



INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated
Interim Financial Information
for the nine months period
ended September 30th, 2017.



InterCement

Building sustainable partnerships

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position as of September 30, 2017 and December 31, 2016

(In thousands of euros - €)

ASSETS	Notes	09.30.2017	12.31.2016	LIABILITIES AND EQUITY	Notes	09.30.2017	12.31.2016
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	274,719	541,143	Trade payables		229,300	311,631
Securities	5	103,911	49,465	Debentures	10	165,488	121,926
Trade receivables	6	163,744	137,605	Borrowings and financing	9	288,680	213,866
Inventories		394,123	396,795	Interest payable	9 and 10	37,412	95,678
Recoverable taxes		52,223	42,603	Taxes payable		96,999	67,618
Derivatives	19	-	26,450	Payroll and related taxes		40,793	43,589
Other receivables		63,166	52,079	Dividends and interest on capital		2,315	2,455
Total current assets		<u>1,051,886</u>	<u>1,246,140</u>	Advances from customers		19,600	18,130
				Actuarial liabilities		785	903
				Derivatives	19	-	8,287
				Other payables	2.4.	110,827	30,223
				Total current liabilities		<u>992,199</u>	<u>914,306</u>
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Securities	5	2,206	2,928	Trade payables		6,805	9,199
Trade receivables	6	5,945	6,199	Debentures	10	938,603	1,157,415
Inventories		10,695	12,461	Borrowings and financing	9	1,575,105	1,932,136
Recoverable taxes		7,716	29,675	Provision for tax, civil and labor risks	11	46,261	52,474
Deferred income tax and social contribution		25,904	29,827	Provision for environmental recovery		39,053	39,954
Escrow deposits		20,025	19,923	Taxes payable		17,287	13,138
Derivatives	19	1,638	215,450	Deferred income tax and social contribution		217,612	301,829
Other receivables		30,149	27,473	Actuarial liabilities		17,524	21,825
Property Investment		7,587	7,442	Derivatives	19	9,602	7,468
Investments		9,896	13,340	Other payables		9,532	13,831
Property, plant and equipment	7	1,683,640	2,047,838	Total noncurrent liabilities		<u>2,877,384</u>	<u>3,549,269</u>
Intangible assets:				TOTAL LIABILITIES		<u>3,869,583</u>	<u>4,463,575</u>
Goodwill	8	1,448,390	1,546,629				
Other intangible assets	8	197,548	213,388	SHAREHOLDER'S EQUITY			
Total noncurrent assets		<u>3,451,339</u>	<u>4,172,573</u>	Capital	13	1,080,949	1,080,949
				Capital reserves	13	551,677	555,114
				Earnings reserves	13	-	155,653
				Accumulated losses	13	(483,338)	(507,726)
				Other comprehensive income	13	(810,024)	(720,321)
				Equity attributable to the Company's owners		339,264	563,669
				Noncontrolling interests		294,378	391,469
				Total equity		<u>633,642</u>	<u>955,138</u>
TOTAL ASSETS		<u>4,503,225</u>	<u>5,418,713</u>	TOTAL LIABILITIES AND EQUITY		<u>4,503,225</u>	<u>5,418,713</u>

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Consolidated Interim Income Statements for the nine months periods ended September 30, 2017 and 2016**

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

	Notes	09.30.2017	09.30.2016
NET REVENUE	21	1,406,406	1,379,384
COST OF SALES AND SERVICES	15	(1,079,759)	(1,093,408)
GROSS PROFIT		326,647	285,976
OPERATING INCOME (EXPENSES)			
Administrative and selling expenses	15	(240,654)	(200,485)
Other income (expense)	15	(169,931)	(234,660)
Equity result		380	618
LOSS BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		(83,558)	(148,551)
FINANCIAL INCOME (EXPENSES)			
Foreign exchange losses, net	16	138,201	(112,740)
Financial income	16	21,023	50,118
Financial expenses	16	(229,348)	(241,784)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(153,682)	(452,957)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	14	(72,616)	(40,251)
Deferred	14	62,095	83,869
LOSS FOR THE PERIOD		(164,203)	(409,339)
LOSS ATTRIBUTABLE TO			
Company's owners	18	(132,314)	(305,787)
Noncontrolling interests	21	(31,889)	(103,552)
LOSS PER SHARE			
Basic/diluted loss per share	18	(5.83)	(13.48)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Statements of Comprehensive Income for the nine months periods ended September 30, 2017 and 2016

(In thousands of euros - €)

	Notes	09.30.2017	09.30.2016
LOSS FOR THE PERIOD		(164,203)	(409,339)
Other comprehensive income:			
Items that will not be reclassified subsequently to the income statement:			
Employee benefits		391	(1,351)
Items that might be reclassified subsequently to the income statement:			
Exchange differences arising on translating foreign operations		(163,731)	173,853
Hedging derivatives financial instruments		11,311	(11,494)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(316,232)	(248,331)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Company's owners		(220,968)	(218,265)
Noncontrolling interests		(95,264)	(30,066)

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INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity for the nine months periods ended September 30, 2017 and 2016

(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		-	-	-	-	-	(305,787)	(305,787)	(103,552)	(409,339)
Realization of deemed cost of property, plant and equipment		-	-	-	-	(1,323)	1,323	-	-	-
Interim dividends - paid	13	-	-	-	(53,804)	-	-	(53,804)	-	(53,804)
Other:		-	-	-	-	-	-	-	(3,542)	(3,542)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	(579)	(579)
Other comprehensive income		-	-	-	-	87,522	-	87,522	73,486	161,008
BALANCE AT SEPTEMBER 30, 2016		1,080,949	498,724	18,063	156,556	(652,472)	(325,121)	776,699	417,529	1,194,228
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		-	-	-	-	-	(132,314)	(132,314)	(31,889)	(164,203)
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)
Loss absorption through earnings reserves		-	-	(18,063)	(137,590)	-	155,653	-	-	-
Transactions with shareholders, recorded directly in equity	2.4.	-	(2,570)	-	-	-	-	(2,570)	(873)	(3,443)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	(438)	(438)
Other comprehensive income		-	-	-	-	(88,654)	-	(88,654)	(63,375)	(152,029)
BALANCE AT SEPTEMBER 30, 2017		1,080,949	551,677	-	-	(810,024)	(483,338)	339,264	294,378	633,642

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**Condensed Consolidated Interim Statements of Cash Flows for the nine months periods ended September 30, 2017 and 2016**

(In thousands of euros - €)

	Notes	09.30.2017	09.30.2016
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before income tax and social contribution		(153,682)	(452,957)
Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities:			
Depreciation, amortization and impairment losses		332,440	406,498
Recognition (reversal) of allowance for potential losses, net		(8,232)	(17,191)
Interest, accrued charges, and exchange differences		70,720	305,102
Gain on sale of long-lived assets		(2,812)	(6,390)
Equity result		(380)	(618)
Other noncash operating losses (gains)		2,367	6,435
Decrease (increase) in operating assets:			
Trade receivables		(38,419)	(17,617)
Inventories		(32,473)	(34,759)
Recoverable taxes		3,978	(4,275)
Other receivables		(113)	61
Increase (decrease) in operating liabilities:			
Trade payables		(46,867)	9,118
Payroll and vacation payable		(217)	1,843
Other payables		(42,452)	(108,272)
Taxes payable		8,119	7,897
Cash generated by operating activities		91,977	94,875
Income tax and social contribution paid		(36,006)	(28,643)
Interest paid		(203,657)	(216,919)
Net cash used by operating activities		<u>(147,686)</u>	<u>(150,687)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		25,536	1,745
Purchase of property, plant and equipment		(100,419)	(87,757)
Increase in intangible assets		(1,874)	(1,049)
Purchase of subsidiary, net acquired cash		(14,605)	-
Sale of long-lived assets		3,532	4,049
Sale of noncontrolling interests		-	7,245
Dividends received		844	869
Net cash used in investing activities		<u>(86,986)</u>	<u>(74,898)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures		289,292	205,789
Swap transactions		204,767	-
Repayment of borrowings, financing and debentures		(485,406)	(141,430)
Dividends paid		-	(53,804)
Other instruments		430	(5,234)
Net cash generated in financing activities		<u>9,083</u>	<u>5,321</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(225,589)</u>	<u>(220,264)</u>
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(40,835)	(22,122)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	541,143	767,971
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>274,719</u>	<u>525,585</u>

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Information for the nine months period ended September 30, 2017

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

1. General Information

InterCement Participações, S.A. (“Company”) is a privately 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, 64 concrete plants, and 21 aggregates plants (located in Brazil, Argentina, Paraguay, Portugal, Egypt, Mozambique and South Africa). It also owns one port terminal in Cape Verde, and seven plants producing lime, packaging and mortar. Additionally, in Brazil it holds electric power generation equity interests and assets, as a self-generator for some of its production.

2. Basis of Preparation and Significant Accounting Policies

2.1. Basis of preparation

The condensed consolidated Interim Financial Information as of September 30, 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 preparation of 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\$)	
	09.30.2017	12.31.2016	09.30.2016	09.30.2017	09.30.2016
USD US Dollar	3.16800	3.25910	3.24620	3.18040	3.53438
EUR Euro	3.74300	3.43840	3.64840	3.54225	3.94228
MZN Mozambique Metical	0.05216	0.04572	0.04163	0.05021	0.06018
CVE Cape Verde Escudo	0.03395	0.03118	0.03309	0.03212	0.03575
EGP Egyptian Pound	0.17970	0.18110	0.36560	0.17736	0.40288
ZAR South African Rand	0.23450	0.23790	0.23670	0.24117	0.23622
ARS Argentinian Peso	0.18302	0.20510	0.21203	0.19557	0.24334
PYG Paraguayan Guaraní	0.00056	0.00056	0.00058	0.00056	0.00062

2.4. Consolidation

During the first half of 2017, there was a change in consolidation perimeter mainly due to acquisition of 100% of the share capital of CECC Incorporadora e Administradora de Bens, Ltda. amounting of €14,642 (Note 12). This operation has generated an entry of €3,443 directly in equity.

On May 15, 2017, InterCement Brasil have signed a promissory contract of transferring to third parties 34,823,317 preference shares, representing 19.2% of the share capital of the subsidiary Estreito Participações S.A. by R\$290,000 thousand (€78 million), recorded under the caption "other payables" as current liabilities. The obligations of the parties to conclude the foreseen in the agreement, including the transfer of shares, depends on the compliance of certain contractual conditions, which were already fullfield during October 2017 (Note 22).

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

	09.30.2017	12.31.2016
Cash and bank accounts	188,797	325,110
Short-term investments	85,922	216,033
Total cash and cash equivalents	274,719	541,143

Short-term investments were as follows:

	09.30.2017	12.31.2016
Bank certificates of deposit (CDBs)	272	2,209
Short Term Investment in Reais	530	1,718
Exclusive funds:		
National Treasury Bills (LTNs)	8,605	12,781
National Treasury Bills (LTFs)	-	32,663
CDBs	578	1,135
Fixed-income funds	9,137	9,081
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos	7,599	28,082
Short-term investments in US dollars	26,449	91,490
Short-term investments in euro	11,716	16,267
Short-term investments in Egyptian pound	60	2,717
Short-term investments in South African rand	14,651	8,256
Short-term investments in Mozambique metical	6,325	6,914
Short-term investments in Cape Verd escudos	-	2,720
Total short-term investments	85,922	216,033

5. Securities

Securities are classified as financial assets, as follows:

	09.30.2017	12.31.2016
Market investments (a)	98,074	44,143
Other	8,043	8,250
Total	<u>106,117</u>	<u>52,393</u>
Total - current	103,911	49,465
Total - noncurrent	2,206	2,928

(a) As described in Note 2, “consolidation” section, InterCement Brasil received the amount of R\$290,000 thousand (€78 million) related to a promissory contract. According to contract clauses the amount received was transferred to a restrict account, waiting of certain contract conditions, which were already fullfield during October 2017 (Note 22).

6. Trade Receivables

	09.30.2017	12.31.2016
Domestic and foreign customers - current	192,984	166,328
(-) Impairment for doubtful accounts – current	<u>(29,240)</u>	<u>(28,723)</u>
Trade receivables - current	<u>163,744</u>	<u>137,605</u>
Domestic and foreign customers - noncurrent	6,042	6,295
(-) Impairment for doubtful accounts – noncurrent	<u>(97)</u>	<u>(96)</u>
Trade receivables - noncurrent	<u>5,945</u>	<u>6,199</u>

7. Property, Plant and Equipment

	09.30.2017		
	Cost	Depreciation & Impairment	Net book value
Land	155,200	(15,051)	140,149
Buildings	510,822	(190,033)	320,789
Machinery and equipment	1,693,544	(726,231)	967,313
Vehicles	42,905	(14,170)	28,735
Furniture and fixtures	9,611	(6,908)	2,703
Mines and ore reserves	140,403	(78,043)	62,360
Reservoirs, dams and feeders	74,965	(20,241)	54,724
Other	10,783	(8,255)	2,528
Spare parts	4,185	-	4,185
Advances to suppliers	24,883	-	24,883
Construction in progress	252,361	(177,090)	75,271
Total	2,919,662	(1,236,022)	1,683,640

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

Given the macroeconomic context in Brazil, which is reflected in reductions of cement consumption, the Group decided to interrupt certain investments that were underway in cement production lines, which will be re-invested again when economy returns in the future. During the nine months period ended September 30, 2017, there was further deterioration of business activity, reflected in an increase in idle times and the shutting down of production lines. Considering this context, it is not reliable to predict the time when these investments may be resumed and to what extent the respective returns will materialise. Therefore, an impairment totalling R\$662.849 thousand (€187,126) was recorded in the Brazilian business area relative to tangible fixed assets in cement production lines undergoing investment, which is reversible once those investments are retake.

In the nine months period ended September 30, 2016, impairment losses were registered in tangible assets unallocated to operating segments of about €4,300 (Note 21).

During the nine months periods ended September 30, 2017 and 2016, the Company capitalized financial charges amounting to €92 and €1,889, respectively, related to loans granted to finance eligible assets.

Construction in progress and advances to suppliers as of September 30, 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	97,510
Write-offs	(2,713)
Depreciation	(142,675)
Impairment	(4,300)
Effect of changes in exchange rates	27,250
Other	(11,273)
Balance at September 30, 2016	<u>2,108,656</u>
Balance at December 31, 2016	2,047,838
Changes in consolidation perimeter	14,898
Additions	92,578
Write-offs	(2,360)
Depreciation	(139,206)
Impairment	(187,126)
Effect of changes in exchange rates	(141,685)
Transfers	(1,297)
Balance at September 30, 2017	<u>1,683,640</u>

At September 30, 2016, in the caption “Other” is included the reclassification of the ships owned by Cimpship – Transportes Marítimos, S.A. to the caption “Assets classified as held for sale” in the net amount of €7,873. This company was sold in July 26, 2016 by the amount of €7,245.

8. Intangible Assets

	09.30.2017	12.31.2016
Other intangible assets:		
Mining rights	175,406	187,283
Concession-related assets	4,109	4,823
Software licenses	5,859	5,883
Project development costs	4,365	5,598
Trademarks, patents and others	7,809	9,801
	<u>197,548</u>	<u>213,388</u>
Goodwill:		
Loma Negra C.I.A. S.A.	257,971	280,824
CBC - Companhia Brasileira de Cimentos ("CBC")	27,420	29,849
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	20,251	22,045
Cimpor - Cimentos de Portugal, SGPS, S.A.	1,122,372	1,191,478
Other	20,376	22,433
	<u>1,448,390</u>	<u>1,546,629</u>
Total	<u>1,645,938</u>	<u>1,760,017</u>

Impairment on assets

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

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

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

In the first half of 2017, given the visible deterioration of business activity and profits, a new impairment test was conducted for the Brazil segment, with business projections that take into account the downward revision of business activity and a market discount rate of 10.5% similar to the one used in December 31 2016.

As a result of this test, it was determined that the recoverable value of the Brazilian segment is greater than the recognized value of the assets and liabilities of that segment. Therefore, no increase of the previously recognized impairment of the corresponding goodwill is needed.

The Group examined the impact of a 50 basis points change in update rates and in the EBITDA margin, presented in the table below, and taking into account the devaluation of the book value of the assets due to the recorded impairment on investments underway (Note 7), which also resulted in both cases that no impairment would be recorded.

	+50 BP	-50 BP
"WACC" rate	(182,307)	216,498
EBITDA margin	70,140	(70,140)

As of September 30, 2017, no additional test was performed.

In addition to the Brazilian business area, the nine months results in the Egypt and Mozambique business areas also fell short of expectations.

The results in Egypt in the nine months of 2017 were adversely affected by specific events, namely market reaction (shrinkage) resulting from the macroeconomic adjustment that took place in Egypt at the end of 2016, when the Egyptian pound was devalued by over 100% and organizational restructuring costs.

Although the macroeconomic adjustment in the country initially resulted in market retraction, it is believed that this situation will reverse in the short/medium term, supported by sustainable economic growth.

In Mozambique, the market was also affected by a non-recurrent event - the country's default on its debt, which resulted in a significant devaluation of the exchange rate (The exchange rate climbed to over MZN 100/USD) and brought construction works to a standstill. The situation led to joint action by the government and the IMF to reorganize the country's finances and establish conditions for economic growth. Since that intervention, there have already been signs of recovery in the country, as the IMF itself highlighted during a visit at the end of July. This favorable opinion on the part of the IMF along with the resumption of coal exports (dollar revenue) and the resulting recovery of the value of the metical (returning to the MZN 60/USD level) enable a recovery to be predicted from 2018 onwards.

Therefore, taking into account the special sets of circumstances in both these cases, and also because tests conducted with reference to 31 December 2016 showed significant margin in the respective book values, there was no evidence to perform any additional impairment tests for September 30, 2017.

Changes in intangible assets in the nine months periods ended September 30, 2017 and 2016 were as follows:

Balance at December 31, 2015	1,908,420
Additions	701
Write-offs	(3)
Amortization	(5,704)
Impairment	(253,294)
Effect of changes in exchange rates	178,285
Transfers	3,362
Balance at September 30, 2016	<u>1,831,767</u>
Balance at December 31, 2016	1,760,017
Additions	2,784
Amortization	(6,789)
Impairment	(28)
Effect of changes in exchange rates	(111,203)
Transfers	1,157
Balance at September 30, 2017	<u>1,645,938</u>

In the nine months period ended September 30, 2016, it was performed an impairment test only in the Brazilian business area, due to the deterioration of the economic and political scene of the country, as a result, impairments were recorded in the amount of €253 million (R\$998,556 thousand), entirely affected to Goodwill.

9. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Interest rates (a)	Contract date	Maturity	09.30.2017		12.31.2016	
							Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May/12	Jan/22	-	279,184	-	396,651
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/12	Feb/22 (d)	-	205,499	-	306,796
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/14	Feb/19	15,093	39,111	6,037	54,041
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/19	46,020	118,881	20,616	183,992
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb/14	Feb/19	-	60,171	-	60,078
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/19	-	182,894	-	204,605
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb/14	Feb/21	-	200,974	-	224,536
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May/14	May/19	-	42,045	-	46,974
EUR	Holdings and Financial Vehicles (*)	Commercial paper	EUR	Floating rate	Mar/16	Mar/20	5,000	45,000	-	50,000
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Fixed rate	Dec/14	Dec/18	-	23,481	-	22,949
ARS	Argentina and Paraguay	Several bilateral	ARS	Fixed and floating rates	Several	Several	32,535	20,267	30,702	25,989
ARS	Argentina and Paraguay	Several bilateral	US\$	Floating rates indexed to US Libor	Several	Several	28,154	61,240	53,714	45,293
BRL	Brazil	Several bilateral	BRL	Fixed and floating rates	Several	Several (b)	91,769	50,711	12,716	151,819
PYG	Argentina and Paraguay	Several bilateral	US\$	Fixed and floating rates	Aug/16	Jul/18 (c)	4,010	-	21,224	62,782
PYG	Argentina and Paraguay	Several bilateral	PYG	Fixed rates	Aug/17	Aug/25 (c)	4,219	59,063	13,751	-
ZAR	South Africa	Several bilateral	ZAR	Floating rate indexed to Jibar	Several	Several	28,193	12,530	31,135	13,838
EUR	Portugal and Cape Verde	Several bilateral	EUR	Fixed and floating rates	Several	Several (e)	5,000	170,000	-	75,000
CVE	Portugal and Cape Verde	Bilateral	CVE	Floating rate indexed to TRIB 3M	Aug/17	Aug/22	300	1,200	-	-
EUR	Portugal and Cape Verde	Subsidised loan	EUR	(e)	Several	Jun/24 (f)	-	1,907	-	-
MZN	Mozambique	Several bilateral	MZN	Floating rates indexed to BT 3M	Several	Several	-	-	1,541	268
EGP	Egypt	Several bilateral	EGP	Floating rates indexed to Corridor	Several	Several	28,388	945	22,430	6,525
							288,680	1,575,105	213,866	1,932,136

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

- (a) For the major funding, the variable rates contracted, both in dollars and euros, consider spreads between 2.5% and 3.5%.
- (b) Guaranteed by Company's controlling entities, amounting to €32,800 in the nine months period ended September 30, 2017.
- (c) On December 31, 2016, includes the financing with IDB, in the amount of USD 69 million (€58 million), in the nine months period ended September 30, 2017 having been decided to carry out their early settlement, by taking new debt. On August 8, 2017, the subsidiary Yguazu has contracted two new loans in Paraguayan Guarani, in the total amount of PYG 423,000 million, equivalent to approximately €65 million. In the first year, interest rates vary between 8.5% and 9% per year, and after that, interest will be calculated according to the average rate published by the Central Bank of Paraguay, plus spread. The interests are payable in a semi-annually basis from February 2018, and the principal will be paid in fifteen semi-annual tranches, starting in August 2018. On August 14, 2017 the funds were used for the prepayment of loans of the subsidiary Yguazu and the mentioned loans are guaranteed by a mortgage on the plant in Paraguay and a pledge of its assets.
- (d) In the nine months period ended September 30, 2017 the financing in the Holdings and Financial Vehicles business unit of Caue Austria Holding GmbH was partially settled in €100 million.
- (e) In the Portugal and Cape Verde business unit, Cimpor Indústria de Cimentos, S.A. took a new loan in the amount of €100 million, with variable interest rate indexed to Euribor, quarterly paid, and with maturity beginning in August 2019 till October 2022.
- (f) It respects to a financing under an incentive system for business innovation (Portugal 2020), granted without interests.

As of September 30, 2017 and December 31, 2016, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to €16,623 and €26,130, respectively.

Maturity schedule

As of September 30, 2017, the noncurrent portions mature as follows:

Period	09.30.2017	12.31.2016
2018 (9 months)	63,145	297,981
2019	674,745	767,802
2020	211,966	234,851
2021	391,401	423,178
Following years	233,848	208,324
	<u>1,575,105</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 (b)	Final maturity	09.30.2017		12.31.2016	
							Current	Noncurrent	Current	Noncurrent
BRL	Brazil (a)	Debenture - Brazil	BRL	Mar-12	Floating rate indexed to CDI	Apr-22	58,803	235,350	63,920	320,168
BRL	Brazil (a)	Debenture - Brazil	BRL	Aug-12	Floating rate indexed to CDI	Aug-22	106,685	213,496	58,006	290,483
EUR	Holdings and Financial Vehicles (*)	Senior Notes (c)	USD	Jul-14	5.75%	Jul-24	-	489,757	-	546,764
							<u>165,488</u>	<u>938,603</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) Guaranteed by Company's controlling entities.

(b) The contracted floating rates have spreads between 8% and 15% above the CDI (Interbank deposit rate in Brazil).

(c) 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 USD 54,290 thousand, respectively. During the nine months period ended September 30, 2017 no bonds were acquired.

As of September 30, 2017 and December 31, 2016, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €20,789 and €69,548, respectively.

Maturity schedule

As of September 30, 2017 and December 31, 2016, the debentures mature as follows:

Period	09.30.2017	12.31.2016
2018 (9 months)	-	120,710
2019	111,186	120,710
2020	111,186	120,710
2021	111,186	120,710
Following years	605,044	674,574
	<u>938,603</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 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:

	09.30.2017	12.31.2016
Labor and social security	23,542	27,703
Tax	17,931	18,822
Civil and other	8,396	8,825
	49,869	55,350
Escrow deposit (a)	(3,608)	(2,876)
Total	46,261	52,474

(a) The Group have escrow deposits recorded in connection with provision for tax, civil and labour risks as follows:

	09.30.2017	12.31.2016
Labor and social security	2,870	2,329
Tax	691	497
Civil and other	47	50
Total	3,608	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.

On September 30, 2017, the Group has an exposure to contingent liabilities of €885 million (€932 million in December 31, 2016), being €8 million of contingent liabilities related to labor (€7 million in December 31, 2016), €637 million of tax contingent liabilities (€674 million as of December 31, 2016), €240 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 reduction in contingent liabilities considered as possible occurred in nine months period ended September 30, 2017, is due mainly to the positive effect of BRL conversion in to euros, amounting to €66 million, attenuated by a new administrative procedure held by the Receita Federal do Brasil, aiming the collection of IRPJ and CSLL with deductible goodwill related to year of 2011, in the amount of €16 million.

Included in the above is the “CADE” process in Brazil and no developments occurred during the nine months of 2017.

The Group and other companies in the industry were parties to administrative proceedings related to antitrust regulation in progress at the Administrative Council for Economic Defence (“CADE”). In July, 2015, CADE’s tribunal judged the administrative appeal presented by the Group under the process initiated in 2007 by the competition authorities in Brazil (as well by other involved companies), maintaining the condemnation decision as regards cartel formation and the imposition of a pecuniary fine and other accessory penalties. The fine imposed to the Group, amounted to, approximately, €127 million (which corresponds to R\$241,700 thousand to InterCement and R\$297,820 thousand to CCB, meanwhile merged), besides the obligation to sell 20% of its concrete’s assets in Brazil, among other accessory penalties. On September 30, 2017 the fine imposed reach to, resulting from its financial actualization, €182 million (R\$682 million).

After the referred administrative CADE’s decision become final, the Group appealed judicially, having obtained, on 22 October 2015, the grant of the preliminary injunction to suspend all penalties imposed by CADE, by the presentation of real guarantees (two plants), until the judgment decision. Such preliminary injunction decision was judicially appealed by CADE, which was rejected. Based on the opinion of its legal advisors, that the risk of loss before the court is considered as possible, no provision was recorded for this contingent liability as of September 30, 2017 and December 31, 2016.

Moreover, during the period of nine months of 2017, we were notified of the ruling handed down by the Audiência Nacional court in Spain regarding judicial proceedings related to tax inspections of the 2005-2008 financial years. The ruling has been almost entirely favorable to us. An appeal to the Supreme Court was presented by the Tax Authorities and accordingly we were notified to present till December 22 our legal contestation. Guarantees of approximately €120 million are provided for these proceedings. These continue to be in force until the final decision is handed down.

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 nine months periods 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 those 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 million and €12 million (Note 14) has been already recognized as an expense.

Changes in the provision for risks in the nine months periods ended September 30, 2017 and 2016 are as follows:

	Labor and social security	Tax	Civil and other	Escrow deposit	Total
Balance at December 31, 2015	29,175	35,235	22,681	(3,246)	83,845
Recognition/deposit	631	1,830	1,445	(1,473)	2,433
Payment/deposit derecognition	(3,140)	(709)	(11,811)	1,726	(13,934)
Reversal	(623)	(1,149)	(1,093)	-	(2,865)
Exchange differences	1,199	(435)	(696)	(515)	(447)
Balance at September 30, 2016	27,242	34,772	10,526	(3,508)	69,032
Balance at December 31, 2016	27,703	18,822	8,825	(2,876)	52,474
Recognition/deposit	1,239	174	1,151	(1,744)	820
Payment/deposit derecognition	(4,083)	(72)	(602)	722	(4,035)
Reversal	(175)	(221)	(158)	-	(554)
Exchange differences	(1,142)	(773)	(820)	289	(2,446)
Balance at September 30, 2017	23,542	17,931	8,396	(3,608)	46,261

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.

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

13. Shareholder's Equity

Share capital as of September 30, 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.

Preferred Shares – InterCement Participações Company

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

Preferred Shares – Special Purpose Entities

The preferred shares of Barra Grande Participações and Machadinho Participações 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 or Machadinho) 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.

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

On April 27, 2016, the Company has approved dividends to preferred and ordinary shares amounting to R\$212,717 thousand and R\$2,310 thousand, respectively (€53,226 and €578), which has already been paid during the first semester of 2016. Dividends are calculated and paid disproportional in accordance with shareholders' agreements and rights for each class of shares

14. Income Tax and Social Contribution

For the nine months periods ended September 30, 2017 and 2016 the reconciliation between the nominal and the effective income tax was as follows:

	09.30.2017	09.30.2016
Loss before income tax and social contribution	(153,682)	(452,957)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	52,252	154,005
Adjustments to calculate income tax and social contribution at effective rates:		
Equity method gain	129	210
Permanent additions / (deductions), net (a)	5,632	(2,836)
Impairment losses (b)	(63,633)	(86,120)
Unrecorded deferred income tax and social contribution tax (c)	2,420	(9,175)
Other (d)	(7,321)	(12,466)
Income tax and social contribution expense	<u>(10,521)</u>	<u>43,618</u>
Income tax and social contribution expense - Current	(72,616)	(40,251)
Income tax and social contribution expense - Deferred	62,095	83,869

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

(b) In the nine months periods ended September 30, 2017 relates to the impairment on tangible assets (Note 7). Due to uncertainty to recover it no deferred tax was booked. In the nine months periods ended

September 30, 2016 it relates to impairment loss on goodwill which is not deductible for income taxes purposes (Note 8).

- (c) In the nine months periods ended September 30, 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.
- (d) The caption Other, in the nine months periods ended September 30, 2017 and 2016, includes the registration of a tax income charge of around €7 million and around €12 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 nine months periods ended September 30, 2017 and 2016, the Group recorded deferred tax of €493 and €3,180, respectively, directly in income and 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:

	09.30.2017	09.30.2016
Depreciation, amortization, and impairment losses (a)	(332,440)	(406,498)
Salaries and employee benefits	(212,605)	(202,686)
Raw materials and consumables	(298,064)	(301,935)
Tax expenses	(25,256)	(12,941)
Outside services	(153,611)	(145,847)
Rental	(12,581)	(18,633)
Freight expenses	(131,571)	(122,434)
Maintenance costs	(80,090)	(76,320)
Fuel	(109,448)	(100,449)
Electricity	(98,083)	(101,688)
Reversal (recognition) of provision for risks	(2,247)	(1,924)
Gain on sale of property, plant and equipment	2,812	6,390
Gain on sale of carbon credits (Note 21)	2,913	7,453
Restructuring and other nonrecurring costs	(8,819)	(8,388)
Other (expenses)/income (net)	(31,254)	(42,653)
Total	(1,490,344)	(1,528,553)
Cost of sales and services	(1,079,759)	(1,093,408)
Administrative and selling expenses	(240,654)	(200,485)
Other (expenses)/income (net)	(169,931)	(234,660)
Total	(1,490,344)	(1,528,553)

- (a) In the nine months periods ended September 30, 2017 and 2016 includes the impairment in the tangible assets and goodwill amounting to R\$662.849 thousand (€187,126) (Note 7) and R\$998,556 thousand (€253,294) (Note 8), respectively.

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

	09.30.2017	09.30.2016
Foreign exchange losses, net (a):		
Exchange gain	204,926	61,902
Exchange loss	(66,725)	(174,642)
Total	138,201	(112,740)
Financial income:		
Inflation adjustment	3,477	4,241
Financial earnings	10,412	18,451
Interest income	1,040	1,329
Derivative financial instruments (b)	1,971	-
Other income (c)	4,123	26,097
Total	21,023	50,118
Financial expenses:		
Inflation adjustment	(1,616)	(10,234)
Expenses on interest and charges	(181,575)	(190,740)
Expenses on banking commissions	(26,044)	(15,691)
Fines	(713)	(215)
Derivative financial instruments (b)	(10,221)	-
Other expenses (c)	(9,174)	(24,904)
Total	(229,348)	(241,784)

- (a) In the nine months periods ended September 30, 2017 and 2016, the exchange differences are mainly influenced by the valuation and devaluation of functional currency against other currencies (mainly USD and Euro). In the course of nine months period ended September 30, 2017 and mainly due to the settlement of the derivative instruments occurred in March and April (Note 19), exchanges variations from the loans were not fully compensated by derivative instruments, consequently, positive exchange differences of around €95 million due to the favourable exchange rate of the euro against USD.
- (b) These captions are composed by fair value variation of trading derivative financial instruments, contracted to cover exchange and interest rate risks.
- (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 nine months period ended September 30, 2016, this caption is also influenced by the repurchase of bonds issued by Cimpor Financial Operations, B.V. with a nominal value of USD 108,378 thousand which has generated a financial income in the amount of €21,204.

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:

	09.30.2017	12.31.2016
Up to one year	9,183	11,453
From one to five years	10,820	16,350
More than five years	28	3,786
Total	20,031	31,589

The Company recognized, for the nine months periods ended September 30, 2017 and 2016, as operating lease expenses the amount of €10,120 and €12,388 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:

	09.30.2017	12.31.2016
2017	1,515	12,344
2018	6,929	12,344
2019	6,929	12,344
2020	6,929	12,344
After 2020	2,297	1,029
Total	24,599	50,405

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

	09.30.2017	12.31.2016
2017	19,015	24,452
2018	19,406	15,333
2019	13,876	14,797
2020	12,207	10,721
After 2020	88,549	22,212
Total	153,053	87,515

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

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:

	09.30.2017	09.30.2016
Loss for the period attributable to Company's owners	(132,314)	(305,787)
Loss for the period attributable to common shares	(132,314)	(305,787)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted earnings (loss) per common share	(5.83)	(13.48)

As a result of the net loss for the nine months periods ended September 30, 2017 and 2016 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 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

	09.30.2017	12.31.2016
Current assets:		
Financial assets at amortized cost:		
Cash and bank accounts (Note 4)	188,797	325,110
Short-term investments - financial asset	182,730	160,373
Trade receivables (Note 6)	163,744	137,605
Other receivables	63,166	52,079
Financial assets at fair-value:		
Exclusive funds	7,103	105,125
Derivatives	-	26,450
Non-current assets:		
Financial assets at amortized cost:		
Long-term investments - financial asset	2,206	2,928
Trade receivables (Note 6)	5,945	6,199
Other receivables	30,149	27,473
Financial assets at fair-value:		
Derivatives	1,638	215,450
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	165,488	121,926
Borrowings and financing (Note 9)	288,680	213,866
Trade payables	229,300	311,631
Interest payable (Notes 9 and 10)	37,412	95,678
Other payables	110,802	30,223
Financial liabilities at fair value:		
Derivatives	-	8,287
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	938,603	1,157,415
Borrowings and financing (Note 9)	1,575,105	1,932,136
Trade payables	6,805	9,199
Other payables	9,532	13,831
Financial liabilities at fair value:		
Derivatives	9,602	7,468

19.4. Derivative transactions

Derivatives

As of September 30, 2017 and December 31, 2016, the fair value of derivatives is as follows:

	Assets				Liabilities			
	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Trading derivatives	-	-	1,638	200	-	4,876	-	-
Cash flow hedges - Interest rate and cross currency swaps	-	26,450	-	215,249	-	3,411	9,602	7,468
	-	26,450	1,638	215,450	-	8,287	9,602	7,468

The following schedule shows the derivatives that qualify as fair value hedging instruments contracted as of September 30, 2017 and December 31, 2016:

Type of hedge	Notional	Type of Operation	Maturity	Economic purpose	Fair value	
					09.30.2017	12.31.2016
Cash-flow	USD 200,000,000	Cross Currency Swap to EUR	Jul/24	Swich a USD loan into EUR loan (a)	-	36,488
Cash-flow	USD 100,000,000	Cross Currency Swap to EUR	Jul/24	Swich a USD loan into EUR loan (a)	-	15,960
Cash-flow	USD 50,000,000	Cross Currency Swap to EUR	Jul/24	Swich a USD loan into EUR loan (a)	-	9,073
Cash-flow	USD 150,000,000	Cross Currency Swap to EUR	Jul/24	Swich a USD loan into EUR loan (a)	-	26,021
Cash-flow	USD 195,750,000	Cross Currency Swap to EUR	Feb/19	Swich a USD loan into EUR loan (a)	-	28,977
Cash-flow	USD 217,500,000	Cross Currency Swap to EUR	Feb/19	Swich a USD loan into EUR loan (a)	-	43,488
Cash-flow	USD 424,000,000	Cross Currency Swap to EUR	Jan/22	Swich a USD loan into EUR loan (a)	-	81,692
Cash-flow	EUR 379,218,809	Interest Rate Swap	Jan/22	Swich to fixed interest rate (a)	-	(10,878)
Cash-flow	USD 292,000,000	Cross Currency Swap to EUR	Jan/22	Swich a USD loan into EUR loan (b)	(9,602)	-
					(9,602)	230,821

(a) Derivative instruments settled in March and April 2017, having been received, in the nine months period ended September 30, 2017, the amount of €209,201 at the time of its settlements. In accordance with IAS 39, the remaining amount excluding tax effect, accumulated up to June 2017, recorded as “other comprehensive income”, in the amount of €20,126 will be amortized to profit and loss, when the cash flow is realized;

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

On September 30, 2017, essentially due to the derivative settlements occurred in March and April, the debt exposure to USD dollar increased by USD 953 million compared to the December 2016 exposure.

Trading derivatives

In the nine months period ended September 30, 2017, the settlement of the derivative financial instrument that did not qualified as hedge accounting, resulted in a payment of €4,548, being maintained in the portfolio at September 30, 2017 two derivatives written-put options in connection

with "Baesa" and "Machadinho" operations, whose liability fair value as of September 30, 2017 and December 31, 2016, were of about €1,638 and €248, respectively.

19.5. Market value

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, 2017 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	7,103	-	-
Financial assets at fair value	Financial derivative instruments	-	1,638	-
Financial assets at fair value	Securities - non current	741	-	-
Liabilities:				
Financial liabilities at fair value	Financial derivative instruments	-	9,602	-

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 segment (and also in the Argentinian and Paraguayan segments for the presented comparative December 2016), which effect of their valuation to fair value in relation to their book value being as follows:

	09.30.2017	12.31.2016
Fair value	1,115,241	1,410,143
Carrying amount	1,122,123	1,500,195

19.6. Sensitivity analysis of financial instruments

In the context of the risk management, based on the evaluation of the market conditions and the perceived impacts of the risks inherent to the Group's exposures, in the nine months period ended September 30, 2017, the hedging derivative financial instruments of the debt in USD against the Euro were settled, which resulted in changes in interest rate and exchange rate exposures, whose impacts in terms of sensitivity analysis became the following:

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

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

Indexing	Currency	Value	1%	2%	3%
Euribor	EUR	665,416	6,654	13,308	19,962
US Libor	USD	713,857	7,139	14,277	21,416
CDI	BRL	697,981	6,980	13,960	20,939

Comparing to what was reported in December 31, 2016, there has been a decrease in the exposure to the Euribor index (936,493 in December 31, 2016) and a significant increase in the exposure to the US Libor index (443,646 in December 31, 2016).

b) Exchange rates for functional currencies against USD

On September 30, 2017, the potential impacts on financial results in the several jurisdictions, as a result of the exchange rates of the corresponding functional currencies against the USD, in debt instruments and cash and cash equivalents in USD, would be as follows:

Amount in USD	Funcional currency	FX Rate (30-09-17)		USD depreciation			USD appreciation	
				-10%	-5.0%	0.0%	5.0%	10.0%
-1,048,637	EUR	1.1815	Effect in EUR	-88,755	-44,377	-	44,377	88,755
-121,169	ARS	17.31	Effect in ARS	-209,743	-104,872	-	104,872	209,743
			Effect in EUR	-11,395	-5,398	-	4,884	9,323
-8,743	PYG	5,657.51	Effect in PYG	-4,946,414	-2,473,207	-	2,473,207	4,946,414
			Effect in EUR	-822	-389	-	352	673
-117,558	BRL	3.17	Effect in BRL	-37,242	-18,621	-	18,621	37,242
			Effect in EUR	-11,055	-5,237	-	4,738	9,045
68,413	ZAR	13.51	Effect in ZAR	92,423	46,212	-	-46,212	-92,423
			Effect in EUR	6,434	3,048	-	-2,757	-5,264
-140,420	MZN	60.74	Effect in MZN	-852,856	-426,428	-	426,428	852,856
			Effect in EUR	-13,205	-6,255	-	5,659	10,804

20. Supplemental Cash Flow Information

a) Investment and financing activities not involving cash

	09.30.2017	09.30.2016
Interest capitalization	92	1,889
Purchase of property, plant and equipment through trade payables	(7,933)	7,864
Purchase of intangibles through trade payables	910	(348)
Sales of property, plant and equipment that will be received	1,095	916

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

Currency	09.30.2017		09.30.2016	
	Currency	Euros	Currency	Euros
USD	65,143	55,136	335,837	298,814
BRL	444,272	118,694	343,574	94,171
EUR	146,337	146,337	85,393	85,393
ARS	289,630	14,162	100,166	5,821
MZN	750,268	10,455	2,744,154	31,312
EGP	106,122	5,095	109,315	10,954
PYG	10,735,916	1,606	16,181,006	2,589
ZAR	400,889	25,116	335,001	21,734
CVE	223,799	2,030	567,013	5,142
		<u>378,630</u>		<u>555,931</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:

	09.30.2017				09.30.2016			
	Net Revenue			Results	Net Revenue			Results
	Sales	Intersegment sales	Total		Foreign sales	Intersegment sales	Total	
Operating segments:								
Brazil	347,973	907	348,880	(229,688)	396,305	929	397,234	(256,921)
Argentina and Paraguay	597,579	-	597,579	126,034	465,949	-	465,949	81,341
Portugal and Cape Verde	173,140	45,385	218,525	(1,782)	149,229	43,919	193,148	(511)
Egypt	69,483	-	69,483	(2,752)	143,417	-	143,417	6,255
Mozambique	71,308	-	71,308	6,543	96,078	-	96,078	12,454
South Africa	102,885	1,831	104,716	18,213	76,412	2,182	78,594	16,680
Total	1,362,368	48,123	1,410,491	(83,432)	1,327,390	47,030	1,374,420	(140,702)
Unallocated (a)	44,039	122,601	166,640	(506)	51,994	96,353	148,347	(8,467)
Eliminations	-	(170,724)	(170,724)	-	-	(143,383)	(143,383)	-
Sub-total	1,406,406	-	1,406,406	(83,938)	1,379,384	-	1,379,384	(149,169)
Share of profit of associates				380				618
Income before financial income (expenses)				(83,558)				(148,551)
Financial income (expenses), net				(70,124)				(304,406)
Income before income tax and social contribution				(153,682)				(452,957)
Income tax and social contribution				(10,521)				43,618
Loss for the period				(164,203)				(409,339)

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

In the nine months period ended September 30, 2017, operating results in the segment “Portugal and Cape Verde” are positively influenced by a net gain of €2,913 (€7,453 in the nine months period ended September 30, 2016), as a result of the sale of 600,000 tonnes of CO2 licenses (2,250,000 tonnes of CO2 licenses in the nine months period ended September 30, 2016).

Note also that, in the nine months period ended September 30, 2017 the purchase of 2,000,000 of CO2 emissions allowances was also contracted, by the amount of €9,503. In April 2017, 2,106,622 licenses were returned, relating to emissions in the year 2016 (2,927,472 licences were returned, relating to emissions in the year 2015).

It should also be notice that, as a result of the Group restructuring processes, especially in the Egyptian and Argentinian business areas, in the nine months period ended September 30, 2017, nonrecurring costs with indemnities and others amounted to approximately €8,800 (around €8,400 in the nine months period ended September 30, 2016).

The profit (loss) for the nine months periods ended above includes the full amount of the Company's segments disregarding the following amounts attributable to noncontrolling interests:

	Noncontrolling interests	
	09.30.2017	09.30.2016
Operating segments:		
Brazil	(60,282)	(82,304)
Argentina and Paraguay	17,536	6,747
Portugal and Cape Verde	(1,214)	(627)
Egypt	(4,161)	(2,270)
Mozambique	7,539	(17,558)
South Africa	1,960	1,126
	(38,622)	(94,886)
Unallocated	6,733	(8,666)
	(31,889)	(103,552)

Other information:

	09.30.2017		09.30.2016	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	31,783	246,324	23,712	308,734
Argentina and Paraguay	49,059	25,177	37,914	29,337
Portugal and Cape Verde	3,093	36,816	4,277	34,700
Egypt	1,602	10,231	22,747	18,129
Mozambique	4,343	4,614	5,561	4,566
South Africa	4,013	7,906	2,596	4,856
	93,893	331,068	96,807	400,322
Unallocated	1,469	1,372	1,404	6,176
Total	95,362	332,440	98,211	406,498

In the nine months periods ended September 30, 2017 and 2016, impairment losses were recorded in Brazilian business segment for tangible assets and goodwill in the amount of R\$662,849 thousand and R\$998,556 thousand (€187,126 and €253,294), respectively. And in the nine months period ended September 30, 2016, in tangible assets unallocated to operating segments, in the amount of about €4,300 (Note 7 and 8).

In addition, segment assets and liabilities reconciled with the consolidated balances as of September 30, 2017 and December 31, 2016 are as follows:

	09.30.2017			12.31.2016		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	2,104,451	1,224,499	879,952	2,634,316	1,422,322	1,211,994
Argentina and Paraguay	736,563	393,171	343,392	815,454	467,661	347,793
Portugal and Cape Verde	759,928	485,385	274,543	755,806	411,951	343,855
Egypt	233,684	123,044	110,640	254,226	110,963	143,263
Mozambique	209,226	157,216	52,010	204,868	173,504	31,364
South Africa	324,054	130,768	193,286	351,045	145,045	206,000
Total	4,367,906	2,514,083	1,853,823	5,015,715	2,731,446	2,284,269
Unallocated	697,084	1,927,529	(1,230,445)	1,023,499	2,362,606	(1,339,107)
Eliminations	(572,029)	(572,029)	-	(630,477)	(630,477)	-
Other investments	10,264	-	10,264	9,976	-	9,976
Total segments	4,503,225	3,869,583	633,642	5,418,713	4,463,575	955,138

The assets and liabilities unallocated includes assets and liabilities not attributable to specific segments basically allocated to holding and trading companies;

22. Events After the Reporting Period

Cimpor – Cimentos de Portugal, SGPS Delisting Process

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

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

Pursuant to article 27(3) of the PSC, InterCement Austria Holding GmbH undertook to acquire the remaining free-float (up to 29,907,603 shares) of Cimpor's share capital that did not vote in favour of the resolution on the loss of public company (sociedade aberta) status at the EGM, for a unitary price of 0.340 euros per share. InterCement Austria Holding GmbH's undertaking is in force for a period of 3 months counted from the date of publication of the declaration of loss of public company status by the CMVM (i.e. until December 27, 2017). Until November 24, 2017, InterCement acquired 7,543,435 shares of Cimpor pursuant to this undertaking.

Loma Negra IPO – Argentina

On September 5, 2017, InterCement turned public that among the initiatives being undertaken by the company to reduce its leverage, the board of directors of its controlled company in Argentina, Loma Negra, C.I.A.S.A. (“Loma Negra”), was promoting initiatives to enable Loma Negra to be in a position to pursue an equity offering in the domestic and international capital markets.

Loma Negra initial public offering (“IPO”) of 48% of its share capital took place in a dual listing deal on the NYSE (USA) and BYMA (Argentina).

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

Loma Negra and InterCement - namely the selling shareholder Loma Negra Holding GmbH, fully controlled by InterCement -, sold 53,530,000 ADS in the international offering, representing 267,650,000 ordinary shares of the Company, including the full exercise of the underwriters’ option to purchase an additional 7,530,000 ADSs. Loma Negra raised gross proceeds of USD34,200,000 and the selling shareholder raised gross proceeds of USD982,870,000 from the international offering.

Loma Negra also received gross proceeds of USD79,800,000 from the sale of 21,000,000 ordinary shares in the concurrent Argentine offering.

In total, the company and the selling shareholder raised gross proceeds of USD1,096,870,000 (from the global offering).

Loma Negra expansion of L’Amali Plant - Argentina

On November 10, 2017, Loma Negra publicly disclosed its Q3’17 Results. (see Loma Negra’s Q3’17 Earnings Release at www.lomanegra.com). On this announcement, Loma Negra also addressed its L’Amali investment project as below:

“Loma Negra is increasing installed capacity at its L’Amali plant by 2.7 million tons annually. This expansion involves a capital expenditure of approximately US\$350 million. The execution phase of the L’Amali plant expansion started in August 2017, with a total execution time estimated at 31 months and is expected to be completed early 2020.

On July 2017, the company accepted the Offer received from the Chinese company Sinoma International Engineering Co. Ltd. (“Sinoma”) for the construction of a new cement plant with a capacity of 5,800 tons per day of clinker. The offer includes the engineering, provision and shipment of all the equipment for the plant and its construction.

The project is divided in two phases. The Phase 1 involving basic engineering of the new plant and study of soil in situ (5 months) and the Phase 2 including equipment provision and plant construction (26 months). Capital expenditures related to this project was Ps. 24.8 million as of September 30, 2017.

Note: September 30, 2017 exchange rate (EUR/ARS): 20.4518

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 € 78 million). On October 13, this transaction was completed.

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 Hidreletrica Estreito hydroelectric plant (Rio Tocantins, Tocantins – Brazil).

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

23. Authorization for Completion of Financial Information

At the meeting held on November 30, 2017, the Board of Directors authorized the completion of this consolidated interim financial statements, being approved them for disclosure.