



INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated
Interim Financial Information
for the six months period ended
June 30th, 2018 and Report on
Review of Interim.



Building sustainable partnerships

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

We have reviewed the accompanying condensed consolidated interim financial information of InterCement Participações S.A. and its subsidiaries (the “Company”) for the six-month period ended June 30, 2018, which comprises the statement of financial position as of June 30, 2018 and the related statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with International Accounting Standards “IAS 34 - Interim Financial Reporting”, issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with international standards on review of interim financial information (ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the condensed consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information referred to above is not prepared, in all material respects, in accordance with International Accounting Standard “IAS 34 – Interim Financial Reporting” applicable to the preparation of interim financial information.

São Paulo, September 12, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Torres dos Santos
Engagement Partner

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Interim Consolidated Statements of Financial Position as of June 30, 2018 and December 31, 2017

(In thousands of euros - €)

ASSETS	Notes	06.30.2018	12.31.2017	LIABILITIES AND EQUITY	Notes	06.30.2018	12.31.2017
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	301,412	1,137,502	Trade payables		237,077	291,649
Securities	5	27,418	62,292	Debentures	10	48,771	105,682
Trade receivables	6	142,746	82,324	Borrowings and financing	9	223,524	467,604
Inventories		327,838	334,128	Interest payable	9 and 10	39,458	57,571
Recoverable taxes		44,558	40,998	Taxes payable		55,417	75,225
Derivatives	19	2,148	3,856	Payroll and related taxes		29,119	43,962
Other receivables		56,473	36,396	Dividends and interest on capital	13	3,559	4,162
Total current assets		<u>902,593</u>	<u>1,697,496</u>	Advances from customers		13,928	19,280
				Actuarial liabilities		770	773
				Other payables		31,574	42,221
				Total current liabilities		<u>683,197</u>	<u>1,108,129</u>
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Securities	5	1,333	2,053	Trade payables		5,159	6,142
Trade receivables	6	930	1,137	Debentures	10	834,172	895,403
Inventories		20,428	19,730	Borrowings and financing	9	1,010,246	1,244,050
Recoverable taxes		6,135	8,273	Provision for tax, civil and labor risks	11	73,685	83,612
Deferred income tax and social contribution	14	18,502	16,860	Provision for environmental recovery		35,678	38,637
Escrow deposits		16,641	18,323	Taxes payable		11,998	12,684
Derivatives	19	7,878	6,690	Deferred income tax and social contribution	14	219,416	232,758
Other receivables		31,218	20,541	Actuarial liabilities		17,962	15,740
Property Investment		5,967	7,079	Derivatives	19	-	16,589
Investments		9,157	9,350	Other payables		14,190	16,252
Property, plant and equipment	7	1,420,591	1,565,229	Total noncurrent liabilities		<u>2,222,506</u>	<u>2,561,867</u>
Intangible assets:				TOTAL LIABILITIES		<u>2,905,703</u>	<u>3,669,996</u>
Goodwill	8	1,281,494	1,399,695				
Other intangible assets	8	181,947	201,001	SHAREHOLDER'S EQUITY			
Total noncurrent assets		<u>3,002,221</u>	<u>3,275,961</u>	Capital	13	1,080,949	1,080,949
				Capital reserves	13	393,034	393,034
				Earnings reserves	13	929,571	918,110
				Accumulated losses	13	(788,852)	(714,314)
				Other comprehensive income	13	(984,708)	(836,819)
				Equity attributable to the Company's owners		629,994	840,960
				Non-controlling interests	13	369,117	462,501
				Total equity		999,111	1,303,461
TOTAL ASSETS		<u>3,904,814</u>	<u>4,973,457</u>	TOTAL LIABILITIES AND EQUITY		<u>3,904,814</u>	<u>4,973,457</u>

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Interim Consolidated Statements of Profit or Loss for the semesters ended June 30, 2018 and 2017

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

	Notes	06.30.2018	06.30.2017
NET REVENUE	21	866,125	920,887
COST OF SALES AND SERVICES	15	(692,796)	(729,991)
GROSS PROFIT		173,329	190,896
OPERATING INCOME (EXPENSES)			
Administrative and selling expenses	15	(132,897)	(138,428)
Other income (expense)	15	15,276	(179,573)
Equity result		562	228
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		56,270	(126,877)
FINANCIAL INCOME (EXPENSES)			
Foreign exchange gains/(losses), net	16	(20,257)	111,441
Financial income	16	14,888	15,164
Financial expenses	16	(112,212)	(155,569)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(61,311)	(155,841)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	14	(10,761)	(33,684)
Deferred	14	(6,461)	17,394
LOSS FOR THE PERIOD		(78,533)	(172,131)
INCOME / (LOSS) ATTRIBUTABLE TO			
Company's owners	18	(74,538)	(135,618)
Non-controlling interests	21	(3,995)	(36,513)
LOSS PER SHARE			
Basic/diluted loss per share	18	(3.29)	(5.98)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Interim Consolidated Statements of Comprehensive Income for the semesters ended June 30, 2018 and 2017**

(In thousands of euros - €)

	Notes	06.30.2018	06.30.2017
LOSS FOR THE PERIOD		(78,533)	(172,131)
Other comprehensive income:			
Items that will not be reclassified subsequently to the profit or loss:			
Employee benefits	13	(1,636)	402
Items that might be reclassified subsequently to the profit or loss:			
Exchange differences arising on translating foreign operations	13	(232,640)	(148,640)
Hedging derivatives financial instruments	13	10,263	11,295
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		(302,546)	(309,074)
COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
Company's owners		(222,427)	(212,615)
Non-controlling interests		(80,119)	(96,459)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Interim Consolidated Statements of Changes in Equity for the semesters ended June 30, 2018 and 2017

(In thousands of euros - €)

Notes	Share capital	Capital Reserves	Earnings reserves				Accumulated losses	Total attributable to the Company's owners	Non-controlling interests	Total equity
			Transactions with noncontrolling interests	Legal	Investments	Other comprehensive income				
BALANCE AT DECEMBER 31, 2016	1,080,949	555,114	-	18,063	137,590	(720,321)	(507,726)	563,669	391,469	955,138
Loss for the period	-	-	-	-	-	-	(135,618)	(135,618)	(36,513)	(172,131)
Realization of deemed cost of property, plant and equipment	-	-	-	-	-	(1,049)	1,049	-	-	-
Sale of noncontrolling interests	-	-	593	-	-	-	-	593	202	795
Aquisition of noncontrolling interests	-	-	(1,460)	-	-	-	-	(1,460)	(718)	(2,178)
Transactions with shareholders recognized directly in equity	-	-	(2,570)	-	-	-	-	(2,570)	(873)	(3,443)
Dividends paid to noncontrolling interests	-	-	-	-	-	-	-	-	(438)	(438)
Other comprehensive income	13	-	-	-	-	(76,997)	-	(76,997)	(59,946)	(136,943)
BALANCE AT JUNE 30, 2017	<u>1,080,949</u>	<u>555,114</u>	<u>(3,437)</u>	<u>18,063</u>	<u>137,590</u>	<u>(798,367)</u>	<u>(642,295)</u>	<u>347,617</u>	<u>293,183</u>	<u>640,800</u>
BALANCE AT DECEMBER 31, 2017	<u>1,080,949</u>	<u>393,034</u>	<u>918,110</u>	<u>-</u>	<u>-</u>	<u>(836,819)</u>	<u>(714,314)</u>	<u>840,960</u>	<u>462,501</u>	<u>1,303,461</u>
Capital increase	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(74,538)	(74,538)	(3,995)	(78,533)
Aquisition of noncontrolling interests	13	-	11,461	-	-	-	-	11,461	(12,962)	(1,501)
Dividends paid to noncontrolling interests	-	-	-	-	-	-	-	-	(303)	(303)
Other comprehensive income	13	-	-	-	-	(147,889)	-	(147,889)	(76,124)	(224,013)
BALANCE AT JUNE 30, 2018	<u>1,080,949</u>	<u>393,034</u>	<u>929,571</u>	<u>-</u>	<u>-</u>	<u>(984,708)</u>	<u>(788,852)</u>	<u>629,994</u>	<u>369,117</u>	<u>999,111</u>

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**Condensed Interim Consolidated Statements of Cash Flows for the semesters ended June 30, 2018 and 2017**

(In thousands of euros - €)

	Notes	06.30.2018	06.30.2017
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before income tax and social contribution		(61,311)	(155,841)
Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities:			
Depreciation, amortization and impairment losses		97,200	290,114
Recognition (reversal) of allowance for probable losses, net		(1,804)	(3,163)
Interest, accrued charges, and exchange differences		117,270	29,334
Gain on sale of long-lived assets		(3,126)	(1,592)
Equity result		(562)	(228)
Other noncash operating losses (gains)		879	1,611
Decrease (increase) in operating assets:			
Related parties		259	-
Trade receivables		(95,859)	(29,505)
Inventories		(43,803)	(63,928)
Recoverable taxes		2,299	641
Other receivables		(6)	(25)
Increase (decrease) in operating liabilities:			
Related parties		(97)	-
Trade payables		(12,409)	(42,294)
Payroll and vacation payable		(2,332)	(1,512)
Other payables		(62,886)	(38,498)
Taxes payable		3,155	7,764
Cash generated by operating activities		(63,133)	(7,122)
Income tax and social contribution paid		(21,854)	(19,237)
Interest paid		(83,937)	(111,776)
Net cash generated / (used) by operating activities		(168,924)	(138,135)
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		33,429	28,220
Purchase of property, plant and equipment		(104,792)	(73,757)
Increase in intangible assets		(892)	(831)
Acquisition of noncontrolling interests	12	-	(14,605)
Sale of long-lived assets		3,350	2,941
Other		(689)	-
Dividends received		833	839
Net cash used in investing activities		(68,761)	(57,193)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures	9 and 10	20,995	107,296
Swap transactions	19	(26,861)	204,653
Acquisition of noncontrolling interests	1 and 13	(1,501)	-
Repayment of borrowings, financing and debentures	9 and 10	(561,459)	(267,607)
Other instruments		(212)	(132)
Net cash generated / (used) in financing activities		(569,038)	44,210
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(806,723)	(151,118)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(29,367)	(22,896)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1,137,502	541,143
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	301,412	367,129

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Notes to the Consolidated Interim Condensed Financial Information for the semester ended June 30, 2018

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

1. General Information

InterCement Participações, S.A. (“Company” or “ICP”) 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 operating in 8 countries (“ICP Group” or “Group”). Its ultimate parent company is Mover Participações S.A. (previously named Camargo Corrêa S.A.). The Group is primarily engaged in the manufacture and sale of cement and cement by-products, in addition to the extraction of the minerals used to manufacture these products.

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

In connection with non-controlling interest of Cimpor shares disclosed previous year, during the six months period ended June 30, 2018, InterCement acquired 0.65% of Cimpor shares in the amount of €1,501 (see Note 13).

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of preparation

The condensed consolidated Interim Financial Information as of June 30, 2018 has been prepared based on International Accounting Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), which allows 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 the Company’s consolidated financial statements for the year ended December 31, 2017.

2.2. Significant accounting policies

The accounting policies adopted are consistent with those considered in the consolidated financial statements for the year ended December 31, 2017 and disclosed in the corresponding notes, except in what respect of the standards and interpretations that came effective on January 1, 2018, namely:

(i) IFRS 9 – Financial Instruments

The ICP Group has adopted beginning January 1, 2018 the new standard IFRS 9, which supersedes the previous IAS 39. Regarding the transition from IAS 39 to IFRS 9, the Group applied the simplified approach model, i.e., the Group did not apply IFRS 9 retrospectively.

Based on an analysis of the Group’s financial assets and liabilities, the Board of Directors assessed the impact of the adoption of IFRS 9 on these condensed consolidated interim financial information as follows:

Classification and measurement

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test").

The application of IFRS 9 did not change the fair value hedge and cash flow hedge classification.

The measurement and classification of all financial instruments continued on the same basis as previously under IAS 39. Therefore, captions accounts receivable, accounts payable and loans granted and borrowings obtained continued to be measured at amortized cost under IFRS 9.

Impairment

A new methodology for the calculation and reporting of trade and other receivables impairment losses was introduced, changing the method from the incurred loss to the expected credit loss model (ECL), where the credit risk assessment is considered upon initial recognition.

The Board of Directors concluded that the application of the expected credit loss model resulted in the early recognition of credit losses for the corresponding assets in an immaterial amount, charged to profit and loss for the period ended June 30, 2018.

(ii) IFRS 15 – Revenue from Contracts with Customers

ICP Group has adopted beginning of January 1, 2018 the new standard IFRS 15, which supersedes the previous IAS 18.

As referred in Note 18 to the 2017 annual report, Group's revenues derives from the sale of cement, aggregates and other construction materials. Revenue is recognized when delivery has occurred and the transfer of control of the goods has been completed. There are no other significant performance obligations to be fulfilled thereafter.

The moment of recognition of the performance obligation occurs on a specific date, which does not differ from the previous practice under IAS 18. The application of IFRS 15 does not have a material impact on the Group's consolidated financial position or consolidated financial performance.

2.3. Functional, reporting and presentation currencies

The Company's functional currency is the Brazilian real (R\$); however the financial information is 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\$)	
	06.30.2018	12.31.2017	06.30.2017	06.30.2018	06.30.2017
USD US Dollar	3.85580	3.30800	3.30820	3.41031	3.18537
EUR Euro	4.50320	3.96930	3.77500	4.12406	3.45140
MZN Mozambique Metical	0.06564	0.05661	0.05607	0.05750	0.04888
CVE Cape Verde Escudo	0.04084	0.03600	0.03424	0.03740	0.03130
EGP Egyptian Pound	0.21610	0.18660	0.18310	0.19176	0.17616
ZAR South African Rand	0.28120	0.26900	0.25270	0.28109	0.24188
ARS Argentinian Peso	0.13365	0.17737	0.19893	0.15918	0.20261
PYG Paraguayan Guaraní	0.00068	0.00059	0.00059	0.00061	0.00056

2.4. Consolidation

Changes in ownership in the six months period ended June 30, 2018 were mainly derived from the purchase of additional stake of 0.65% in Cimpor – Cimentos de Portugal, SGPS, S.A. (“Cimpor”) (Note 1). Consequently, as Cimpor is the owner of the majority of the Company’s segments and entities, such change also increase the share of investments in all segments/geographies.

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, 2017.

Based on the results of the Group and its business units, as well as on the macroeconomic conditions of the countries and segments in which each business unit operates, there were no indications, as of June 30, 2018, that would lead us to reassess the conclusions reached in the preparation of the annual consolidated financial statements as of December 31, 2017, regarding the recoverability of tangible, intangible assets and goodwill.

4. Cash and Cash Equivalents

	06.30.2018	12.31.2017
Cash and bank accounts	207,798	909,868
Short-term investments	93,614	227,634
Total cash and cash equivalents	<u>301,412</u>	<u>1,137,502</u>

Short-term investments were as follows:

	06.30.2018	12.31.2017
Bank certificates of deposit (CDBs)	2,112	9,233
Short Term Investment in Reais	-	15,113
Exclusive funds:		
National Treasury Notes (NTNs over)	94	-
National Treasury Bills (LTNs)	-	742
CDBs	108	195
Investments funds	17,796	2,021
Others	-	18,251
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos	15,205	88,609
Short-term investments in US dollars	39,978	45,041
Short-term investments in euro	3,507	11,886
Short-term investments in Egyptian pound	1,784	701
Short-term investments in South African rand	6,191	35,388
Short-term investments in Mozambique metical	3,885	-
Short-term investments in Cape Verd escudos	2,954	454
Total short-term investments	93,614	227,634

As at June 30, 2018, short-term investments in exclusive funds yielded an average interest from 100% to 105% of the Interbank Deposit Certificate (CDI) fluctuation (100% to 115% of the CDI as at December 31, 2017).

Additionally, short-term investments in foreign subsidiaries includes, in the Argentine business area, fixed rate bonds in pesos issued by governmental entities amounting to €13,184 (€56,143 as at December 31, 2017), short-term investments amounting to €2,021 (€32,467 as at December 31, 2017), with yields of 47% and 27.8%, respectively (28.9% and 23.2% as at December 31, 2017), and short-term investments in USD amounting to €21,862 (€45,003 as at December 31, 2017) with yields of 1.9% (1.8% as at December 31, 2017).

In South Africa business area, term-bank deposit in Rands yielded interest of up to 6.45% amounting to € 6,191 (€35.388 as at December 31, 2017). In unallocated business area term-bank deposit in USD yielded interest of up to 1.45% amounting to € 18,015 (€35.388 as at December 31, 2017)

All amounts are available for immediate withdrawal.

5. Securities

Securities are classified as financial assets, as follows:

	06.30.2018	12.31.2017
Market investments	2,668	32,087
Other	26,083	32,258
Total	<u>28,751</u>	<u>64,345</u>
Total - current	27,418	62,292
Total - noncurrent	1,333	2,053

As at June 30, 2018 and December 31, 2017, “Market investments” include investments of the Brazil’s business area, in exclusive funds related to debentures, national treasury bills, among others. The decrease occurred relates to the redemption of national treasury bills.

As of June 30, 2018, “Others” included an escrow deposit, in Portugal and Cape Verde business area, amounting of €10,000. Additionally, the variation occurred in this caption relates mainly to: i) the reimbursement of a short-term deposit in Cimpor Trading e Inversões, amounting to €25,405 and ii) the increase in financial assets corresponding to a portfolio of investment funds of Cimpor Reinsurance in the total amount €8,998.

6. Trade Receivables

	06.30.2018	12.31.2017
Domestic and foreign customers - current	176,463	117,006
(-) Impairment for doubtful accounts – current	(33,717)	(34,682)
Trade receivables - current	<u>142,746</u>	<u>82,324</u>
Domestic and foreign customers - noncurrent	1,502	1,757
(-) Impairment for doubtful accounts – noncurrent	(572)	(620)
Trade receivables - noncurrent	<u>930</u>	<u>1,137</u>

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

Until December 31, 2017, the impairment losses for doubtful accounts were set up based on the estimated or determined uncollectible amounts pursuant to the past default experience and analysis of the ability to pay of each customer, also taking into account the collaterals provided by such customer. With the adoption of IFRS 9 requirements beginning January 1, 2018 (see note 2.2 above), the impairment losses calculation also take into consideration, from the beginning, since the first moment the expected future losses, and not only those that result from risk of credits default arising from events already observed. As

a result of the analyses performed, in this semester, an additional estimated impairment loss was recorded in an immaterial amount.

7. Property, Plant and Equipment

	06.30.2018		
	Cost	Depreciation & Impairment	Net book value
Land	153,158	(23,137)	130,021
Buildings	446,059	(189,834)	256,225
Machinery and equipment	1,534,748	(750,440)	784,308
Vehicles	26,053	(6,748)	19,305
Furniture and fixtures	7,714	(5,116)	2,598
Mines and ore reserves	117,644	(68,186)	49,458
Reservoirs, dams and feeders	62,330	(18,560)	43,770
Other	9,050	(5,266)	3,784
Spare parts	3,619	-	3,619
Advances to suppliers	20,964	-	20,964
Construction in progress	247,151	(140,610)	106,541
Total	2,628,490	(1,207,897)	1,420,592

In the Argentina and Paraguay business area and Brazil business area, as at June 30, 2018, there are assets given as collateral for loans obtained for such acquisition in the amount of approximately €65,101 and €4,584, respectively (€62,940 and €3,020 for December, 31, 2017)

In addition, in Brazil business area, two cement plants were given as guarantee in the “CADE” process, as referred to in Note 11.

During the six months periods ended June 30, 2018 and 2017, the Company capitalized financial charges amounting to €110 and €60, respectively, related to loans granted to finance eligible assets.

Construction in progress and advances to suppliers as at June 30, 2018, refers basically to investments in the expansion and construction on new units in Brazil, Mozambique, Argentina and Egypt, and as of December 31, 2017 to Brazil, Argentina and Egypt, and investments in the improvement of facilities and equipment of the cement plants of other business units.

	12.31.2017		
	Cost	Depreciation & Impairment	Net book value
Land	150,775	(18,169)	132,606
Buildings	490,882	(184,431)	306,451
Machinery and equipment	1,662,953	(747,280)	915,673
Vehicles	37,440	(11,466)	25,974
Furniture and fixtures	9,402	(6,583)	2,819
Mines and ore reserves	139,937	(78,215)	61,722
Reservoirs, dams and feeders	70,707	(19,744)	50,963
Other	10,498	(8,812)	1,686
Spare parts	4,259	-	4,259
Advances to suppliers	23,239	-	23,239
Construction in progress	234,217	(194,381)	39,836
Total	2,834,309	(1,269,081)	1,565,229

For the six months period ended June 30, 2018, impairment losses were recorded in the amount of €4,255 mainly in construction in progress in Brazil business area. For the year ended December 31, 2017, and given the macroeconomic context in Brazil, which results in reductions of cement consumption, the Group decided to interrupt certain investments that were in progress in the cement production lines. Completion of those investments could be reassessed in the future, depending on the economy recovery and market conditions.

During the year ended December 31, 2017, there was further deterioration of business activity, reflected in an increase in idle times and the shutting down of production lines. Considering that context, it was not possible to predict the time when these investments may be resumed and to what extent the respective returns will materialise. Therefore, an impairment totalling €228,396 was recorded in the Brazilian business area related to tangible fixed assets mainly in cement production lines subject to investment, which is reversible once those investments are resumed. In Egypt business area an impairment related to tangible fixed assets in the amount of €8,552, was recognized, and also in Portugal business area an amount of €6,730 related to tangible fixed assets was recorded.

Changes in property, plant and equipment were as follows:

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Mines and ore reserves	Reservoirs, dams and feeders	Spare parts	Other	Construction in progress	Advances to suppliers	Total
Balance at December 31, 2016	173,113	357,035	1,094,447	27,669	3,420	32,103	61,797	4,549	4,995	262,096	26,614	2,047,838
Changes in consolidation perimeter	10,811	-	-	-	-	2,210	-	-	-	1,361	-	14,382
Additions	589	-	3,300	2,926	294	11,400	48	-	164	38,470	517	57,708
Write-offs	(1,871)	(202)	20	(81)	(1)	-	-	-	-	-	-	(2,135)
Depreciation	(1,325)	(11,867)	(63,865)	(3,166)	(578)	(11,348)	(1,509)	-	(825)	-	-	(94,483)
Impairment	(453)	20	(72)	-	-	-	-	-	-	(191,529)	-	(192,034)
Effect of changes in exchange rates	4,746	(18,953)	(62,178)	(3,534)	(153)	(4,482)	(5,386)	(406)	(506)	(4,572)	(2,195)	(97,619)
Transfers	(33,139)	2,011	20,221	6,646	19	35,924	-	2	(1,442)	(31,572)	(140)	(1,470)
Balance at June 30, 2017	141,660	328,044	991,873	30,460	3,001	63,597	54,950	4,145	2,386	72,893	24,796	1,717,805
Balance at December 31, 2017	132,606	306,451	915,673	25,974	2,819	61,722	50,963	4,259	1,686	39,836	23,239	1,565,229
Additions	537	321	3,038	1,261	400	10,060	6	3	223	71,820	452	88,121
Write-offs	(209)	(20)	(106)	(50)	-	-	-	-	-	(3)	(3)	(391)
Depreciation	(1,727)	(15,090)	(55,333)	(2,367)	(464)	(10,453)	(1,264)	-	(671)	-	-	(87,369)
Impairment	-	37	(1)	-	-	-	-	-	(4,255)	-	-	(4,219)
Effect of changes in exchange rates	(4,509)	(28,735)	(72,059)	(7,620)	(361)	(12,027)	(5,935)	(492)	(582)	(7,627)	(2,417)	(142,363)
Transfers	3,323	(6,739)	(6,905)	2,107	204	156	-	(151)	7,383	2,515	(307)	1,586
Balance at June 30, 2018	130,021	256,225	784,308	19,305	2,598	49,458	43,770	3,619	3,784	106,541	20,964	1,420,592

Additions during the six month period ended June 30, 2018, includes Argentinean business area disbursements related to the increase of the installed capacity at its L'Amalí plant by 2.7 million tons

annually, amounting to €12,3 million (ARS 318.4 million) and the acquisition of a cement gridding in the region of Matola (Mozambique) for the amount of €26,9 million (USD 32.5 million).

8. Intangible Assets

	06.30.2018	12.31.2017
Other intangible assets:		
Mining rights	154,083	168,952
Concession-related assets	3,932	4,563
Software licenses	4,938	6,628
Project development costs	4,843	6,276
Trademarks, patents and others	14,151	14,582
	<u>181,947</u>	<u>201,001</u>
Goodwill:		
Loma Negra C.I.A. S.A.	214,422	243,263
CBC - Companhia Brasileira de Cimentos ("CBC")	22,791	25,857
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	16,833	19,097
Cimpor - Cimentos de Portugal, SGPS, S.A.	1,010,944	1,092,321
Other	16,504	19,157
	<u>1,281,494</u>	<u>1,399,695</u>
Total	<u>1,463,441</u>	<u>1,600,696</u>

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which are conducted based on the recoverable amounts of each of the corresponding business segment, which did not occur in the six months periods ended June 30, 2018 and 2017.

As of June 30, 2018, the accumulated impairment amount registered in Goodwill related with Brazil business area (above presented as acquired under the Cimpor – Cimentos Portugal SGPS, SA acquisition) are € 481,700.

Variations in intangible assets in the six months periods ended June 30, 2018 and 2017 were as follows:

	Software licenses	Concession-related assets	Mining rights	Project development costs	Trademarks, patents and others	Goodwill	Total
Balance at December 31, 2016	5,883	4,823	187,283	5,598	9,801	1,546,629	1,760,017
Additions	963	57	605	-	82	-	1,707
Depreciation	(1,776)	(500)	(746)	(864)	(812)	-	(4,698)
Effect of changes in exchange rates	(383)	(19)	(11,539)	(460)	(516)	(97,516)	(110,433)
Transfers	1,603	-	-	466	(328)	-	1,741
Balance at June 30, 2017	<u>6,290</u>	<u>4,361</u>	<u>175,603</u>	<u>4,740</u>	<u>8,227</u>	<u>1,449,113</u>	<u>1,648,334</u>
Balance at December 31, 2017	6,628	4,563	168,952	6,276	14,582	1,399,695	1,600,696
Additions	114	111	-	79	612	-	916
Sales	-	-	-	-	(1)	-	(1)
Depreciation	(1,406)	(531)	(1,036)	(858)	(389)	-	(4,220)
Impairment	-	-	-	-	(155)	-	(155)
Effect of changes in exchange rates	(647)	(211)	(13,833)	(592)	(533)	(118,201)	(134,017)
Transfers	249	-	-	(62)	35	-	222
Balance at June 30, 2018	<u>4,938</u>	<u>3,932</u>	<u>154,083</u>	<u>4,843</u>	<u>14,151</u>	<u>1,281,494</u>	<u>1,463,441</u>

9. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Interest rates (a)	Contract date	Maturity		06.30.2018		12.31.2017	
								Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Several bilateral	US\$	Floating rates indexed to US Libor	May-12	Several	(b)	-	197,892	-	242,217
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-12	Feb-22		-	205,811	-	205,231
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-14	Feb-19	(b)	-	-	26,739	27,404
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-19	(b)	-	-	80,279	82,047
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-14	Feb-22	(b)	10,565	31,418	18,026	42,160
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-22	(b)	32,590	97,677	54,121	126,227
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-24	(b)	-	140,506	60,922	137,253
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May-14	May-19		42,812	-	-	41,454
EUR	Holdings and Financial Vehicles (*)	Commercial paper	EUR	Floating rate	Mar-16	Mar-20	(b)	-	35,000	15,000	35,000
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Fixed rate	Dec-14	Dec-18		23,872	-	23,609	-
ARS	Argentina and Paraguay	Several bilateral	ARS	Fixed and floating rates	Several	Several		33,809	23	27,983	16,138
ARS	Argentina and Paraguay	Several bilateral	US\$	Floating rates indexed to US Libor	Several	Several		38,929	22,031	38,688	40,944
BRL	Brazil	Several bilateral	BRL	Fixed and floating rates	Several	Several	(c)	3,495	60,190	84,138	19,065
ARS	Argentina and Paraguay	Several bilateral	US\$	Fixed and floating rates	Aug-16	Jul-18		1,324	-	3,954	-
PYG	Argentina and Paraguay	Several bilateral	PYG	Fixed rates	Aug-17	Aug-25		8,456	54,453	4,196	58,432
ZAR	South Africa	Overdrafts	ZAR	Fixed rates	Several	Several		218	-	-	-
EUR	Portugal and Cape Verde	Several bilateral	EUR	Fixed and floating rates	Several	Several		10,039	160,278	10,000	165,000
CVE	Portugal and Cape Verde	Several bilateral	CVE	Floating rate indexed to TRIB 3M	Several	Several		661	2,511	700	2,800
EUR	Portugal and Cape Verde	Subsidised loan	EUR	Interest-free	Several	Jun-24		138	1,770	69	1,839
EGP	Egypt	Several bilateral	EGP	Floating rates indexed to Corridor	Several	Several		16,615	687	19,179	841
								<u>223,524</u>	<u>1,010,246</u>	<u>467,604</u>	<u>1,244,050</u>

- (*) Takes into consideration the Group of companies included in the holding companies segment and business support, corporate, and trading entities.
- (a) For the major funding, the variable rates contracted, both in dollars and euros, consider spreads between 2.75% and 4.4%.
- (b) The decrease verified during the six months period ended June 30, 2018 is mainly due to the partial settlements of such financings, in the amount of €435 million, following InterCement Liability Management plan previously mentioned in the 2017 annual report.
- (c) Guaranteed by Company's controlling entity, amounting to €394 as of June 30, 2018.

As at June 30, 2018 and December 31, 2017, current liabilities include incurred interest related to those financing agreements amounting to €19,557 and €30,614, respectively, presented as “Interest payable”.

Changes in Borrowings and Financing during the six months periods ended June 30, 2018 and 2017 were as follows:

	Borrowings and financing
Balance at December 31, 2016	2,146,002
Receipts	107,296
Payments	(267,607)
Effect of changes in Exchange rates, commissions and other	(49,065)
Balance at June 30, 2017	1,936,626
Balance at December 31, 2017	1,711,654
Receipts	20,995
Payments	(488,836)
Effect of changes in Exchange rates, commissions and other	(10,043)
Balance at June 30, 2018	1,233,770

Maturity schedule

As at June 30, 2018 and December 31, 2017, the noncurrent portions mature as follows:

Period	06.30.2018	12.31.2017
2019 (6 months)	47,572	347,073
2020	283,928	294,579
2021	259,107	253,908
2022	260,461	249,427
Following years	159,177	99,063
	<u>1,010,246</u>	<u>1,244,050</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, namely a Net Debt versus EBITDA ratio, within pre-established parameters.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually, which depends on conditions agreed in each contract entered into with financial institutions. For December 31, 2017 the Company agreed with the financial institutions the increase of Net Debt / EBITDA ratio from 4.5 to 5.0, coming back to 4.5 in the following periods. As at that date the covenants conditions were met and such obligation will only be measured again based on the financial figures as of December 31, 2018.

10. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Interest rate (a)	Final maturity	06.30.2018		12.31.2017	
							Current	Noncurrent	Current	Noncurrent
BRL	Brazil	Debênture - Brazil	BRL	Mar-12	Floating rate indexed to CDI	Apr-22	48,771	146,777	55,414	221,964
BRL	Brazil	Debênture - Brazil	BRL	Aug-12	Floating rate indexed to CDI	Aug-22	-	221,911	50,268	201,352
EUR	Holdings and Financial Vehicles (*)	Senior Notes (b)	USD	Jul-14	5.75%	Jul-24	-	465,484	-	472,087
							<u>48,771</u>	<u>834,172</u>	<u>105,682</u>	<u>895,403</u>

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

(a) The contracted floating rates have spreads between 6% 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 issued with coupon of 5.75% per annum and are listed on the Singapore Stock Exchange. During the first semester of 2018 and in the years ended 2017, 2016 and 2015 the Group purchased bonds in the par value of USD 25,044 thousand, USD 11,100 thousand, USD 108,378 thousand and USD 54,290 thousand, respectively. As of June 30, 2018 the Group holds bonds in the par value of USD 198,812 thousand (€170,230).

As at June 30, 2018 and December 31, 2017, current liabilities include incurred interest presented as ‘Interest payable’ amounting to €19,901 and €26,957, respectively.

Changes in Debentures in the six months periods ended June 30, 2018 and 2017 were as follows:

	Debêntures
Balance at December 31, 2016	1,279,341
Effect of changes in Exchange rates, commissions and other	<u>(163,440)</u>
Balance at June 30, 2017	<u>1,115,901</u>
Balance at December 31, 2017	1,001,085
Payments	(72,623)
Effect of changes in Exchange rates, commissions and other	<u>(45,519)</u>
Balance at June 30, 2018	<u>882,943</u>

Maturity schedule

As at June 30, 2018 and December 31, 2017, the noncurrent portion of debentures mature as follows:

Period	06.30.2018	12.31.2017
2019 (6 months)	54,375	104,472
2020	103,335	104,472
2021	103,335	104,472
2022	103,335	104,472
Following years	<u>469,793</u>	<u>477,515</u>
	<u>834,172</u>	<u>895,403</u>

Covenants

Debentures contain certain restrictive covenants that require compliance with financial ratios calculated based on the Company's consolidated financial statements. As at December 31, 2017 the Company agreed with the financial institutions the increase of Net Debt / EBITDA ratio from 4.5 to 5.0, coming back to 4,5 in the following periods. As from that date the covenants conditions were met and such obligation will only be measured again based on the financial figures as at December 31, 2018.

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

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

As at December 31, 2017, the Company complied with all contractual obligations and such obligation will only be measured again based on the financial figures as at December 31, 2018.

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:

	06.30.2018	12.31.2017
Labor and social security	21,473	25,848
Tax (a)	22,249	28,256
Civil and other (b)	32,248	32,531
	75,970	86,635
Escrow deposit (c)	(2,285)	(3,023)
Total	73,685	83,612

- (a) Brazil: Refer basically to tax assessment notices and lawsuits amounting to €1,187 related to: (i) SUNAB (National Supply Authority) fine - discussion on the assessment of alleged violations of Laws 7784/89, 8035/90 and 8178/91, (ii) IPTU - Revision of launch due to division of area in the period from 2006 to 2007; (iii) discussion of the highest collection of Corporate Income Tax (IRPJ) and Contribution for the Financing of Social Security (COFINS) in the period from 02/2003 to 04/2004 and compensation with other own debts; (iv) discussion on the collection of the additional 6% of social contributions, to finance the benefits related to special retirement due to lack of management of employee health and exposure to harmful agents during the period from 01/99 to 07/2003.

Portugal: Refer basically to the provisions for tax risks related to income tax, amounting to €5,750 in June 30, 2018 (€10,000 on December 31, 2017), which are being challenged in courts, and the reduction is due to the reassessments of the risks involved.

Egypt: Tax provisions in this business area are related mainly to income tax from years 2004 to 2014, which are being challenged in courts, in the amount of €11,166 (€9,765 in December 31, 2017).

- (b) Includes mainly a provision related to the industrial license estimation of late payments interests in Egypt, totalling €20,493 (€20,075 on December 31, 2017).
- (c) The Group have escrow deposits related to the provision for tax, civil and labour risks as follows:

	06.30.2018	12.31.2017
Labor and social security	1,930	2,323
Tax	315	655
Civil and other	40	45
Total	2,285	3,023

Changes in the provision for risks for the six months periods ended June 30, 2018 and 2017 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance at December 31, 2016	27,703	18,822	8,825	(2,876)	52,474
Recognition/deposit	689	106	810	(1,811)	(206)
Payment/deposit derecognition	(2,934)	(26)	(590)	644	(2,906)
Reversal	(157)	(18)	(121)	-	(296)
Exchange differences	(1,018)	(771)	(698)	357	(2,130)
Balance at June 30, 2017	24,283	18,113	8,226	(3,686)	46,936
Balance at December 31, 2017	25,848	28,256	32,531	(3,023)	83,612
Recognition/deposit	1,392	159	2,047	-	3,598
Payment/deposit derecognition	(1,447)	(1,441)	(1,144)	414	(3,618)
Reversal	(2,534)	(5,049)	(917)	-	(8,500)
Transfers	-	432	-	-	432
Exchange differences	(1,786)	(108)	(269)	324	(1,839)
Balance at June 30, 2018	21,473	22,249	32,248	(2,285)	73,685

Contingent liabilities

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

As at June 30, 2018, the Group has an exposure of €798 million (€830 million as at December 31, 2017), being €7 million of contingent liabilities related to labor contingencies (€7 million as at December 31, 2017), €588 million of tax contingencies (€604 million as of December 31, 2017), €203 million of civil contingencies and administrative processes of other natures (€219 million in December 31, 2017), whose likelihood of loss was considered possible, according to the opinion of our legal advisors.

As described in the year ended December 31, 2017 the most significant contingencies are:

Brazil

Administrative Council for Economic Defence (“CADE”)

The Group and other companies in the industry were parties to administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defence (“CADE”). In July, 2015, CADE's court judged the administrative appeal filed by the Group under the process initiated in 2007 by the antitrust authorities in Brazil (as well by other involved companies), maintaining the cadverse decision as regards cartel formation and the imposition of a pecuniary fine and other accessory penalties. The fine imposed to the Group, amounted to, approximately, €127 million (which corresponds to R\$241,700 thousand for InterCement and R\$297,820 thousand to CCB, meanwhile merged), besides the obligation to sell 20% of its concrete's assets in Brazil, among other accessory penalties. On June 30, 2018 the fine imposed reach to, resulting from its inflation adjustment, amounts to €159 million (R\$717 million).

After the referred CADE's administrative decision becomes final, the Group files an appeal with the court and obtained, on October 22, 2015, a preliminary injunction to suspend all penalties imposed by CADE, upon the presentation of real guarantees (two plants), until the judgment decision. Such preliminary injunction decision was judicially appealed by CADE, which was rejected. Based on the opinion of its legal advisors, the risk of loss in court is considered as possible, and therefore, no provision was recorded for this contingent liability as of June 30, 2018 and December 31, 2017.

Spain

As a result of tax inspections for the years 2005 to 2008, tax assessments of approximately €120 million were realized. These assessments relate essentially to net financial items resulting mainly from interpretations not adjusted to the nature of certain transactions. During the year ended December 31, 2017, we were notified about the ruling handed down by the Audiência Nacional court in Spain regarding judicial proceedings related to these tax assessments. The ruling has been almost entirely favorable to us. The Tax Authorities filed an appeal to the Supreme Court that was accepted in March, 2018 and it is pending of resolution. The guarantees of approximately €120 million provided for these proceedings continue to be in force until the final decision is handed down. Management believes that the completion of the legal proceedings resulting from the ongoing lawsuits, will not result in significant costs for the Group.

This opinion is confirmed by the understanding and opinion of its legal and tax advisors, which consider the possibility of loss on the proceedings from 2005 to 2008, as possible (approximately €86 million) to remote (approximately €34 million).

During the second half of 2014, the Spanish tax authorities began inspecting the years 2009 to 2012. The tax authorities reports maintained the same interpretations as in the preceding years, and these corrections results in negative taxable income of approximately €28 million, establishing the negative taxable income of that period in approximately €31 million. In July 2017, the tax authorities report for the year 2012 resulted in an adjustment to negative taxable income of approximately €242 million. In August 2017 an appeal was filed against the Administrative Economic Court and it is pending of resolution. In both cases the deferred tax related to those losses are not booked. As in previous years, the Management and its legal and tax advisors remains convinced that, based on the completion from the conclusion of the legal proceedings challenging these adjustments, no significant charges will be incurred by the Group.

12. Related Parties

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

For the six months periods ended June 30, 2017, it is worth of mention the acquisition from Administradora PMV Ltda. and Participações Morro Vermelho S/A, group controlling companies, of a stake of 100% of CECC – Incorporadora e Administradora de Bens, Ltda. shares, by €14,642 (R\$48,782 thousand) (Note 2). This transaction has generated an entry of €3,443 directly in equity.

In addition to reinforce that as identified in Notes 9 and 10, there are loans guaranteed by the Company's controlling entities.

13. Shareholder's Equity

Share Capital

Share capital as of June 30, 2018 and December 31, 2017 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.

Capital Reserves - Preferred Shares – InterCement Participações Company

The preferred shares grant their holders the right to receive minimum dividends, not accumulating losses, do not grant voting rights in the Company's shareholders' meetings, and can be redeemed upon decision of the Board of Directors. Any contractual obligations are guaranteed and recorded at the Company's controlling shareholder; consequently, the Company does not have any contractual obligation assumed with such holders of the preferred shares.

Earnings reserves

Transactions with non-controlling interests

In the six months period ended in June 30, 2018, the variations in this caption includes mainly the acquisition of non-controlling interest: an acquisition from non-controlling shareholders of an additional stake of 0.65% of Cimpor shares (Note 1) in the amount of €1,501 which resulted in a gain of €10,652 recognized directly in equity.

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 at June 30, 2018 and 2017, considering the loss of the year no dividend proposal for the common or preferred shares will be presented.

Other comprehensive income

In the six months periods ended June 30, 2018, the variations in Other comprehensive income includes the negative equity amount of €147,889 corresponding to: i) the negative equity recognition of actuarial losses on the liability to employees in the amount of €1,279; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €154,612 and iii) the positive equity recognition of hedging operations amounting to €8,002.

In the six months periods ended June 30, 2017, other comprehensive income includes the negative equity amount of €76,997 corresponding to: i) the positive equity recognition of actuarial losses on the liability to employees in the amount of €300; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €86,039 and iii) the positive equity recognition of hedging operations amounting to €8,742.

Non-controlling interests

The variation in non-controlling interests in the six months period ended June 30, 2018, relates mainly to the recognition of the period result, €3,995, for the effect of €12,153 with the additional stake of 0.65% of Cimpor shares and in other comprehensive income, the negative amount of €76,124 corresponds to: i) the negative equity recognition of actuarial losses on the liability to employees in the amount of €357; ii) the negative equity recognition of exchange differences arising on translating foreign operations in the amount of €78,028 and iii) the positive equity recognition of hedging operations amounting to €2,261.

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

- Right to priority dividends of the profit and/or reserves distributed in each year;
- Absence of voting rights (except for specific matters established in the corresponding statutes);

- Priority relating to the common shares in case of liquidation;
- Be converted into common shares (conversion rights);
- Non-participation in future capital increases.

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

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

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

In addition in the six months periods ended June 30, 2018 and 2017, dividends to non-controlling interests were declared in the amount of, respectively, €303 and €438.

14. Income Tax and Social Contribution

For the six months periods ended June 30, 2018 and 2017 the reconciliation between the nominal and the effective income tax was as follows:

	06.30.2018	06.30.2017
Loss before income tax and social contribution	(61,311)	(155,841)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	20,846	52,986
Adjustments to calculate income tax and social contribution at effective rates:		
Equity method gain	191	78
Permanent additions / (deductions), net (a)	2,476	356
Impairment losses (b)	-	(65,321)
Unrecorded deferred income tax and social contribution tax (c)	(45,816)	3,074
Adjustments to deferred taxes	792	-
Other (d)	4,289	(7,463)
Income tax and social contribution expense	<u>(17,222)</u>	<u>(16,290)</u>
Income tax and social contribution expense - Current	(10,761)	(33,684)
Income tax and social contribution expense - Deferred	(6,461)	17,394

- (a) Includes the effect of the differences in tax rates and other adjustments;
- (b) In the six months periods ended June 30, 2017 relates to the impairment on tangible assets (Note 7). Due to uncertainty of its recover it no deferred tax was booked.
- (c) In the six months ended June, 2018 and 2017, includes the tax effect from losses on entities not recognized since at present there are currently no projections that enable them to be expected to be recovered;
- (d) In the six months ended June 30, 2018 includes the reduction of a tax provision amounting to €4,209 (Note 11). In the six months ended June 30, 2017, it was included the registration of a tax income charge of approximately €7 million related to the phased payments agreements from additional tax assessments made by tax authority to one of our companies in Egypt, referring to the year 2008. The Company has appealed to the courts and, supported by the legal counsellors opinion, understands that the tax authorities have no grounds regarding the maintenance of a substantial part of those assessments.

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 six months periods ended June 30, 2018 and 2017, the Group recorded deferred tax of €3 and €493, respectively, directly in costs recognized in equity.

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

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

	06.30.2018	06.30.2017
Depreciation, amortization, and impairment losses (a)	(97,200)	(290,114)
Salaries and employee benefits	(133,980)	(151,853)
Raw materials and consumables	(173,844)	(183,439)
Tax expenses	(13,335)	(16,080)
Outside services	(102,057)	(101,230)
Rental	(8,656)	(7,901)
Freight expenses	(86,213)	(84,424)
Maintenance costs	(50,203)	(57,778)
Fuel	(76,442)	(75,869)
Electricity	(71,914)	(63,785)
Reversal (recognition) of provision for risks	2,060	(1,588)
Gain on sale of property, plant and equipment	3,126	1,592
Gain on sale of carbon credits (Note 21)	8,642	2,913
Other	(10,401)	(18,436)
Total	(810,417)	(1,047,992)
Cost of sales and services	(692,796)	(729,991)
Administrative and selling expenses	(132,897)	(138,428)
Other (expenses)/income (net)	15,276	(179,573)
Total	(810,417)	(1,047,992)

(a) In the semesters ended June 30, 2018 and 2017 includes the impairments of the Brazil business area in tangible assets amounting to €4,255 (R\$17,548 thousand) and €192,120 (R\$663,085 thousand) (Note 7), respectively.

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

	06.30.2018	06.30.2017
Foreign exchange losses, net (a):		
Exchange gain	77,091	134,484
Exchange loss	(97,348)	(23,043)
Total	<u>(20,257)</u>	<u>111,441</u>
Financial income:		
Inflation adjustment	839	1,555
Financial earnings	11,357	6,267
Interest income	413	790
Derivative financial instruments (b)	-	2,023
Other income (c)	2,279	4,529
Total	<u>14,888</u>	<u>15,164</u>
Financial expenses:		
Inflation adjustment	(1,390)	(2,789)
Expenses on interest and charges	(82,498)	(128,532)
Expenses on banking commissions	(11,385)	(11,915)
Fines	(584)	(379)
Derivative financial instruments (b)	(7,797)	(1,673)
Loss recognized in asset held for sale	-	(5)
Other expenses (c)	(8,558)	(10,276)
Total	<u>(112,212)</u>	<u>(155,569)</u>

- (a) In the semesters ended June 30, 2018 and 2017, the exchange differences are mainly influenced by the appreciation and depreciation of functional currencies against other currencies (mainly USD and Euro).
- (b) These captions are comprised of the fair value change of trading derivative financial instruments contracted to cover exchange and interest rate risks, and the written-put options in connection with “Baesa”, “Machadinho” and “Estreito” operations.
- (c) Other financial income and expenses include income and costs related to the financial adjustments of assets and liabilities, including the effect of the financial adjustment of provisions prompt payment discounts granted and obtained and the costs related to commissions, guarantees and other bank charges in general. In the semester ended June 30, 2018, this caption was also influenced by the repurchase of bonds issued by Cimpor Financial Operations, B.V. with a nominal value of USD 25,044 thousand (Note 10) which has generated a financial income in the amount of €1,600.

17. Commitments

(a) Lease agreements as lessee

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

	06.30.2018	12.31.2017
Up to one year	7,997	9,535
From one to five years	12,498	11,997
More than five years	64	26
Total	<u>20,559</u>	<u>21,558</u>

The Group recognized, for the six months periods ended June 30, 2018 and 2017, as operating lease expenses in the amount of €5,702 and €7,295 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) (“take or pay contract”) and also contracts for the acquisition of electric power until 2020, whose total estimated cash disbursements, in nominal amounts, are as follows:

	06.30.2018	12.31.2017
2018	3,635	6,534
2019	7,582	7,355
2020	7,582	7,880
2021	632	-
Total	<u>19,431</u>	<u>21,769</u>

Other subsidiaries are parties to contractual agreements for the purchase of inventories and property, plant and equipment, and the operation of facilities located in third-party properties, as follows:

	06.30.2018	12.31.2017
2018	34,453	40,242
2019	34,798	22,572
2020	21,240	14,008
2021	20,003	12,448
After 2021	127,990	77,789
Total	<u>238,484</u>	<u>167,059</u>

Includes an energy contract in the Argentinian business area, in the amount of €76.9 million (USD 89.8 million), starting in 2018 and effective for a period of 20 years. As of June 30, 2018, it was established a new energy contract in the amount of €81.7 million (USD 95.47 million) effective for a period of 10 years

In accordance with the contract entered into Sinoma International Engineering Co. Ltd for the construction of a new cement plant, Loma Negra C.I.A.S.A., assumed commitments in a total amount of €195,110 as at June 30, 2018 (€277,600 as at December,31, 2017). The total amount is divided into ARS 2,732,907 thousand, USD 91,870 thousand and €35,338 (ARS 2,167,648 thousand, USD 41,575 thousand and €107,415 for December 31, 2017). The value in pesos includes a periodic update in accordance with an adjustment formula.

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 earnings (loss) per share:

	06.30.2018	06.30.2017
Loss for the period attributable to Company's owners	(74,538)	(135,618)
Loss for the period attributable to common shares	(74,538)	(135,618)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	(3.29)	(5.98)

As a result of the net loss for the six months periods ended June 30, 2018 and 2017 the loss per share calculation does not include profit allocation to preferred shares.

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

19.2. Financial risk management

General principles

During its normal business activities, ICP Group is exposed to a variety of financial risks likely to change its net worth, which can be grouped, according to their nature, in the following categories:

- Interest rate risk;
- Exchange rate risk;
- Liquidity risk;
- Credit risk;
- Counterparty risk.

Financial risk means the probability of obtaining a positive or negative outcome different to that expected, and which materially and unexpectedly changes the Group's net worth.

All risk management, focused on that objective, is conducted according to two core concerns:

- Reducing, whenever possible, fluctuations in profit/loss and cash flows that are exposed to risk situations;
- Curbing deviation from forecast financials by means of strict financial planning based on multi-year budgets.

Furthermore, another concern of the Group is that the processes for managing these risks meet internal information requirements and also external requirements (regulators, auditors, financial markets and all other stakeholders).

The Group, as a rule, does not take speculative positions and so the sole objective of all operations carried out with the purpose of managing financial risks is to control existing risks to which the Group is unavoidably exposed.

Hedging the interest-rate risk and exchange-rate risk normally means contracting financial derivatives on the over-the-counter market (for reasons of flexibility), involving a limited number of counterparties with high ratings. These operations are undertaken with financial entities with which the International Swaps and Derivatives Association (ISDA) contracts were completed in advance, in accordance with international standards.

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

19.3. Interest rate risk

The Group's exposure to the interest-rate risk arises from the fact that its balance sheet includes financial assets and liabilities that may have been contracted at fixed interest rates or at variable

interest rates. In the former case, the Group is subject to the risk of changes in the fair value of those assets and liabilities, whereby any change in market rates involves a (positive or negative) opportunity cost. In the latter case, such change has a direct impact on the amount of interest paid/received, resulting in cash account changes.

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

Exposure to interest rate risks and to floating and fixed rates

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

	06.30.2018	12.31.2017
Assets:		
CDI	20,692	38,823
SELIC	946	36,558
Total	21,638	75,381
Liabilities:		
IGP-M	6,230	6,937
CDI	475,438	630,798
EURIBOR	333,110	419,559
LIBOR	485,495	662,014
TJLP	2,787	4,452
Others	43,835	40,865
Total	1,346,895	1,764,625

As of June 30, 2018 and December 31, 2017 the Group's liability by type of interest rate, considering derivative financial instruments, between floating and fixed rate, was as follows:

	06.30.2018	12.31.2017
Floating rates	63%	66%
Fixed rates	37%	34%

19.4. Exchange rate risk

The Group's exposure to the exchange-rate risk regarding the currencies of different countries, arises from the amounts of capital invested in each country where the functional currency is different from the Group's functional currency.

The exchange effects of the translation of local financial statements on the Group's consolidated financial statements can be mitigated by hedging the net investments made in those countries. These operations are not frequent, considering such operations which are generally substantially high considering the risks involved.

To hedge the exchange-rate risk, the Group enter into swaps and forward contracts with maturities equivalent to the hedged instrument.

The Group does not carry out exchange-rate operations that do not adequately cover existing or contracted positions.

The fact that the Group operates in countries with significant interest rate differentials in relation to the consolidation currency, results in the search for natural hedge strategies. In this respect the Group sought to increase the debt of the Business Units in order to obtain better correlation between assets and liabilities in the same currency, thus decreasing the Group's overall exposure.

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

Exposure to foreign exchange risk

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

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

	06.30.2018	12.31.2017
Assets:		
Cash, cash equivalents and securities	176,815	803,623
Trade receivables	6,392	7,379
Related parties (a)	564,461	544,658
Other credits	4,404	3,552
Exposed assets	752,072	1,359,212
Liabilities:		
Interest, borrowings, financing and debentures	977,855	1,155,280
Foreign trade payables	79,828	32,981
Related parties (a)	436,595	430,052
Other debits	771	233
Exposed liabilities	1,495,049	1,618,313

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

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

Functional currency	Currency	Jun-18		Dec-17	
		Currency	Euros	Currency	Euros
ARS	USD	25,633	21,947	54,402	45,338
BRL	USD	3,119	2,670	143	119
PYG	USD	5,471	4,684	444	370
EGP	USD	2,466	2,111	2,587	2,156
EUR	USD	169,167	144,847	906,186	755,212
MZN	USD	167	143	90	75
ARS	BRL	9	2	10	2
PYG	BRL	1	0	1	0
ARS	EUR	10	10	15	15
PYG	EUR	34	34	28	28
EGP	EUR	20	20	32	32
MZN	EUR	95	95	142	142
EUR	EGP	2,730	131	2,731	128
ARS	PYG	6,063	1	6,155	1
MZN	ZAR	1,904	119	45	3
Amount exposed to foreign exchange risk:			176,815		803,623
BRL	BRL	105,455	23,418	329,808	83,090
EUR	EUR	65,610	65,610	142,465	142,465
ARS	ARS	887,419	26,338	2,031,925	90,799
MZN	MZN	477,577	6,961	689,770	9,837
EGP	EGP	160,125	7,684	317,394	14,921
PYG	PYG	9,795,577	1,469	30,133,107	4,484
ZAR	ZAR	224,645	14,028	703,797	47,696
CVE	CVE	717,486	6,507	317,392	2,878
Amount by functional currency			152,015		396,171
			<u>328,830</u>		<u>1,199,794</u>

The main debt instruments (essentially related with loans and debentures) as at June 30, 2018 and December 31, 2017, and considering the effect of the existing cross currency swaps, were denominated in the following currencies:

	06.30.2018	12.31.2017
USD	45%	42%
BRL	23%	23%
EUR	27%	30%
Other	5%	5%

19.5. Liquidity risk

Liquidity risk management means maintaining an appropriate level of cash resources and contracting credit limits that not only ensure the regular performance of the Group's activities but also meet the needs of any extraordinary operations.

The refinancing processes allowed an improvement in the debt profile, by reducing the average cost of debt, ensuring a significant level of liquidity and an adequate maturity schedule profile, avoiding concentration of significant capital amortizations in the next 3 years.

19.6. Credit risk

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

The Group's level of solvency is also reflected in its Leverage ratio (Net Debt / EBITDA). As described in Notes 9 and 10, as at December 31, 2017, the Company agreed with financial institutions the increase of such ratio from 4.5 to 5.0 (ratio Net Debt versus EBITDA), coming back to 4.5 in the following periods. As of that date the covenants conditions were met and such obligation will only be measured again based on the financial figures as at December 31, 2018.

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

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist primarily of short-term investments and trade receivables. The Company and its subsidiaries maintain bank accounts and short-term investments with financial institutions approved by Management, and only carry out sale transactions according to credit approval criteria for minimizing default risks.

19.7. Counterparty risk

When the Group establishes different contractual relations with third parties, it assumes on the risk of the probability of non-performance or even, in an extreme scenario, default by a counterparty.

The Group endeavours to limit its exposure to this risk, when making bank deposits and other cash investments and also, by contracting derivative instruments, by carefully selecting the counterparties, based on their rating and taking into account the nature, maturity and scope of the operations.

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

19.8. Sensitivity analysis of financial instruments

Exposure to interest-rate risk results in the variability of the Group's net financial expenses. The results of a sensitivity analysis of exposure as at June 30, 2018 were as follow:

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

A parallel change of +/- 1% in the interest rate curve with all the other assumptions remaining constant would result in an increase in finance costs for the period then ended (before taxes) of approximately €3 million on the euro liability indexed to the variable rate, and USD 5 million on the variable rate loan, and €5 million on the Brazilian variable rate loan, as shown in the table below:

Indexing	Currency	Value	1%	2%	3%
Euribor	EUR	333,110	3,331	6,662	9,993
US Libor	USD	485,495	4,855	9,710	14,565
CDI	BRL	475,438	4,754	9,509	14,263

b) Exchange rates

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

Considering the Group's companies financial asset and liability profile (including intercompany balances) as of June 30, 2018 the more significant impact on net financial results would be as follows:

Amount in USD	Funcional currency	FX Rate (06-30-18)		USD depreciation			USD appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
-547,960	EUR	1.1679	Effect in EUR	-46,918	-23,459	-	23,459	46,918
-58,105	ARS	28.85	Effect in ARS	-167,633	-83,817	-	83,817	167,633
			Effect in EUR	-5,528	-2,619	-	2,369	4,523
959	PYG	5,710.73	Effect in PYG	547,753	273,877	-	-273,877	-547,753
			Effect in EUR	91	43	-	-39	-75
-281,888	BRL	3.86	Effect in BRL	-108,691	-54,345	-	54,345	108,691
			Effect in EUR	-26,818	-12,703	-	11,493	21,942
81,095	ZAR	13.71	Effect in ZAR	111,197	55,599	-	-55,599	-111,197
			Effect in EUR	7,715	3,655	-	-3,307	-6,312
-37,797	EGP	17.84	Effect in EGP	-67,440	-33,720	-	33,720	67,440
			Effect in EUR	-3,596	-1,703	-	1,541	2,942
-174,026	MZN	58.74	Effect in MZN	-1,022,259	-511,129	-	511,129	1,022,259
			Effect in EUR	-16,556	-7,842	-	7,096	13,546

Amount in EUR	Funcional currency	FX Rate (06-30-18)		EUR depreciation			EUR appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
-33,130	ZAR	16.01	Effect in ZAR	53,055	26,528	-	-26,528	-53,055
			Effect in EUR	3,152	1,493	-	-1,351	-2,579
165,067	BRL	4.50	Effect in BRL	-74,333	-37,166	-	37,166	74,333
			Effect in EUR	-15,704	-7,439	-	6,730	12,849

Amount in EGP	Funcional currency	FX Rate (06-30-18)		EGP depreciation			EGP appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
38,766	EUR	20.84	Effect in EUR	186	93	-	-93	-186

(Thousand)

19.9. Categories of financial instruments

	06.30.2018	12.31.2017
Current assets:		
Financial assets at amortized cost:		
Cash and bank accounts (Note 4)	207,798	909,868
Short-term investments - financial asset	85,329	237,555
Trade receivables (Note 6)	142,746	82,324
Other receivables	56,473	36,396
Financial assets at fair-value:		
Exclusive funds	35,815	52,371
Derivatives	2,148	3,856
Non-current assets:		
Financial assets at amortized cost:		
Long-term investments - financial asset	1,221	2,053
Trade receivables (Note 6)	930	1,137
Other receivables	31,218	20,541
Financial assets at fair-value:		
Long-term investments - financial asset	112	-
Derivatives	7,878	6,690
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	48,771	105,682
Borrowings and financing (Note 9)	223,524	467,604
Trade payables	237,077	291,649
Interest payable (Notes 9 and 10)	39,458	57,571
Other payables	31,574	42,221
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	834,172	895,403
Borrowings and financing (Note 9)	1,010,246	1,244,050
Trade payables	5,159	6,142
Other payables	14,190	16,252
Financial liabilities at fair value:		
Derivatives	-	16,589

19.10. Derivative transactions

Derivatives

As of June 30, 2018 and December 31, 2017, the fair value of derivatives is as follows:

	Assets				Liabilities			
	Current		Non-current		Current		Non-current	
	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017
Written-put options ("Baesa", "Machadinho" and "Estreito" operations)	-	-	4,174	6,690	-	-	-	-
Interest rate and cross currency swaps	2,148	3,856	3,704	-	-	-	-	16,589
	2,148	3,856	7,878	6,690	-	-	-	16,589

The following schedule shows the operations as of June 30, 2018 and December 31, 2017 as follows:

Type of hedge	Notional	Type of Operation	Maturity	Economic purpose	Fair value	
					06.30.2018	12.31.2017
Cash-flow	USD 204.400.000	Cross Currency Swap to EUR	Jan-22	Switch a USD loan into EUR loan (a)	-	(12,733)
Cash-flow	USD 102.200.000	Cross Currency Swap to EUR	Jan-23	Switch a USD loan into EUR loan	5,852	-
					5,852	(12,733)

(a) On February 6, 2018 it was partially settled resulting in an outflow of €8,187 (10 million USD). On April 13, 2018 it was totally settled resulting in an additional outflow of €18,674 (23 million USD).

19.11. Market values

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value as of June 30, 2018 in accordance with the following fair value seniority levels:

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

Category	Item	Level 1	Level 2	Level 3
Assets:				
Financial assets at fair value	Securities - current	35,815	-	-
Financial assets at fair value	Financial derivative instruments	-	5,852	4,174
Financial assets at fair value	Securities - non current	112	-	-

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

	06.30.2018	12.31.2017
Fair value	818,028	1,012,404
Carrying amount	895,760	1,019,187

20. Supplemental Cash Flow Information

Investment and financing activities not involving cash

	06.30.2018	06.30.2017
Interest capitalization	49	60
Non-cash acquisition of property, plant and equipment	-	5,887
Purchase of property, plant and equipment through trade payables	(16,720)	(21,998)
Purchase of intangibles through trade payables	24	877
Sales of property, plant and equipment that will be received	595	1,992

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:

	06.30.2018				06.30.2017			
	Net Revenue			Results	Net Revenue			Results
Foreign sales	Intersegment sales	Total	Foreign sales		Intersegment sales	Total		
Operating segments:								
Brazil	202,490	1,013	203,503	(35,801)	229,817	531	230,348	(219,196)
Argentina and Paraguay	358,882	-	358,882	74,874	391,196	-	391,196	84,288
Portugal and Cape Verde	117,703	26,241	143,944	9,629	113,216	31,378	144,594	(3,023)
Egypt	50,582	-	50,582	1,166	44,584	-	44,584	(3,645)
Mozambique	48,624	-	48,624	3,823	45,998	-	45,998	3,193
South Africa	65,216	1,238	66,454	8,702	65,583	1,200	66,783	10,982
Total	843,497	28,492	871,989	62,393	890,394	33,109	923,503	(127,401)
Unallocated (a)	22,630	77,136	99,766	(6,685)	30,493	87,415	117,908	296
Eliminations	-	(105,628)	(105,628)	-	-	(120,524)	(120,524)	-
Sub-total	866,125	-	866,125	55,708	920,887	-	920,887	(127,105)
Share of profit of associates				562				228
Income before financial income (expenses)				56,270				(126,877)
Foreign exchange gains/(losses), net				(20,257)				111,441
Financial income				14,888				15,164
Financial expenses				(112,212)				(155,569)
Income before income tax and social contribution				(61,311)				(155,841)
Income tax and social contribution				(17,222)				(16,290)
Loss for the period				(78,533)				(172,131)

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

During the six months period ended June 30, 2018, operating results in the segment “Portugal and Cape Verde” are positively influenced by a net gain of €8,642 (€2,913 in the semester ended June 30, 2017), as a result of the sale of 965,000 tons of CO2 emissions allowances (600,000 tonnes of CO2 emissions thousand in the semester ended June 30, 2017).

The profit for each six months periods above includes the full amount of the Company’s segments disregarding the following amounts attributable to non-controlling interests:

	Noncontrolling interests	
	06.30.2018	06.30.2017
Operating segments:		
Brazil	(16,347)	(58,056)
Argentina and Paraguay	17,362	12,980
Portugal and Cape Verde	1,114	(1,050)
Egypt	(338)	(3,852)
Mozambique	258	7,610
South Africa	2,125	825
	4,174	(41,543)
Unallocated	(8,169)	5,030
	(3,995)	(36,513)

Other information:

	06.30.2018		06.30.2017	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	17,576	41,152	20,251	231,658
Argentina and Paraguay	34,374	15,493	28,401	17,605
Portugal and Cape Verde	2,948	24,082	2,542	24,575
Egypt	1,493	7,169	1,240	6,950
Mozambique	28,982	3,664	2,799	2,985
South Africa	2,209	4,817	3,063	5,426
	<u>87,582</u>	<u>96,377</u>	<u>58,296</u>	<u>289,199</u>
Unallocated	1,455	823	1,118	915
Total	89,037	97,200	59,414	290,114

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

In the semesters ended June 30, 2018, and 2017, impairment losses were recorded in Brazilian business segment for tangible assets in the amount of €4,255 (R\$17,548 thousand) and €192,120 (R\$663,085 thousand), respectively.

In addition, segment assets and liabilities reconciled with the consolidated balances as of June 30, 2018 and December 31, 2017 are as follows:

	06.30.2018			12.31.2017		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	1,656,680	861,474	795,206	1,797,170	1,084,849	712,321
Argentina and Paraguay	664,428	279,297	385,131	821,083	381,235	439,848
Portugal and Cape Verde	863,041	370,314	492,727	859,140	383,624	475,516
Egypt	228,449	163,331	65,118	222,793	157,506	65,287
Mozambique	233,894	158,451	75,443	197,421	145,498	51,923
South Africa	321,659	88,293	233,366	364,037	100,672	263,365
Total	3,968,151	1,921,160	2,046,991	4,261,644	2,253,384	2,008,260
Unallocated	606,369	1,662,777	(1,056,408)	1,249,422	1,962,846	(713,424)
Eliminations	(678,234)	(678,234)	-	(546,234)	(546,234)	-
Other investments	8,528	-	8,528	8,625	-	8,625
Total segments	3,904,814	2,905,703	999,111	4,973,457	3,669,996	1,303,461

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

22. Events After the Reporting Period

Argentina will become a Hyperinflationary economy

Inflation indices of Argentina were disclosed showing a three-year cumulative rate in excess of 100 percent, indicating that the Argentinian economy is, as defined by IAS 29 – Financial Reporting on, Hyperinflationary Economies.

In light of the preferences stated in IAS 29 that all entities apply inflation accounting at the same time and using the same general price index, the use of inflation accounting will be applied in respect of Argentinean peso functional operations for periods ending after July 1st, 2018.

The Company is assessing the effects on its financial statements which will be considered for subsequent reporting periods

23. Authorization for Completion of Financial Information

At the meeting held on September 12, 2018, the Board of Directors authorized the completion of this consolidated interim financial statements, being approved them for disclosure.

**INTERCEMENT
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