



# INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES



*Interim Condensed  
Consolidated Financial  
Information for the three  
months period ended **March  
31<sup>st</sup>, 2017.** Interim Financial  
Information.*

**Building Sustainable Partnerships**

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

Condensed Consolidated Statements of Financial Position as of March 31, 2017 and December 31, 2016

(Unaudited)

(In thousands of euros - €)

| ASSETS                                      | Notes | 03.31.2017       | 12.31.2016       | LIABILITIES AND EQUITY                      | Notes    | 03.31.2017       | 12.31.2016       |
|---|-------|------------------|------------------|---|----------|------------------|------------------|
| <b>CURRENT ASSETS</b>                       |       |                  |                  | <b>CURRENT LIABILITIES</b>                  |          |                  |                  |
| Cash and cash equivalents                   | 4     | 441,077          | 541,143          | Trade payables                              |          | 269,187          | 311,631          |
| Securities                                  | 5     | 19,638           | 49,465           | Debtentures                                 | 10       | 123,699          | 121,926          |
| Trade receivables                           | 6     | 161,930          | 137,605          | Borrowings and financing                    | 9        | 227,381          | 213,866          |
| Inventories                                 |       | 451,924          | 396,795          | Interest payable                            | 9 and 10 | 106,743          | 95,678           |
| Recoverable taxes                           |       | 37,864           | 42,603           | Taxes payable                               |          | 80,620           | 67,618           |
| Derivatives                                 | 19    | 23,052           | 26,450           | Payroll and related taxes                   |          | 38,716           | 43,589           |
| Other receivables                           |       | 63,586           | 52,079           | Dividends and interest on capital           | 13       | 2,688            | 2,455            |
| Total current assets                        |       | <u>1,199,071</u> | <u>1,246,140</u> | Advances from customers                     |          | 24,972           | 18,130           |
|   |       |                  |                  | Actuarial liabilities                       |          | 903              | 903              |
|   |       |                  |                  | Derivatives                                 | 19       | 3,604            | 8,287            |
|   |       |                  |                  | Other payables                              |          | <u>27,919</u>    | <u>30,223</u>    |
|   |       |                  |                  | Total current liabilities                   |          | <u>906,432</u>   | <u>914,306</u>   |
| <b>NONCURRENT ASSETS</b>                    |       |                  |                  | <b>NONCURRENT LIABILITIES</b>               |          |                  |                  |
| Securities                                  | 5     | 3,009            | 2,928            | Trade payables                              |          | 7,266            | 9,199            |
| Trade receivables                           | 6     | 6,128            | 6,199            | Debtentures                                 | 10       | 1,159,013        | 1,157,415        |
| Inventories                                 |       | 12,608           | 12,461           | Borrowings and financing                    | 9        | 1,877,490        | 1,932,136        |
| Recoverable taxes                           |       | 29,421           | 29,675           | Provision for tax, civil and labor risks    | 11       | 51,750           | 52,474           |
| Deferred income tax and social contribution | 14    | 40,303           | 29,827           | Provision for environmental recovery        |          | 40,546           | 39,954           |
| Escrow deposits                             |       | 21,667           | 19,923           | Taxes payable                               |          | 18,965           | 13,138           |
| Derivatives                                 | 19    | 176,228          | 215,450          | Deferred income tax and social contribution | 14       | 294,331          | 301,829          |
| Other receivables                           |       | 23,147           | 27,473           | Actuarial liabilities                       |          | 22,117           | 21,825           |
| Property Investment                         |       | 7,365            | 7,442            | Derivatives                                 | 19       | 5,586            | 7,468            |
| Investments                                 |       | 10,594           | 13,340           | Other payables                              |          | <u>13,400</u>    | <u>13,831</u>    |
| Property, plant and equipment               | 7     | 2,007,321        | 2,047,838        | Total noncurrent liabilities                |          | <u>3,490,464</u> | <u>3,549,269</u> |
| Intangible assets:                          |       |                  |                  | <b>TOTAL LIABILITIES</b>                    |          | <u>4,396,896</u> | <u>4,463,575</u> |
| Goodwill                                    | 8     | 1,563,879        | 1,546,629        |   |          |                  |                  |
| Other intangible assets                     | 8     | <u>250,176</u>   | <u>213,388</u>   | <b>SHAREHOLDER'S EQUITY</b>                 |          |                  |                  |
| Total noncurrent assets                     |       | <u>4,151,846</u> | <u>4,172,573</u> | Capital                                     | 13       | 1,080,949        | 1,080,949        |
|   |       |                  |                  | Capital reserves                            | 13       | 554,256          | 555,114          |
|   |       |                  |                  | Earnings reserves                           | 13       | 155,653          | 155,653          |
|   |       |                  |                  | Accumulated losses                          | 13       | (534,064)        | (507,726)        |
|   |       |                  |                  | Other comprehensive income                  | 13       | <u>(700,976)</u> | <u>(720,321)</u> |
|   |       |                  |                  | Equity attributable to the Company's owners |          | 555,819          | 563,669          |
|   |       |                  |                  | Noncontrolling interests                    |          | <u>398,202</u>   | <u>391,469</u>   |
|   |       |                  |                  | Total equity                                |          | <u>954,021</u>   | <u>955,138</u>   |
| <b>TOTAL ASSETS</b>                         |       | <u>5,350,917</u> | <u>5,418,713</u> | <b>TOTAL LIABILITIES AND EQUITY</b>         |          | <u>5,350,917</u> | <u>5,418,713</u> |

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

Condensed Consolidated Income Statements for the three months periods ended March 31, 2017 and 2016

(Unaudited)

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

|  | Notes | 03.31.2017 | 03.31.2016 |
|--|-------|------------|------------|
| NET REVENUE  | 21    | 452,994    | 454,093    |
| COST OF SALES AND SERVICES   | 15    | (363,629)  | (377,389)  |
| GROSS PROFIT   |       | 89,365     | 76,704     |
| OPERATING INCOME (EXPENSES)  |       |            |            |
| Administrative and selling expenses  | 15    | (63,097)   | (47,852)   |
| Other income (expense)   | 15    | 6,837      | (1,441)    |
| Equity result  |       | 179        | 70         |
| PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION |       | 33,284     | 27,481     |
| FINANCIAL INCOME (EXPENSES)  |       |            |            |
| Foreign exchange losses, net   | 16    | 7,095      | (30,645)   |
| Financial income   | 16    | 7,029      | 20,746     |
| Financial expenses   | 16    | (75,224)   | (71,474)   |
| LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION                                       |       | (27,816)   | (53,892)   |
| INCOME TAX AND SOCIAL CONTRIBUTION   |       |            |            |
| Current  | 14    | (22,196)   | (19,596)   |
| Deferred   | 14    | 18,975     | 22,903     |
| LOSS FOR THE PERIOD  |       | (31,037)   | (50,585)   |
| LOSS ATTRIBUTABLE TO   |       |            |            |
| Company's owners   | 18    | (26,338)   | (39,626)   |
| Noncontrolling interests   | 21    | (4,699)    | (10,959)   |
| LOSS PER SHARE   |       |            |            |
| Basic/diluted loss per share   | 18    | (1.16)     | (1.75)     |

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income for the three months periods ended March 31, 2017 and 2016

(Unaudited)

(In thousands of euros - €)

|   | Notes | 03.31.2017 | 03.31.2016      |
|---|-------|------------|-----------------|
| LOSS FOR THE PERIOD   |       | (31,037)   | (50,585)        |
| Other comprehensive income:   |       |            |                 |
| Items that will not be reclassified subsequently to the income statement: |       |            |                 |
| Employee benefits   |       | -          | 6               |
| Items that might be reclassified subsequently to the income statement:    |       |            |                 |
| Exchange differences arising on translating foreign operations            |       | 25,629     | 1,232           |
| Hedging derivatives financial instruments                                 |       | 6,099      | (4,201)         |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                            |       | <b>691</b> | <b>(53,548)</b> |
| COMPREHENSIVE LOSS ATTRIBUTABLE TO:                                       |       |            |                 |
| Company's owners  |       | (6,993)    | (50,253)        |
| Noncontrolling interests  |       | 7,684      | (3,295)         |

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

## Condensed Consolidated Statements of Changes in Equity for the three months periods ended March 31, 2017 and 2016

(Unaudited)

(In thousands of euros - €)

| Notes                                      | Share capital    | Capital reserves | Earnings reserves |                |                            | Accumulated losses | Total attributable to the Company's owners | Noncontrolling interests | Total equity     |
|--|------------------|------------------|-------------------|----------------|----------------------------|--------------------|--|--------------------------|------------------|
|  |                  |                  | Legal             | Investments    | Other comprehensive income |                    |  |                          |                  |
| BALANCE AT DECEMBER 31, 2015               | 1,080,949        | 498,724          | 18,063            | 210,360        | (738,671)                  | (20,657)           | 1,048,768                                  | 451,716                  | 1,500,484        |
| Loss for the period                        | -                | -                | -                 | -              | -                          | (39,626)           | (39,626)                                   | (10,960)                 | (50,586)         |
| Sale of noncontrolling interests           | -                | 37,063           | -                 | -              | -                          | -                  | 37,063                                     | 2,998                    | 40,061           |
| Dividends paid to noncontrolling interests | -                | -                | -                 | -              | -                          | -                  | -  | (253)                    | (253)            |
| Other comprehensive income                 | -                | -                | -                 | -              | (10,629)                   | -                  | (10,629)                                   | 7,665                    | (2,964)          |
| <b>BALANCE AT MARCH 31, 2016</b>           | <b>1,080,949</b> | <b>535,787</b>   | <b>18,063</b>     | <b>210,360</b> | <b>(749,300)</b>           | <b>(60,283)</b>    | <b>1,035,576</b>                           | <b>451,166</b>           | <b>1,486,742</b> |
| BALANCE AT DECEMBER 31, 2016               | 1,080,949        | 555,114          | 18,063            | 137,591        | (720,321)                  | (507,726)          | 563,669                                    | 391,469                  | 955,138          |
| Loss for the period                        | -                | -                | -                 | -              | -                          | (26,338)           | (26,338)                                   | (4,699)                  | (31,037)         |
| Sale of noncontrolling interests           | -                | 602              | -                 | -              | -                          | -                  | 602  | 205                      | 806              |
| Aquisition of noncontrolling interests     | -                | (1,460)          | -                 | -              | -                          | -                  | (1,460)                                    | (718)                    | (2,178)          |
| Dividends paid to noncontrolling interests | -                | -                | -                 | -              | -                          | -                  | -  | (438)                    | (438)            |
| Other comprehensive income                 | -                | -                | -                 | -              | 19,345                     | -                  | 19,345                                     | 12,383                   | 31,728           |
| <b>BALANCE AT MARCH 31, 2017</b>           | <b>1,080,949</b> | <b>554,256</b>   | <b>18,063</b>     | <b>137,591</b> | <b>(700,976)</b>           | <b>(534,064)</b>   | <b>555,819</b>                             | <b>398,202</b>           | <b>954,021</b>   |

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

**INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Cash Flows for the three months periods ended March 31, 2017 and 2016**
**(Unaudited)**

(In thousands of euros - €)

|  | Notes | 03.31.2017       | 03.31.2016       |
|--|-------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |       |                  |                  |
| Loss before income tax and social contribution   |       | (27,816)         | (53,892)         |
| Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities: |       |                  |                  |
| Depreciation, amortization and impairment losses   |       | 51,121           | 50,441           |
| Recognition (reversal) of allowance for potential losses, net  |       | (530)            | (12,117)         |
| Interest, accrued charges, and exchange differences  |       | 61,566           | 81,572           |
| Gain on sale of long-lived assets  |       | (1,474)          | (999)            |
| Equity result  |       | (179)            | (70)             |
| Other noncash operating losses (gains)   |       | 1,519            | (1,367)          |
| Decrease (increase) in operating assets:   |       |                  |                  |
| Trade receivables  |       | (20,161)         | (19,452)         |
| Inventories  |       | (49,665)         | (28,823)         |
| Recoverable taxes  |       | 2,459            | (3,560)          |
| Other receivables  |       | 9                | 50               |
| Increase (decrease) in operating liabilities:  |       |                  |                  |
| Trade payables   |       | (34,342)         | 34,853           |
| Payroll and vacation payable   |       | 4,072            | 2,123            |
| Other payables   |       | (16,804)         | (57,692)         |
| Taxes payable  |       | 1,087            | (5,470)          |
| Cash generated by operating activities   |       | (29,138)         | (14,403)         |
| Income tax and social contribution paid  |       | (6,081)          | (6,195)          |
| Interest paid  |       | (21,409)         | (50,541)         |
| Net cash generated (used) by operating activities  |       | <u>(56,628)</u>  | <u>(71,139)</u>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |       |                  |                  |
| Redemption of (investments in) securities  |       | 31,859           | (16,291)         |
| Purchase of property, plant and equipment  |       | (43,391)         | (28,281)         |
| Increase in intangible assets  |       | (709)            | (97)             |
| Sale of long-lived assets  |       | 1,676            | 632              |
| Dividends received   |       | 126              | 141              |
| Net cash generated (used) in investing activities  |       | <u>(10,439)</u>  | <u>(43,896)</u>  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |       |                  |                  |
| Borrowings, financing and debentures   |       | 22,431           | 23,976           |
| Swap transactions  |       | (4,548)          | -                |
| Repayment of borrowings, financing and debentures  |       | (52,067)         | (38,347)         |
| Other instruments  |       | (122)            | (1,037)          |
| Net cash used in financing activities  |       | <u>(34,306)</u>  | <u>(15,408)</u>  |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>   |       | <u>(101,373)</u> | <u>(130,443)</u> |
| <b>EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>   |       | 1,307            | (14,048)         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>  | 4     | 541,143          | 767,971          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>  | 4     | <u>441,077</u>   | <u>623,480</u>   |

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

**INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

Notes to the Consolidated Interim Condensed Financial Information for the three months period ended March 31, 2017

(Unaudited)

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

**1. General Information**

InterCement Participações, S.A. (“Company”) is a private held company headquartered in the City of São Paulo, State of São Paulo, Brazil, engaged in holding equity interests and investments abroad, leading a business group present in 8 countries (“ICP Group” or “Group”). Its ultimate parent company is Camargo Corrêa S.A. The Group is primarily engaged in the manufacture and sale of cement and cement byproducts, in addition to the extraction of the minerals used to manufacture these products.

The Company owns 40 cement plants, 62 concrete plants, and 21 aggregates plants (located in Brazil, Argentina, Paraguay, Portugal, Egypt, Mozambique and South Africa). It also owns one port terminal in Cape Verde, and seven plants producing lime, packaging and mortar. Additionally, Brazil holds electric power generation equity interests and assets, as a self-generator for some of its production.

**2. Basis of Preparation and Significant Accounting Policies****2.1. Basis of preparation**

The consolidated Interim Financial Information as of March 31, 2017 was prepared based on the International Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), which allows the entities to present selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. Accordingly, this Interim Financial Information should be read together with Company’s consolidated financial statements for the year ended December 31, 2016.

**2.2. Significant accounting policies**

The accounting policies adopted are consistent with those considered in the consolidated financial statements for the year ended as of December 31, 2016 and disclosed in the corresponding notes, except in respect of the standards and interpretations entering into force on or after January 1, 2017, the adoption of which had not a significant impact on the Group’s profits or financial position.

**2.3. Functional, reporting and presentation currencies**

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

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

| Currency               | Closing exchange rate (R\$) |            | Average exchange rate (R\$) |            |
|------------------------|-----------------------------|------------|-----------------------------|------------|
|                        | 03.31.2017                  | 12.31.2016 | 03.31.2017                  | 03.31.2016 |
| USD US Dollar          | 3.16840                     | 3.25910    | 3.14429                     | 3.89056    |
| EUR Euro               | 3.38960                     | 3.43840    | 3.34986                     | 4.28715    |
| MZN Mozambique Metical | 0.04670                     | 0.04572    | 0.04515                     | 0.08289    |
| CVE Cape Verde Escudo  | 0.03074                     | 0.03118    | 0.02278                     | 0.03888    |
| EGP Egyptian Pound     | 0.17600                     | 0.18110    | 0.17552                     | 0.46269    |
| ZAR South African Rand | 0.23610                     | 0.23790    | 0.23917                     | 0.24579    |
| ARS Argentinian Peso   | 0.20587                     | 0.20510    | 0.20068                     | 0.26966    |
| PYG Paraguayan Guaraní | 0.00057                     | 0.00056    | 0.00056                     | 0.00067    |

### 3. Critical Accounting Judgments and Key Sources of Estimation Uncertainties

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no changes in relation to what was presented in note 3 to the Company's consolidated Financial Statements as of December 31, 2016.

### 4. Cash and Cash Equivalents

|                                 | 03.31.2017     | 12.31.2016     |
|---------------------------------|----------------|----------------|
| Cash and bank accounts          | 282,761        | 325,110        |
| Short-term investments          | 158,316        | 216,033        |
| Total cash and cash equivalents | <u>441,077</u> | <u>541,143</u> |

Short-term investments were as follows:

|   | 03.31.2017     | 12.31.2016     |
|---|----------------|----------------|
| Bank certificates of deposit (CDBs)             | 14,111         | 2,209          |
| Short Term Investment in Reais                  | -              | 1,718          |
| Exclusive funds:                                |                |                |
| National Treasury Bills (LTNs)                  | 2,775          | 12,781         |
| National Treasury Bills (LTFs)                  | 3,495          | 32,663         |
| CDBs  | 274            | 1,135          |
| Fixed-income funds                              | 30,237         | 9,081          |
| Short-term investments in foreign subsidiaries: |                |                |
| Investment fund in Argentinean pesos            | -              | 28,082         |
| Short-term investments in US dollars            | 75,629         | 91,490         |
| Short-term investments in euro                  | 16,568         | 16,267         |
| Short-term investments in Egyptian pound        | -              | 2,717          |
| Short-term investments in South African rand    | 9,992          | 8,256          |
| Short-term investments in Mozambique metical    | 5,235          | 6,914          |
| Short-term investments in Cape Verd escudos     | -              | 2,720          |
| Total short-term investments                    | <u>158,316</u> | <u>216,033</u> |

## 5. Securities

Securities are classified as financial assets, as follows:

|                    | 03.31.2017    | 12.31.2016    |
|--------------------|---------------|---------------|
| Market investments | 14,080        | 44,143        |
| Other              | 8,567         | 8,250         |
| Total              | <u>22,647</u> | <u>52,393</u> |
| Total - current    | 19,638        | 49,465        |
| Total - noncurrent | 3,009         | 2,928         |

## 6. Trade Receivables

|   | 03.31.2017     | 12.31.2016     |
|---|----------------|----------------|
| Domestic and foreign customers - current          | 191,329        | 166,328        |
| (-) Impairment for doubtful accounts – current    | (29,399)       | (28,723)       |
| Trade receivables - current                       | <u>161,930</u> | <u>137,605</u> |
| Domestic and foreign customers - noncurrent       | 6,225          | 6,295          |
| (-) Impairment for doubtful accounts – noncurrent | (97)           | (96)           |
| Trade receivables - noncurrent                    | <u>6,128</u>   | <u>6,199</u>   |

## 7. Property, Plant and Equipment

|                              | 03.31.2017       |                    |                  |
|------------------------------|------------------|--------------------|------------------|
|                              | Cost             | Depreciation       | Net book value   |
| Land                         | 152,578          | (13,320)           | 139,258          |
| Buildings                    | 556,157          | (199,795)          | 356,362          |
| Machinery and equipment      | 1,808,520        | (727,392)          | 1,081,128        |
| Vehicles                     | 47,114           | (18,129)           | 28,985           |
| Furniture and fixtures       | 11,182           | (7,939)            | 3,243            |
| Mines and ore reserves       | 114,818          | (79,198)           | 35,620           |
| Reservoirs, dams and feeders | 81,713           | (19,794)           | 61,919           |
| Other                        | 11,973           | (8,760)            | 3,213            |
| Spare parts                  | 4,616            | -                  | 4,616            |
| Advances to suppliers        | 27,096           | -                  | 27,096           |
| Construction in progress     | 265,881          | -                  | 265,881          |
| Total                        | <u>3,081,648</u> | <u>(1,074,327)</u> | <u>2,007,321</u> |

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

During the three months periods ended March 31, 2017 and 2016, the Company capitalized financial charges amounting to €25 thousand and €797 thousand, respectively, related to loans granted to finance eligible assets.

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

Changes in property, plant and equipment were as follows:

|                                     |                  |
|-------------------------------------|------------------|
|                                     |                  |
| Balance at December 31, 2015        | 2,144,857        |
| Additions                           | 29,314           |
| Write-offs                          | (430)            |
| Depreciation                        | (47,619)         |
| Effect of changes in exchange rates | (51,961)         |
| Other                               | 70               |
| Balance at March 31, 2016           | <u>2,074,231</u> |
| <br>                                |                  |
| Balance at December 31, 2016        | 2,047,838        |
| Additions                           | 22,921           |
| Write-offs                          | (482)            |
| Depreciation                        | (48,326)         |
| Effect of changes in exchange rates | 21,883           |
| Other                               | (36,513)         |
| Balance at March 31, 2017           | <u>2,007,321</u> |

## 8. Intangible Assets

|  | 03.31.2017              | 12.31.2016              |
|--|-------------------------|-------------------------|
| Other intangible assets:                               |                         |                         |
| Mining rights  | 188,875                 | 187,283                 |
| Concession-related assets                              | 4,720                   | 4,823                   |
| Software licenses                                      | 7,118                   | 5,883                   |
| Project development costs                              | 5,738                   | 5,598                   |
| Trademarks, patents and others                         | 43,725                  | 9,801                   |
|  | <u>250,176</u>          | <u>213,388</u>          |
| Goodwill:  |                         |                         |
| Loma Negra C.I.A. S.A.                                 | 284,867                 | 280,824                 |
| CBC - Companhia Brasileira de Cimentos ("CBC")         | 30,279                  | 29,849                  |
| Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC") | 22,363                  | 22,045                  |
| Cimpor - Cimentos de Portugal, SGPS, S.A.              | 1,203,606               | 1,191,478               |
| Other  | 22,764                  | 22,433                  |
|  | <u>1,563,879</u>        | <u>1,546,629</u>        |
| Total  | <u><u>1,814,055</u></u> | <u><u>1,760,017</u></u> |

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which are made based on the recoverable amounts of each of the corresponding business segment, which did not occur in the three months periods ended March 31, 2017 and 2016.

Changes in intangible assets in the three months periods ended March 31, 2017 and 2016 were as follows:

|                                     |                         |
|-------------------------------------|-------------------------|
| Balance at December 31, 2015        | 1,908,420               |
| Additions                           | 546                     |
| Write-offs                          | (3)                     |
| Amortization                        | (1,801)                 |
| Effect of changes in exchange rates | 50,505                  |
| Transfers                           | (26)                    |
| Balance at March 31, 2016           | <u>1,957,641</u>        |
| Balance at December 31, 2016        | 1,760,017               |
| Additions                           | 468                     |
| Amortization                        | (2,212)                 |
| Effect of changes in exchange rates | 19,084                  |
| Transfers                           | 36,698                  |
| Balance at March 31, 2017           | <u><u>1,814,055</u></u> |

## 9. Borrowings and Financing

| Functional Currency | Business unit                       | Type of financing | Currency | Interest rates (b)                 | Contract date | Maturity    | 03.31.2017     |                  | 12.31.2016     |                  |
|---------------------|-------------------------------------|-------------------|----------|------------------------------------|---------------|-------------|----------------|------------------|----------------|------------------|
|                     |                                     |                   |          |                                    |               |             | Current        | Noncurrent       | Current        | Noncurrent       |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | US\$     | Floating rate indexed to US Libor  | May/12        | Jan/22      | -              | 391,349          | -              | 396,651          |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | EUR      | Floating rate indexed to Euribor   | Feb/12        | Feb/22      | -              | 306,796          | -              | 306,796          |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | EUR      | Floating rate indexed to Euribor   | Feb/14        | Feb/19      | -              | 54,093           | 6,037          | 54,041           |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | US\$     | Floating rate indexed to US Libor  | Feb/14        | Feb/19      | -              | 181,715          | 20,616         | 183,992          |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | EUR      | Floating rate indexed to Euribor   | Feb/14        | Feb/19      | -              | 60,103           | -              | 60,078           |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | US\$     | Floating rate indexed to US Libor  | Feb/14        | Feb/19      | -              | 201,904          | -              | 204,605          |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | US\$     | Floating rate indexed to US Libor  | Feb/14        | Feb/21      | -              | 221,505          | -              | 224,536          |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | US\$     | Floating rate indexed to US Libor  | May/14        | May/19      | -              | 46,340           | -              | 46,974           |
| EUR                 | Holdings and Financial Vehicles (*) | Commercial paper  | EUR      | Floating rate                      | Mar/16        | Mar/20      | -              | 50,000           | -              | 50,000           |
| EUR                 | Holdings and Financial Vehicles (*) | Bilateral         | EUR      | Fixed rate                         | Dec/14        | Dec/18      | -              | 23,113           | -              | 22,949           |
| ARS                 | Argentina and Paraguay              | Several bilateral | ARS      | Floating rates indexed to Badlar   | Several       | Several     | 43,354         | 20,328           | 30,702         | 25,989           |
| ARS                 | Argentina and Paraguay              | Several bilateral | US\$     | Floating rates indexed to US Libor | Several       | Several     | 69,465         | 28,630           | 53,714         | 45,293           |
| BRL                 | Brazil                              | Several bilateral | BRL      | Fixed and floating rates           | Several       | Several (a) | 13,770         | 147,847          | 12,716         | 151,819          |
| PYG                 | Argentina and Paraguay              | Several bilateral | US\$     | Fixed and floating rates           | Several       | Several     | 22,299         | 53,351           | 21,224         | 62,782           |
| PYG                 | Argentina and Paraguay              | Several bilateral | PYG      | Fixed rates                        | Oct/15        | Apr/17      | 13,880         | -                | 13,751         | -                |
| ZAR                 | South Africa                        | Several bilateral | ZAR      | Floating rate indexed to Jibar     | Several       | Several     | 31,344         | 13,931           | 31,135         | 13,838           |
| EUR                 | Portugal and Cape Verde             | Several bilateral | EUR      | Fixed and floating rates           | Several       | Several     | -              | 75,000           | -              | 75,000           |
| MZN                 | Mozambique                          | Several bilateral | MZN      | Floating rates indexed to BT 3M    | Several       | Several     | 1,597          | 278              | 1,541          | 268              |
| EGP                 | Egypt                               | Several bilateral | EGP      | Floating rates indexed to Corridor | Several       | Several     | 31,672         | 1,208            | 22,430         | 6,525            |
|                     |                                     |                   |          |                                    |               |             | <u>227,381</u> | <u>1,877,490</u> | <u>213,866</u> | <u>1,932,136</u> |

- (\*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities.
- (a) Guaranteed by Company's controlling entities, amounting to €38,863 in the three months ended March 31, 2017.
- (b) For the major funding, the variable rates contracted, both in dollars and euros, consider spreads between 2.5% and 3.5%.

As of March 31, 2017 and December 31, 2016, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to €16,663 and €26,130, respectively.

### Maturity schedule

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

| Period          | 03.31.2017       | 12.31.2016       |
|-----------------|------------------|------------------|
| 2018 (9 months) | 256,107          | 297,981          |
| 2019            | 761,773          | 767,802          |
| 2020            | 233,408          | 234,851          |
| 2021            | 418,606          | 423,178          |
| Following years | 207,596          | 208,324          |
|                 | <u>1,877,490</u> | <u>1,932,136</u> |

### Covenants

The loan and financing agreements contain certain restrictive covenants, including change of control clauses and those requiring the maintenance of certain financial ratios within pre-established parameters.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually, which depends of conditions agreed in each contract with financial institutions. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016 and such obligation will only be measured again with financial figures as of December 31, 2017.

## 10. Debentures

| Functional Currency | Business unit                       | Instrument         | Currency | Issue date | Interest rate (a)            | Final maturity | 03.31.2017     |                  | 12.31.2016     |                  |
|---------------------|-------------------------------------|--------------------|----------|------------|------------------------------|----------------|----------------|------------------|----------------|------------------|
|                     |                                     |                    |          |            |                              |                | Current        | Noncurrent       | Current        | Noncurrent       |
| BRL                 | Brazil                              | Debenture - Brazil | BRL      | Mar-12     | Floating rate indexed to CDI | Apr-22         | 64,861         | 324,847          | 63,920         | 320,168          |
| BRL                 | Brazil                              | Debenture - Brazil | BRL      | Aug-12     | Floating rate indexed to CDI | Aug-22         | 58,838         | 294,681          | 58,006         | 290,483          |
| EUR                 | Holdings and Financial Vehicles (*) | Senior Notes (b)   | USD      | Jul-14     | 5.75%                        | Jul-24         | -              | 539,485          | -              | 546,764          |
|                     |                                     |                    |          |            |                              |                | <u>123,699</u> | <u>1,159,013</u> | <u>121,926</u> | <u>1,157,415</u> |

- (\*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities.
- (a) The contracted floating rates have spreads between 8% and 15% above the CDI (Interbank deposit rate in Brazil).

(b) In July, 2014, the Senior Notes (“Notes”) were issued by Cimpor Financial Operations, B.V., with a payment maturity of 10 years. The notes were launched with coupon of 5.75% per annum and are listed on the Singapore Stock Exchange. The net funds of this issuance was used to refinance existing debt and for corporate use in general, allowing an increase in the average maturity of the company’s debt. In the years ended December 31, 2016 and 2015 the Group purchased bonds in the nominal value of USD 108,378 thousand and 54,290 thousand, respectively. During the three months ended March 31, 2017 no bonds were acquired.

As of March 31, 2017 and December 31, 2016, the incurred interest classified in current liabilities and presented as ‘Interest payable’ amount to €90,080 and €69,548, respectively.

### **Maturity schedule**

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

| <b>Period</b>   | <b>03.31.2017</b> | <b>12.31.2016</b> |
|-----------------|-------------------|-------------------|
| 2018 (9 months) | 122,546           | 120,710           |
| 2019            | 122,546           | 120,710           |
| 2020            | 122,546           | 120,710           |
| 2021            | 122,546           | 120,710           |
| Following years | 668,830           | 674,575           |
|                 | <u>1,159,013</u>  | <u>1,157,415</u>  |

### **Covenants**

Debentures contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company’s consolidated financial statements. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016 and such obligation will only be measured again with financial figures as of December 31, 2017.

## **11. Provisions and Contingent assets and liabilities**

### **Provisions**

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

The provision for risks is broken down as follows:

|                           | 03.31.2017 | 12.31.2016 |
|---------------------------|------------|------------|
| Labor and social security | 27,057     | 27,703     |
| Tax                       | 18,913     | 18,822     |
| Civil and other           | 8,814      | 8,825      |
|                           | 54,784     | 55,350     |
| Escrow deposit (a)        | (3,034)    | (2,876)    |
| Total                     | 51,750     | 52,474     |

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

|                           | 03.31.2017 | 12.31.2016 |
|---------------------------|------------|------------|
| Labor and social security | 2,230      | 2,329      |
| Tax                       | 752        | 497        |
| Civil and other           | 52         | 50         |
| Total                     | 3,034      | 2,876      |

### Contingent liabilities

In the normal course of its business the Group is involved in several legal cases and complaints relating to its products and services as well for environmental, labor and regulatory cases. Facing to those natures, valuation and recorded provisions, there is an existing expectation that there are no relevant effects on the developed activity, equity and operating results.

On March 31, 2017, the Group has an exposure to contingent liabilities of €998 million (€932 million in December 31, 2016), being €7 million of contingent liabilities related to labor (€7 million in December 31, 2016), €728 million of tax contingent liabilities (€674million as of December 31, 2016), €263 million of civil contingent liabilities and administrative processes of other natures (€251 million in December 31, 2016), whose likelihood of loss was considered possible, according to the opinion of our legal counsellors.

The increase in tax contingencies, is due mainly to additional income tax assessments, as a result of tax inspections for the year of 2011 in the business area of Brazil.

### Contingent assets

In the financial statements for the years ended December 31, 2016 and 2015, it was mentioned a contingent liability for a tax dispute related to tax assessments that were made to a company in Egypt, referring to the years 2000 to 2004 and 2008, which were subject to a judicial appeal.

In the first quarters of 2017 and 2016, to avoid penalties, staged payment agreements until 2021 of those taxes were signed with the competent tax authorities. Because the conditions of such agreements

do not meet the conditions for such payments being recognized as an asset of the company, until the court decision becomes effective, in those periods a tax charge corresponding to the total responsibility inherent to the agreement, amounting to around €7 and €11 million (Note 14) has been already recognized.

Changes in the provision for risks for the three months periods ended March 31, 2017 and 2016 are as follows:

|                               | Labor and<br>social<br>security | Tax    | Civil<br>and other | Escrow<br>deposit | Total    |
|-------------------------------|---------------------------------|--------|--------------------|-------------------|----------|
| Balance at December 31, 2015  | 29,175                          | 35,235 | 22,681             | (3,246)           | 83,845   |
| Recognition/deposit           | 7                               | 898    | 1,030              | -                 | 1,935    |
| Payment/deposit derecognition | (1,111)                         | (422)  | (11,780)           | (86)              | (13,399) |
| Reversal                      | -                               | (655)  | (135)              | -                 | (790)    |
| Exchange differences          | 202                             | (903)  | (969)              | (162)             | (1,832)  |
| Balance at March 31, 2016     | 28,273                          | 34,153 | 10,827             | (3,494)           | 69,759   |
| Balance at December 31, 2016  | 27,703                          | 18,822 | 8,825              | (2,876)           | 52,474   |
| Recognition/deposit           | 314                             | 745    | 597                | -                 | 1,656    |
| Payment/deposit derecognition | (719)                           | (16)   | (558)              | (118)             | (1,411)  |
| Reversal                      | (416)                           | (671)  | (105)              | -                 | (1,192)  |
| Exchange differences          | 175                             | 33     | 55                 | (40)              | 223      |
| Balance at March 31, 2017     | 27,057                          | 18,913 | 8,814              | (3,034)           | 51,750   |

## 12. Related Parties

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

## 13. Shareholder's Equity

Share capital as of March 31, 2017 and December 31, 2016 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.

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 reserves

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.

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

## 14. Income Tax and Social Contribution

For the three months periods ended March 31, 2017 and 2016 the reconciliation between the nominal and the effective income tax was as follows:

|   | 03.31.2017 | 03.31.2016 |
|---|------------|------------|
| Loss before income tax and social contribution                                  | (27,816)   | (53,892)   |
| Tax rate  | 34%        | 34%        |
| Income tax and social contribution at statutory rates                           | 9,457      | 18,323     |
| Adjustments to calculate income tax and social contribution at effective rates: |            |            |
| Equity method gain  | 61         | 24         |
| Permanent additions / (deductions), net (a)                                     | 716        | (1,544)    |
| Unrecorded deferred income tax and social contribution tax (b)                  | (5,681)    | (2,250)    |
| Other (c)   | (7,774)    | (11,246)   |
| Income tax and social contribution expense                                      | (3,221)    | 3,307      |
| Income tax and social contribution expense - Current                            | (22,196)   | (19,596)   |
| Income tax and social contribution expense - Deferred                           | 18,975     | 22,903     |

(a) Includes the effect of the differences in tax rates and other adjustments.

(b) In the three months ended March 31, 2017 and 2016 includes the losses of entities with debt on which the corresponding tax effects were not recognized since at present there are no projections that enable them to be expected to be recovered.

(c) The caption Other, in the three months periods ended March 31, 2017 and 2016, includes the registration of a tax income charge of around €7 million and around €11 million, related to additional tax assessments made by tax authority to one of our companies in Egypt, referring to the year 2008 and 2000 to 2004, respectively. The Board of Directors has judicially appealed and, supported by the counsellors opinion,

understands that the tax authorities have no grounds regarding the maintenance of the substantial of those assessments. However, the alternative found to avoid penalties, was to formalize a staged payment agreement until 2021, which does not imply the recognition of the reasons that led to such assessments, not even prevent the maintenance of the judicial proceedings to enforce that the reason is on the side of the company, and which expressly provides for the compensation of those values, now agreed to be paid, after the judicial decision in favour of the company, moment that the settled amounts will then be recognized in the assets of that company (Note 11).

### **Deferred income tax and social contribution**

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

In addition to the income tax charge, in the three months periods ended March 31, 2017 and 2016, the Group recorded deferred tax of €1,060 thousand and €14,263 thousand, respectively, directly in costs recognized in equity.

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

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

|   | 03.31.2017 | 03.31.2016 |
|---|------------|------------|
| Depreciation, amortization, and impairment losses | (51,121)   | (50,441)   |
| Salaries and employee benefits                    | (71,854)   | (63,474)   |
| Raw materials and consumables                     | (82,918)   | (109,011)  |
| Tax expenses                                      | (4,821)    | (4,413)    |
| Outside services                                  | (50,192)   | (43,565)   |
| Rental  | (4,412)    | (6,675)    |
| Freight expenses                                  | (43,107)   | (40,891)   |
| Maintenance costs                                 | (28,691)   | (30,301)   |
| Fuel  | (41,766)   | (35,181)   |
| Electricity                                       | (29,777)   | (32,895)   |
| Reversal (recognition) of provision for risks     | (861)      | (975)      |
| Gain on sale of property, plant and equipment     | 1,474      | 999        |
| Restructuring and other nonrecurring costs        | (4,500)    | (887)      |
| Other (expenses)/income (net)                     | (7,343)    | (8,972)    |
| Total   | (419,889)  | (426,682)  |
| Cost of sales and services                        | (363,629)  | (377,389)  |
| Administrative and selling expenses               | (63,097)   | (47,852)   |
| Other (expenses)/income (net)                     | 6,837      | (1,441)    |
| Total   | (419,889)  | (426,682)  |

**16. Financial Income (Expenses) and Foreign Exchanges Losses (net)**

|                                      | 03.31.2017 | 03.31.2016 |
|--------------------------------------|------------|------------|
| Foreign exchange losses, net (a):    |            |            |
| Exchange gain                        | 31,378     | 103,376    |
| Exchange loss                        | (24,283)   | (134,021)  |
| Total                                | 7,095      | (30,645)   |
| Financial income:                    |            |            |
| Inflation adjustment                 | 866        | 1,974      |
| Financial earnings                   | 2,906      | 10,107     |
| Interest income                      | 559        | 593        |
| Other income (c)                     | 2,698      | 8,072      |
| Total                                | 7,029      | 20,746     |
| Financial expenses:                  |            |            |
| Inflation adjustment                 | (1,594)    | (1,325)    |
| Expenses on interest and charges     | (61,368)   | (55,508)   |
| Expenses on banking commissions      | (5,113)    | (7,955)    |
| Fines                                | (370)      | (223)      |
| Derivative financial instruments (b) | (2)        | -          |
| Other expenses                       | (6,777)    | (6,463)    |
| Total                                | (75,224)   | (71,474)   |

(a) In the three months ended March 31, 2017 and 2016, the exchange differences are mainly influenced by the effect, respectively, of the valuation and devaluation of functional currencies in Group against USD in the conversion of assets and liabilities registered in that currency.

(b) These captions are composed by fair value variation of trading derivative financial instruments, contracted to cover exchange and interest rate risks, which weren't qualified for hedge accounting.

(c) In Other financial income and expenses, are included income and costs related to the financial adjustments of assets and liabilities, including the effect of the financial adjustment of provisions (Note 11), prompt payment discounts granted and obtained and the costs related to commissions, guarantees and other bank charges in general. In the three months ended March 31, 2016, this caption is also influenced by the repurchase of bonds issued by Cimpor Financial Operations, B.V. with a nominal value of 25,236 thousand USD which has generated a financial income in the amount of €6,517 thousand (Note 9).

## 17. Commitments

### (a) Lease agreements as lessee

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

|                        | 03.31.2017    | 12.31.2016    |
|------------------------|---------------|---------------|
| Up to one year         | 9,516         | 4,288         |
| From one to five years | 10,712        | 51,509        |
| More than five years   | 36            | 4,059         |
| <b>Total</b>           | <b>20,264</b> | <b>59,856</b> |

The Company recognized, for the three months periods ended March 31, 2017 and 2016, as operating lease expenses the amount of €3,956 thousand and €4,822 thousand respectively.

### (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:

|              | 03.31.2017    | 12.31.2016    |
|--------------|---------------|---------------|
| 2017         | 9,391         | 12,344        |
| 2018         | 12,522        | 12,344        |
| 2019         | 12,522        | 12,344        |
| 2020         | 12,522        | 12,344        |
| After 2020   | 1,043         | 1,029         |
| <b>Total</b> | <b>48,000</b> | <b>50,405</b> |

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:

|       | 03.31.2017 | 12.31.2016 |
|-------|------------|------------|
| 2016  | 26,632     | 24,452     |
| 2017  | 14,756     | 15,333     |
| 2018  | 10,528     | 14,797     |
| 2019  | 8,467      | 10,721     |
| 2020  | 22,205     | 22,212     |
| Total | 82,588     | 87,515     |

## 18. Earnings Per Share

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

|   | 03.31.2017 | 03.31.2016 |
|---|------------|------------|
| Loss for the period attributable to Company's owners          | (26,338)   | (39,626)   |
| Profit (loss) for the period attributable to preferred shares | -          | -          |
| Loss for the period attributable to common shares             | (26,338)   | (39,626)   |
| Weighted average number of common shares                      | 22,687,439 | 22,687,439 |
| Basic/diluted earnings (loss) per common share                | (1.16)     | (1.75)     |

## 19. Financial Instruments

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

### 19.1. Capital risk management

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

## 19.2. 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.

## 19.3. Categories of financial instruments

|  | 03.31.2017 | 12.31.2016 |
|--|------------|------------|
| Current assets:                          |            |            |
| Financial assets at amortized cost:      |            |            |
| Cash and bank accounts (Note 4)          | 282,761    | 325,110    |
| Short-term investments - financial asset | 134,543    | 160,373    |
| Trade receivables (Note 6)               | 161,930    | 137,605    |
| Other receivables                        | 63,586     | 52,079     |
| Financial assets at fair-value:          |            |            |
| Exclusive funds                          | 43,411     | 105,125    |
| Derivatives                              | 23,052     | 26,450     |
| Non-current assets:                      |            |            |
| Financial assets at amortized cost:      |            |            |
| Long-term investments - financial asset  | 3,009      | 2,928      |
| Trade receivables (Note 6)               | 6,128      | 6,199      |
| Other receivables                        | 23,147     | 27,473     |
| Financial assets at fair-value:          |            |            |
| Derivatives                              | 176,228    | 215,450    |
| Current liabilities:                     |            |            |
| Financial liabilities at amortized cost: |            |            |
| Debentures (Note 10)                     | 123,699    | 121,926    |
| Borrowings and financing (Note 9)        | 227,381    | 213,866    |
| Trade payables                           | 269,187    | 311,631    |
| Interest payable (Notes 9 and 10)        | 106,743    | 95,678     |
| Other payables                           | 30,607     | 30,223     |
| Financial liabilities at fair value:     |            |            |
| Derivatives                              | 3,604      | 8,287      |
| Non-current liabilities:                 |            |            |
| Financial liabilities at amortized cost: |            |            |
| Debentures (Note 10)                     | 1,159,013  | 1,157,415  |
| Borrowings and financing (Note 9)        | 1,877,490  | 1,932,136  |
| Trade payables                           | 7,266      | 9,199      |
| Other payables                           | 13,400     | 13,831     |
| Financial liabilities at fair value:     |            |            |
| Derivatives                              | 5,586      | 7,468      |

## 19.4. Derivative transactions

### Derivatives

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

|   | Other assets |            |             |            | Other liabilities |            |             |            |
|---|--------------|------------|-------------|------------|-------------------|------------|-------------|------------|
|   | Current      |            | Non-current |            | Current           |            | Non-current |            |
|   | 03.31.2017   | 12.31.2016 | 03.31.2017  | 12.31.2016 | 03.31.2017        | 12.31.2016 | 03.31.2017  | 12.31.2016 |
| Trading derivatives                                       | -            | -          | 203         | 200        | -                 | 4,876      | 454         | -          |
| Cash flow hedges - Interest rate and cross currency swaps | 23,052       | 26,450     | 176,025     | 215,249    | 3,604             | 3,411      | 5,131       | 7,468      |
|   | 23,052       | 26,450     | 176,228     | 215,450    | 3,604             | 8,287      | 5,586       | 7,468      |

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

| Type of hedge | Notional        | Type of Operation          | Maturity | Economic purpose                    | Fair value |            |
|---------------|-----------------|----------------------------|----------|-------------------------------------|------------|------------|
|               |                 |                            |          |                                     | 03.31.2017 | 12.31.2016 |
| Cash-flow     | USD 200,000,000 | Cross Currency Swap to EUR | Jul/24   | Switch a USD loan into EUR loan (b) | 33,274     | 36,488     |
| Cash-flow     | USD 100,000,000 | Cross Currency Swap to EUR | Jul/24   | Switch a USD loan into EUR loan (b) | 15,296     | 15,960     |
| Cash-flow     | USD 50,000,000  | Cross Currency Swap to EUR | Jul/24   | Switch a USD loan into EUR loan (b) | 8,242      | 9,073      |
| Cash-flow     | USD 150,000,000 | Cross Currency Swap to EUR | Jul/24   | Switch a USD loan into EUR loan (a) | -          | 26,021     |
| Cash-flow     | USD 195,750,000 | Cross Currency Swap to EUR | Feb/19   | Switch a USD loan into EUR loan (b) | 26,299     | 28,977     |
| Cash-flow     | USD 217,500,000 | Cross Currency Swap to EUR | Feb/19   | Switch a USD loan into EUR loan (b) | 39,733     | 43,488     |
| Cash-flow     | USD 424,000,000 | Cross Currency Swap to EUR | Jan/22   | Switch a USD loan into EUR loan (b) | 76,233     | 81,692     |
| Cash-flow     | EUR 379,218,809 | Interest Rate Swap         | Jan/22   | Switch to fixed interest rate (b)   | (8,736)    | (10,878)   |
|               |                 |                            |          |                                     | 190,341    | 230,821    |

(a) Derivative instrument settled in March 2017, having been received in the three months period ended March 31, 2017, the amount of approximately €21 million, including about €19 million at the time of its settlement;

(b) Derivative instruments settled in April 2017, having been received in the three months period ended March 31, 2017, the amount of approximately €14 million and, in April 2017, with those settlements, around €189 million.

In April, after these settlements, the debt exposure to USD dollar increased by USD 1,337 million compared to the December 2016 exposure (decreasing by the equivalent amount the exposure to Euro).

Additionally, was also made the settlement of the derivative financial instrument that did not qualified as hedge accounting, whose fair value recorded in December 31, 2016 was €4,429, being maintained in the portfolio at March 31, 2017 two derivatives written-put options in connection with "Baesa" and "Machadinho" operations, whose liability fair value as of March 31, 2017 and December 31, 2016, were of about €251 and €248, respectively.

## 19.5. Market values

### Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value as of March 31, 2016 in accordance with the following fair value seniority levels:

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

|                                     |                                  |   |       |   |
|-------------------------------------|----------------------------------|---|-------|---|
| Financial liabilities at fair value | Financial derivative instruments | - | 9.190 | - |
|-------------------------------------|----------------------------------|---|-------|---|

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

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

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

Regarding loans and debentures, as shown in Notes 9 and 10, in general, are contracted at variable interest rates. Consequently, it is understood that the corresponding book value (amortized cost) does not differ significantly from their corresponding market value, except for the Senior Notes issued by Cimpor B.V. and for the fixed interest rate loans contracted in the Brazilian and Argentinian and Paraguayan segments, which effect of their valuation to fair value in relation to their book value being as follows:

|                  | 03.31.2017 | 12.31.2016 |
|------------------|------------|------------|
| Fair-Value       | 1.297.491  | 1.410.143  |
| Accounting Value | 1.405.599  | 1.500.195  |

## 20. Supplemental Cash Flow Information

a) Investment and financing activities not involving cash

|  | 03.31.2017 | 03.31.2016 |
|--|------------|------------|
| Interest capitalization  | 25         | 797        |
| Purchase of property, plant and equipment through trade payables       | (20,495)   | 236        |
| Purchase of intangibles through trade payables                         | (241)      | 449        |
| Sales of property, plant and equipment that will be received futurally | 544        | 966        |

b) Cash and cash equivalents and current securities are expressed in the following currencies:

| Currency | March 2017 |                | March 2016 |                |
|----------|------------|----------------|------------|----------------|
|          | Currency   | Euros          | Currency   | Euros          |
| USD      | 286,784    | 268,069        | 339,806    | 298,314        |
| BRL      | 225,634    | 66,567         | 629,448    | 155,270        |
| EUR      | 78,698     | 78,698         | 128,284    | 128,284        |
| ARS      | 141,859    | 8,616          | 128,058    | 7,648          |
| MZN      | 725,943    | 10,002         | 2,330,881  | 40,242         |
| EGP      | 112,747    | 5,854          | 150,949    | 14,924         |
| PYG      | 28,316,078 | 4,691          | 8,235,839  | 1,282          |
| ZAR      | 235,219    | 16,384         | 310,933    | 18,561         |
| CVE      | 202,231    | 1,834          | 253,096    | 2,295          |
|          |            | <u>460,715</u> |            | <u>666,821</u> |

## 21. 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:

|  | 03.31.2017     |                    |                |               | 03.31.2016     |                    |                |               |
|--|----------------|--------------------|----------------|---------------|----------------|--------------------|----------------|---------------|
|  | Net Revenue    |                    |                | Results       | Net Revenue    |                    |                | Results       |
|  | Foreign sales  | Intersegment sales | Total          |               | Foreign sales  | Intersegment sales | Total          |               |
| Operating segments:                              |                |                    |                |               |                |                    |                |               |
| Brazil   | 120,747        | 270                | 121,017        | (11,480)      | 135,459        | -                  | 135,459        | 237           |
| Argentina and Paraguay                           | 189,077        | -                  | 189,077        | 41,916        | 144,217        | -                  | 144,217        | 26,981        |
| Portugal and Cape Verde                          | 55,149         | 12,965             | 68,114         | (1,723)       | 45,846         | 16,085             | 61,931         | (3,231)       |
| Egypt  | 23,951         | -                  | 23,951         | (2,293)       | 52,601         | -                  | 52,601         | 358           |
| Mozambique                                       | 21,497         | -                  | 21,497         | 2,266         | 34,121         | -                  | 34,121         | 3,401         |
| South Africa                                     | 30,762         | 585                | 31,347         | 3,259         | 22,409         | 766                | 23,175         | 4,350         |
| <b>Total</b>                                     | <b>441,183</b> | <b>13,820</b>      | <b>455,003</b> | <b>31,945</b> | <b>434,653</b> | <b>16,851</b>      | <b>451,504</b> | <b>32,096</b> |
| Other (a)  | 11,811         | 45,648             | 57,459         | 1,160         | 19,439         | 39,685             | 59,124         | (4,686)       |
| Eliminations                                     | -              | (59,468)           | (59,468)       | -             | -              | (56,537)           | (56,537)       | -             |
| Sub-total  | 452,994        | -                  | 452,994        | 33,105        | 454,093        | -                  | 454,093        | 27,411        |
| Share of profit of associates                    |                |                    |                | 179           |                |                    |                | 70            |
| Income before financial income (expenses)        |                |                    |                | 33,284        |                |                    |                | 27,481        |
| Financial income (expenses), net                 |                |                    |                | (61,100)      |                |                    |                | (81,373)      |
| Income before income tax and social contribution |                |                    |                | (27,816)      |                |                    |                | (53,892)      |
| Income tax and social contribution               |                |                    |                | (3,221)       |                |                    |                | 3,307         |
| Loss for the period                              |                |                    |                | (31,037)      |                |                    |                | (50,585)      |

(a) This caption includes; (i) holding companies and trading companies not attributable to specific segments and, (ii) intra-group eliminations between segments.

It should be notice that, as a result of restructuring processes in progress in Group, in particular in the Egyptian business area, in the three months period ended March 31, 2017, nonrecurring costs with indemnities and others amounted to around €4,500 (around €900 in the three months period ended March 31, 2016).

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

|                         | Noncontrolling interests |            |
|-------------------------|--------------------------|------------|
|                         | 03.31.2017               | 03.31.2016 |
| Operating segments:     |                          |            |
| Brazil                  | (7,512)                  | (4,432)    |
| Argentina and Paraguay  | 8,248                    | 3,130      |
| Portugal and Cape Verde | (387)                    | (1,018)    |
| Egypt                   | (3,192)                  | (3,432)    |
| Mozambique              | 2,315                    | (3,686)    |
| South Africa            | 63                       | (36)       |
|                         | (465)                    | (9,474)    |
| Unallocated             | (4,234)                  | (1,485)    |
|                         | (4,699)                  | (10,959)   |

Other information:

|                         | 03.31.2017          |  | 03.31.2016          |  |
|-------------------------|---------------------|--|---------------------|--|
|                         | Capital expenditure | Depreciation, amortisation and impairment losses | Capital expenditure | Depreciation, amortisation and impairment losses |
| Operating segments:     |                     |  |                     |  |
| Brazil                  | 9,931               | 20,415   | 7,895               | 16,524   |
| Argentina and Paraguay  | 11,328              | 10,002   | 7,754               | 8,097  |
| Portugal and Cape Verde | 254                 | 12,248   | 516                 | 11,384   |
| Egypt                   | 12                  | 3,798  | 11,862              | 6,463  |
| Mozambique              | 291                 | 1,553  | 785                 | 1,616  |
| South Africa            | 928                 | 2,664  | 532                 | 1,356  |
|                         | 22,744              | 50,680   | 29,344              | 45,440   |
| Other                   | 645                 | 441  | 516                 | 5,001  |
| <b>Total</b>            | <b>23,389</b>       | <b>51,121</b>                                    | <b>29,860</b>       | <b>50,441</b>                                    |

In the three months period ended March 31, 2016 impairment losses were recorded in the amount of about €4 million in assets unallocated to operating segments.

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

|                         | 03.31.2017       |                  |                  | 12.31.2016       |                  |                  |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                         | Assets           | Liabilities      | Net assets       | Assets           | Liabilities      | Net assets       |
| Operating segments:     |                  |                  |                  |                  |                  |                  |
| Brazil                  | 2,657,013        | 1,432,928        | 1,224,085        | 2,634,316        | 1,422,322        | 1,211,994        |
| Argentina and Paraguay  | 827,505          | 479,128          | 348,377          | 815,454          | 467,661          | 347,793          |
| Portugal and Cape Verde | 740,633          | 401,794          | 338,839          | 755,806          | 411,951          | 343,855          |
| Egypt                   | 252,771          | 128,676          | 124,095          | 254,226          | 110,963          | 143,263          |
| Mozambique              | 223,690          | 185,065          | 38,625           | 204,868          | 173,504          | 31,364           |
| South Africa            | 347,575          | 139,673          | 207,902          | 351,045          | 145,045          | 206,000          |
| <b>Total</b>            | <b>5,049,187</b> | <b>2,767,264</b> | <b>2,281,923</b> | <b>5,015,715</b> | <b>2,731,446</b> | <b>2,284,269</b> |
| Other                   | 955,883          | 2,293,649        | (1,337,766)      | 1,023,499        | 2,362,606        | (1,339,107)      |
| Eliminations            | (664,017)        | (664,017)        | -                | (630,477)        | (630,477)        | -                |
| Other investments       | 9,864            | -                | 9,864            | 9,976            | -                | 9,976            |
| <b>Total segments</b>   | <b>5,350,917</b> | <b>4,396,896</b> | <b>954,021</b>   | <b>5,418,713</b> | <b>4,463,575</b> | <b>955,138</b>   |

The assets and liabilities not attributable to segments include:

- assets and liabilities not attributable to specific segments basically allocated to holding and trading companies;
- intragroup eliminations between segments; and
- other investments.

## 22. Events After the Reporting Period

### Derivatives

On April 2017, following the announced asset monetization initiatives within the company's capital strengthening program, InterCement completed the unwind process of its derivative portfolio, rising cash and equivalents of USD 223 million (circa € 208 million).

### Estreito Hydropower Plant

On May 2017, InterCement signed an agreement to sell part of its stake in the Estreito hydropower plant for BRL 290 million (circa € 87 million).

The company sold a 19.2% stake in Estreito Participações, S.A. – a fully owned InterCement subsidiary and the holder of a 4.44% stake in the share capital of the exploring consortium of the CESTE – Consórcio Estreito Energia Usina Hidrelétrica Estreito hydroelectric plant (Rio Tocantins, Tocantins – Brazil).

This transaction, following those concerning InterCement stakes on Barra Grande (BAESA) and Machadinho (MAESA), completes the monetization of energy assets, defined within the company's capital strengthening program.

## 23. Authorization for Completion of Financial Information

At the meeting held on May 23, 2017, the Board of Directors authorized the completion of this consolidated interim financial statements, being approved them for disclosure.