| Cimpor Financial Operations, B.V. | - | 65.95 | - | 61.16 |
| Cimpor Reinsurance, S.A. | - | 65.95 | - | 61.16 |
| Cimpor - Serviços de Apoio à Gestão de Empresas S.A. | - | 65.95 | - | 61.16 |
| Cimpor Portugal, SGPS, S.A. | - | 65.95 | - | 61.16 |
| Kandmad - Sociedade Gestora de Participações Sociais, Lda. | - | 65.95 | - | 61.16 |
| Cimpor Eco, S.L. | - | 65.95 | - | 61.16 |
| Cimpor Trading, S.A. | - | 65.95 | - | 61.16 |
| Cimpship - Transportes Marítimos, S.A. | - | 39.57 | - | 36.70 |
| Cecime - Cimentos, S.A. | - | 65.95 | - | 61.16 |
| Cement Trading Activities - Comércio Internacional, S.A. | - | 65.95 | - | 61.16 |
| Cimpor Tec - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A. | - | (a) | - | 61.16 |
| Brazil: | | | | |
| InterCement Brasil S.A. | - | 65.95 | - | 61.16 |
| Cauê Finance Limited | - | 65.95 | - | 61.16 |
| CCCimentos Participações Ltda. | - | 65.29 | - | 60.55 |
| Companhia Camargo Corrêa de Energia | - | 65.95 | - | 61.16 |
| InterCement Portugal, SGPS, Lda. | - | 65.95 | - | 61.16 |
| Transviária Logística e Transportes Ltda. | - | 65.95 | - | - |
| Cimpor - Cimentos do Brasil, Ltda. | - | (a) | - | 61.16 |
| Argentina and Paraguay: | | | | |
| Holdtotal S.A. | - | 65.95 | - | 61.16 |
| Loma Negra C.I.A. S.A. | - | 64.34 | - | 59.67 |
| Betel S.A. | - | 64.34 | - | 59.67 |
| Cofesur S.A. | - | 56.40 | - | 52.31 |
| Compañia Argentina de Cemento Portland S.A. | - | 64.34 | - | 59.67 |
| Recycomb S.A. | - | 64.34 | - | 59.67 |
| Compañia Argentina de Cemento La Preferida de Olavarría S.A. | - | 64.34 | - | 59.67 |
| Cementos del Plata S.A. | - | 0.48 | - | 0.45 |
| Yguazu Cementos S.A. | - | 43.63 | - | 42.89 |
| Portugal and Cape Verde: | | | | |
| Cimpor - Indústria de Cimentos, S.A. | - | 65.95 | - | 61.16 |
| Cecisa - Comércio Internacional, S.A. | - | 65.95 | - | 61.16 |
| Mossines - Cimentos de Sines, S.A. | - | 65.95 | - | 61.16 |
| Cimentaçor - Cimentos dos Açores, Lda. | - | 65.95 | - | 61.16 |
| Betão Liz, S.A. | - | 64.96 | - | 60.25 |
| Agrepor Agregados - Extracção De Inertes, S.A. | - | 65.95 | - | 61.16 |
| Sogral - Sociedade de Granitos, S.A. | - | 65.95 | - | 61.16 |
| Sanchez, S.A. | - | 65.95 | - | 61.16 |
| Bencapor - Produção de Inertes, S.A. | - | 49.47 | - | 45.87 |
| Ibera - Indústria de Betão, S.A. | - | 32.98 | - | 30.58 |
| Prediana - Sociedade de Pré-Esforçados, S.A. | - | 65.95 | - | 61.16 |

| | 12.31.2013 Equity interest - % | | 12.31.2012 Equity interest - % | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| Geofer - Produção e Comercialização de Bens e Equipamentos, S.A. | - | 65.95 | - | 61.16 |
| Sacopor - Sociedade de Embalagens e Sacos de Papel, S.A. | - | 65.95 | - | 61.16 |
| Ciarga - Argamassas Secas, S.A. | - | 65.95 | - | 61.16 |
| Alempedras - Sociedade de Britas, Lda. | - | 65.95 | - | 61.16 |
| Scoreco - Valorização de, Resíduos, Lda. | - | - | - | 61.16 |
| Cimpor Imobiliária, S.A. | - | 65.95 | - | 61.16 |
| Mecan - Manufactura de Elementos de Casas de Construção Normalizada, Lda. | - | 65.95 | - | 61.16 |
| Sogesso - Sociedade de Gessos de Soure, S.A. | - | 65.95 | - | 61.16 |
| Transformal, S.A. | - | 65.95 | | 61.16 |
| Inversiones Filaria, S.L. | - | 65.95 | - | 61.16 |
| Lusobetimobiliária S.A. | - | 65.95 | - | - |
| Cimpor Cabo Verde, S.A. | - | 64.72 | - | 60.02 |
| Cabo Verde Betões e Inertes, S.A. | - | 64.72 | - | 60.02 |
| Indústria de Transformação de Pedras, Lda. | - | 64.72 | - | 60.02 |
| Betões de Cabo Verde, S.A. | - | 64.72 | - | 60.02 |
| Estabelecimentos Social do Norte, S.A. | - | (a) | - | 61.16 |
| Fornecedora de Britas do Carregado, S.A. | - | (a) | - | 61.16 |
| Transviária - Gestão de Transportes, S.A. | - | (a) | - | 61.16 |
| Betofeira - Comércio de Cimentos, Lda. | - | (a) | - | 61.16 |
| Egypt: | | | | |
| Cimpor Egypt for Cement Company, S.A.E. | - | 65.95 | - | 61.16 |
| Amreyah Cement Company, S.A.E. | - | 65.39 | - | 60.63 |
| Amreyah Cimpor Cement Company, S.A.E. | - | 65.53 | - | 60.77 |
| Cement Services Company, S.A.E. | - | 65.7 | - | 60.93 |
| Cimpor Sacs Manufacture Company, S.A.E. | - | 65.89 | - | 61.10 |
| Amreyah Dekheila Terminal Company, S.A.E. | - | 65.54 | - | 60.78 |
| Amreyah Cimpor Ready Mix Company, S.A.E. | - | 65.46 | - | 60.70 |
| Mozambique: | | | | |
| Cimentos de Moçambique, S.A. | - | 54.50 | - | 49.93 |
| Cimpor Betão Moçambique, S.A. | - | 54.50 | - | 50.09 |
| Imopar - Imobiliária de Moçambique, S.A. | - | 65.95 | - | 61.16 |
| Cimentos de Nacala, S.A. | - | 54.56 | - | 49.99 |
| South Africa: | | | | |
| Npc - Cimpor (Pty) Limited | - | 48.81 | - | 45.26 |
| Natal Portland Cement Company (Pty) Ltd. | - | 65.95 | - | 61.16 |
| Durban Cement Ltd. | - | 65.95 | - | 45.26 |
| Simuma Rehabilitation Trust | - | 21.96 | - | 15.07 |
| Npc Concrete (Pty) Ltd. | - | 65.95 | - | 61.16 |
| South Coast Stone Crushers (Pty) Ltd. | - | 65.95 | - | 61.16 |
| South Coast Mining (Pty) Ltd. | - | 65.95 | - | 45.26 |
| Eedeswold Highlands (Pty) Ltd. | - | 65.95 | - | 61.16 |
| Sterkspruit Aggregates (Pty) Ltd. | - | 48.81 | - | 61.16 |
| Sterkspruit Concrete (Pty) Ltd. | - | 65.95 | - | 61.16 |
| Durban Quarries (Pty) Ltd. | - | 65.95 | - | 61.16 |

| | 12.31.2013 | | 12.31.2012 | |
|---|---|---|---|---|
| | Equity interest - % | | Equity interest - % | |
| | Direct | Indirect | Direct | Indirect |
| Joint ventures: | | | | |
| Brazil: | | | | |
| BAESA - Energética Barra Grande S.A. | - | 5.94 | - | 5.50 |
| Consortium: | | | | |
| Brazil: | | | | |
| Consórcio Estreito Energia - CESTE | - | 2.93 | - | 2.72 |
| Consórcio Machadinho | - | 3.48 | - | - |

(a) These entities were merged during 2013.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1. Statement of compliance

The financial statements incorporate the consolidated financial statements prepared in accordance with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB.

### 2.2. Basis of preparation

The financial statements have been prepared at the historical cost, except for certain financial instruments measured at fair value, as described in the accounting policies below.

Equity interests in consortiums are recognized on a per line basis in the Company's balance sheet and statement of operations proportionately to the interest held in each consortium.

### 2.3. Functional, reporting and presentation currencies

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. On the initial adoption of financial statements in euros, the amounts included in equity have been translated at the historical exchange rates prevailing at the transaction date of the earlier period presented (January 1, 2009).

The main exchange rate used to translated the financial statements were as follows:

| | €1.00 - R$ |
|---|---|
| Exchange rate - December 31, 2011 | 2.4342 |
| Exchange rate - December 31, 2012 | 2.6954 |
| Exchange rate - December 31, 2013 | 3.2265 |
| Average exchange rate for the year ended December 31, 2012 | 2.5090 |
| Average exchange rate for the year ended December 31, 2013 | 2.8676 |

In preparing the financial statements of each subsidiary, foreign currency-denominated transactions, i.e., denominated in any currency other than each company's functional currency, are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each year, foreign currency-denominated monetary items are retranslated at the prevailing exchange rates.

Exchange gains and losses are recognized in profit or loss for the year when earned or incurred.

In the consolidated financial information, the assets and liabilities of foreign subsidiaries are translated into Euros at exchange rates prevailing at the end of the reporting period. Revenue and expenses and cash flows are translated at the average exchange rate for the year. Exchange gains or losses arising on these translations are classified in other comprehensive income and accumulated in equity, and are allocated to noncontrolling interests as applicable.

2.4. Basis of consolidation and investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and joint ventures.

The profit or loss of the subsidiaries acquired during the year is included in the consolidated statement of operations and statement of comprehensive income from the actual acquisition date to the actual date of sale, as applicable. The balance of comprehensive income is attributable to the Company's owners and noncontrolling interests, even if negative.

When necessary, accounting adjustments are made to the subsidiaries' financial statements to conform their accounting policies to those used by the Company. All intragroup transactions and balances included in the consolidated financial statements are fully eliminated.

Goodwill and the adjustments to fair value of identifiable assets acquired and liabilities assumed arising from an acquisition of a transaction abroad are treated as assets and liabilities arising on such transactions and translated using the closing exchange rate at the end of each reporting period. Exchange differences are recognized in equity.

2.5. Business combinations

Business combinations are accounted at their fair value, which the sum of the fair values of the transferred assets and the liabilities assumed by the Company from the former owners of the acquiree and the equity instruments issued by the Company in exchange for the acquiree's control, at the acquisition date. Acquisition-related costs are usually recognized in profit or loss, when incurred.

At the acquisition date, except for limited exceptions prescribed by IFRS 3, the identifiable assets acquired and liabilities assumed are recognized at fair value.

Goodwill is the positive result arising from the sum of the fair value of the business combination, the noncontrolling interests in the acquiree, and the fair value of the interest previously held by the acquirer in the acquiree, less the net amounts of the assets acquired and liabilities assumed at the date of acquisition measured at fair value. If such result is not positive, the amount is immediately recognized in profit or loss as a gain.

The noncontrolling interests that correspond to current interests and entitle their holders to a proportional portion of the entity's net assets in case of liquidation are initially measured at fair value or based on the proportional portion of the noncontrolling interests in the acquiree's identifiable net asset amounts recognized. The measurement method is selected on a per transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, as described in other CPCs (Brazilian accounting pronouncements) and IFRSs.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets and liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized on that date.

2.6. Interests in joint ventures

A joint venture is a contractual agreement whereby an entity and other parties undertake an economic activity that is subject to joint control. Joint control exists when the strategic financial and operating decisions relating to the joint venture's activity require the unanimous consent of the venturers sharing the control.

The profit or loss, assets and liabilities of the investees are included in the financial statements based on the equity method of accounting. Under the equity method of accounting, investments are initially recognized at cost and subsequently adjusted for purposes of recognition of the Company's interest in profit or loss and other comprehensive income of the investees. When the Company's share of the loss of an investee exceeds the Group's interest in that entity, the Company no longer recognizes its share of additional losses. Additional losses are recognized only if the Company is legally responsible for the associate's liabilities.

Whenever an entity conducts transactions with a joint venture, the resulting profits or losses are recognized in the consolidated financial statements proportionately to the interests held in the joint venture unrelated to the Company.

2.7. Goodwill

Goodwill arising from a business combination is stated at the cost on the business combination date, net of accumulated impairment loss, if any.

For impairment test purposes, goodwill is allocated to each one of the cash-generating units of the Company that benefit from the business combination synergies.

The cash-generating units to which goodwill was allocated are tested for impairment annually or more frequently, when there is any indication of impairment. If the recoverable value of a cash-generating unit is lower than its carrying amount, impairment losses are firstly allocated to write down the carrying amount of any goodwill allocated to the CGU and, subsequently, to the other assets of this unit, proportionately to the carrying amount of each of its assets. Any goodwill impairment loss is directly recognized in profit or loss. Impairment losses on goodwill are not reversed in subsequent periods.

When the related cash-generating unit is sold, the amount corresponding to the goodwill is included in the calculation of the gains or losses on the sale.

## 2.8. Revenue recognition

Revenue is measured at fair value of the consideration received or receivable, less any estimated returns, trade discounts and/or bonuses granted to the buyer.

### 2.8.1 Sale of products

Revenue from sale of products is recognized when all of the following conditions are met:

- The Company has transferred to the buyer the significant risks and rewards of ownership of goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over such goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 2.8.2 Services

Revenue from services under a concreting service agreement is recognized under the percentage-of-completion method.

## 2.9. Leases

Leases are classified as finance leases when they substantially transfer all the risks and rewards incidental to ownership to the lessee. Finance leases are recorded as a financed acquisition, with a fixed asset and a financing liability being recognized upon such acquisition.

All other leases are classified as operating leases and their costs are recognized as expenses on a straight-line basis over the agreement period.

## 2.10. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily take a substantial amount of time to be ready for the intended use, are added to the cost of such assets until the date they are ready for the intended use or sale.

All other borrowing costs are recognized in profit or loss for the year they are incurred.

2.11. Foreign currency transactions and functional currency

Foreign currency-denominated transactions, i.e., denominated in a currency other than each company's functional currency, are translated at the exchange rates prevailing on the date of each transaction. At the end of each year, foreign currency-denominated monetary items are retranslated at the prevailing exchange rates.

Changes in exchange rate are recognized in profit or loss for the year they occur, except for exchange rate differences arising from foreign currency-denominated borrowings and financing related to assets under construction for future production use, which are included in the cost of these assets when considered as adjustments to costs on interest on such borrowings.

In the consolidated financial statements, the assets and liabilities of the foreign subsidiaries' operations are translated into Brazilian reais at the exchange rates prevailing at yearend. Results of operations and other transactions that affected the equity of these foreign transactions are translated at the average exchange rate for the year. Exchange gains (losses), if any, arising on such translations are classified in comprehensive income and accumulated in equity.

Goodwill and the adjustments to fair value on the identifiable assets acquired and liabilities assumed resulting from the acquisition of a foreign operation are recognized in the investee's functional currency, only for acquisitions conducted after the date of transition to the IFRSs. Exchange differences are recognized in equity.

The goodwill relating to the acquisitions of foreign investments, recognized before the date of transition to the IFRSs, was stated at the Company's functional currency.

2.12. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will meet the related conditions and that grants will be received.

Government grants are systematically recognized in the profit or loss during the years in which the Company recognizes the related costs to be offset by such grants as expenses.

2.13. Inventories

Measured at the average purchase or production cost and stated at the lower of cost and net realizable value. The production cost is determined based on the absorption costing method. The net realizable value corresponds to the estimated selling price of inventories less all costs necessary to make the sale.

The allowance for inventory obsolescence is recognized based on the analysis of historical losses and an assessment of balances exposed to risks of realization.

2.14. Property, plant and equipment

Stated at purchase or construction cost, less depreciation and impairment loss, where applicable. These are recorded as part of the costs of work in progress, and in case of qualifying assets, of capitalized borrowing costs. These assets are classified in the appropriate categories of property, plant and equipment when completed and ready for the intended use.

Depreciation is recognized based on the estimated useful lives of assets on a straight-line basis or based on any other approach representing the time pattern in which the economic benefits are utilized. The estimated useful lives, the residual values, and the depreciation methods are reviewed at the end of each year, and the effects of any changes in estimates are recorded prospectively.

Construction in progress refers to tangible assets under construction/production and is recorded at acquisition or production cost, less potential losses. These assets are depreciated when they are ready to be used for the intended goals.

Expenses related to the preparation and development of mines, including, among other, the removal and display of sterile material and the construction of cuts and routes, are accounted for as an increase to the value of mines and amortized based on the percentage of exploration in relation to the total earnings expected during its useful life.

## 2.15. Intangible assets

### 2.15.1 Intangible assets acquired separately

Stated at cost, less amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### 2.15.2 Intangible assets acquired in a business combination

In the consolidated financial statements, the intangible assets acquired in a business combination are recorded at fair value at the acquisition date.

## 2.16. Impairment of tangible and intangible assets, excluding goodwill

At the end of each year, the Company reviews the carrying amounts of its tangible and intangible assets to determine if there are any indications that the assets might be impaired. When such indication exists, the recoverable amount of the asset is estimated to measure the impairment loss, if any.

Intangible assets with indefinite useful lives and/or not yet available for use are tested for impairment at least once a year and whenever there is any indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. Estimated future cash flows are discounted to present value to determine the value-in-use at the pretax discount rate that reflects a current market assessment rate of the time value of money and the specific risks for the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment losses are immediately recognized in profit or loss.

## 2.17. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, when a reliable estimate can be made of the amount of the obligation, and its settlement is probable.

The amount recognized as a provision is the best estimate to settle the obligation at the end of each year, considering the risks and uncertainties inherent to such obligation. When the provision is measured based on the cash flows estimated to settle an obligation, its carrying amount is equivalent to the present value of such cash flows.

## 2.18. Environmental recovery and plant dismantling

In view of legal provisions and practices prevailing in several business sectors, land used to exploit mines and quarries is subject to environmental recovery. Additionally, costs must be incurred for the dismantling of plants.

In this context, provisions are recognized to cover the estimated costs on the environmental recovery and remediation of mining and quarrying areas, and plant dismantling. These provisions are recorded concurrently with an increase in the value of the underlying asset, based on the conclusions of the environmental and landscape restoration studies, and are recognized in profit or loss as assets are depreciated.

Additionally, the Company and its subsidiaries' policy is to progressively remediate spaces cleared by quarrying by using the recognized provisions.

## 2.19. Taxation

### 2.19.1 Current taxes

The provision for income tax and social contribution is based on the taxable income for the year. Taxable income differs from net income stated in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income tax is individually calculated by each company based on the rates effective at yearend and specific local legal and tax provisions.

### 2.19.2 Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements at the yearend and the related tax bases adopted to calculate taxable income, including tax loss carryforwards, when applicable. Deferred tax assets are recognized on all the temporary differences only when it is probable that the Company will report future taxable income in a sufficient amount so that these temporary deductible differences can be utilized.

The recovery of the deferred tax asset balance is reviewed at the end of each fiscal year and, when it is no longer probable that future taxable income will allow the recovery of all or part of assets, the asset balance is adjusted based on the expected recoverable amount.

Deferred tax assets and liabilities are measured using the applicable tax rates for the year in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each year, or when new legislation has been substantially approved..

2.20. Financial instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair values. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of financial assets and financial liabilities, when applicable, after their initial recognition, except for financial assets and financial liabilities at fair value through profit or loss.

Financial assets

They are classified in the following specific categories: (a) financial assets at fair value through profit or loss, (b) held-to-maturity investments, (c) available-for-sale financial assets, and (d) loans and receivables. Classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

(a) Financial assets measured at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading, i.e., if:

- Acquired mainly for being sold in the short term.
- On initial recognition, they are part of a portfolio of financial instruments jointly managed by the Company and for which there is a recent actual pattern of short--term profit-taking.
- It is a derivative that has not been designated as an effective hedging instrument.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

(c) Available-for-sale financial assets

Available-for-sale financial assets correspond to non-derivative financial assets designated as "available for sale" or not classified as: (a) financial assets at fair value through profit or loss, (b) held-to-maturity investments, or (d) loans and receivables.

(d) Loans and receivables

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Held-to-maturity investments and loans and receivables are measured at amortized cost using the effective interest method, less impairment losses.

Financial liabilities

Financial liabilities are classified as: (a) financial liabilities at fair value through profit or loss, or (b) other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as of fair value through profit or loss when they are either held for trading or designated as of fair value through profit or loss. Change in fair value losses are recognized in profit or loss.

(b) Other financial liabilities

Other financial liabilities, including borrowings, financing and debentures, are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost under the effective interest method, and financial expenses are recognized based on effective compensation.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date they are contracted and are subsequently remeasured at the fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2.21. Cash and cash equivalents

Represented by an imprest cash fund, banks and short-term investments, with original maturity of 90 days or less or with repurchase agreements, immediately convertible into cash and subject to an immaterial risk of change in value, classified as loans and receivables and, therefore, accounted for under the amortized cost method.

2.22. 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.

2.23. $CO_2$ emission allowances - emissions market

Some of the Company's plants in Portugal are part of the European greenhouse gas emissions market. Until the IASB does not draft and issue a policy to address the accounting of emission allowance allocation and transaction, the Company adopts the following policy:

- Emission allowances allocated for free, as well as the corresponding emissions classifiable under these type of permits, do not originate the recognition on an asset or a liability.

- The gains arising from the sale of emission rights are recognized in operating income (loss).

- When it is estimated that the annual emissions of carbon dioxide ("$CO_2$") exceed the annually allocated allowances, a liability is recognized as a balancing item to "Other operating costs", which is measured based on their quotation at the yearend.

- The acquired allowances are measured at their acquisition cost and recognized as intangible assets.

2.24. New and revised IFRSs affecting the disclosed financial statements for the current year (and/or prior years)

The new and revised IFRSs below, effective for annual periods beginning on or after January 1, 2013, have been adopted in these financial statements. The adoption of these new and revised IFRSs did not have any material impacts on the amounts reported and/or disclosed for the current and prior periods/years.

| CPC | IFRS/IAS | Description |
|---|---|---|
| | IAS 1 | Amendments to the standard - Presentation of Other Comprehensive Income Items |
| | IFRS 7 | Amendments to the standard - Disclosures - Offsetting Financial Assets and Financial Liabilities |
| CPC 36 (R3) | IFRS 10 | (Revised in 2011) - Consolidated Financial Statements |
| CPC 19 (R2) | IFRS 11 | (Revised in 2011) - Joint Arrangements - Separate Financial Statements |
| CPC 45 | IFRS 12 | Disclosure of Interests in Other Entities |
| CPC 46 | IFRS 13 | Fair Value Measurement |
| CPC 33 (R1) | IAS 19 | (Revised in 2011) - Employee Benefits |
| CPC 35 (R2) | IAS 27 | (Revised in 2011) - Separate Financial Statements |
| CPC 18 (R2) | IAS 28 | (Revised in 2011) Investments in Associates and Joint Ventures |
| | IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

2.25. New standards and interpretations not yet adopted

| | |
|---|---|
| IAS 32 | Offsetting Financial Assets and Financial Liabilities (1) |
| IFRS 9 | Financial Instruments (2) |
| Amendments to IFRS 9 and IFRS 7 | Mandatory Application Date of IFRS 9 and Transition Disclosures (2) |

(1) Effective for annual periods beginning on or after January 1, 2014.

(2) Effective for annual periods beginning on or after January 1, 2015.

The Company's management has not yet assessed the new standards, but does not expect any significant impacts.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

3.1. Critical judgments in applying accounting practices

The following are the critical judgments that management has made in the process of applying the Company's accounting practices and that have the most significant effect on the amounts recognized in the consolidated financial statements:

3.1.1. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The impairment loss analysis is detailed in note 9.

3.1.2. Use of estimates

Accounting estimates were based on objective and subjective factors, as applicable, according to judgment of the Company's management. Significant items subject to these estimates and assumptions include determining the useful lives of property, plant and equipment items, the amortization of intangible assets, the allowance for losses of idle assets, the allowance for doubtful debts, the present value adjustment to trade receivables and trade payables, the allowance for inventory losses and obsolescence, the provision for environmental remediation and plant dismantling, and the provision for risks. Actual results could differ from those estimates. The Company reviews its estimates and assumption, the determination of the useful lives of property, plant and equipment, and the allowance for inventory losses on an annual basis.

3.1.3. Property, plant and equipment and intangible assets

The Company and its subsidiaries review the estimated useful lives of property, plant and equipment and intangible assets annually, at the end of each year. The estimated useful lives are as follows:

| | 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 |
| Software licenses | 3 to 5 |

(*) 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.

## 4. CASH AND CASH EQUIVALENTS

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Cash and banks | 395,231 | 192,640 |
| Short-term investments | 832,445 | 797,530 |
| Total cash and cash equivalents | 1,227,676 | 990,170 |

Short-term investments are represented below:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Bank certificates of deposit (CDBs) | 1,779 | 518,203 |
| Repurchase agreements | 475,058 | - |
| Exclusive funds: | | |
| National Treasury Notes (NTNs over) | 91,589 | 53,368 |
| National Treasury Bills (LTNs over) | 11,600 | - |
| National Treasury Bills (LTFs) | 49,755 | - |
| CDBs | 6,375 | 11,254 |
| Fixed-income funds | 96,257 | 61,897 |
| Financial bill | 2,366 | - |
| Short-term investments in foreign subsidiaries: | | |
| In Argentine pesos | 29,923 | 38,305 |
| In US dollars | 2,236 | 8,200 |
| In euro | 40,805 | 77,145 |
| Other | 24,702 | 29,158 |
| Total short-term investments | 832,445 | 797,530 |

Short-term investments have original maturities of 90 days or less or are immediately redeemable under repurchase agreements entered into with the financial institution, with annual yield of 101% and 109% of the interbank deposit rate (CDI) in Brazilian reais, 11.3% and 21.4% in Argentine pesos, and 0.05% and 0.7% in US dollars and euro.

The high amount of cash and cash equivalents reflects the capital increase undertaken on December 19, 2013, the proceeds of which are primarily intended to settle financial debt (note 16).

## 5. SECURITIES

Securities are classified as financial assets recognized at fair value through profit or loss and are represented below:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Repurchase agreements | 46,099 | 60,923 |
| Other | 6,097 | - |
| Total | 52,197 | 60,923 |
| | | |
| Total - current | 50,570 | 59,724 |
| Total - noncurrent | 1,627 | 1,199 |

## 6. TRADE RECEIVABLES

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Domestic and foreign customers | 212,838 | 211,298 |
| (-) Noncurrent | (346) | (174) |
| Current | 212,492 | 211,124 |
| | | |
| (-) Allowance for doubtful debts - current | (31,480) | (40,033) |
| (-) Allowance for doubtful debts - noncurrent | (101) | (56) |

The allowances for doubtful debts 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 debtor, also taking into account the collaterals provided by such debtors.

Aging list of trade receivables

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Current | 130,270 | 126,472 |
| Past-due: | | |
| 0 to 30 days | 25,440 | 18,822 |
| 31 to 60 days | 10,259 | 3,200 |
| 61 to 90 days | 5,380 | 16,691 |
| 91 to 180 days | 9,280 | 6,210 |
| 181 days or more | 32,209 | 39,903 |
| Total | 212,838 | 211,298 |

Movement in the allowance for doubtful debts

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Opening balance | 40,089 | 12,038 |
| Recognitions | 1,654 | 3,984 |
| Amounts written off in the year as uncollectible | (8,120) | (8,250) |
| Exchange gains or losses | (2,042) | (1,418) |
| Initial consolidation of CIMPOR (*) | - | 33,735 |
| Closing balance | 31,581 | 40,089 |

(*) Refers to the portion of doubtful debts of assets arising from the acquisition of CIMPOR, as described in note 1.

## 7. INVENTORIES

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Current: | | |
| Finished products | 49,390 | 42,422 |
| Work in process | 81,715 | 80,197 |
| Raw material | 160,965 | 199,780 |
| Fuel | 45,088 | 44,134 |
| Storeroom supplies | 93,100 | 51,492 |
| Advances to suppliers | 198 | 2,534 |
| Packaging and other | 6,581 | 11,186 |
| Allowance for losses | (8,568) | (11,664) |
| Total | 428,469 | 420,081 |
| | | |
| Noncurrent: | | |
| Raw material | 78 | - |
| Storeroom supplies | 17,493 | 13,031 |
| Allowance for losses | (1,222) | (1,907) |
| Advances to suppliers | 5,429 | 6,997 |
| Total | 21,778 | 18,121 |

## 8. PROPERTY, PLANT AND EQUIPMENT:

| | 12.31.2013 | | |
|---|---|---|---|
| | Cost | Depreciation | Residual |
| Land | 214,369 | (4,165) | 210,205 |
| Buildings | 620,195 | (193,010) | 427,185 |
| Machinery and equipment | 1,779,197 | (451,872) | 1,327,325 |
| Vehicles | 116,344 | (36,111) | 80,233 |
| Furniture and fixtures | 16,135 | (9,478) | 6,658 |
| Mines and ore reserves | 58,398 | (20,730) | 37,668 |
| Reservoirs, dams and feeders | 79,777 | (12,823) | 66,955 |
| Other | 16,772 | (3,665) | 13,108 |
| Spare parts | 5,451 | - | 5,451 |
| Advances to supplier | 80,643 | - | 80,643 |
| Construction in progress | 348,574 | - | 348,574 |
| Total | 3,335,855 | (731,854) | 2,604,005 |

| | 12.31.2012 | | |
|---|---|---|---|
| | Cost | Depreciation | Residual |
| Land | 249,310 | (3,944) | 245,366 |
| Buildings | 654,174 | (233,409) | 420,765 |
| Machinery and equipment | 2,059,847 | (403,441) | 1,656,406 |
| Vehicles | 147,096 | (43,408) | 103,689 |
| Furniture and fixtures | 26,308 | (15,862) | 10,446 |
| Mines and ore reserves | 49,442 | (16,363) | 33,079 |
| Reservoirs, dams and feeders | 84,357 | (8,877) | 75,480 |
| Other | 11,747 | (2,884) | 8,863 |
| Spare parts | 4,313 | - | 4,313 |
| Advances to supplier | 52,266 | - | 52,266 |
| Construction in progress | 272,764 | - | 272,764 |
| Total | 3,611,624 | (728,188) | 2,883,437 |

During the year ended December 31, 2013, the Company capitalized financial charges amounting to €8,269 (€6,491 at December 31, 2012) in line item “Construction in progress”.

Construction in progress refers basically to investments in the expansion and construction on new units in Brazil and Paraguay, and investments in the maintenance of the cement plants of other business units.

8.1. Movements in property, plant and equipment were as follows:

| | |
|---|---|
| Balance at December 31, 2011 | 953,901 |
| Additions | 298,975 |
| Write-offs (c) | (26,125) |
| Depreciation | (130,764) |
| Effect of changes in exchange rates | (214,947) |
| Additional acquisition of shareholding interest (a) | 38,506 |
| Acquisition - CIMPOR (b) | 1,963,892 |
| Balance at December 31, 2012 | 2,883,437 |
| Additions | 331,502 |
| Write-offs | (11,639) |
| Depreciation | (196,052) |
| Effect of changes in exchange rates | (416,255) |
| Other | 13,012 |
| Balance at December 31, 2013 | 2,604,005 |

(a) Refers to the property, plant and equipment portion from the additional acquisition of the equity interests in Yguazu by subsidiary Holdtotal S.A.

(b) Refers to the portion of property, plant and equipment arising from the acquisition of CIMPOR, as described in note 1.

(c) Refers basically to the divesture of certain assets due to sale, including those that are part of the Performance Commitment Agreement to with the Administrative Council of Economic Defense or CADE (Brazil’s antitrust agency), related to the acquisition of CIMPOR.

Impairment losses

As of December 31, 2013 and 2012, no events indicating the need to test property, plant and equipment for impairment were identified, except for the impairment test of property, plant and equipment in Portugal, which showed losses totaling €5,554 (€6,685 in 2012, in Portugal and Egypt).

## 9. INTANGIBLE ASSETS

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Mining rights | 201,810 | 231,017 |
| Concession-related assets | 5,809 | 10,272 |
| Software license | 5,201 | 6,224 |
| Project development costs | 2,898 | 6,881 |
| Trademarks, patents and other | 15,686 | 13,812 |
| | 231,404 | 268,206 |
| Goodwill: | | |
| Loma Negra C.I.A. S.A. (a) | 299,267 | 358,234 |
| CBC - Companhia Brasileira de Cimentos ("CBC") (b) | 31,809 | 38,077 |
| Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC") (b) | 23,494 | 28,122 |
| Cimpor Cimentos Portugal, SGPS, S.A. (c) | 1,754,660 | 2,033,962 |
| Other | 25,787 | 31,696 |
| | 2,135,017 | 2,490,091 |
| Total | 2,366,421 | 2,758,297 |

(a) Total goodwill paid, which can be separated by activity, of which €337,456 refers to cement and cement byproducts (Loma Negra) and €20,778 refers to the railway concession (Ferrosur), amortized at a 12.5% rate per year through December 31, 2008.

(b) Goodwill arising on the acquisition of these companies, amortized at a 10% rate per year through December 31, 2008. Goodwill is based on expected future earnings.

(c) Goodwill arising on the acquisition of CIMPOR, as described in note 1.

Goodwill was allocated for impairment testing purposes to the following cash-generating units and at the following discount rates:

| | Goodwill | Discount rate (*) |
|---|---|---|
| Brazil | 1,316,517 | 10.5% |
| Argentina and Paraguay segment | 303,650 | 23.2% |
| Egypt segment | 42,660 | 21.1% |
| Portugal and Cape Verde segment | 304,859 | 9.5% |
| Mozambique segment | 64,796 | 14.6% |
| South Africa segment | 102,535 | 15.5% |
| | 2,135,017 | |

(*) Discount rate calculated before taxes.

The recoverable amount of these cash-generating units is determined based on the calculation of the value in use using the cash flow projections supported by a five-year financial budget prepared by the Company's management, and cash flows for the subsequent to the five-year period have been extrapolated in perpetuity.

Movements in intangible assets in the year ended December 31, 2013 were as follows:

| | |
|---|---|
| Balance at December 31, 2011 | 527,339 |
| Additions | 2,191,461 |
| Write-offs | (2,270) |
| Amortization | (8,605) |
| Effect of changes in exchange rates | (207,195) |
| Acquisition - CIMPOR (*) | 257,567 |
| Balance at December 31, 2012 | 2,758,297 |
| Additions | 12,380 |
| Write-offs | (2,174) |
| Amortization | (7,985) |
| Effect of changes in exchange rates | (394,097) |
| Balance at December 31, 2013 | 2,366,421 |

(*) Refers to goodwill and the portion of intangible assets arising from the acquisition of CIMPOR, as described in note 1.

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## 10. BORROWINGS AND FINANCING

As of December 31, 2013 and 2012, borrowings and financing were represented below:

| Business unit | | Type of financing | Currency | Interest rates (c) | Contract date | Maturity | 2013 Current | 2013 Noncurrent | 2012 Current | 2012 Noncurrent |
|---|---|---|---|---|---|---|---|---|---|---|
| Holding companies (*) | (a) | Bilateral | US$ | Indexed to US Libor | May 2012 | Jan 2022 | - | 536,973 | - | 559,789 |
| Holding companies (*) | (a) | Bilateral | EUR | Indexed to Euribor | Feb 2012 | Feb 2022 | - | 453,800 | - | 453,190 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Sep 2012 | Sep 2017 | - | 214,776 | - | 223,650 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Aug 2012 | Oct 2017 | - | 192,405 | - | 200,849 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Oct 2012 | Apr 2017 | - | 179,386 | - | 185,710 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Sep 2013 | Sep 2018 | - | 142,968 | - | - |
| Holding companies (*) | | Bilateral | EUR | Indexed to Euribor | Nov 2012 | Sep 2017 | - | 127,665 | - | 127,027 |
| Holding companies (*) | | Bilateral | EUR | Indexed to Euribor | Sep 2012 | Sep 2017 | - | 99,134 | - | 98,787 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Oct 2012 | Apr 2015 | - | 86,080 | - | 89,141 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Jul 2011 | Jul 2016 | - | 83,342 | - | 87,000 |
| Holding companies (*) | | Bilateral | US$ | Indexed to US Libor | Jul 2011 | Jul 2015 | - | 74,420 | - | 77,687 |
| Holding companies (*) | | Bilateral | EUR | Indexed to Euribor | Nov 2012 | Sep 2017 | - | 74,224 | - | 74,294 |
| Holding companies (*) | | Bilateral | EUR | Indexed to Euribor | Various | Various | - | 52,697 | 37,528 | 214,650 |
| Argentina and Paraguay | | Several bilateral | AR$ | Indexed to Badlar | Various | Various | 46,944 | 81,192 | 24,504 | 66,466 |
| Argentina and Paraguay | | Several bilateral | US$ | Indexed to US Libor | Various | Various | 19,994 | 46,568 | 21,976 | 69,644 |
| Argentina and Paraguay | | Obligation | US$ | 7.25% | Mar 2006 | Mar 2013 | - | - | 33,942 | - |
| Brazil | | Several bilateral | US$ | Fixed and variable | Various | Various | 1,035 | 126,956 | - | 165,318 |
| Brazil | (b) | Several bilateral | BRL | Fixed and floating | Various | Various | 16,646 | 101,807 | 38,104 | 103,231 |
| Argentina and Paraguay | | Several bilateral | US$ | Indexed to US Libor | Various | Various | 7,455 | 73,011 | 32,055 | - |
| Argentina and Paraguay | | Several bilateral | PYG | Fixed | Dec 2012 | Feb 2013 | - | - | 2,296 | - |
| South Africa | | Bilateral | ZAR | Indexed to Jibar | Dec 2013 | Dec 2018 | - | 41,488 | - | - |
| Portugal and Cape Verde | | EIB | EUR | EIB rate | Sep 2003 | Sep 2015 | 6,667 | 6,667 | 6,667 | 13,333 |
| Portugal and Cape Verde | | Bilateral | EUR | Indexed to Euribor | Various | Various | 250 | 175 | 100 | 275 |
| Mozambique | | Bilateral | MZN | Indexed to 3M BT | Aug 2010 | Feb 2016 | 2,509 | 4,332 | 2,605 | 7,102 |
| Egypt | | Several bilateral | EGP | Indexed to Corridor | Various | Various | 2,962 | 3,357 | 2,257 | 5,092 |
| Portugal and Cape Verde | | Overdrafts | CVE | Indexed to 3M TRIBESCV | Jun 2013 | Jun 2014 | 221 | - | 117 | - |
| Portugal and Cape Verde | | Bilateral | EUR | Indexed to Euribor | Oct 2003 | Oct 2013 | - | - | 36 | - |
| | | | | | 20 | 20 | 104,682 | 2,803,423 | 202,187 | 2,822,235 |

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(*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities, as shown in note 1.

(a) Guaranteed by Company's controlling entities.

(b) Approximately €91,000 guaranteed by the Company's controlling entities.

(c) The floating rates on the main US dollar and euro loans ranging from spreads between 2.5% and 4.5%. As for the rates in reais, the main loans indexed to the CDI have spreads ranging from 104% and 105% of this CDI and those indexed to the Long-term Interest Rate (TJLP) have spreads ranging from 1.15% to 5.5%.

As of December 31, 2013 and 2012, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €38,382 and €33,864, respectively.

Approximately €460,000 of the euro-denominated borrowings and financing are directly or indirectly guaranteed by the Company's controlling shareholders.

Maturity schedule

As of December 31, 2013, the noncurrent portions mature as follows:

| Year | |
|---|---|
| 2015 | 484,002 |
| 2016 | 380,438 |
| 2017 | 712,286 |
| 2018 | 344,706 |
| After 2018 | 881,991 |
| Total | 2,803,423 |

Covenants

These financing agreements contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements. The restrictive covenants had been complied with as of December 31, 2013 and 2012.

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## 11. DEBENTURES

As of December 31, 2013 and 2012, nonconvertible debentures were represented below:

| Business unit | Instrument | | Currency | Issue date | Interest rate (b) | Final maturity | 2013 Current | 2013 Noncurrent | 2012 Current | 2012 Noncurrent |
|---|---|---|---|---|---|---|---|---|---|---|
| Brazil | Debenture - Brazil | (a) | R$ | Mar 2012 | Floating, indexed to CDI | Apr 2022 | - | 462,538 | 218 | 553,641 |
| Brazil | Debenture - Brazil | | R$ | Jan 2012 | Floating, indexed to CDI | Aug 2016 | 179 | 1,120 | 1 | 2,907 |
| Brazil | Debenture - Brazil | | R$ | Aug 2012 | Floating, indexed to CDI | Aug 2012 | - | 371,920 | - | 443,852 |
| | | | | | | | 179 | 835,577 | 219 | 1,000,400 |

(a) Guaranteed by the Company's controlling shareholders.

(b) The contracted floating rates have spreads of up to 15% above the index.

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As of December 31, 2013 and 2012, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €38,270 and €25,929, respectively.

The debentures are directly or indirectly guaranteed by the Company's controlling shareholders.

Covenants

These funding instruments contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements. The restrictive covenants had been complied with as of December 31, 2013 and 2012.

## 12. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company and its subsidiaries are subject to tax, civil, labor and other risks. Management periodically reviews known contingencies, assesses the likelihood of probable losses and adjusts the respective 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:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Labor and social security | 30,878 | 19,161 |
| Tax (a) | 37,921 | 86,842 |
| Civil and other | 15,749 | 27,360 |
| | 84,548 | 133,363 |
| Escrow deposit (b) | (2,117) | (1,706) |
| Total | 82,431 | 131,657 |

(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 the 2008 income tax, amounting to €25,000 (€68,300 in 2012), which are being challenged in courts.

(b) The Company and its subsidiaries have escrow deposits tied to the provision for tax, civil and labor contingencies as follows:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Labor and social security | 1,768 | 1,312 |
| Tax | 307 | 345 |
| Civil and other | 42 | 49 |
| Total | 2,117 | 1,706 |

As of December 31, 2013, the Company and its subsidiaries are parties to lawsuits amounting to €336,289 (€318,500 at December 31, 2012) involving risks with a possible likelihood of unfavorable outcomes according to the legal counsel.

Other

InterCement Brasil and other industry companies are parties to administrative proceedings to secure the protection of fair competition filed with the CADE, for which no provision was set up since the likelihood of unfavorable outcomes is considered as possible, based on an assessment that takes into account litigation at the administrative level and in courts, if necessary.

The possible loss amount in these proceedings can vary from 0.1% to 20% of gross revenue, net of taxes, for the year prior to the filing of the administrative proceedings, which occurred in 2003, 2005 and 2007 (as provided for by article 38 of Law 12529/11), or de 1% to 30% of gross revenue (if the previous law is applied). In 2014 there were new hearings were held for this proceeding at the administrative level, which are described in note 28.

Movements in the provision for risks in the year ended December 31, 2013 are as follows:

| | Labor and social security | Tax | Civil and other | Escrow deposit | Total |
|---|---|---|---|---|---|
| Balance at December 31, 2012 | 19,161 | 86,842 | 27,360 | (1,706) | 131,657 |
| Recognition/deposit | 20,014 | 2,588 | 2,553 | (1,407) | 23,748 |
| Payment/deposit derecognition (*) | (4,732) | (42,350) | (3,278) | 629 | (49,731) |
| Reversal | (1,751) | (6,839) | (7,866) | - | (16,456) |
| Exchange differences | (1,814) | (2,320) | (3,020) | 367 | (6,787) |
| Balance at December 31, 2013 | 30,878 | 37,921 | 15,749 | (2,117) | 82,431 |

(*) In 2013, payments of tax provisions basically include the payment made in Portugal under the special regime effective until the yearend.

## 13. PROVISION FOR ENVIRONMENTAL RECOVERY

The movements in the provisions for environmental remediation in the year ended December 31, 2013 are as follows:

| | |
|---|---|
| Balance at December 31, 2011 | 35,754 |
| Recognition | 874 |
| Payment | (945) |
| Reversal | (3,182) |
| Effect of changes in exchange rates | (4,271) |
| Initial consolidation of CIMPOR (*) | 20,395 |
| Balance at December 31, 2012 | 48,625 |
| Recognition | 1,034 |
| Payment | (157) |
| Reversal | (155) |
| Effect of changes in exchange rates | (6,545) |
| Balance at December 31, 2013 | 42,802 |

(*) Refers to the portion of the provision for environmental remediation arising from the acquisition of CIMPOR, as mentioned in Note 1.

## 14. POSTEMPLOYMENT BENEFITS

Defined benefit plans

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

The administration of the liabilities for the retirement benefit plans has been transferred to pension funds managed by specialized independent entities.

The valuations reported as of December 31, 2013 and 2012 were conducted using the "Projected Credit Units" method and have been calculated based on the following assumptions and actuarial technical bases:

| | 2013 | 2012 |
|---|---|---|
| Actuarial technical rate (in local currency): | | |
| Portugal | 4% | 4% |
| South Africa | 8.84% | 8.38% |
| Pension growth rate- | | |
| Portugal | 1.8 % - 2.5% | 1.8 % - 2.5% |
| Fund return rate- | | |
| Portugal | 4% | 4% |
| Salary growth rate- | | |
| Portugal | 2% - 3% | 2% - 3% |
| 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 | | |
| Overall cost growth rate | N/A | N/A |
| Medical inflation rate | 2% | 2% |
| Cost growth rate per age | N/A | N/A |
| South Africa | 8.22% | 6.38% |

According to the actuarial valuations, the supplementary pension and healthcare costs for the years ended December 31, 2013 and 2012 are as follows:

| | | Pension plans | |
|---|---|---|---|
| | | 2013 | 2012 |
| Current service cost | | 603 | 311 |
| Interest cost | | 2,916 | 1,815 |
| Administrative costs | | 120 | - |
| Expected return of the plans' assets | | (2,661) | (1,395) |
| Total cost/(return) on pension plans | (I) | 977 | 730 |

| | | Healthcare plans | |
|---|---|---|---|
| | | 2013 | 2012 |
| Current service cost | | 164 | (264) |
| Interest cost | | 632 | 683 |
| Plan change | | - | - |
| Expected return of the plans' assets | | - | - |
| Total cost (return) on healthcare plans | (II) | 797 | 419 |
| Total cost (return) on the defined benefit plans | (I) + (II) | 1,774 | 1,149 |

The movements in the years ended December 31, 2013 and 2012 in the amounts of the projected liabilities for defined benefits and the corresponding fair values of the funds' assets were as follows:

| | Pension plans | | Healthcare plans | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Actuarial liability - January 1** | 74,715 | - | 15,897 | - | 90,612 | - |
| CIMPOR initial consolidation | - | 79,600 | - | 14,265 | - | 93,864 |
| Benefits and bonuses paid | (4,923) | (2,899) | (962) | (942) | (5,886) | (3,841) |
| Current service cost | 603 | 311 | 164 | (264) | 767 | 46 |
| Past service cost | (767) | - | (2,240) | - | (3,007) | - |
| Interest cost | 2,916 | 1,815 | 632 | 683 | 3,548 | 2,498 |
| Actuarial gains and losses | (1,141) | (4,111) | 901 | 2,211 | (240) | (1,900) |
| Exchange differences | - | - | (169) | (56) | (169) | (56) |
| **Actuarial liability - December 31** | 71,402 | 74,715 | 14,223 | 15,897 | 85,625 | 90,612 |
| | | - | | - | | |
| **Plan assets - January 1** | 68,582 | - | - | - | 68,582 | - |
| CIMPOR initial consolidation | - | 66,942 | - | - | - | 66,942 |
| Contributions | 28 | - | - | - | 28 | - |
| Benefits and bonuses paid | (4,938) | (2,910) | - | - | (4,938) | (2,910) |
| Expected return on plan assets | 2,661 | 1,395 | - | - | 2,661 | 1,395 |
| Actuarial gains and losses on return on plan assets | 1,872 | 3,154 | - | - | 1,872 | 3,154 |
| Administrative costs | (120) | - | - | - | (120) | - |
| **Plan assets - December 31** | 68,085 | 68,582 | - | - | 68,085 | 68,582 |

Past service costs include an estimate of the impact resulting from the increase in the legal retirement age in the Portuguese business area, as well as the effect of changes in the health plans.

The estimated impact of the 0.25% decrease in the discount rate on the liabilities for defined pension benefits and the health area in the Portuguese business area, which accounts for more than 95% of the Group's liabilities, is an increase of approximately €2,400 in liabilities.

The difference between the current liabilities of the benefit plans and the fair value of the funds' assets in the past two years was as follows:

| Pension plans | 2013 | 2012 |
|---|---|---|
| Actuarial liability | 71,402 | 74,715 |
| Asset amount | (68,085) | (68,582) |
| Deficit | 3,317 | 6,133 |
| Employee benefit obligations: | | |
| Noncurrent liabilities | 3,317 | 6,133 |
| Total exposure | 3,317 | 6,133 |

| Healthcare plans | 2013 | 2012 |
|---|---|---|
| Employee benefit obligations: | | |
| Current liabilities | 903 | 902 |
| Noncurrent liabilities | 13,320 | 14,997 |
| Total exposure | 14,223 | 15,898 |

The Company did not recognize any separate fund for the healthcare plans. The breakdown of the main funds' assets related to pension plans as of December 31, 2013 and 2012 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Shares | 21.6% | 19.1% |
| Fixed-rate bonds | 47.6% | 41.9% |
| Variable-rate bonds | 16.6% | 18.1% |
| Real estate investment funds, real estate investments, hedge funds, cash and insurance | 14.2% | 21.0% |
| | 100.0% | 100.0% |

Real estate investments include a property valued at €7,215, which was sold to the fund in the year ended 2012 by a Group company, and which is leased to the Group for an annual rental of €560.

Defined contribution plans

In the years ended December 31, 2013 and 2012, the Company incurred costs of €3,514 and €1,625, on defined contribution plans, respectively.

## 15. RELATED PARTIES

Transactions with related parties refer to advances, loan agreements, sales and purchases of products and services.

Balances as of December 31, 2013 and 2012, are as follows:

| | 12.31.2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current assets | | | Noncurrent assets | Current liabilities | | | |
| | Receivables | Related parties | Other receivables | Related parties | Trade payables | Related parties | Advances from customers | Dividends payable |
| Jointly-controlled entities: | | | | | | | | |
| Construções e Comércio Camargo Corrêa S.A. | - | - | - | - | 15 | - | 15 | - |
| Camargo Corrêa Desenvolvimento Imobiliário S.A. | 685 | - | - | - | 9 | - | 42 | - |
| Setefrete - SGPS, AS | - | 4 | - | - | 1 | - | - | - |
| Agueiro S.A. | - | 857 | - | - | - | - | - | - |
| Controlling shareholders: | | | | | | | | |
| Camargo Corrêa S.A. | - | - | 96 | - | - | - | - | 38,236 |
| Camargo Corrêa Cimentos Luxembourg, S.à.r.l. | - | - | - | - | - | 400 | - | - |
| Other | 96 | 7 | - | - | - | 731 | 101 | 898 |
| Total as of December 31, 2013 | 781 | 868 | 96 | - | 25 | 1,131 | 158 | 39,134 |
| Total as of December 31, 2012 | 707 | 2,279 | - | 20 | 455 | 1,134 | 52 | 1,333 |

Transactions conducted in the years ended December 31, 2013 and 2012 are as follows:

| | 12.31.2013 | |
|---|---|---|
| | Sales | Purchases/ expenses |
| Jointly-controlled entities: | | |
| Construções e Comércio Camargo Corrêa S.A. (a) | - | 4,657 |
| Camargo Corrêa Desenvolvimento Imobiliário S.A. (a) | 8,406 | 2 |
| Setefrete - SGPS, AS | - | 4 |
| Estaleiro Atlântico Sul S.A. | 387 | - |
| Controlling shareholders: | | |
| PARMV Properties - Empreendimentos S.A. (b) | 16,000 | - |
| Total as of December 31, 2013 | 24,793 | 4,663 |
| Total as of December 31, 2012 | 9,314 | 819 |

(a) Refers to the purchase and sale of products and services.

(b) Refers to the sale of a property, are referred to in note 19.

Management compensation

Of the amount €16,153 paid in the year ended December 31, 2013: (i) €15,195 refers to short-term benefits, such as fees, charges, and other benefits, and (ii) €958 refers to (long-term) postemployment benefits, in particular pension plan contributions (€12,791 in the year ended December 31, 2012, of which €12,411 refers to short-term benefits, such as fees, charges, and other benefits, and €380 refers to (long-term)postemployment benefits , in particular pension plan contributions).

## 16. CAPITAL, DIVIDENDS AND RESERVES

| | |
|---|---|
| Capital at December 31, 2012 | 1,002,749 |
| Capital increase | 471,235 |
| Capital at December 31, 2013 | 1,473,984 |

Capital as of December 31, 2013 is represented by 25,046,440 registered shares without par value, of which 22,687,439 are common shares and 2,359,001 are preferred shares (22,687,439 common shares at December 31, 2012).

At the Extraordinary Shareholders' Meeting held on December 19, 2013, the Company approved a capital increase with the issue of 2,359,001 registered preferred shares without par value, at the price of R$657.057796922 (€202.32726618) per share, totaling R$253,956,000 (€78,200), with the consequential allocation of R$1,276,379,000 (€393,035), net of funding costs, to line item "Capital reserve".

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

Earnings reserve

Corresponds to the retention of earnings to be used in investment projects, according to the budget to be submitted to the approval of the Shareholders' Meeting, pursuant to article 194 of Law 6404, of December 15, 1976.

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.

| | |
|---|---|
| Profit for the year | 170,876 |
| Realization of deemed cost of property, plant and equipment | 8,978 |
| Recognition of legal reserve - 5% | (8,993) |
| | 170,861 |
| | |
| Minimum mandatory dividends- | |
| Common shares | 42,716 |
| | |
| Management's proposal: | |
| Dividends payable | 42,716 |
| Recognition of earnings reserve | 128,146 |

## 17. INCOME TAX AND SOCIAL CONTRIBUTION

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Income before income tax and social contribution | 187,520 | 35,872 |
| Tax rate | 34% | 34% |
| Income tax and social contribution expense at statutory rates | (63,757) | (12,196) |
| Adjustments to calculate income tax and social contribution at effective rates: | | |
| Permanent deductions (add-backs), net | (41,346) | (8,342) |
| Interest on capital, net | 7,842 | - |
| Utilization of tax loss carryforwards in the year | 4,342 | - |
| Unrecognized deferred income tax and social contribution tax | 421 | (79,312) |
| Adjustments to deferred taxes | 63,539 | (39,211) |
| Other | 1,940 | 2,443 |
| Income tax and social contribution expense | (27,019) | (136,618) |

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, up to the limit considered realizable by the subsidiaries.

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

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Assets: | | |
| Tax loss carryforwards | 137,595 | 73,146 |
| Tax, labor and civil liability | 16,129 | 17,954 |
| Valuation of the useful lives of property, plant and equipment | 3,820 | 12,356 |
| Amortization of goodwill | 2,095 | 9,243 |
| Allowance for doubtful debts | 1,025 | 2,888 |
| Provision for environmental recovery | 5,853 | 13,307 |
| PIS and COFINS on financial income and other nonoperating income (taxes in installments) | 6,243 | 6,757 |
| Accrued profit sharing | 3,190 | 2,018 |
| Provision for outside services | 6 | 404 |
| Exchange rate changes taxed on a cash basis | 2,318 | - |
| Other temporary provisions | 8,663 | 14,784 |
| Total assets | 186,937 | 152,857 |

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Liabilities: | | |
| Goodwill amortization (future earnings) | 166,748 | 161,343 |
| Exchange rate changes taxed on a cash basis | - | 1,151 |
| Deemed cost of property, plant and equipment | 78,115 | 152,469 |
| Useful life estimate of property, plant and equipment (a) | 48,058 | 57,594 |
| Measurement of assets acquired at fair value (b) | 227,238 | 217,468 |
| Business combination | - | 322 |
| Provision for environmental recovery | 41 | 5,704 |
| Present value adjustment - Fomentar incentive | 8,251 | 7,950 |
| Present value adjustment - Banco Itaú debt - Fomentar | 2,204 | 2,964 |
| Other temporary provisions | 18,441 | 18,175 |
| Total liabilities | 549,096 | 626,140 |
| | | |
| Total net in noncurrent assets | 80,337 | 6,877 |
| Total net in noncurrent liabilities | 442,497 | 480,160 |

(a) For tax purposes, these taxes will 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, as detailed in note 1.

As of December 31, 2013, the expected realization of tax loss carryforwards is as follows:

| | |
|---|---|
| 2014 | 38,433 |
| 2015 | 30,143 |
| 2016 | 7,047 |
| 2017 | 6,887 |
| 2018 | 7,362 |
| After 2018 | 47,723 |
| Total | 137,595 |

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

Assessment of the impacts of Provisional Act 627/13

In Brazil, Provisional Act 627 ("MP 627/13") enacted on November 11, 2013, introduces new provisions, including: (i) repeals the Transitional Tax Regime (RTT) by regulating the levy of taxes on the adjustments resulting from the convergence of the Brazilian accounting standards with the international standards (IFRSs); and (ii) introduce provisions on the taxation of profits earned abroad by Brazilian residents. In light of the current wording of MP 627/13 and based on a provisional assessment and the opinion of its legal counsel, the Company will opt for the early adoption beginning of this Provisional Act January 2014 MP depending on: (i) the final wording of the Law based on this Provisional Act, which is currently underway in the National Congress and which could result in amendments to the current wording; and (ii) the Brazilian Federal Revenue Service's regulation on the matter.

## 18. REVENUE

The breakdown of the Company's revenues for the years ended December 31, 2013 and 2012 is as follows:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Products sold | 2,713,269 | 2,081,072 |
| Services provided | 342,816 | 228,498 |
| (-) Taxes on sales | (382,983) | (221,522) |
| (-) Rebates/discounts | (48,710) | (54,887) |
| Total | 2,634,392 | 2,033,161 |

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 STATEMENT OF OPERATIONS

The Company's statement of operations is presented based on a classification of expenses according to their function. Information on the nature of such expenses is as follows:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Depreciation, amortization, and impairment losses | (199,259) | (136,472) |
| Salaries and employee benefits | (229,647) | (260,625) |
| Raw materials and consumables | (606,301) | (509,953) |
| Tax expenses | (16,147) | (8,351) |
| Outside services | (191,843) | (157,707) |
| Rental | (31,444) | (33,616) |
| Freight expenses | (257,520) | (174,794) |
| Maintenance costs | (121,858) | (121,085) |
| Fuel | (192,336) | (83,745) |
| Electricity | (121,892) | (90,163) |
| Reversal (recognition) of provision for contingencies | 1,507 | 1,231 |
| Gain on sale of property, plant and equipment (a) | 40,623 | 22,541 |
| Gain on sale of carbon credits (b) | 4,088 | 26,717 |
| Gain on the exchange of emission allowances | - | 3,920 |
| Restructuring and other nonrecurring costs (c) | (54,490) | (19,878) |
| Other expenses | (90,231) | (76,787) |
| Total | (2,136,750) | (1,617,918) |
| | | |
| Cost of sales and services | (1,919,143) | (1,438,857) |
| Administrative and selling expenses | (266,810) | (247,712) |
| Other income (expenses), net | 49,203 | 68,651 |
| Total | (2,136,750) | (1,617,918) |

(a) In 2013 refers basically to:

- The sale of mining rights of the deposit located in Itupeva, State of São Paulo for €11,208, maturing on November 30, 2015.

- The gain on the sale of a property to the controlling shareholder, amounting to €10,605.

- The gain on the sale of credits to a public entity in Portugal, amounting to €11,000.

In 2012 refers basically to the sale made by subsidiary InterCement Brasil of 12 plants to third parties and four land plots to the companies owned by the same shareholders of the Company, of which three plots to CCEC Incorporadora e Administradora de Bens Ltda. and one plot to BTS Participações e Investimentos Ltda. This transaction generated a gain of €18,815.

(b) During the year ended December 31, 2013, the Portugal business area estimated its $CO_2$ emissions at 2,749,209 tonnes (2,195,441 tonnes of $CO_2$ in the year ended December 31, 2012). Of total allowances allocated, 883,000 tonnes were sold (3,382,000 in 2012), generating a gain of €4,088 (€26,717 in 2012) recorded in ‘Other income (expenses), net’. In addition, in the year ended December 31, 2012 the Group conducted an exchange of European Union Allowances (EUAs) for Certified Emission Reduction (CER) units, generating a gain of €3,920.

(c) As of December 31, 2013, include the payment made by the subsidiary (Loma Negra) as a result of the unfavorable court decision related to a fine imposed by the National Competition Protection Commission of Argentina for alleged violations committed in July 1981-August 1989, amounting to approximately €23,000.

## 20. FINANCIAL INCOME (EXPENSES)

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Exchange differences, net: | | |
| Exchange gain | 286,969 | 89,003 |
| Exchange loss | (369,379) | (226,561) |
| Total | (82,410) | (137,558) |
| | | |
| Financial income: | | |
| Inflation adjustment | 1,866 | 3,650 |
| Financial earnings | 64,899 | 24,822 |
| Interest income | 2,315 | 17,618 |
| Derivative financial instruments | 5,786 | 13,264 |
| Other income | 3,109 | 4,254 |
| Total | 77,975 | 63,608 |

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Financial expenses: | | |
| Inflation gains | (11,850) | (4,319) |
| Expenses on interest and charges | (251,656) | (195,085) |
| Expenses on banking commissions | (18,009) | - |
| Fines | (76) | (1,016) |
| Derivative financial instruments | (80) | (6,857) |
| Loss recognized in asset held for sale (a) | (516) | (26,002) |
| Financial expense on the early debt repayment (b) | - | (49,790) |
| Other expenses | (14,241) | (22,755) |
| Total | (296,428) | (305,824) |

(a) Corresponds to the impairment loss on the interest in C+PA - Cimento e Produtos Associados S.A., recorded by subsidiary Cimpor in 2012, amounting to €23,650, which was sold at the beginning of 2013.

(b) Refers to charges related to the early settlement of financing due to change-of-control clauses, which basically include the impact of the reimbursement of the US Private Placements.

## 21. COMMITMENTS

a) Lease agreements as lessee

Operating land lease agreements are effective from five to ten years. Lease payments are expected to be paid, in notional amounts, as follows:

| | 12.31.2013 |
|---|---|
| Up to one year | 5,348 |
| From one to five years | 9,067 |
| More than five years | 3,046 |
| Total | 17,461 |

The Company recognized for the year ended December 31, 2013 €9,194 as operating lease expenses in the amount of (€3,823 for the year ended December 31, 2012).

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), whose total estimated cash disbursements, in nominal amounts, are as follows:

| | 12.31.2013 |
|---|---|
| 2014 | 11,472 |
| 2015 | 14,296 |
| 2016 | 14,296 |
| 2017 | 14,296 |
| After 2017 | 57,185 |
| Total | 111,545 |

The 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:

| | 12.31.2013 |
|---|---|
| 2014 | 35,877 |
| 2015 | 11,217 |
| 2016 | 9,867 |
| 2017 | 8,864 |
| After 2017 | 31,507 |
| Total | 97,332 |

## 22. EARNINGS (LOSS) PER SHARE

As required by IAS 33 - Earnings per Share, the table below shows the reconciliation of profit (loss) for the year with the amounts used to calculate basic and diluted earnings (loss) per share:

| | Consolidated | |
|---|---|---|
| | 12.31.2013 | 12.31.2012 |
| Profit (loss) for the year attributable to common shares | 160,501 | (100,746) |
| Weighted average number of common shares | 22,687,439 | 19,862,439 |
| Basic/diluted earnings (loss) per common share | 7.07 | (5.07) |

## 23. INSURANCE

The Brazil, Argentina and Paraguay business areas' companies have the policy of obtaining coverage insurance of their property, plant and equipment and inventories subject to fire, theft, and property damage risks, according to Management's assessment.

In the other business areas subsidiary Cimpor Reinsurance, S.A., an insurance company responsible for managing the operational risk, directly assumes all property damage and machinery breakdown risks with indemnity limits of up to €3,000 per insured event, and third-party and product risks of up to €250 per insured event; in each case, the excess is covered by foreign insurance companies.

In 2013 the Company set a global insurance policy to be enforced beginning 2014.

## 24. GUARANTEES

The Company provided guarantees to its subsidiaries to ensure the full compliance with the obligations arising on the financial debt (notes 10 and 11), up to the amount of approximately €1.5 billion.

## 25. FINANCIAL INSTRUMENTS

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

### 25.1. Capital risk management

The Company and its subsidiaries' capital structure consists of net debt (borrowings less cash equivalents and securities) and equity (which includes issued capital, reserves, retained earnings and noncontrolling interests).

### 25.2. Financial risk management

The Group's Corporate Treasury Department manages the financial risks for the wholly-owned subsidiaries by coordinating access to domestic and foreign markets, monitoring and managing transaction-related risks, through internal reports by level and materiality, such as the currency risk, the interest rate risk, the price risk, the credit risk, and the liquidity risk.

### 25.3. Categories of financial instruments

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Financial assets - loans and receivables: | | |
| Cash and banks | 395,231 | 192,640 |
| Short-term investments - financial assets | 574,504 | 737,495 |
| Trade receivables | 212,736 | 211,241 |
| Related parties | 868 | 2,299 |
| Fair value through profit or loss: | | |
| Exclusive funds | 308,364 | 147,681 |
| Derivatives | 9,608 | - |
| Financial liabilities - amortized cost: | | |
| Debentures | 835,756 | 1,000,620 |
| Borrowings and financing | 2,908,105 | 3,024,422 |
| Trade payables | 310,331 | 297,080 |
| Interest payable | 76,652 | 59,793 |
| Fair value through profit or loss- | | |
| Derivatives | 1,822 | 10,057 |
| Other financial liabilities: | | |
| Derivatives | 581 | - |

## 25.4. Foreign exchange exposure and details on derivative transactions

Foreign exchange risk

The Company and its subsidiaries have assets and liabilities in currencies other than their own functional currencies, mainly the US dollar and the Argentine peso, and their results may be materially impacted by exchange rate fluctuations.

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

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | 196,456 | 126,225 |
| Trade receivables | 1,853 | 71 |
| Exposed assets | 198,309 | 126,296 |
| Liabilities: | | |
| Interest, borrowings, financing and debentures | 2,267,048 | 2,096,634 |
| Foreign trade payables | 61,521 | 46,404 |
| Exposed liabilities | 2,328,569 | 2,143,038 |

Derivatives

As of December 31, 2013, the fair value of derivatives is as follows:

| | Other assets | | Other liabilities | |
|---|---|---|---|---|
| | Current | Noncurrent | Current | Noncurrent |
| Designated as cash flow hedges- | | | | |
| Currency swaps | - | - | 490 | 91 |
| Not designated: | | | | |
| Interest rate | - | - | - | 1,783 |
| Interest and foreign rate | - | 5,785 | - | - |
| Currency forwards | 3,783 | - | - | - |
| | 3,783 | 5,785 | 490 | 1,874 |

Some derivative financial instruments, even though managed under the Company's financial risk management policy, with regard to the financial market volatility risk, are not eligible for hedge accounting and, therefore, are recognized directly in profit or loss for the year.

The table below details the fair value of the contracted derivative financial instruments that are qualified as cash flow hedges as of December 31, 2013:

| Type of hedge | Notional amount | Type of transaction | Maturity | Economic goal | Fair value |
|---|---|---|---|---|---|
| Cash flow | €35,000,000 | Currency swap | June 2015 | Hedge interest on loan cash flows | (581) |
| Cash flow | €25,000,000 | Currency swap | November 2013 | Hedge interest on loan cash flows | Cancelled (*) |
| | | | | | (581) |

(*) In April 2013 this instrument was cancelled due to the early repayment of this hedging transaction underlying asset, at cost similar to its market value.

The fair value of the derivative financial instruments not qualified as hedges as of December 31, 2013 was broken down as follows:

| Notional amount | Type of transaction | Maturity | Economic goal | Fair value |
|---|---|---|---|---|
| €50,000,000 | IRS with contingent receivable leg | June 2015 | Reduce funding costs - swap with options sold at an interest rate index | Cancelled (*) |
| US$200,000,000/ R$440,840,000 | Cross-currency swap | September 2018 | Create a R$ synthetic loan | 5,785 |
| US$130,875,922 | Forwards | January and February 2014 | Hedge liability exposure to US$ fluctuation | 3,783 |
| €25,000,000 | IRS with contingent receivable leg | June 2015 | Reduce funding costs - swap with options sold at an interest rate index | (1,783) |
| | | | | 7,785 |

(*) The Company cancelled the derivative early to reduce the volatility of results, at a cost of €5,850.

## 25.5. Market values

In the Company and its subsidiaries, borrowings and financing and other financial liabilities classified as amortized cost approximate their fair values, even those accounted for as noncurrent, except for the medium-term notes and borrowings with the Inter-American Development Bank (IDB), as shown below:

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Fair value | 128,634 | 112,717 |
| Carrying amount | 132,457 | 115,955 |

## 25.6. Exposure to interest rate risks

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

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Assets: | | |
| CDI | 762,107 | 180,488 |
| SELIC | 50,682 | 11,452 |
| Total assets | 812,789 | 191,940 |

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Liabilities: | | |
| IGP-M | 6,979 | 13,259 |
| CDI | 907,787 | 580,669 |
| EURIBOR | 816,481 | 778,806 |
| IPCA | 472 | 989 |
| LIBOR | 1,143,660 | 1,642,801 |
| TJLP | 79,041 | 101,465 |
| Other | 8,199 | 26,553 |
| Total liabilities | 2,962,619 | 3,144,542 |

25.7. Credit risk

Financial instruments that potentially subject the Company, its subsidiaries and jointly controlled entities 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.

25.8. Sensitivity analysis of financial instruments

As of December 31, 2013, the sensitivity analysis of financial instruments of the Company and its subsidiaries, considering material assets and liabilities denominated in foreign currency, and those exposed to fluctuations in IGP-M, CDI, IPCA, and TJLP is as follows:

| | | Scenarios | | |
|---|---|---|---|---|
| Transaction | Risk | 1 | 2 | 3 |
| Impact of foreign exchange risk | | | | |
| Derivatives | Real appreciation | (78) | 10,063 | 15,418 |
| Assets: | | | | |
| Cash and cash equivalents | Real appreciation | 20,611 | 15,459 | 10,306 |
| Trade receivables | Real appreciation | 193 | 145 | 97 |
| Liabilities: | | | | |
| Interests, borrowings and financing | Real depreciation | 236,467 | 295,584 | 354,701 |
| Foreign trade payables | Real depreciation | 6,536 | 8,170 | 9,804 |
| Exposure to floating rates | | | | |
| Derivatives | Rate decrease | 2,802 | 3,548 | 4,308 |
| Short-term investments: | | | | |
| CDI | Index drop | 90,035 | 67,526 | 45,017 |
| SELIC | Index drop | 6,102 | 4,576 | 3,051 |

| Transaction | Risk | Scenarios 1 | 2 | 3 |
|---|---|---|---|---|
| Borrowings and debentures: | | | | |
| IGP-M | Index hike | 153 | 191 | 229 |
| CDI | Index hike | 107,246 | 134,057 | 160,869 |
| IPCA | Index hike | 31 | 39 | 47 |
| LIBOR | Index hike | 7,502 | 9,377 | 11,253 |
| URTJLP | Index hike | 4,447 | 5,558 | 6,670 |
| EURIBOR | Index hike | 5,356 | 6,695 | 8,034 |

Scenario 1 reflects the financial market estimates for the calculation of future amounts of these transactions. Scenario 2 considers a Brazilian real appreciation or depreciation over the foreign currency and floating rates in relation to scenario 1, depending on the nature of the risk, of 25%, and scenario 3 of 50% in relation to scenario 1.

Scenario 1 reflects Management's best estimates of the possible impacts of the transactions described above for the year ending December 31, 2014.

## 26. SUPPLEMENTAL CASH FLOW INFORMATION

a) Investment and financing transactions not involving cash

| | 12.31.2013 | 12.31.2012 |
|---|---|---|
| Interest capitalization | 9,304 | 6,491 |
| Purchase of tangible assets through financing | 2,310 | 5,432 |
| Acquisition of intangible assets with debt | - | 2,946 |
| Acquisition of land payable in the future | - | 2,978 |
| Sale of tangible assets in exchange for services | - | 279 |

## 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:

| | 12.31.2013 | | | | 12.31.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Product sales and services provided | | | | Product sales and services provided | | | |
| | Foreign sales | Intersegment sales | Total | Profit (loss) | Foreign sales | Intersegment sales | Total | Profit (loss) |
| Operating segments: | | | | | | | | |
| Brazil | 1,238,695 | - | 1,238,695 | 337,958 | 1,045,550 | - | 1,045,550 | 265,393 |
| Argentina and Paraguay | 649,890 | - | 649,890 | 101,330 | 595,069 | - | 595,069 | 105,487 |
| Portugal and Cape Verde | 206,046 | 101,211 | 307,257 | (22,186) | 130,375 | 26,224 | 156,599 | 15,387 |
| Egypt | 180,779 | - | 180,779 | 25,748 | 79,861 | - | 79,861 | 4,594 |
| Mozambique | 141,878 | - | 141,878 | 25,408 | 76,713 | - | 76,713 | 17,120 |
| South Africa | 121,703 | 3,481 | 125,184 | 24,588 | 63,959 | 1,847 | 65,806 | 14,559 |
| Total | 2,538,991 | 104,692 | 2,643,683 | 492,846 | 1,991,527 | 28,071 | 2,019,598 | 422,540 |
| Other | 85,400 | 226,097 | 311,497 | (5,204) | 41,633 | 102,251 | 143,884 | (7,297) |
| Eliminations | - | (330,788) | (330,788) | - | - | (130,322) | (130,322) | - |
| Subtotal | 2,624,391 | 1 | 2,624,392 | 487,642 | 2,033,160 | - | 2,033,160 | 415,243 |
| Share of profit of associates | | | | 741 | | | | 403 |
| Income before financial income (expenses) | | | | 488,383 | | | | 415,646 |
| Financial income (expenses), net | | | | (300,863) | | | | (379,744) |
| Income before income tax and social contribution | | | | 187,520 | | | | 35,872 |
| Income tax and social contribution | | | | (27,019) | | | | (136,619) |
| Profit (loss) for the year | | | | 160,501 | | | | (100,746) |

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

| | Noncontrolling interest | |
|---|---|---|
| | 12.31.2013 | 12.31.2012 |
| Operating segments: | | |
| Brazil | 51,298 | 27,662 |
| Argentina and Paraguay | 5,601 | 175 |
| Portugal and Cape Verde | (4,261) | (8,176) |
| Egypt | 7,823 | 1,890 |
| Mozambique | 6,553 | 2,877 |
| South Africa | 9,653 | 5,029 |
| | 76,667 | 29,457 |
| Other | (87,041) | (39,820) |
| Total | (10,375) | (10,363) |

Other Company information:

| | 12.31.2013 | | | 12.31.2012 | | |
|---|---|---|---|---|---|---|
| | Capital expenditure | Depreciation, amortization and impairment losses | Provisions | Capital expenditure | Depreciation, amortization and impairment losses | Provisions |
| Operating segments: | | | | | | |
| Brazil | 215,381 | 73,261 | 532 | 967,683 | 50,114 | (9,966) |
| Argentina and Paraguay | 72,496 | 22,887 | 957 | 68,093 | 25,411 | 1,665 |
| Portugal and Cape Verde | 3,656 | 57,518 | (1,563) | 643,874 | 30,629 | 191 |
| Egypt | 19,950 | 23,565 | 856 | 365,247 | 15,848 | 3,909 |
| Mozambique | 24,996 | 6,711 | - | 139,845 | 4,994 | - |
| South Africa | 1,591 | 11,959 | 2 | 203,362 | 7,011 | 9 |
| | 338,070 | 195,901 | 784 | 2,388,104 | 134,007 | (4,192) |
| Other | 2,150 | 3,358 | (171) | 46,637 | 2,465 | 190 |
| Total | 340,220 | 199,259 | 613 | 2,434,741 | 136,472 | (4,002) |

In addition, segment assets and liabilities reconciled with the consolidated balances as of December 31, 2013 e de 2012 are as follows:

| | 12.31.2013 | | | 12.31.2012 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net assets | Assets | Liabilities | Net assets |
| Operating segments: | | | | | | |
| Brazil | 3,665,453 | 1,593,001 | 2,072,452 | 4,324,024 | 1,870,622 | 2,453,402 |
| Argentina and Paraguay | 596,180 | 487,628 | 108,552 | 667,790 | 474,517 | 193,273 |
| Portugal and Cape Verde | 904,532 | 494,175 | 410,357 | 986,071 | 565,733 | 420,338 |
| Egypt | 477,916 | 153,300 | 324,616 | 497,940 | 113,394 | 384,546 |
| Mozambique | 284,850 | 143,610 | 141,240 | 253,967 | 118,204 | 135,763 |
| South Africa | 350,783 | 132,646 | 218,137 | 441,007 | 65,256 | 375,751 |
| Total | 6,279,714 | 3,004,360 | 3,275,354 | 7,170,799 | 3,207,726 | 3,963,073 |
| Other | 1,389,046 | 2,413,467 | (1,024,421) | 828,200 | 2,541,416 | (1,713,216) |
| Eliminations | (483,471) | (483,471) | - | (499,770) | (499,770) | - |
| Other investments | 8,414 | - | 8,414 | 8,372 | - | 8,372 |
| Total segments | 7,193,703 | 4,934,356 | 2,259,347 | 7,507,601 | 5,249,372 | 2,258,229 |

The assets and liabilities not attributable to segments include: (a) assets and liabilities not attributable to specific segments basically allocated to holding and trading companies; (b) intragroup eliminations between segments; and (c) other investments.

## 28. EVENTS AFTER THE REPORTING PERIOD

On January 22, 2014 the Reporting Councilor of the Administrative Proceeding currently in progress in the CADE, filed in 2007 against subsidiary InterCement Brasil and other industry companies (“Respondents”), as referred to in note 12, issued a vote sentencing the Respondents to a monetary fine and other accessory penalties. The fine imposed on subsidiary InterCement Brasil totals €167,215 (including €74,911 on InterCement and €92,304 on CIMPOR), in addition to a mandatory divestures. The other CADE Councilors, except for one, voted like the Reporting Councilor. The Councilor that did not vote requested review of the proceeding and the judgment was suspended until the next session.

The proceeding was withdrawn from the calendar on February 5, 2014 and judgment will remain suspended. Currently it is not possible to predict when a decision will be reached or even if the other Councilors will change their votes. If the CADE’s unfavorable decision is confirmed, subsidiary InterCement Brasil will appeal against the decision.

## 29. AUTHORIZATION FOR COMPLETION OF FINANCIAL STATEMENTS

At the meeting held on February 28, 2014, the Board of Directors authorized the completion of these financial statements, which comprise subsequent events that took place through the approval date, being approved them for disclosure.