



INTERIM CONSOLIDATED FINANCIAL REPORT

1st Quarter
2018

Building sustainable partnerships



InterCement
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Volumes continued to rise y-o-y. EBITDA increased, despite Forex.

Seasonality, closing 2017 efforts and Capex pushed Net Debt.

1. 1Q18 Performance

- Cement and clinker volumes increased 3.1%, reaffirming y-o-y growth registered in the latest three quarters. Average price increased 10.6% in local currency.
- Operating currencies depreciated vs. euro, penalizing Sales (-3.7%).
- EBITDA was up by 2.5%. Even though, Adjusted EBITDA (€87.6M) set back 1.3% as per higher non-recurring effects (indemnities) on 1Q17. EBITDA margin went up 1.2 p.p. to 19.8%
- Free Cash Flow was down to - €213.1M on the back of 1Q seasonality effect, year-end cash containment efforts impact on working capital and higher Argentinian capex (L'Amali 2 project).
- Net Debt, impacted by Free Cash Flow generation, stood at €1,720.1M, 12.8% above 2017 year-end, though 37.1% below March 31, 2017.

Commenting on the financial operating performance for the first quarter of 2018, Paulo Diniz, CFO, noted: “InterCement benefitted from improving market conditions in most geographies where it operates, while Brazil still kept lagging behind.

We had a good start. Volumes grew on Q1, reverting the downward trend observed for this quarter since 2014.

Despite relevant forex depreciations, EBITDA raised 2.5%, with the special contribution from Argentina, Portugal and Africa - where Egypt recovery outstood.

EBITDA margin also improved to 19.8%, as the company focuses on higher margin clients and takes advantage of the recently implemented efficiency measures to address context challenges.

Typical seasonality of 1Q, coupled by year end cash containment efforts and the ongoing capacity increase at L'Amali, have brought FCF down to - €213.1M, leading Net Debt up to €1,720.1M, 12.8% above FY2017, though 37.1% below March 31, 2017.

InterCement will continue to firmly pursue its Deleveraging and Liability Management initiatives to reach a Net Debt /EBITDA level of around 3x, despite the recent challenges from the Argentinian and Brazilian economics”.

Key Figures			
Million €, unless otherwise expressed	1Q18	1Q17	Chg.
Cement and Clinker Volumes Sold (t ton)	5,790.8	5,618.0	3.1%
Sales	436.1	453.0	-3.7%
EBITDA	86.3	84.2	2.5%
Adjusted EBITDA ¹	87.6	88.7	-1.3%
FCF	-213.1	-103.5	105.9%
Net Debt (31 Mar)	1,720.1	2,736.8	-37.1%
Net Debt (31 Mar and 31 Dec)	1,720.1	1,524.5	12.8%

¹Excludes non recurrent items

2. Profit and Loss

Income Statement			
million €	1Q18	1Q17	YoY
Sales	436.1	453.0	-3.7%
Net Operational Cash Costs	349.8	368.8	-5.2%
Operational Cash Flow (EBITDA)	86.3	84.2	2.5%
Deprec. and Amortizations	47.2	51.1	-7.7%
Operating Income (EBIT)	39.1	33.1	18.1%
Financial Results	-52.6	-60.9	-13.7%
Pre-tax Income	-13.5	-27.8	-51.6%
Income Tax	9.0	3.2	178%
Net Income	-22.4	-31.0	-27.8%
Attributable to:			
Shareholders	-28.3	-26.3	7.5%
Non-controlling interests	5.9	-4.7	-225.5%

Volumes Sold increased, consolidating the recovery now with four quarters of consecutive y-o-y growth. Both Cement¹ and Concrete volumes were up by 3.1% and 9.0% respectively.

Supported by continued momentum in private construction and infrastructure in Argentina, Loma Negra cement and clinker sales were up by 9.5%, reaching 1.6 million tons. Portuguese volumes (+4.1%) benefited from increasing exports (+8.3%), as weather conditions prevented internal sales increase. All InterCement African geographies posted volumes growth (+11.3%).

Brazil still stood behind 1Q17, dealing with local economic constraints.

Sales, though rising on a local currency basis (+16.6%), were down 3.7% in euros.

The combined increase of volumes sold and average cement price (+10.6%), was offset by a 17.4% impact of operating currencies depreciation. Argentina Peso was down 31.1%, and so were the Brazilian Real (-16.0%), the Paraguayan Guarani (-12.3%) and the Egyptian Pound (-11.8%).

EBITDA went up 2.5 p.p. to €86.3M, benefiting from the higher contributions of Portugal² (+76.3%) and Africa (+17.1%). CO2 licences sales out of Portugal mitigated the adverse forex impact, excluding the latter EBITDA would have increased 27.6%.

EBITDA margin was up 1.2 p.p. to 19.8%. The reinforced commercial approach combined with the efficiency initiatives pack undertook in 2016 – adjustments on the industrial grid, optimization of energy matrix and redesigned support to operations – came to mitigate cost inflation.

¹ Cement and clinker volumes

² Portugal and Cape Verde business unit

Adjusted EBITDA³ stood at €87.6M, 1.3% down y-o-y. 1Q18 registered €1.3M of non-recurring items while 1Q17 registered €4.3M non-recurring items regarding indemnities related to the company's restructuring process.

Depreciation and Amortizations were down 7.7%, benefiting from forex.

Financial Results improved by 13.7%, 35.0% excluding forex impact. This follows the 37.1% net debt decrease vs. March 31, 2017 resulting from the execution of InterCement Deleveraging and Liability Management Plan.

Income taxes increased (€5.8M). Deferred taxes decreased, namely in Brazil as per the uncertainty regarding future income assumptions for such business unit.

Net Income improved 27.8% standing at a €22.4M loss.

3. Free Cash Flow

Unlike EBITDA, Adjusted EBITDA was down from 1Q17 (-1.3%) as per higher non-recurring items in the previous year, most of which (€4.3M) regarding indemnities from the company restructuring process.

Investments in working capital raised from higher seasonal activity, and from 2017 year end cash containment efforts.

Despite Debt decrease, Interests Paid and Derivatives compared negatively y-o-y, as derivatives effects benefitted 1Q17 figure by €26.2M and had negative impact of €8.2M in 1Q18.

CAPEX increased, namely due to disbursements related with the capacity increase project at the L'Amali plant in Argentina.

Despite the negative FCF to the company of €213.1M and the debt prepayments according to the Deleveraging and Liability Management Plan, Cash stood at €612.7M comparing favorably with 1Q17, benefitting particularly from the 2017 Loma Negra IPO and the sale of hydroelectric plants.

³ EBITDA excluding non-recurring items

Free Cash Flow Generation Map		
million €	1Q18	1Q17
Adjusted EBITDA	87.6	88.7
Change in Working Capital	-166.5	-113.3
Others	-3.6	-4.5
Operating Activities	-82.4	-29.1
Interests Paid & Derivatives Unwinding	-55.2	-26.0
Income taxes Paid	-7.4	-6.1
Cash Flow before investments	-145.0	-61.2
CAPEX	-70.7	-44.1
Assets Sales / Others	2.7	1.8
Free Cash Flow to the company	-213.1	-103.5
Borrowings, financing and debentures	9.6	22.4
Repayment of borrowings, financ. and debent.	-324.8	-52.1
Other investment activities	38.4	31.7
Changes in cash and cash equivalents	-490.0	-101.4
Exchange differences	-34.9	1.3
Cash and cash equivalents, End of the Period	612.7	441.1

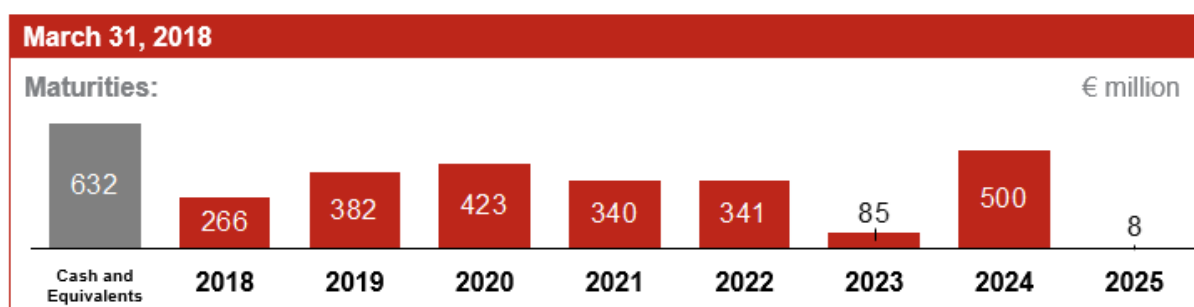
4. Balance Sheet

Total Assets stood at €4,445.0M, a 10.6% reduction from December 31, 2017, following the cash reduction used to debt prepayment and the depreciation of the booking currencies of the main assets (BRL and ARS).

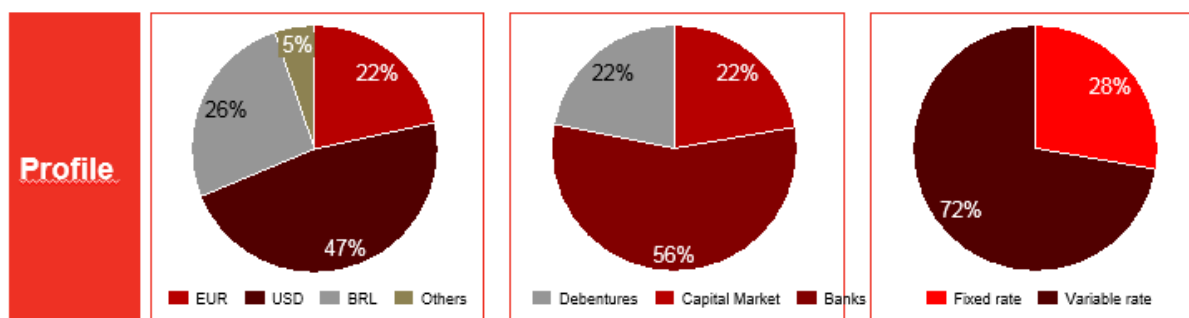
Net Debt, pushed by seasonality, stood at €1,720.1M, 12.8% above December 31, 2017 year end, though 37.1% below March 31, 2017.

The Deleveraging and Liability Management Plan initiatives progressed with the prepayment of Debt in the amount of €263.6M up to March 31, envisaging the rebalancing of the maturity curve and expanding the average maturity. In this process, the Syndicated Loan and Bilateral Loans at holding companies were prioritized, by prepayments in the amount of €198.9M and €64.7M respectively.

Furthermore, since March 31 and according to the referred plan, loans in the amount of €133.2M maturing in 2019 were prepaid.



The profile of Debt as of March 31, 2018 was as follows.



Consolidated Balance Sheet Summary			
million €	Mar 31 '18	Dec 31 '17	Var. %
Assets			
Non-current Assets	3,212.2	3,269.3	-1.7
Derivatives	6.5	6.7	-2.8
Current Assets			
Cash, Equivalents and Securities	635.3	1,199.8	-47.1
Derivatives	3.4	3.9	-12.3
Other Current Assets	587.6	493.8	19.0
Total Assets	4,445.0	4,973.5	-10.6
Shareholders' Equity attributable to:			
Equity Holders	786.0	841.0	-6.5
Non-controlling interests	450.3	462.5	-2.6
Total Shareholders' Equity	1,236.3	1,303.5	-5.2
Current Liabilities			
Loans & Obligations under finance leases	463.0	573.3	-19.2
Derivatives	0.0	0.0	n.a.
Provisions & Employee benefits	0.8	0.8	0.0
Other Current Liabilities	454.3	534.1	-14.9
Non-current Liabilities			
Loans & Obligations under finance leases	1,882.7	2,139.5	-12.0
Derivatives	16.9	16.6	1.9
Provisions & Employee benefits	130.1	138.0	-5.7
Other Non-current Liabilities	261.0	267.8	-2.5
Total Liabilities	3,208.7	3,670.0	-12.6
Total Liabilities & Shareholders Equity	4,445.0	4,973.5	-10.6

5. Operations in-depth look – 1Q18

Brazil

Despite the slower pace deceleration, cement consumption was still down by 3%⁴, on a high idle capacity context, yet penalizing pricing environment.

In 1Q cement volumes sold in Brazil were impacted by less working days and a heavy rainy season in the north and northeast. InterCement exposure to highly competitive regions drew down cement and clinker volumes by 5.6%.

InterCement proceeded a strong commercial approach to targeted clients enhancing the perception of its value proposition. Assets optimization for efficiency mitigated the continued energy costs increases – MhW: +20.1%; Gcal: +10.2% - and the lower fixed cost dilution effect on EBITDA deterioration.

Argentina & Paraguay

Argentina and Paraguay business unit increased EBITDA generation by 30.3% in local currency, sustaining EBITDA margin above 25.9%. Even so, the depreciation of the ARS and PYG, reverted in a 6.8% lower EBITDA in euros.

Argentina

The momentum in private construction and infrastructure supported strong volumes growth of cement and clinker (+9.5%), concrete (+44.8%) and aggregates (+22.9%).

Through a balanced approach of growing the top line, Loma Negra has coupled expansion with due price adjustments, keeping EBITDA margin above 25%, despite de cost inflation effect.

Paraguay

Demand adjusted following continuous growth, but the reinforced commercial strategy allowed a market share increase of 1.4 p.p.. InterCement sales were down by 15.4%, though following a 17.7% increase in 2017.

Industrial operating excellence combined with higher activity – full capacity utilization - reaffirmed EBITDA margin above 40% as an internal and external benchmark.

Africa

InterCement cement and clinker volumes sold in Africa increased 11.3% in 1Q18, with all geographies posting higher sales in local currency. Furthermore, Egypt contribution drove Africa EBITDA up by 17.1%, despite adverse forex.

⁴ SNIC – Brazilian National Cement Producers Association

Egypt

EBITDA generation more than doubled in Egypt.

Improving macroeconomics in Egypt drove demand up by 4%. InterCement, benefitted from lack of supply in nearby regions and took advantage of its redesigned commercial strategy and premium brand profile to tackle the market performance. Internal volumes sales increase 12.7%.

On the cost side, the operating flexibility and efficiency brought by energy matrix upgrade program, partially offset the steep increase of energy costs (+12.4% fuel, +43.7% electricity) and the consumption of stocked clinker acquired from third parties in 1Q'17.

Mozambique

Cement volumes raised 19.9% in 1Q'18. Even though the challenging political and economic context persisted, 1Q'18 recovered from 1Q'17, which was severely affected by political economical events that dragged down both cement demand and local currency.

Despite on a higher activity level, maintenance stoppages and energy costs constrained EBITDA performance.

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

South Africa

New political economic framework encouraged two-digit national demand growth. InterCement, as recently expanded its client base posted a 2% cement and clinker volume growth, beating its record high sales for first quarter.

Furthermore, Sales benefited from price increases rising from the new product mix and diverse client base.

Continuous growing activity has allowed InterCement to increase its capacity utilization according to this unit's industrial excellence plan. EBITDA margin was kept close to 19%.

Portugal & Cape Verde

Portuguese volumes increased backed by higher exports. Adverse weather conditions delayed demand growth in the internal market. EBITDA generation benefited from CO2 licenses sales.

Portugal

InterCement volumes grew 4.1%, moved by exports recovery (+8.3%). A redesigned exports strategy started targeting higher margin clients and geographies, allowing CO2 licenses sales of €8.6M in 2018, this combined effect resulted in a 86.6% increase of EBITDA.

Cape Verde

Major new works delay start to come back online, being expected to result in a gradual recovery.

Cement and Clinker Volumes Sold			
thousand tons	1Q18	1Q17	YoY
Brazil	1,810.7	1,917.9	-5.6%
Argentina	1,583.5	1,446.1	9.5%
Paraguay	139.8	147.5	-5.2%
Portugal	803.1	771.3	4.1%
Cape Verde	44.1	43.2	2.1%
Egypt	814.5	722.5	12.7%
Mozambique	300.9	251.0	19.9%
South Africa	357.6	350.6	2.0%
Sub-Total	5,854.2	5,649.9	3.6%
Intra-Group Eliminations	-63.4	-31.9	99.1%
Consolidated Total	5,790.8	5,618.0	3.1%

Sales			
million €	1Q18	1Q17	YoY
Brazil	100.0	121.0	-17.4%
Argentina	172.8	172.1	0.4%
Paraguay	14.3	16.9	-15.4%
Portugal	61.1	61.2	-0.2%
Cape Verde	7.3	6.9	4.7%
Egypt	27.5	24.0	14.8%
Mozambique	23.4	21.5	8.7%
South Africa	31.8	31.3	1.5%
Trading / Shipping	46.1	46.5	-0.9%
Others	11.8	10.9	7.9%
Sub-Total	496.0	512.5	-3.2%
Intra-Group Eliminations	-60.0	-59.5	0.8%
Consolidated Total	436.1	453.0	-3.7%

EBITDA			
million €	1Q18	1Q17	YoY
Brazil	7.1	8.9	-20.2%
Argentina & Paraguay	48.4	51.9	-6.8%
Portugal & Cape Verde	18.6	10.5	76.3%
Africa	13.2	11.2	17.1%
Trading / Shipping & Others	-1.0	1.6	-160.5%
Consolidated Total	86.3	84.2	2.5%
EBITDA margin	19.8%	18.6%	1.2 p.p.

6. Corporate and subsequent events

Deleveraging and Liability Management Plan

Since March 31, 2018, loans in the amount of €133.2M were prepaid, of which €108.0M concerning the syndicated loan, which matured in February 2019.

In addition, on April 13, a cross currency swap with the notional amount of USD204.4M was unwound and a new cross currency swap with the notional amount of USD102.2M to €82.9M was contracted, matching the new profile requirements of a bilateral loan according to the execution of the Deleveraging and Liability Management Plan.

Disclaimer:

This announcement contains forward-looking statements within the meaning of federal securities law that are subject to risks and uncertainties. These statements are only predictions based upon our current expectations and projections about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” “seek,” “forecast,” or the negative of these terms or other similar expressions.

The forward-looking statements are based on the information currently available to us. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including, among others things: changes in general economic, political, governmental and business conditions globally, changes in inflation rates, fluctuations in the exchange rate of the peso, the level of construction generally, changes in cement demand and prices, changes in raw material and energy prices, changes in business strategy and various other factors.

You should not rely upon forward-looking statements as predictions of future events. Although we believe in good faith that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in our expectations.

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INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Interim Condensed Consolidated
Financial Information for the
three months period ended
March 31, 2018.



Building sustainable partnerships

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Consolidated Statements of Financial Position as of March 31, 2018 and December 31, 2017**

(In thousands of euros - €)

ASSETS	Notes	03.31.2018	12.31.2017	LIABILITIES AND EQUITY	Notes	03.31.2018	12.31.2017
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	612,672	1,137,502	Trade payables		242,357	291,649
Securities	5	22,614	62,292	Debtentures	10	102,703	105,682
Trade receivables	6	154,526	82,324	Borrowings and financing	9	360,319	467,604
Inventories		340,440	334,128	Interest payable	9 and 10	38,524	57,571
Recoverable taxes		38,827	40,998	Taxes payable		78,028	75,225
Derivatives	19	3,381	3,856	Payroll and related taxes		36,618	43,962
Other receivables		53,856	36,396	Dividends and interest on capital	13	4,273	4,162
Total current assets		1,226,316	1,697,496	Advances from customers		14,158	19,280
				Actuarial liabilities		773	773
				Other payables		40,327	42,221
				Total current liabilities		918,080	1,108,129
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Securities	5	1,985	2,053	Trade payables		5,351	6,142
Trade receivables	6	1,090	1,137	Debtentures	10	860,896	895,403
Inventories		18,943	19,730	Borrowings and financing	9	1,021,803	1,244,050
Recoverable taxes		7,512	8,273	Provision for tax, civil and labor risks	11	76,310	83,612
Deferred income tax and social contribution	14	15,943	16,860	Provision for environmental recovery		37,846	38,637
Escrow deposits		17,839	18,323	Taxes payable		12,274	12,684
Derivatives	19	6,501	6,690	Deferred income tax and social contribution	14	227,631	232,758
Other receivables		35,421	20,541	Actuarial liabilities		15,908	15,740
Property Investment		6,730	7,079	Derivatives	19	16,898	16,589
Investments		9,389	9,350	Other payables		15,752	16,252
Property, plant and equipment	7	1,530,146	1,565,229	Total noncurrent liabilities		2,290,669	2,561,867
Intangible assets:				TOTAL LIABILITIES		3,208,749	3,669,996
Goodwill	8	1,371,465	1,399,695				
Other intangible assets	8	195,723	201,001				
Total noncurrent assets		3,218,687	3,275,961	SHAREHOLDER'S EQUITY			
				Capital	13	1,080,949	1,080,949
				Capital reserves	13	393,034	393,034
				Earnings reserves	13	918,919	918,110
				Accumulated losses	13	(742,634)	(714,314)
				Other comprehensive income	13	(864,285)	(836,819)
				Equity attributable to the Company's owners		785,983	840,960
				Non-controlling interests	13	450,271	462,501
				Total equity		1,236,254	1,303,461
TOTAL ASSETS		4,445,003	4,973,457	TOTAL LIABILITIES AND EQUITY		4,445,003	4,973,457

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Consolidated Statements of Profit or Loss for the three months periods ended March 31, 2018 and 2017**

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

	Notes	03.31.2018	03.31.2017
NET REVENUE	21	436,066	452,994
COST OF SALES AND SERVICES	15	(349,099)	(363,629)
GROSS PROFIT		86,967	89,365
OPERATING INCOME (EXPENSES)			
Administrative and selling expenses	15	(64,295)	(63,097)
Other income (expense)	15	16,428	6,837
Equity result		146	179
INCOME BEFORE FINANCIAL INCOME (EXPENSES), INCOME TAX AND SOCIAL CONTRIBUTION		39,246	33,284
FINANCIAL INCOME (EXPENSES)			
Foreign exchange gains/(losses), net	16	(7,838)	7,095
Financial income	16	8,842	7,029
Financial expenses	16	(53,719)	(75,224)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(13,469)	(27,816)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	14	(7,935)	(22,196)
Deferred	14	(1,020)	18,975
LOSS FOR THE PERIOD		(22,424)	(31,037)
INCOME / (LOSS) ATTRIBUTABLE TO			
Company's owners	18	(28,320)	(26,338)
Non-controlling interests	21	5,896	(4,699)
LOSS PER SHARE			
Basic/diluted loss per share	18	(1.25)	(1.16)

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Consolidated Statements of Comprehensive Profit or Loss for the three months periods ended March 31, 2018 and 2017**

(In thousands of euros - €)

	Notes	03.31.2018	03.31.2017
LOSS FOR THE PERIOD		(22,424)	(31,037)
Other comprehensive income:			
Items that might be reclassified subsequently to the profit or loss:			
Exchange differences arising on translating foreign operations	13	(48,289)	25,629
Hedging derivatives financial instruments	13	3,762	6,099
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		<u>(66,951)</u>	<u>691</u>
COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
Company's owners		(55,786)	(6,993)
Non-controlling interests		(11,165)	7,684

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES**Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months periods ended March 31, 2018 and 2017**

(In thousands of euros - €)

	Notes	Share capital	Capital Reserves	Earnings reserves			Other comprehensive income	Accumulated losses	Total attributable to the Company's owners	Non-controlling interests	Total equity
				Transactions with noncontrolling interests	Legal	Investments					
BALANCE AT DECEMBER 31, 2016		1,080,949	393,034	162,080	18,063	137,591	(720,321)	(507,726)	563,670	391,469	955,139
Loss for the period		-	-	-	-	-	-	(26,338)	(26,338)	(4,699)	(31,037)
Sale of noncontrolling interests		-	-	602	-	-	-	-	602	205	807
Aquisition of noncontrolling interests		-	-	(1,460)	-	-	-	-	(1,460)	(718)	(2,178)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	-	(438)	(438)
Other comprehensive income	13	-	-	-	-	-	19,345	-	19,345	12,383	31,728
BALANCE AT MARCH 31, 2017		<u>1,080,949</u>	<u>393,034</u>	<u>161,222</u>	<u>18,063</u>	<u>137,591</u>	<u>(700,976)</u>	<u>(534,064)</u>	<u>555,819</u>	<u>398,202</u>	<u>954,021</u>
BALANCE AT DECEMBER 31, 2017		<u>1,080,949</u>	<u>393,034</u>	<u>918,110</u>	-	-	<u>(836,819)</u>	<u>(714,314)</u>	<u>840,960</u>	<u>462,501</u>	<u>1,303,461</u>
Loss for the period		-	-	-	-	-	-	(28,320)	(28,320)	5,896	(22,424)
Aquisition of noncontrolling interests		-	-	809	-	-	-	-	809	(809)	-
Dividends paid to noncontrolling interests		-	-	-	-	-	-	-	-	(256)	(256)
Other comprehensive income	13	-	-	-	-	-	(27,466)	-	(27,466)	(17,061)	(44,527)
BALANCE AT MARCH 31, 2018		<u>1,080,949</u>	<u>393,034</u>	<u>918,919</u>	-	-	<u>(864,285)</u>	<u>(742,634)</u>	<u>785,983</u>	<u>450,271</u>	<u>1,236,254</u>

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

INTERCEMENT PARTICIPAÇÕES, S.A. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows for the three months periods ended March 31, 2018 and 2017**

(In thousands of euros - €)

	Notes	03.31.2018	03.31.2017
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before income tax and social contribution		(13,469)	(27,816)
Adjustments to reconcile income before income tax and social contribution with net cash generated by operating activities:			
Depreciation, amortization and impairment losses		47,193	51,121
Recognition (reversal) of allowance for probable losses, net		(966)	(530)
Interest, accrued charges, and exchange differences		53,150	61,566
Gain on sale of long-lived assets		(2,484)	(1,474)
Equity result		(146)	(179)
Other noncash operating losses (gains)		764	1,519
Decrease (increase) in operating assets:			
Related parties		(155)	-
Trade receivables		(84,629)	(20,161)
Inventories		(20,159)	(49,665)
Recoverable taxes		884	2,459
Other receivables		(53)	9
Increase (decrease) in operating liabilities:			
Related parties		(414)	-
Trade payables		(25,355)	(34,342)
Payroll and vacation payable		6,168	4,072
Other payables		(41,317)	(16,804)
Taxes payable		(1,450)	1,087
Cash generated by operating activities		(82,438)	(29,138)
Income tax and social contribution paid		(7,409)	(6,081)
Interest paid		(47,000)	(40,739)
Net cash generated / (used) by operating activities		<u>(136,847)</u>	<u>(75,958)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of (Investments in) securities		38,351	31,859
Purchase of property, plant and equipment		(70,424)	(43,391)
Increase in intangible assets		(297)	(709)
Sale of long-lived assets		2,907	1,676
Other		(348)	-
Dividends received		102	126
Net cash used in investing activities		<u>(29,709)</u>	<u>(10,439)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings, financing and debentures		9,568	22,431
Swap transactions	19	(8,187)	14,782
Repayment of borrowings, financing and debentures		(324,780)	(52,067)
Other instruments		-	(122)
Net cash generated / (used) in financing activities		<u>(323,399)</u>	<u>(14,976)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(489,955)</u>	<u>(101,373)</u>
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(34,875)	1,307
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	<u>612,672</u>	<u>441,077</u>

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

INTERCEMENT PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Notes to the Consolidated Interim Condensed Financial Information for the three months period ended March 31, 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 present in 8 countries ("ICP Group" or "Group"). Its ultimate parent company is Camargo Corrêa S.A.. The Group is primarily engaged in the manufacture and sale of cement and cement byproducts, in addition to the extraction of the minerals used to manufacture these products.

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

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

The condensed consolidated Interim Financial Information as of March 31, 2018 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, 2017.

2.2. Significant accounting policies

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

(i) IFRS 9 – Financial Instruments

The ICP Group has adopted as of January 1, 2018 the new standard IFRS 9, which replaces the previous IAS 39. Regarding the transition from IAS 39 to IFRS 9, the Group applied the simplified approach model, meaning that the Group did not applied 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, the captions accounts receivable, accounts payable and loans granted/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 at the 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 in the profit and loss of the period ended March 31, 2018.

(ii) IFRS 15 – Revenue from Contracts with customers

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

As referred in Note 18 of the annual report, Group's revenues derives from the sale of cement, aggregates and other construction materials. Revenue is recognized when delivery has taken place and the transfer of control of the goods has been completed (generally upon delivery when the bill of lading is signed by the customer as evidence that they have accepted the product delivered to them). There are no other significant performance obligations to be fulfilled thereafter.

The moment of recognition of the performance obligation occurs at a specific moment in time, which does not differ from the previous practice under IAS 18.

Besides additional disclosures regarding the Group's recognized revenues expected to be included in the annual consolidated financial statements, the Board of Directors concluded that 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 are presented in euros (presentation currency), for the convenience of readers outside Brazil. As prescribed by IAS 21, paragraph 38 - The Effects of Changes in Foreign Exchange Rates, the Company may present its financial information in any currency.

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

Currency		Closing exchange rate (R\$)			Average exchange rate (R\$)	
		03.31.2018	12.31.2017	03.31.2017	03.31.2018	03.31.2017
USD	US Dollar	3.32380	3.30800	3.16840	3.24349	3.14429
EUR	Euro	4.08500	3.96930	3.38960	3.98812	3.34986
MZN	Mozambique Metical	0.05427	0.05661	0.04670	0.05377	0.04515
CVE	Cape Verde Escudo	0.03705	0.03600	0.03074	0.03617	0.02278
EGP	Egyptian Pound	0.18860	0.18660	0.17600	0.18429	0.17552
ZAR	South African Rand	0.28060	0.26900	0.23610	0.27433	0.23917
ARS	Argentinian Peso	0.16495	0.17737	0.20587	0.16452	0.20068
PYG	Paraguayan Guaraní	0.00060	0.00059	0.00057	0.00058	0.00056

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 March 31, 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

	03.31.2018	12.31.2017
Cash and bank accounts	405,739	909,868
Short-term investments	206,933	227,634
Total cash and cash equivalents	<u>612,672</u>	<u>1,137,502</u>

Short-term investments were as follows:

	03.31.2018	12.31.2017
Bank certificates of deposit (CDBs)	2,041	9,233
Short Term Investment in Reais	1,819	15,113
Exclusive funds:		
National Treasury Bills (LTNs)	944	742
CDBs	416	195
Investments funds	88,301	2,021
Others	-	18,251
Short-term investments in foreign subsidiaries:		
Investment fund in Argentinean pesos	45,333	88,609
Short-term investments in US dollars	56,172	45,041
Short-term investments in euro	4,107	11,886
Short-term investments in Egyptian pound	57	701
Short-term investments in South African rand	5,775	35,388
Short-term investments in Mozambique metical	1,515	-
Short-term investments in Cape Verd escudos	453	454
Total short-term investments	206,933	227,634

As of March 31, 2018, short-term investments in Exclusive funds yielded an average of 100% to 106% of the Interbank Deposit Certificate (CDI) variation (100% to 115% of CDI as of December 31, 2017).

Additionally, short-term investments in foreign subsidiaries includes, in Argentina business area, fixed rate bonds in pesos issued by governmental entities amounting to €42,214 (€56,143 in December 31, 2017), short-term investments amounting to €3,119 (€32,467 in December 31, 2017), with yields of 26.5% and 22%, respectively (28.9% and 23,2% in December 31, 2017), and short-term investments in USD amounting to €37,805 (€45,003 in December 31, 2017) with yields of 2.8% (1.8% in December 31, 2017). In South Africa business area, term-bank deposit in Rands yielded up to 6.55%.

All are available for immediate withdraw.

5. Securities

Securities are classified as financial assets, as follows:

	03.31.2018	12.31.2017
Market investments	8,535	32,087
Other	16,064	32,258
Total	24,599	64,345
Total - current	22,614	62,292
Total - noncurrent	1,985	2,053

As of March 2018 and December 31, 2017, included in “Market investments” are investments of the Brazil business area, in exclusive funds related to debentures, national treasury bills, among others. The decrease occurred relates to the redemption of national treasury bills.

The variation occurred in the caption “Other” relates mainly to: i) the reimbursement of a short-term deposit in Cimpor Trading e Inversiones, amounting to €25,405 and ii) to the increase in financial assets corresponding to a portfolio of investment funds of Cimpor Reinsurance in a total amount €9,121.

6. Trade Receivables

	03.31.2018	12.31.2017
Domestic and foreign customers - current	188,939	117,006
(-) Impairment for doubtful accounts – current	(34,413)	(34,682)
Trade receivables - current	<u>154,526</u>	<u>82,324</u>
Domestic and foreign customers - noncurrent	1,719	1,757
(-) Impairment for doubtful accounts – noncurrent	(629)	(620)
Trade receivables - noncurrent	<u>1,090</u>	<u>1,137</u>

As of December 31, 2017, trade receivables were influenced by accounts receivable 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 implementation of IFRS 9 requirements as of January 1, 2018 (see note 2.2 above), the impairment losses calculation also take in consideration since the first moment the expected future losses, and not only the ones that result from risk of credits default from events already observed. As result of the analyses performed, in this first quarter 2018, an additional estimated impairment loss was booked in an immaterial amount.

7. Property, Plant and Equipment

	03.31.2018		
	Cost	Depreciation & Impairment	Net book value
Land	154,596	(21,505)	133,091
Buildings	486,791	(204,869)	281,922
Machinery and equipment	1,649,316	(774,719)	874,597
Vehicles	34,110	(10,705)	23,405
Furniture and fixtures	8,896	(6,237)	2,659
Mines and ore reserves	135,919	(78,005)	57,914
Reservoirs, dams and feeders	68,705	(19,823)	48,882
Other	9,913	(5,655)	4,258
Spare parts	3,982	-	3,982
Advances to suppliers	22,846	-	22,846
Construction in progress	227,440	(150,850)	76,590
Total	2,802,514	(1,272,368)	1,530,146

In the Argentina and Paraguay business area and Brazil business area, for March, 31, 2018, there are assets given as guarantees in connection with loans obtained for such acquisition in the amount approximately of €62,068 and €5,053, 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 in Note 11.

During the three months periods ended March 31, 2018 and 2017, the Company capitalized financial charges amounting to €26 and €25, respectively, related to loans granted to finance eligible assets.

Construction in progress and advances to suppliers as of March 31, 2018 and December 31, 2017, 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.

	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)	39,837
Total	2,834,309	(1,269,081)	1,565,229

For the three months period ended March 31, 2018, as referred in Note 3, no impairment losses were booked. For the year ended December 31, 2017, and given the macroeconomic context in Brazil, which is reflected in reductions of cement consumption, the Group decided to interrupt certain investments that were underway in cement production lines. Conclusions of those investments could be reassessed in the future, depending on the economy returns and market conditions. During the twelve months period ended December 31, 2017, there was further deterioration of business activity, reflected in an increase in idle times and the shutting down of production lines. Considering that context, it was not reliable to predict the time when these investments may be resumed and to what extent the respective returns will materialise. Therefore, an impairment totalling €228,396 was recorded in the Brazilian business area related to tangible fixed assets in cement production lines undergoing investment, which is reversible once those investments are retake.

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

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	357,036	1,094,447	27,669	3,420	32,103	61,797	4,549	4,995	262,095	26,614	2,047,838
Additions	-	39	1,369	-	-	3,647	-	-	2	17,689	175	22,921
Write-offs	(227)	(196)	(4)	(48)	-	-	-	-	(7)	-	-	(482)
Depreciation	(610)	(6,001)	(32,417)	(1,507)	(235)	(6,359)	(777)	-	(420)	-	-	(48,326)
Effect of changes in exchange rates	725	3,742	11,199	491	43	482	899	65	92	3,382	363	21,483
Transfers	-	1,742	6,534	2,380	15	5,747	-	2	(1,449)	(17,285)	(56)	(2,370)
Balance at March 31, 2017	173,001	356,362	1,081,128	28,985	3,243	35,620	61,919	4,616	3,213	265,881	27,096	2,041,064
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	3,296	22,550	22	9	4,622	1	-	-	21,767	390	53,194
Write-offs	(209)	(21)	(38)	(9)	-	-	-	-	-	-	-	(277)
Depreciation	(802)	(9,773)	(26,316)	(1,241)	(213)	(5,368)	(653)	-	(489)	-	-	(44,855)
Effect of changes in exchange rates	(1,513)	(8,227)	(23,354)	(2,032)	(116)	(3,050)	(1,429)	(117)	(160)	(2,756)	(674)	(43,427)
Transfers	2,472	(9,804)	(13,918)	691	160	(12)	-	(160)	3,221	17,743	(109)	284
Balance at March 31, 2018	133,091	281,322	874,597	23,405	2,659	57,914	48,882	3,982	4,258	76,590	22,846	1,530,146

Additions in March 2018, includes Argentinean business area disbursements related with the increase of the installed capacity at its L'Amalí plant by 2.7 million tons annually, amounting to €5,5 million (ARS 136.3 million) and the acquisition of a cement gridding in the region of Matola (Mozambique) for the amount of €26,4 million (USD 32.5 million).

8. Intangible Assets

	03.31.2018	12.31.2017
Other intangible assets:		
Mining rights	165,443	168,952
Concession-related assets	4,133	4,563
Software licenses	15,955	16,830
Project development costs	5,758	6,276
Trademarks, patents and others	4,434	4,380
	<u>195,723</u>	<u>201,001</u>
Goodwill:		
Loma Negra C.I.A. S.A.	236,373	243,263
CBC - Companhia Brasileira de Cimentos ("CBC")	25,124	25,857
Cia. Industrial e Mercantil de Cimentos S.A. ("CIMEC")	18,556	19,097
Cimpor - Cimentos de Portugal, SGPS, S.A.	1,072,916	1,092,321
Other	18,496	19,157
	<u>1,371,465</u>	<u>1,399,695</u>
Total	<u>1,567,188</u>	<u>1,600,696</u>

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment, which are made based on the recoverable amounts of each of the corresponding business segment, which did not occur in the three months periods ended March 31, 2018 and 2017.

As of March 31, 2018, the accumulated impairments registered in Goodwill related with Brazil business area (above presented as acquired under the Cimpor – Cimentos Portugal SGPS, SA acquisition) are € 531,014.

Changes in intangible assets in the three months periods ended March 31, 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	427	40	-	-	-	-	467
Depreciation	(832)	(254)	(336)	(435)	(356)	-	(2,213)
Effect of changes in exchange rates	13	111	1,928	57	127	17,250	19,486
Transfers	1,627	-	-	518	410	-	2,555
Balance at March 31, 2017	<u>7,118</u>	<u>4,720</u>	<u>188,875</u>	<u>5,738</u>	<u>9,982</u>	<u>1,563,879</u>	<u>1,780,312</u>
Balance at December 31, 2017	6,628	4,563	168,952	6,276	14,582	1,399,695	1,600,696
Additions	41	44	-	-	177	-	262
Depreciation	(697)	(252)	(519)	(317)	(263)	-	(2,048)
Effect of changes in exchange rates	(225)	(222)	(2,990)	(164)	(405)	(28,230)	(32,236)
Transfers	189	-	-	(37)	363	-	515
Balance at March 31, 2018	<u>5,936</u>	<u>4,133</u>	<u>165,443</u>	<u>5,758</u>	<u>14,453</u>	<u>1,371,465</u>	<u>1,567,188</u>

9. Borrowings and Financing

Functional Currency	Business unit	Type of financing	Currency	Interest rates (a)	Contract date	Maturity		03.31.2018		12.31.2017	
								Current	Noncurrent	Current	Noncurrent
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May-12	Jan-23	(b)	-	188,033	-	242,217
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-12	Feb-22		-	205,635	-	205,231
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-14	Feb-19	(b)	27,470	-	26,739	27,404
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-19	(b)	80,522	-	80,279	82,047
EUR	Holdings and Financial Vehicles (*)	Bilateral	EUR	Floating rate indexed to Euribor	Feb-14	Feb-22	(b)	10,565	31,561	18,026	42,160
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-22	(b)	30,970	92,303	54,121	126,227
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	Feb-14	Feb-24	(b)	-	133,822	60,922	137,253
EUR	Holdings and Financial Vehicles (*)	Bilateral	US\$	Floating rate indexed to US Libor	May-14	May-19		-	40,417	-	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		23,609	516	23,609	-
ARS	Argentina and Paraguay	Several bilateral	ARS	Fixed and floating rates	Several	Several		28,038	12,928	27,983	16,138
ARS	Argentina and Paraguay	Several bilateral	US\$	Floating rates indexed to US Libor	Several	Several		37,448	39,877	38,688	40,944
BRL	Brazil	Several bilateral	BRL	Fixed and floating rates	Several	Several	(c)	77,738	17,949	84,138	19,065
ARS	Argentina and Paraguay	Several bilateral	US\$	Fixed and floating rates	Aug-16	Jul-18		2,549	-	3,954	-
PYG	Argentina and Paraguay	Several bilateral	PYG	Fixed rates	Aug-17	Aug-25		8,263	53,176	4,196	58,432
ZAR	South Africa	Several bilateral	ZAR	Floating rate indexed to Jibar	Several	Several		-	-	-	-
EUR	Portugal and Cape Verde	Several bilateral	EUR	Fixed and floating rates	Several	Several		10,000	165,324	10,000	165,000
CVE	Portugal and Cape Verde	Several bilateral	CVE	Floating rate indexed to TRIB 3M	Several	Several		700	2,650	700	2,800
EUR	Portugal and Cape Verde	Subsidised loan	EUR	Interest-free	Several	Jun-24		69	1,839	69	1,839
EUR	Portugal and Cape Verde	Factoring	EUR	Floating rates	Several	Several	(d)	3,078	-	-	-
EGP	Egypt	Several bilateral	EGP	Floating rates indexed to Corridor	Several	Several		19,299	771	19,179	841
								<u>360,319</u>	<u>1,021,803</u>	<u>467,604</u>	<u>1,244,050</u>

- (*) Takes into consideration the set of companies included in the holding companies segment and business support, corporate, and trading entities.
- (a) For the major funding, the variable rates contracted, both in dollars and euros, consider spreads between 2.75% and 3.95%.
- (b) The decrease verified during the three months period ended March 31, 2018 is mainly due to the partial settlements of such financings, in the amount of €298 million, following InterCement Liability Management plan previously mentioned in the annual report of 2017.
- (c) Guaranteed by Company's controlling entities, amounting to €933 in the three months ended March 31, 2018.
- (d) In the three months period ended March 31, 2018 corresponds to two factoring contracts signed in the Portugal and Cape Verde business area, with current maturity.

As of March 31, 2018 and December 31, 2017, the incurred interest related to those financing agreements classified in current liabilities and presented as 'Interest payable' amount to €10,051 and €30,614, respectively.

Changes in Borrowings and Financing in the three months period ended March 31, 2018 were as follows:

	Borrowings and financing
Balance at December 31, 2016	2,146,002
Captions	22,431
Payments	(52,067)
Currency translation adjustments, commissions and other	(11,495)
Balance at March 31, 2017	<u>2,104,871</u>
Balance at December 31, 2017	1,711,654
Captions	9,568
Payments	(312,900)
Currency translation adjustments, commissions and other	(26,200)
Balance at March 31, 2018	<u>1,382,122</u>

Maturity schedule

As of March 31, 2018 and December 31, 2017, the noncurrent portions mature as follows:

Period	03.31.2018	12.31.2017
2019 (9 months)	124,899	347,073
2020	279,792	294,579
2021	238,692	253,908
2022	239,713	249,427
Following years	138,707	99,063
	<u>1,021,803</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 within pre-established parameters.

The Company and its subsidiaries monitor these ratios systematically and constantly to make sure the requirements are met. Such measurements are performed annually, which depends of conditions agreed in each contract with financial institutions. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016. For December 31, 2017 the Company agreed with the financial institutions the increase of such parameters from 4.5 to 5.0 (ratio Net Debt versus EBITDA). As of that date the covenants conditions were met and such obligation will only be measured again with financial figures as of December 31, 2018.

10. Debentures

Functional Currency	Business unit	Instrument	Currency	Issue date	Interest rate (a)	Final maturity	03.31.2018		12.31.2017	
							Current	Noncurrent	Current	Noncurrent
BRL	Brazil	Debênture - Brazil	BRL	Mar-12	Floating rate indexed to CDI	Apr-22	53,852	215,707	55,414	221,964
BRL	Brazil	Debênture - Brazil	BRL	Aug-12	Floating rate indexed to CDI	Aug-22	48,851	195,676	50,268	201,352
EUR	Holdings and Financial Vehicles (*)	Senior Notes (b)	USD	Jul-14	5.75%	Jul-24	-	449,513	-	472,087
							<u>102,703</u>	<u>860,896</u>	<u>105,682</u>	<u>895,403</u>

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

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

(b) In July, 2014, the Senior Notes ("Notes") were issued by Cimpor Financial Operations, B.V., with a payment maturity of 10 years. The notes were launched with coupon of 5.75% per annum and are listed on the Singapore Stock Exchange. During the first quarter of 2018 and in the years ended 2017, 2016 and 2015 the Group purchased bonds in the nominal value of USD 15,044 thousand, USD 11,100 thousand, USD 108,378 thousand and USD 54,290 thousand, respectively. As of March 31, 2018 the Group holds bonds in the nominal value of USD 188,812 thousand (€153,629).

As of March 31, 2018 and December 31, 2017, the incurred interest classified in current liabilities and presented as 'Interest payable' amount to €28,473 and €26,957, respectively.

Changes in Debentures in the three months period ended March 31, 2018 were as follows:

	Debêntures
Balance at December 31, 2016	1,279,341
Currency translation adjustments, commissions and other	3,371
Balance at March 31, 2017	<u>1,282,712</u>
Balance at December 31, 2017	1,001,085
Payments	(11,880)
Currency translation adjustments, commissions and other	(25,606)
Balance at March 31, 2018	<u>963,599</u>

Maturity schedule

As of March 31, 2018 and December 31, 2017, the debentures mature as follows:

Period	03.31.2018	12.31.2017
2019 (9 months)	101,662	104,472
2020	101,662	104,472
2021	101,662	104,472
2022	101,662	104,472
Following years	454,248	477,515
	<u>860,896</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. The Company agreed with the bank creditors to release covenants calculation as of December 31, 2016. For December 31, 2017 the Company agreed with the financial institutions the increase of such parameters from 4.5 to 5.0 (ratio Net Debt versus EBITDA). As of that date the covenants conditions were met and such obligation will only be measured again with financial figures as of December 31, 2018.

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

- i) Limitation in USD 500 million for new debt, provided it is not for refinancing the existing one;
- ii) Restrictions on certain payments, such as dividends to shareholders above the legal minimum;
- iii) Dividends limitation of USD 25 million per year, cumulative with unused amounts in any fiscal year being carried over to succeeding fiscal years. This limitation is only applicable to eventual new preferred shareholders after the Senior Notes issuance (July/2014).

On December 31, 2017, the company complied with all contractual obligations and such obligation will only be measured again with financial figures as of 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:

	03.31.2018	12.31.2017
Labor and social security	24,463	25,848
Tax (a)	23,076	28,256
Civil and other (b)	32,062	32,531
	<hr/> 79,601	<hr/> 86,635
Escrow deposit (c)	(3,291)	(3,023)
Total	<hr/> <hr/> 76,310	<hr/> <hr/> 83,612

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

Portugal: Refer basically to the provisions for tax risks related to income tax, amounting to €5,676 in March 31, 2018 (€10,000 in 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 9,810 (€9,765 in December 31, 2017).

- (b) Egypt: Includes a provision related with the industrial license estimation of delaying interests, totalling €19,716 (€20,075 in December 31, 2017).
- (c) The Group have escrow deposits tied to the provision for tax, civil and labour risks as follows:

	03.31.2018	12.31.2017
Labor and social security	2,644	2,323
Tax	604	655
Civil and other	43	45
Total	3,291	3,023

Changes in the provision for risks for the three months periods ended March 31, 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	314	745	597	-	1,656
Payment/deposit derecognition	(719)	(16)	(558)	(118)	(1,411)
Reversal	(416)	(671)	(105)	-	(1,192)
Exchange differences	175	33	55	(40)	223
Balance at March 31, 2017	27,057	18,913	8,814	(3,034)	51,750
Balance at December 31, 2017	25,848	28,256	32,531	(3,023)	83,612
Recognition/deposit	127	149	815	-	1,091
Payment/deposit derecognition	(708)	(1,056)	(342)	(363)	(2,469)
Reversal	(325)	(4,358)	(249)	-	(4,932)
Transfers	-	462	-	-	462
Exchange differences	(479)	(377)	(693)	95	(1,454)
Balance at March 31, 2018	24,463	23,076	32,062	(3,291)	76,310

Contingent liabilities

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

On March 31, 2018, the Group has an exposure of €834 million (€830 million in December 31, 2017), being €7 million of contingent liabilities related to labor contingencies (€7 million in December 31, 2017), €612 million of tax contingencies (€604 million as of December 31, 2017), €215 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 counsellors.

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 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 March 31, 2018 the fine imposed reach to, resulting from its financial actualization, €174 million (R\$710 million).

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

Spain

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

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

12. Related Parties

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

13. Shareholder's Equity

Share Capital

Share capital as of March 31, 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 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.

Dividends

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

As of March 31, 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 three months period ended March 31, 2018 and 2017, the movements in the Other Comprehensive Income, relates to the equity recognition of exchange differences arising on translating foreign operations in the negative and positive amounts of €30,384 and €14,793, respectively, and the positive equity recognition of hedging operations amounting to €2,918 and €4,552, respectively.

Non-controlling interests

The non-controlling interests movements occurred in the three months period ended March 31, 2018 and 2017, relates to the recognition of the period results, €5,896 and €4,699, respectively, for the exchange differences arising on translating foreign operations in the negative and positive amounts of €17,905 and €10,837, respectively and the positive equity recognition of hedging operations amounting to €844 and €1,546, respectively.

14. Income Tax and Social Contribution

For the three months periods ended March 31, 2018 and 2017 the reconciliation between the nominal and the effective income tax was as follows:

	03.31.2018	03.31.2017
Loss before income tax and social contribution	(13,469)	(27,816)
Tax rate	34%	34%
Income tax and social contribution at statutory rates	4,579	9,457
Adjustments to calculate income tax and social contribution at effective rates:		
Equity method gain	50	61
Permanent additions / (deductions), net (a)	(1,607)	716
Unrecorded deferred income tax and social contribution tax (b)	(16,399)	(6,493)
Adjustments to deferred taxes	495	812
Other (c)	3,927	(7,774)
Income tax and social contribution expense	(8,955)	(3,221)
Income tax and social contribution expense - Current	(7,935)	(22,196)
Income tax and social contribution expense - Deferred	(1,020)	18,975

- (a) Includes the effect of the differences in tax rates and other adjustments;
- (b) In the three months ended March 31, 2018 and 2017, includes the tax effect from losses on entities not recognized since at present there are no projections that enable them to be expected to be recovered;
- (c) In the three months ended March 31, 2018 includes the reduction of a tax provision amounting to €4,324 (Note 11). In the three months ended March 31, 2017, it was included the registration of a tax income charge of around €7 million related to the staged payments agreements from additional tax assessments made by tax authority to one of our companies in Egypt, referring to the year 2008. 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.

Deferred income tax and social contribution

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

In addition to the income tax charge, in the three months periods ended March 31, 2018 and 2017, the Group recorded deferred tax of €251 and €1,060, respectively, directly in costs recognized in equity.

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

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

	03.31.2018	03.31.2017
Depreciation, amortization, and impairment losses	(47,193)	(51,121)
Salaries and employee benefits	(66,836)	(76,229)
Raw materials and consumables	(92,899)	(82,918)
Tax expenses	(7,268)	(4,821)
Outside services	(48,056)	(50,192)
Rental	(3,985)	(4,412)
Freight expenses	(44,479)	(43,107)
Maintenance costs	(25,364)	(28,691)
Fuel	(35,915)	(41,766)
Electricity	(34,413)	(29,777)
Reversal (recognition) of provision for risks	2,068	(861)
Gain on sale of property, plant and equipment	2,484	1,474
Gain on sale of carbon credits (Note 21)	8,642	-
Other	(3,752)	(7,468)
Total	(396,966)	(419,889)
Cost of sales and services	(349,099)	(363,629)
Administrative and selling expenses	(64,295)	(63,097)
Other (expenses)/income (net)	16,428	6,837
Total	(396,966)	(419,889)

In the caption Gain on sale of carbon credits, in the three months period ended March 31, 2018, the gain with the sale of CO₂ licenses amounting to €8,642 (Note 21).

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

	03.31.2018	03.31.2017
Foreign exchange losses, net (a):		
Exchange gain	54,006	31,378
Exchange loss	(61,844)	(24,283)
Total	<u>(7,838)</u>	<u>7,095</u>
Financial income:		
Inflation adjustment	556	866
Financial earnings	7,389	2,906
Interest income	189	559
Other income (c)	708	2,698
Total	<u>8,842</u>	<u>7,029</u>
Financial expenses:		
Inflation adjustment	(770)	(1,594)
Expenses on interest and charges	(41,241)	(61,368)
Expenses on banking commissions	(7,612)	(5,113)
Fines	(177)	(370)
Derivative financial instruments (b)	(1,122)	(2)
Other expenses (c)	(2,797)	(6,777)
Total	<u>(53,719)</u>	<u>(75,224)</u>

(a) In the three months ended March 31, 2018 and 2017, the exchange differences are mainly influenced by the valuation and devaluation of functional currencies against other currencies (mainly USD and Euro).

(b) These captions are composed by fair value variation of trading derivative financial instruments contracted to cover exchange and interest rate risks, and the written-put options in connection with “Baesa”, “Machadinho” and “Estreito” operations.

(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 prompt payment discounts granted and obtained and the costs related to commissions, guarantees and other bank charges in general. In the three months ended March 31, 2018, this caption was also influenced by the repurchase of bonds issued by Cimpor Financial Operations, B.V. with a nominal value of USD15,044 thousand (Note 10) which has generated a financial income in the amount of €373.

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:

	03.31.2018	12.31.2017
Up to one year	8.907	9.535
From one to five years	8.909	11.997
More than five years	391	26
Total	<u>18.207</u>	<u>21.558</u>

The Group recognized, for the three months periods ended March 31, 2018 and 2017, as operating lease expenses in the amount of €3,224 and €3,956 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:

	03.31.2018	12.31.2017
2018	5,328	6,534
2019	7,147	7,355
2020	7,147	7,880
2021	596	-
Total	<u>20,218</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:

	03.31.2018	12.31.2017
2018	29,059	40,242
2019	20,764	22,572
2020	8,031	14,008
2021	6,533	12,448
After 2021	69,584	77,789
Total	<u>133,971</u>	<u>167,059</u>

Includes an energy contract in the Argentinian business area, in the amount of €75.2 million (USD 92.4 million), starting in 2018 and for a period of 20 years.

In accordance with the contract concluded with Sinoma International Engineering Co. Ltd for the construction of a new cement plant, Loma Negra C.I.A.S.A., assumed commitments in a total of €208,072, ARS 5,152,839 as for March 31, 2018 (€277,600, ARS 6,212,214 thousand as for December 31, 2017). The total amount is divided into ARS 2,167,648 thousand, USD 93,477 thousand and €35,338 (ARS 2,167,648 thousand, USD 41,575 thousand and €107,415 for December 31, 2017). The value in pesos is subject to a periodic update in accordance with an adjustment formula, so the committed amount at March 31, 2018 amounts to a total of 2,394,124 (ARS 2,397,552 thousand for December 31, 2017).

18. Earnings Per Share

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

	03.31.2018	03.31.2017
Loss for the period attributable to Company's owners	(28,320)	(26,338)
Loss for the period attributable to common shares	(28,320)	(26,338)
Weighted average number of common shares	22,687,439	22,687,439
Basic/diluted loss per common share	(1.25)	(1.16)

As a result of the net loss for the three months ended March 31, 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 on 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 is deemed to mean the probability of obtaining a positive or negative outcome different to that expected, and which materially and unexpectedly alters the Group's net worth.

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

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

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

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

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

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

19.3. Interest rate risk

The Group's exposure to interest-rate risk arises from the fact that its balance sheet includes financial assets and liabilities that may have been contracted at fixed interest rates or at variable interest rates. In the former case, the Group runs the risk of variation in the fair value of those

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

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

Exposure to interest rate risks and to floating and fixed rates

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

	03.31.2018	12.31.2017
Assets:		
CDI	96,097	38,823
SELIC	3,828	36,558
Total	99,925	75,381
Liabilities:		
IGP-M	6,804	6,937
CDI	616,230	630,798
EURIBOR	363,635	419,559
LIBOR	643,392	662,014
TJLP	3,691	4,452
Others	46,407	40,865
Total	1,680,159	1,764,625

As of March 31, 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:

	03.31.2018	12.31.2017
Floating rates	71%	66%
Fixed rates	29%	34%

19.4. Exchange rate risk

The Group's exposition to the exchange-rate risk for the currencies of different countries, particularly the following ones, due to the amounts of capital invested in each countries where functional currency is different from Group functional currency.

The exchange effects of the translation of local financial statements in the Group's consolidated financial statements can be mitigated by hedging the net investments made in those countries.

These operations are not frequent, considering such operations which is generally too high considering the risks involved.

When hedging the exchange-rate risk, swaps and forward contracts and with maturities equivalent to the instrument that serves as a hedging basis, are contracted.

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

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

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

Exposure to foreign exchange risk

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

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

	03.31.2018	12.31.2017
Assets:		
Cash, cash equivalents and securities	354,202	803,623
Trade receivables	8,040	7,379
Related parties (a)	672,426	544,658
Other credits	4,364	3,552
Exposed assets	1,039,032	1,359,212
Liabilities:		
Interest, borrowings, financing and debentures	1,103,189	1,155,280
Foreign trade payables	14,260	32,981
Related parties (a)	556,414	430,052
Other debits	752	233
Exposed liabilities	1,674,615	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 totally eliminated.

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

Functional currency	Currency	Mar-18		Dec-17	
		Currency	Euros	Currency	Euros
ARS	USD	46,715	38,010	54,402	45,338
BRL	USD	57,088	46,450	143	119
PYG	USD	281	228	444	370
EGP	USD	2,538	2,065	2,587	2,156
EUR	USD	327,723	266,655	906,186	755,212
MZN	USD	557	453	90	75
ARS	BRL	10	2	10	2
PYG	BRL	1	0	1	0
ARS	EUR	15	15	15	15
PYG	EUR	34	34	28	28
EGP	EUR	54	54	32	32
MZN	EUR	89	89	142	142
EUR	EGP	2,731	126	2,731	128
ARS	PYG	6,513	1	6,155	1
MZN	ZAR	282	19	45	3
Amount exposed to foreign exchange risk:			354,202		803,623
BRL	BRL	413,808	101,299	329,808	83,090
EUR	EUR	80,335	80,335	142,465	142,465
ARS	ARS	1,276,760	51,556	2,031,925	90,799
MZN	MZN	713,390	9,478	689,770	9,837
EGP	EGP	290,370	13,406	317,394	14,921
PYG	PYG	22,106,710	3,239	30,133,107	4,484
ZAR	ZAR	238,031	16,350	703,797	47,696
CVE	CVE	597,788	5,421	317,392	2,878
Amount by functional currency			281,084		396,171
			<u>635,286</u>		<u>1,199,794</u>

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

	03.31.2018	12.31.2017
USD	47%	42%
BRL	26%	23%
EUR	22%	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 normal pursuit 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 schedule maturity 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 defaulting on its obligations.

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

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

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

19.7. Counterparty risk

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

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

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

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 of March 31, 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 financial costs for the period then ended (before taxes) of approximately €4 million on the euro liability indexed to the variable rate, and USD 6 million on the variable rate loan, and €6 million on the Brazilian variable rate loan, as shown in table below:

Indexing	Currency	Value	1%	2%	3%
Euribor	EUR	363,635	3,636	7,273	10,909
US Libor	USD	643,392	6,434	12,868	19,302
CDI	BRL	616,230	6,162	12,325	18,487

b) Exchange rates

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

Considering the Group's companies financial asset and liability profile (including intercompany balances) as of March 31, 2018 the more significant impact on net financial results would be as follows:

Amount in USD	Funcional currency	FX Rate (03-31-18)		USD depreciation		0.0%	USD appreciation	
				-10%	-5.0%		5.0%	10.0%
-578,950	EUR	1.2290	Effect in EUR	-47,107	-23,553	-	23,553	47,107
-56,829	ARS	20.15	Effect in ARS	-114,510	-57,255	-	57,255	114,510
			Effect in EUR	-5,138	-2,434	-	2,202	4,204
-3,136	PYG	5,553.95	Effect in PYG	-1,741,756	-870,878	-	870,878	1,741,756
			Effect in EUR	-284	-134	-	122	232
-234,137	BRL	3.32	Effect in BRL	-77,823	-38,911	-	38,911	77,823
			Effect in EUR	-21,168	-10,027	-	9,072	17,319
81,844	ZAR	11.85	Effect in ZAR	96,947	48,474	-	-48,474	-96,947
			Effect in EUR	7,399	3,505	-	-3,171	-6,054
-24,717	EGP	17.62	Effect in EGP	-43,560	-21,780	-	21,780	43,560
			Effect in EUR	-2,235	-1,058	-	958	1,828
-106,291	MZN	61.25	Effect in MZN	-650,984	-325,492	-	325,492	650,984
			Effect in EUR	-9,609	-4,552	-	4,118	7,862

Amount in EUR	Funcional currency	FX Rate (03-31-18)		EUR depreciation		0.0%	EUR appreciation	
				-10%	-5.0%		5.0%	10.0%
-33,130	ZAR	14.56	Effect in ZAR	48,231	24,115	-	-24,115	-48,231
			Effect in EUR	2,995	1,419	-	-1,284	-2,451
165,067	BRL	4.09	Effect in BRL	-67,430	-33,715	-	33,715	67,430
			Effect in EUR	-14,923	-7,069	-	6,396	12,210

Amount in EGP	Funcional currency	FX Rate (03-31-18)		EGP depreciation		0.0%	EGP appreciation	
				-10%	-5.0%		5.0%	10.0%
38,766	EUR	21.66	Effect in EUR	179	89	-	-89	-179

(Thousand)

19.9. Categories of financial instruments

	03.31.2018	12.31.2017
Current assets:		
Financial assets at amortized cost:		
Cash and bank accounts (Note 4)	405,739	909,868
Short-term investments - financial asset	120,969	237,555
Trade receivables (Note 6)	154,526	82,324
Other receivables	53,856	36,396
Financial assets at fair-value:		
Exclusive funds	109,214	52,371
Derivatives	3,381	3,856
Non-current assets:		
Financial assets at amortized cost:		
Long-term investments - financial asset	1,349	2,053
Trade receivables (Note 6)	1,090	1,137
Other receivables	35,421	20,541
Financial assets at fair-value:		
Long-term investments - financial asset	636	-
Derivatives	6,501	6,690
Current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	102,703	105,682
Borrowings and financing (Note 9)	360,319	467,604
Trade payables	242,357	291,649
Interest payable (Notes 9 and 10)	38,524	57,571
Other payables	40,327	42,221
Non-current liabilities:		
Financial liabilities at amortized cost:		
Debentures (Note 10)	860,896	895,403
Borrowings and financing (Note 9)	1,021,803	1,244,050
Trade payables	5,351	6,142
Other payables	15,752	16,252
Financial liabilities at fair value:		
Derivatives	16,898	16,589

19.10. Derivative transactions

Derivatives

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

	Assets				Liabilities			
	Current		Non-current		Current		Non-current	
	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017	03.31.2018	12.31.2017
Written-put options ("Baesa", "Machadinho" and "Estreito" operations)	-	-	6,501	6,690	-	-	-	-
Interest rate and cross currency swaps	3,381	3,856	-	-	-	-	16,898	16,589
	3,381	3,856	6,501	6,690	-	-	16,898	16,589

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

Type of hedge	Notional	Type of Operation	Maturity	Economic purpose	Fair value	
					03.31.2018	12.31.2017
Cash-flow	USD 204,400,000	Cross Currency Swap to EUR	Jan-22	Switch a USD loan into EUR loan (a)	(13,517)	(12,733)
					(13,517)	(12,733)

(a) On February 6, 2018 it was partially settled in the amount of 87.6 million USD, resulting in an outflow of €8,187 (10 million USD). Consequently starting from that date this instrument do not allow hedge, being recorded as held for trading.

In addition, in the three months period ended March 31, 2017, derivative financial instruments were settled, resulting in a net cash of €14,782 (receipt from a cash flow derivative of €19,330 and payment of €4,548 from a derivative financial instrument that did not qualified as hedge accounting).

In accordance with IFRS 9, the derivative instruments settled during 2017, the remaining amount excluding tax effect, accumulated up to March 2018, recorded as "other comprehensive income", in the amount of approximately €13,500 (€18,000 in December 31, 2017) will be amortized to profit and loss, when the cash flow is realized.

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 March 31, 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	109,214	-	-
Financial assets at fair value	Financial derivative instruments	-	3,381	6,501
Financial assets at fair value	Securities - non current	636	-	-
Liabilities:				
Financial liabilities at fair value	Financial derivative instruments	-	16,898	-

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, which effect of their valuation to fair value in relation to their book value being as follows:

	03.31.2018	12.31.2017
Fair value	976,500	1,012,404
Carrying amount	990,932	1,019,187

20. Supplemental Cash Flow Information

Investment and financing activities not involving cash

	03.31.2018	03.31.2017
Interest capitalization	26	25
Purchase of property, plant and equipment through trade payables	(17,256)	(20,495)
Purchase of intangibles through trade payables	(35)	(241)
Sales of property, plant and equipment that will be received	220	544

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:

	Foreign sales	Intersegment sales	Total	Results	Foreign sales	Intersegment sales	Total	Results
Operating segments:								
Brazil	99,607	413	100,020	(11,851)	120,747	270	121,017	(11,480)
Argentina and Paraguay	187,093	-	187,093	40,345	189,077	-	189,077	41,916
Portugal and Cape Verde	54,912	13,431	68,343	6,396	55,149	12,965	68,114	(1,723)
Egypt	27,485	-	27,485	1,210	23,951	-	23,951	(2,293)
Mozambique	23,376	-	23,376	881	21,497	-	21,497	2,266
South Africa	31,221	593	31,814	3,510	30,762	585	31,347	3,259
Total	423,694	14,437	438,131	40,491	441,183	13,820	455,003	31,945
Unallocated (a)	12,372	45,535	57,907	(1,391)	11,811	45,648	57,459	1,160
Eliminations	-	(59,972)	(59,972)	-	-	(59,468)	(59,468)	-
Sub-total	436,066	-	436,066	39,100	452,994	-	452,994	33,105
Share of profit of associates				146				179
Income before financial income (expenses)				39,246				33,284
Foreign exchange gains/(losses), net				(7,838)				7,095
Financial income				8,842				7,029
Financial expenses				(53,719)				(75,224)
Income before income tax and social contribution				(13,469)				(27,816)
Income tax and social contribution				(8,955)				(3,221)
Loss for the period				(22,424)				(31,037)

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

In the three months period ended March 31, 2018, operating results in the segment “Portugal and Cape Verde” are positively influenced by a net gain of €8,642, as a result of the sale of 965.000 tonnes of CO2 licenses.

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

	Noncontrolling interests	
	03.31.2018	03.31.2017
Operating segments:		
Brazil	(1,825)	(7,512)
Argentina and Paraguay	14,047	8,248
Portugal and Cape Verde	736	(387)
Egypt	(65)	(3,192)
Mozambique	(1,227)	2,315
South Africa	33	63
	11,699	(465)
Unallocated	(5,803)	(4,234)
	5,896	(4,699)

Other information:

	03.31.2018		03.31.2017	
	Capital expenditure	Depreciation, amortisation and impairment losses	Capital expenditure	Depreciation, amortisation and impairment losses
Operating segments:				
Brazil	8,373	18,983	9,931	20,415
Argentina and Paraguay	13,704	8,055	11,328	10,002
Portugal and Cape Verde	1,713	12,164	254	12,248
Egypt	469	3,497	12	3,798
Mozambique	26,922	1,698	291	1,553
South Africa	940	2,375	928	2,664
	52,121	46,772	22,744	50,680
Unallocated	1,335	421	645	441
Total	53,456	47,193	23,389	51,121

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

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

	03.31.2018			12.31.2017		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Operating segments:						
Brazil	1,834,993	1,161,982	673,011	1,797,170	1,084,849	712,321
Argentina and Paraguay	785,981	345,506	440,475	821,083	381,235	439,848
Portugal and Cape Verde	866,035	373,528	492,507	859,140	383,624	475,516
Egypt	222,321	158,484	63,837	222,793	157,506	65,287
Mozambique	210,866	147,358	63,508	197,421	145,498	51,923
South Africa	339,274	91,480	247,794	364,037	100,672	263,365
Total	4,259,470	2,278,338	1,981,132	4,261,644	2,253,384	2,008,260
Unallocated	879,288	1,632,851	(753,563)	1,249,422	1,962,846	(713,424)
Eliminations	(702,440)	(702,440)	-	(546,234)	(546,234)	-
Other investments	8,685	-	8,685	8,625	-	8,625
Total segments	4,445,003	3,208,749	1,236,254	4,973,457	3,669,996	1,303,461

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

Deleveraging and Liability Management Plan

Since March 31, 2018, loans in the amount of €133.2M were prepaid, of which €108.0M concerning the syndicated loan, which matured in February 2019.

In addition, on April 13, a cross currency swap with the notional amount of USD204.4M was unwound and a new cross currency swap with the notional amount of USD102.2M to €82.9M was contracted, matching the new profile requirements of a bilateral loan according to the execution of the Deleveraging and Liability Management Plan.

23. Authorization for Completion of Financial Information

At the meeting held on June 14, 2018, the Board of Directors authorized the completion of this consolidated interim financial statements, being approved them for disclosure.

INTERCEMENT INVESTOR RELATIONS

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