

(Convenience translation into English from the original
previously issued in Portuguese)

CIMENTO TUPI S.A.

Independent auditor's review report

Interim financial information

As at March 31, 2018

CIMENTO TUPI S.A.

Interim financial information
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INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF INTERIM FINANCIAL INFORMATION

To the
Shareholders and Management of
Cimento Tupi S.A.
Rio de Janeiro

Introduction

We have reviewed the individual and consolidated interim financial information of Cimento Tupi S.A. (the Company), for the quarter ended March 31, 2018, which comprises the statement of financial position as at March 31, 2018, and the respective statements of operations, comprehensive income (loss), changes in equity (deficit) and cash flows for the three-month period then ended, as well as the corresponding notes to the quarterly information, including a summary of significant accounting policies.

The Company's management is responsible for the preparation of the interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim financial information and International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Basis for a qualified conclusion on the interim financial information

Until the present moment, the Company did not present us the supporting documentation referring to the study of evaluation on IFRS 9 - Financial Instruments. The standard is effective as from January 01, 2018. Accordingly, we were unable to provide assurance on the realization of the balances recorded in financial assets and liabilities, as well as its effects on income (loss) and possible tax impacts on the interim financial information as at March 31, 2018.

Conclusion

Based on our review, except for the effects of the matters described in the following section “Basis for a qualified conclusion on the interim financial information” we are not aware of any fact that leads us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Material uncertainty as to going concern

We draw attention to Notes 1, 12 and 26, which indicate that the Company did not pay the interest of certain debts during 2015, 2016, 2017 and in the first quarter of 2018, thus allowing the creditors to declare these debts as overdue.

The amount of these debts that may be considered overdue was classified in current liabilities as at March 31, 2018, in the amount of R\$ 1,127,142 thousand. On that date, consolidate current liabilities exceeded consolidated current assets by R\$ 1,103,430 thousand and consolidate equity is negative in the amount of R\$ 371,224 thousand in the quarter then ended. These conditions indicate significant uncertainties which may raise relevant doubt regarding the Company's going concern. The interim financial information was prepared assuming the Company's continuity as going concern, which is directly related to the success in the implementation of the plans and renegotiation of the terms to pay the debts mentioned in Note 1. The interim financial information has no adjustments to cover the non-continuity of the Company as a going concern. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the statements of value added for the three-month period ended March 31, 2018, prepared by the Company's Management, whose disclosure in the interim financial information is required in accordance with the standards issued by CVM applicable to the preparation of the Quarterly Information and considered as supplemental information by the IFRS, which do not require the disclosure of the statement of value added. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

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

Rio de Janeiro, June 13, 2018.

Cimento Tupi S.A.

Statements of financial position As at March 31, 2018 and December 31, 2017 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|----------------|----------------|----------------|----------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Assets | | | | |
| Current | | | | |
| Cash and cash equivalents (Note 4) | 545 | 1,740 | 967 | 5,462 |
| Accounts receivable (Note 5) | 18,238 | 14,337 | 18,238 | 14,338 |
| Inventories (Note 6) | 36,710 | 34,652 | 54,262 | 52,168 |
| Recoverable taxes (Note 7) | 7,504 | 7,473 | 8,304 | 8,271 |
| Notes receivable (Note 8) | - | - | 3,302 | 20,395 |
| Advances to suppliers | 3,022 | 3,541 | 2,754 | 3,265 |
| Receivables from third parties | 4,235 | 4,474 | 4,235 | 4,474 |
| Other current assets | 1,276 | 4,462 | 1,390 | 1,222 |
| Total current assets | 71,530 | 70,679 | 93,452 | 109,595 |
| Noncurrent | | | | |
| Notes receivable (Note 8) | 5,742 | 3,121 | 5,742 | 11,742 |
| Receivables from third parties | 1,949 | 1,949 | 1,949 | 1,949 |
| Related-party transactions | 634 | - | - | 533 |
| Recoverable taxes (Note 7) | 4,493 | 5,437 | 4,493 | 5,437 |
| Deferred income and social contribution taxes (Note 17) | 12,459 | 13,092 | 12,459 | 13,092 |
| Court deposits (Note 18) | 6,835 | 6,773 | 6,948 | 6,892 |
| Investments | | | | |
| Subsidiaries (Note 9) | 90,598 | 99,714 | - | - |
| Other investments | 744 | 744 | 4,648 | 4,648 |
| Fixed assets (Note 10) | 569,579 | 572,248 | 595,435 | 598,140 |
| Intangible assets (Note 11) | 129,468 | 129,552 | 149,918 | 149,959 |
| Total noncurrent assets | 822,501 | 832,630 | 781,592 | 792,392 |
| Total assets | 894,031 | 903,309 | 875,044 | 901,987 |

Cimento Tupi S.A.

Statements of financial position As at March 31, 2018 and December 31, 2017 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Liabilities | | | | |
| Current | | | | |
| Loans and financing (Note 12) | 1,127,142 | 1,100,341 | 1,127,142 | 1,100,341 |
| Trade accounts payable | 20,255 | 18,154 | 19,290 | 22,308 |
| Salaries and social charges | 7,560 | 7,519 | 7,728 | 7,640 |
| Income and social contribution taxes payable | - | - | 44 | 11 |
| Accounts payable - Related parties (Note 13) | 18,674 | 33,608 | 318 | 15,990 |
| Taxes payable (Note 15) | 12,658 | 11,882 | 12,975 | 12,128 |
| Taxes in installments (Note 14) | 23,963 | 19,069 | 23,982 | 19,088 |
| Other accounts payable | 5,383 | 5,169 | 5,403 | 5,209 |
| Total current liabilities | 1,215,635 | 1,195,742 | 1,196,882 | 1,182,715 |
| Noncurrent | | | | |
| Taxes in installments (Note 14) | 42,307 | 42,572 | 42,348 | 42,617 |
| Provision for contingencies (Note 18) | 1,415 | 1,415 | 1,415 | 1,415 |
| Provision for unsecured liabilities | 1,495 | 1,441 | - | - |
| Other accounts payable | 4,453 | 5,389 | 5,623 | 6,924 |
| Total noncurrent liabilities | 49,670 | 50,817 | 49,386 | 50,956 |
| Equity (Note 16) | | | | |
| Capital stock | 295,891 | 279,891 | 295,891 | 279,891 |
| Treasury shares | - | (25,999) | - | (25,999) |
| Capital reserves | 11,685 | 11,685 | 11,685 | 11,685 |
| Asset and liability valuation adjustment | 3,281 | 3,258 | 3,281 | 3,258 |
| Accumulated losses | (682,131) | (612,085) | (682,131) | (612,085) |
| Total equity attributable to controlling shareholders | (371,274) | (343,250) | (371,274) | (343,250) |
| Non-controlling interest | - | - | 50 | 11,566 |
| Total equity | (371,274) | (343,250) | (371,224) | (331,684) |
| Total liabilities and equity | 894,031 | 903,309 | 875,044 | 901,987 |

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

Cimento Tupi S.A.

Statements of operations

Quarters ended March 31, 2018 and 2017

(In thousands of Brazilian Reais, except earnings/losses per share stated in Brazilian Reais)

| | Parent company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Net operating revenue (Note 21) | 50,498 | 54,708 | 49,104 | 66,335 |
| Cost of goods sold | (53,312) | (59,044) | (52,556) | (64,236) |
| Gross profit (loss) | (2,814) | (4,336) | (3,452) | 2,099 |
| Operating expenses | | | | |
| Selling | (2,243) | (2,868) | (2,243) | (2,868) |
| General and administrative (Note 22) | (6,323) | (6,384) | (6,752) | (6,840) |
| Other operating revenues (expenses), net (Note 23) | 2,023 | 324 | 2,642 | 242 |
| | (6,543) | (8,928) | (6,353) | (9,466) |
| Operating income (loss) before equity in earnings of subsidiaries and financial income (loss) | (9,357) | (13,264) | (9,805) | (7,367) |
| Equity in earnings of subsidiaries (Note 9) | (677) | 5,682 | - | - |
| Financial income (Note 24) | | | | |
| Financial expenses | (33,961) | (30,013) | (34,004) | (30,014) |
| Financial revenues | 581 | 22,194 | 750 | 22,423 |
| | (33,380) | (7,819) | (33,254) | (7,591) |
| Income (loss) before Income and Social Contribution taxes | (43,414) | (15,401) | (43,059) | (14,958) |
| Income and social contribution taxes (Note 17) | (633) | 5,869 | (679) | 5,426 |
| Minority interest | - | - | (309) | - |
| Loss for the quarter | (44,047) | (9,532) | (44,047) | (9,532) |
| Loss attributable to: | | | | |
| Controlling shareholder | (44,047) | (9,532) | (43,738) | (9,532) |
| Non-controlling shareholder | - | - | (309) | - |
| Basic and diluted losses per share (Note 16) | | | | |
| Preferred shares | (29.1124) | (0.0488) | - | - |
| Common Shares | (29.1124) | (0.0488) | - | - |

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

Cimento Tupi S.A.

Statements of comprehensive income (loss) Quarters ended March 31, 2018 and 2017 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|-----------------|----------------|-----------------|----------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Loss for the year | (44,047) | (9,532) | (44,047) | (9,532) |
| Other comprehensive income (losses) not later reclassified to income (loss) for the year, net of taxes | | - | | - |
| Exchange rate gains (losses) on foreign investments (Note 9) | 23 | (135) | 23 | (135) |
| Total comprehensive income (loss), net of taxes | <u>(44,024)</u> | <u>(9,667)</u> | <u>(44,024)</u> | <u>(9,667)</u> |
| Attributable to | | | | |
| Controlling shareholders | (44,024) | (9,667) | (44,024) | (9,667) |
| Non-controlling shareholder | - | - | - | - |

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

Cimento Tupi S.A.

Statements of changes in equity Quarters ended March 31, 2018 and 2017 (In thousands of Brazilian Reais)

| | Capital stock | Treasury shares | Capital reserve Additional paid- in capital | Asset and liability valuation adjustment | Accumulated (losses) | Controlling interest | Non-controlling interest | Total |
|--|---------------|-----------------|---|--|-------------------------|-------------------------|-----------------------------|-----------|
| As at December 31, 2016 | 279,891 | (25,999) | 11,685 | 3,184 | (444,611) | (175,850) | 58 | (175,792) |
| Translation adjustment for the year | - | - | - | (135) | - | (135) | - | (135) |
| Loss for the quarter | - | - | - | - | (9,532) | (9,532) | - | (9,532) |
| As at March 31, 2017 | 279,891 | (25,999) | 11,685 | 3,049 | (454,143) | (185,517) | 58 | (185,459) |
| As at December 31, 2017 | 279,891 | (25,999) | 11,685 | 3,258 | (612,085) | (343,250) | 11,566 | (331,684) |
| Capital increase | 16,000 | - | - | - | - | 16,000 | - | 16,000 |
| Translation adjustment for the year | - | - | - | 23 | - | 23 | - | 23 |
| Loss for the quarter | - | - | - | - | (44,047) | (44,047) | - | (44,047) |
| Cancellation of treasury shares | - | 25,999 | - | - | (25,999) | - | - | - |
| Minority interest write-off upon the disposal of investments | - | - | - | - | - | - | (11,516) | (11,516) |
| As at March 31, 2018 | 295,891 | - | 11,685 | 3,281 | (682,131) | (371,274) | 50 | (371,224) |

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

Cimento Tupi S.A.

Statements of cash flows Quarters ended March 31, 2018 and 2017 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|----------------|-----------------|----------------|----------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Operating activities | | | | |
| Income (loss) before Income and Social Contribution taxes | (43,414) | (15,401) | (43,059) | (14,958) |
| Adjustments from | | | | |
| Depreciation/amortization | 5,092 | 5,263 | 5,413 | 5,274 |
| Write-off of fixed assets | - | 57 | 76 | 57 |
| Equity in earnings (losses) of subsidiaries | 677 | (5,682) | - | - |
| Exchange rate gains (losses) on foreign loans and intercompany loans | 4,517 | (21,540) | 4,509 | (21,589) |
| Discount to Present Value | 1,839 | - | 1,839 | - |
| Fines and interest on assets | (170) | (29) | (735) | (94) |
| Fines and interest on liabilities | 25,751 | 25,509 | 25,751 | 25,509 |
| Amortization of loan costs | 1,235 | 1,399 | 1,235 | 1,399 |
| Allowance for doubtful accounts | 131 | 260 | 131 | 260 |
| | <u>(4,342)</u> | <u>(10,164)</u> | <u>(4,840)</u> | <u>(4,142)</u> |
| (Increase) /decrease in asset accounts | | | | |
| Accounts receivable | (4,034) | (1,527) | (4,032) | (1,450) |
| Notes receivable | (4,440) | 21,035 | 21,836 | 18,639 |
| Recoverable taxes | (16,893) | (15,422) | (16,468) | (15,438) |
| Inventories | (2,058) | (1,922) | (2,093) | 2,558 |
| Advances to suppliers | 519 | 2,879 | 511 | 1,182 |
| Other assets | 3,425 | (1,502) | 604 | (1,489) |
| Court deposits | (62) | (122) | (56) | (149) |
| Increase /(decrease) in liability accounts | | | | |
| Trade accounts payable | 2,268 | (2,677) | (2,851) | (3,176) |
| Tax liabilities | 21,664 | 20,619 | 21,290 | 20,923 |
| Salaries and social charges | 41 | 230 | 87 | 232 |
| Interest paid on loans | (580) | (1,582) | (580) | (1,582) |
| Change in minority interest | - | - | (11,825) | - |
| Other liabilities | (721) | 170 | (1,083) | 1,756 |
| Cash flows from operating activities | <u>(5,213)</u> | <u>10,015</u> | <u>500</u> | <u>17,864</u> |
| Investing activities | | | | |
| Acquisition of fixed assets | (2,594) | (1,176) | (2,954) | (1,377) |
| Disposal of fixed assets | 88 | - | 88 | - |
| Acquisition of investments | (3,311) | - | - | - |
| Disposal of investment | 9,466 | - | - | - |
| Acquisition of intangible assets | - | - | (44) | (24) |
| Receipt of dividends | 2,359 | - | - | - |
| Cash flows from investing activities | <u>6,008</u> | <u>(1,176)</u> | <u>(2,910)</u> | <u>(1,401)</u> |
| Financing activities | | | | |
| Receipt from related parties | 1,057 | (10,076) | 328 | - |
| Payment from related parties | (634) | - | - | - |
| Paid loans and financing | (2,413) | (2,253) | (2,413) | (2,253) |
| Cash flows from financing activities | <u>(1,990)</u> | <u>(12,329)</u> | <u>(2,085)</u> | <u>(2,253)</u> |
| Use/generation of cash and cash equivalents | <u>(1,195)</u> | <u>(3,490)</u> | <u>(4,495)</u> | <u>14,210</u> |
| Cash and cash equivalents at beginning of quarter | <u>1,740</u> | <u>5,842</u> | <u>5,462</u> | <u>7,763</u> |
| Cash and cash equivalents at end of quarter | <u>545</u> | <u>2,352</u> | <u>967</u> | <u>21,973</u> |

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

Cimento Tupi S.A.

Statements of value added Quarters ended March 31, 2018 and 2017 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|---|----------------|---------------|---------------|---------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Revenues | | | | |
| Gross operating revenue | 68,723 | 74,612 | 68,723 | 86,677 |
| Sales returns | (141) | (224) | (141) | (224) |
| Allowance for doubtful accounts | (131) | (260) | (131) | (260) |
| Other operating revenues (expenses), net | 587 | 196 | 590 | 196 |
| | <u>69,038</u> | <u>74,324</u> | <u>69,041</u> | <u>86,389</u> |
| Inputs acquired from third parties | | | | |
| Costs of goods sold | (43,763) | (43,465) | (42,427) | (48,637) |
| Materials, energy, third-party services and others | (14,508) | (21,171) | (14,007) | (21,660) |
| Gross value added | <u>10,767</u> | <u>9,688</u> | <u>12,607</u> | <u>16,092</u> |
| Withholdings | | | | |
| Depreciation and amortization | (5,093) | (5,263) | (5,413) | (5,274) |
| Net generated value added | <u>5,674</u> | <u>4,425</u> | <u>7,194</u> | <u>10,818</u> |
| Value added received in transfer | | | | |
| Equity in earnings (losses) of controlled companies | (677) | 5,682 | - | - |
| Financial revenues | 581 | 22,194 | 750 | 22,423 |
| Deferred Income and Social Contribution taxes | (633) | 5,869 | (633) | 5,869 |
| Total value added to be distributed | <u>4,945</u> | <u>38,170</u> | <u>7,311</u> | <u>39,110</u> |
| Controlling shareholders | <u>4,945</u> | <u>38,170</u> | <u>7,311</u> | <u>39,110</u> |
| Non-controlling shareholders | <u>-</u> | <u>-</u> | <u>(309)</u> | <u>-</u> |
| Value added distribution | | | | |
| Personnel and charges | 9,889 | 10,569 | 10,179 | 10,605 |
| Taxes, fees and contributions | 4,682 | 6,519 | 6,401 | 7,422 |
| Interest and rents | 34,421 | 30,614 | 34,469 | 30,615 |
| Loss for the year | (44,047) | (9,532) | (44,047) | (9,532) |
| Value added distributed | <u>4,945</u> | <u>38,170</u> | <u>7,002</u> | <u>39,110</u> |

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

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

1. Operations

Cimento Tupi S.A. ("Cimento Tupi" or the "Company"), headquartered at Av. das Américas, 500, Rooms 205 and 206, Barra da Tijuca, Rio de Janeiro, is engaged in manufacturing cement and mortars of all types in its manufacturing plants located in Volta Redonda, (RJ), Pedra do Sino, (MG) and Mogi das Cruzes, (SP), mining mineral reserves and using substances extracted during cement manufacturing, providing concreting services and holding interest in other companies.

Deterioration of business environment and political and economic situation of the country, characterized by raising interest plus fall in economic activity, reduction in credit access and temporary low level of investment are factors that contributed to declining sales, rising financial expenses and cash flow required for debt service. In addition, debt denominated in foreign currency exposed the Company to foreign exchange volatility.

The Company did not pay interest portions due in May and November 2015, 2016 and 2017, levied on public debt issued by the Company and denominated in US dollars ("US\$185,000 9.75% Senior Unsecured Notes" or "Notes"). It also did not pay principal and interest referring to financing from Agricultural Bank of China LTD, due in August 2015, February and August 2016, and February 2017, besides making partial payment of installments related to financing from Banco de Desenvolvimento de Minas Gerais S.A. - BDMG, hired in April 2013 and audited in 2015 and 2016.

The amounts raised by the Company were almost fully applied on extension of its production plant in Pedra do Sino.

In 2016 the Company renegotiated part of its debts in domestic currency with Banks Alfa, Banco CCB Brasil, ABC Brasil and Credit Suisse, with flexible payment flow and extension of maturities to November 2020 (see Notes 12). The Company remains trying to renegotiate debts with Banco de Desenvolvimento de Minas Gerais (BDMG) and Banco Fibra, for which the Company is seeking a solution to perform a loan repayment due on January 09, 2017.

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

The Management and Shareholders of Cimento Tupi expect that, based on the highest volumes to be produced and the adjustment in cement prices in medium and long term, the Company will achieve a higher level of profitability and operating cash generation and, along with the rescheduling and review of the debt service payment flow that enable Cimento Tupi to keep updated regarding its financial obligations.

The Company also has some non-operating assets, such as mines in Adrianópolis, Formosa, and Mossoró, whose disposal in the reorganization process is being evaluated by Management.

On August 24, 2017, the Company disclosed Relevant Fact to the market informing the cancellation of its registration of public company in type "B" with CVM was approved through Official Letter No. 292/2017/CVM/SEP/GEA-1.

As at March 31, 2018, net working capital ("CCL") is negative by approximately R\$ (1,103,430) (2017 - CCL negative by R\$ 1,073,120).

The continuity of the Company's operations depends on success of Management and its advisors in reorganizing the Company's debt and capital structure, as well as on confirmation of Cimento Tupi's Management and Shareholders' expectations regarding income and cash flow to be generated in Pedra do Sino plant. These conditions indicate that there are significant uncertainties that may cast doubt on the Company's capacity to remain a going concern.

2. Presentation of interim financial information and main accounting practices

The interim financial information has been prepared assuming that the Company will continue a going concern, and has been approved by the Executive Board and analyzed by the Company's Board of Directors on May 11, 2018.

The individual and consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") implemented in Brazil by means of the Committee of Accounting Pronouncements ("CPC"), and its accounting interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

The Company's policies are defined in accordance with these standards and have been consistently applied to all the years presented, unless otherwise stated. For understanding such accounting practices, this financial information should be read together with the financial statements issued as at December 31, 2017.

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

The financial information was prepared based on the historical cost, except for certain financial instruments measured at fair value through income (loss).

Items included in the financial information of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The individual and consolidated information is presented in Brazilian Reais (R\$), which is the Company's functional and reporting currency.

The financial information has been prepared in accordance with various valuation bases used for accounting estimates. The accounting estimates involved in the preparation of financial information were based on objective and subjective factors and management's judgment to determine the proper fair value to be recorded in the financial information. Relevant items subject to estimates include: Allowance for doubtful accounts, provision for obsolescence of inventories, determination of useful life of fixed asset items, deferred income and social contribution taxes, provision for contingencies, and measurement of fair value of financial instruments. Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the financial information, due to the inherent inaccuracy of the estimates. The Company reviews these estimates and assumptions at least once a year.

3. Companies of the group

The financial information includes the statements of Cimento Tupi S.A. and of the subsidiaries listed next, on which the Company has interest in capital stock over 20%.

| | Ownership interest % | | | |
|--|----------------------|------------|----------------|------------|
| | Capital stock | | Voting capital | |
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Cimento Touro Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Cimento Tupi do Nordeste Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Cimento Tupi Overseas Inc. | 100.00 | 100.00 | 100.00 | 100.00 |
| CP Cimento OverseasCo. | 100.00 | 100.00 | 100.00 | 100.00 |
| Tupi Rio Transportes S.A. | 100.00 | 100.00 | 100.00 | 100.00 |
| Tupimec - Indústria Mecânica Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Maape Incorporação e Empreendimentos Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Tupi Mineradora de Calcário Ltda. | 99.88 | 99.85 | 99.88 | 99.85 |
| Britas Arujá Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Suape Granéis do Nordeste Ltda. | - | 50.00 | - | 50.00 |

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

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The consolidation process of balance sheet and income (loss) accounts corresponds to the sum of balances in assets, liabilities, income and expenses, according to their nature, plus the following eliminations:

- Ownership interest, reserves and retained earnings.
- Balances of intercompany accounts and other asset and/or liability accounts maintained between the companies whose balance sheets were included in consolidation.
- Balances of intercompany revenues and expenses.
- Effects from material intercompany transactions.

The years of the consolidated subsidiaries coincide with that of the Company. Accounting practices were uniformly applied by all consolidated companies.

4. Cash and cash equivalents and financial investments

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Cash and banks | 155 | 1,611 | 85 | 2,632 |
| CDB - Bank Certificate of Deposit | 377 | 116 | 869 | 2,741 |
| Public debt security funds | 13 | 13 | 13 | 89 |
| Cash and cash equivalents | 545 | 1,740 | 967 | 5,462 |

CDB's refer to investments whose yields approximate CDI (Interbank Deposit Certificates) variation.

Public debt securities refer to investments in Banco Santander, represented by Public Securities' Funds -DI.

The highest remuneration of financial investments listed above is 101% of CDI.

5. Accounts receivable

| | Parent company | | Consolidated | |
|---------------------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Notes receivable | 26,096 | 22,201 | 26,096 | 22,202 |
| Allowance for doubtful accounts | (7,858) | (7,864) | (7,858) | (7,864) |
| | 18,238 | 14,337 | 18,238 | 14,338 |

Cimento Tupi S.A. e Empresas Controladas

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(In thousands of Brazilian, unless otherwise stated)

The changes in allowance for doubtful accounts in the years ended December 31, 2016 and 2015 were as follows:

| | |
|---|----------------|
| Balance as at December 31, 2017 | <u>(7,864)</u> |
| (+) Complement of the allowance for doubtful accounts | (131) |
| (-) Credit receipt | <u>137</u> |
| Balance as at March 31, 2018 | <u>(7,858)</u> |
| | |
| Balance as at December 31, 2016 | <u>(6,858)</u> |
| (+) Complement of the allowance for doubtful accounts | (262) |
| Balance as at March 31, 2017 | <u>(7,120)</u> |

The Company recognizes this allowance based on the history of its losses and at an amount deemed sufficient to cover probable losses.

Consolidated accounts receivable balance per maturity is as follows:

| | Parent company | | Consolidated | |
|---------------------------------|----------------|---------------|---------------|---------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Falling due | 14,971 | 11,206 | 14,971 | 11,207 |
| Overdue up to 90 days | 2,434 | 2,401 | 2,434 | 2,401 |
| Overdue between 91 and 180 days | 833 | 730 | 833 | 730 |
| Overdue for more than 180 days | 7,858 | 7,864 | 7,858 | 7,864 |
| | <u>26,096</u> | <u>22,201</u> | <u>26,096</u> | <u>22,202</u> |

6. Inventories

| | Parent company | | Consolidated | |
|---|----------------|---------------|---------------|---------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Current | | | | |
| Finished goods | 4,253 | 4,148 | 4,709 | 4,604 |
| Work in process | 1,405 | 795 | 1,405 | 795 |
| Raw material - slag | 7,809 | 1,998 | 7,809 | 1,998 |
| Raw material - coke | 1,714 | 2,450 | 1,714 | 2,450 |
| Other raw materials | 3,614 | 7,541 | 3,614 | 7,541 |
| Materials for maintenance and consumption | 17,022 | 16,973 | 17,022 | 16,973 |
| Inventory in transit | 893 | 747 | 894 | 747 |
| Land for sale (i) | - | - | 17,095 | 17,060 |
| | <u>36,710</u> | <u>34,652</u> | <u>54,262</u> | <u>52,168</u> |

(i) Refers to inventories of plots of land for sale belonging to subsidiaries Mape Incorporação e Empreendimentos Ltda. and Touro Empreendimentos Imobiliários e Participações Ltda., which are expected to be negotiated in the next 12 months.

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Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

7. Recoverable taxes

| | Parent company | | Consolidated | |
|------------------------------------|----------------|--------------|--------------|--------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Current assets | | | | |
| State VAT (ICMS) | 4,990 | 5,004 | 4,990 | 5,004 |
| Income tax/Social Contribution tax | 29 | 69 | 38 | 77 |
| Taxes on sales (PIS/COFINS) | 30 | 326 | 738 | 1,032 |
| Federal VAT (IPI) | 2,455 | 2,074 | 2,538 | 2,158 |
| Others | - | - | - | - |
| | <u>7,504</u> | <u>7,473</u> | <u>8,304</u> | <u>8,271</u> |
| Noncurrent assets | | | | |
| State VAT (ICMS) | 4,493 | 5,437 | 4,493 | 5,437 |
| | <u>4,493</u> | <u>5,437</u> | <u>4,493</u> | <u>5,437</u> |

8. Notes receivable

| | Parent company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Seival Sul Mineração S.A. (i) | 3,142 | 3,121 | 3,142 | 3,121 |
| Ano Bom Incorp. e empreendimentos S.A. (ii) | - | - | 2,415 | 2,266 |
| Suape Complexo Ind. Port. Gov. Eraldo Gueiros (iii) | - | - | - | 25,863 |
| Agemar Empreendimentos e Participações Ltda. (iv) | 4,440 | - | 4,440 | - |
| Discount to present value (iv) | (1,840) | - | (1,840) | - |
| Others | - | - | 887 | 887 |
| Current assets | - | - | 3,302 | 20,395 |
| Noncurrent assets | 5,742 | 3,121 | 5,742 | 11,742 |

- (i) It refers to balance receivable from the sale of shares of Companhia Nacional de Mineração Candiota, in four installments, maturing from July 2019 to July 2022 and adjusted at Consumer Price Index (INPC)-positive variation.
- (ii) It refers to balance receivable from the sale of a property in Barra Mansa, state of Rio de Janeiro.
- (iii) It refers to emerging damages to be received in 18 installments per legal transaction entered into on July 20, 2017 as from January/2018 adjusted at the Amplified Consumer Price Index (IPCA).
- (iv) It refers to sale of the subsidiary Suape Granéis do Nordeste Ltda. at the total price of R\$ 9,645. The amount of R\$ 4,440 matures at 12/31/2023.

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

9. Investments in subsidiaries

a) Statements on main subsidiaries

| | 03/31/2018 | | | | | 12/31/2017 | | | | |
|----------------------------|--|---|--|---|----------------------------|--|--|--|---|----------------------------|
| | Mape Incorporação e Empreendimentos Ltda. | Tupimec Indústria Mecânica Ltda. | Tupi Mineradora de Calcário Ltda. | Cimento Tupi do Nordeste Ltda. | CP Cimento Overseas CO. | Mape Incorporação e Empreendimentos Ltda. | Tupimec Indústria Mecânica Ltda. | Tupi Mineradora de Calcário Ltda. | Cimento Tupi do Nordeste Ltda. | CP Cimento Overseas CO. |
| Ownership interest - % | 99.99 | 99.99 | 99.88 | 99.99 | 100 | 99.99 | 99.99 | 99.88 | 99.99 | 100 |
| Equity | 37,145 | (1,495) | 38,798 | 2,232 | - | 37,693 | (1,472) | 35,550 | 2,331 | 4,951 |
| Income (loss) for the year | (547) | (52) | (63) | (100) | - | 3,944 | (1,782) | (1,345) | (381) | - |

b) Changes in investments

| | 03/31/2018 | | | | | | | 2017 | |
|---|--|---|---|--------------------------------------|-------------------------------|------------------------------------|--------|---------|---------|
| | Mape Incorporação e Empreendimentos Ltda. | Tupimec Indústria Mecânica Ltda. | Tupi Mineradora de Calcário Ltda. | Cimento Tupi do Nordeste Ltda. | CP Cimento Overseas CO. | Suape Granéis do Nordeste Ltda. | Others | Total | Total |
| Balance at beginning of year | 37,690 | - | 39,157 | 2,331 | 4,952 | 11,517 | 4,067 | 99,714 | 94,294 |
| Capital contributions | - | - | 3,311 | - | - | - | - | 3,311 | 3,920 |
| Transfer of inv. at cost | - | - | - | - | - | - | - | - | 100 |
| Disposal of investments | - | - | - | - | - | (9,466) | - | (9,466) | (4,643) |
| Equity in earnings (losses) of subsidiaries | (547) | - | (63) | (99) | - | 309 | (277) | (677) | 11,028 |
| Exchange rate gains (losses) on investments | - | - | - | - | 23 | - | - | 23 | 74 |
| Receipt of dividends | - | - | - | - | - | (2,360) | - | (2,360) | (6,500) |
| Reclassification to liabilities | - | - | - | - | - | - | 53 | 53 | 1,441 |
| Balance at end of year | 37,143 | - | 42,405 | 2,232 | 4,975 | - | 3,843 | 90,598 | 99,714 |

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

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| | 03/31/2017 | | | | | | 12/31/2016 | | |
|---|--|---|---|--------------------------------------|-------------------------------|------------------------------------|------------|--------|--------|
| | Mape Incorporação e Empreendimentos Ltda. | Tupimec Indústria Mecânica Ltda. | Tupi Mineradora de Calcário Ltda. | Cimento Tupi do Nordeste Ltda. | CP Cimento Overseas CO. | Suape Granéis do Nordeste Ltda. | Others | Total | Total |
| Balance at beginning of year | 38,823 | 879 | 38,304 | 2,654 | 4,878 | - | 8,756 | 94,294 | 92,743 |
| Capital contributions | - | - | - | - | - | - | - | - | 2,379 |
| Equity in earnings (losses) of subsidiaries | 6,201 | (187) | - | (83) | - | - | (249) | 5,682 | 139 |
| Exchange rate gains (losses) on investments | - | - | - | - | (135) | - | - | (135) | (967) |
| Balance at end of year | 45,024 | 692 | 38,304 | 2,571 | 4,743 | - | 8,507 | 99,841 | 94,294 |

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Mape Incorporação e Empreendimentos Ltda.

Mape is mainly engaged in developing, administrating, purchasing and selling properties.

Tupimec Indústria Mecânica Ltda.

Tupimec is mainly engaged in manufacturing, trading and exporting mechanical parts and equipment, providing assembling services and related processing services.

Tupi Mineradora de Calcário Ltda.

Tupi Mineradora is an entity in pre-operating stage, mainly engaged in exploring and using mineral reserves in the region of Adrianópolis, state of Paraná.

Cimento Tupi do Nordeste Ltda.

Cimento Tupi do Nordeste is mainly engaged in manufacturing cement, selling, transporting and exporting products and exploring reserves in the region of Mossoró, state of Rio Grande do Norte.

Britas Arujá Ltda.

Britas Arujá is an entity in pre-operating stage established in the first quarter of 2015 and engaged in exploring, using, researching and mining mineral reserves, including granite grit in the country, and in trading the products deriving from such activities.

Touro Empreendimentos Imobiliários e Participações Ltda.

Touro Empreendimentos Imobiliários e Participações is mainly engaged in developing, administrating, purchasing and selling properties.

Cimento Tupi S.A. e Empresas Controladas

Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

10. Fixed assets

| Accounts | Parent company | | | | |
|--|----------------|------------------------------------|----------------|----------------|---------------------------|
| | Cost | 03/31/2018 | | 12/31/2017 | Annual depreciation rates |
| | | Accumulated depreciation/depletion | Net | Net | |
| Plots of land | 28,811 | - | 28,811 | 28,811 | |
| Buildings | 109,578 | (22,323) | 87,255 | 87,807 | 2% |
| Industrial machinery, equipment and facilities | 634,673 | (235,666) | 399,007 | 402,883 | 3.33% |
| Furniture and fixtures | 3,074 | (2,805) | 269 | 282 | 10% |
| Vehicles | 6,184 | (5,025) | 1,159 | 1,486 | 20% |
| Railway wagons | 11,848 | (1,832) | 10,016 | 9,820 | 3.33% |
| Leasehold improvements | 903 | (316) | 587 | 632 | (*) |
| Machinery and equipment to be installed | 2,714 | (294) | 2,420 | 2,443 | 3.33% |
| Others | 5,379 | (5,099) | 280 | 298 | 4% to 20% |
| Construction in progress | 16,557 | - | 16,557 | 14,284 | |
| Advances to suppliers | 2,024 | - | 2,024 | 2,193 | |
| Limestone mines | 23,033 | (1,839) | 21,194 | 21,309 | (**) |
| | <u>844,778</u> | <u>(275,199)</u> | <u>569,579</u> | <u>572,248</u> | |

| Accounts | Consolidated | | | | |
|--|----------------|--------------------------------------|----------------|----------------|---------------------------|
| | Cost | 03/31/2018 | | 12/31/2017 | Annual depreciation rates |
| | | Accumulated depreciation/dep lection | Net | Net | |
| Plots of land | 51,067 | - | 51,067 | 51,067 | |
| Buildings | 110,266 | (22,981) | 87,285 | 87,853 | 2% |
| Industrial machinery, equipment and facilities | 636,212 | (236,807) | 399,405 | 403,288 | 3.33% |
| Furniture and fixtures | 3,173 | (2,898) | 275 | 288 | 10% |
| Vehicles | 9,569 | (6,146) | 3,423 | 3,704 | 20% |
| Railway wagons | 11,848 | (1,832) | 10,016 | 9,820 | 3.33% |
| Leasehold improvements | 903 | (316) | 587 | 632 | (*) |
| Machinery and equipment to be installed | 2,714 | (294) | 2,420 | 2,443 | 3.33% |
| Others | 5,632 | (5,170) | 462 | 479 | 4% to 20% |
| Construction in progress | 16,557 | - | 16,557 | 14,344 | |
| Advances to suppliers | 2,744 | - | 2,744 | 2,913 | |
| Limestone mines | 23,033 | (1,839) | 21,194 | 21,309 | (**) |
| | <u>873,718</u> | <u>(278,283)</u> | <u>595,435</u> | <u>598,140</u> | |

(*) Depreciation of agreement with lease contract terms.

(**) The limestone mines are amortized according to the period of depletion in proportion to the extracted ore.

As at March 31, 2018, the amount of R\$ 4,920 (R\$ 5,126 as at March 31, 2017), referring to depreciation, was accounted for as cost of goods sold.

As described in Note 11, Management reviewed the net book value of its assets to evaluate impairment, and the recognition of a provision for impairment was not considered necessary.

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During the assessment of recoverability of its assets, the Company used the value in use per cash-generating unit (CGU) based on projections approved by Management and assumptions consistent with the analysis performed in 2017 and 2016, which consider:

- Review of scenarios for each CGU according to business plans;

- Country macroeconomic scenario;

- Cash flow period compatible with proven mineral reserves, without perpetuity, also including assets with long maturation periods;

- Constant discount rate of 13.92% based on the Weighted Average Cost of Capital ("WACC").

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The changes in fixed assets in the quarters ended March 31, 2018 and 2017 were as follows:

| Fixed asset costs | Parent company | | | | | | | | | | | | Total |
|--------------------------|----------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|--------|--------------------------|-------------------|-----------------|---------|
| | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | |
| Balance as at 12/31/2017 | 28,811 | 109,578 | 634,651 | 3,074 | 6,886 | 11,559 | 903 | 2,714 | 5,368 | 14,284 | 2,193 | 23,033 | 843,054 |
| Additions | - | - | 22 | - | - | 289 | - | - | 11 | 2,273 | - | - | 2,595 |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | (702) | - | - | - | - | - | (169) | - | (871) |
| Balance as at 03/31/2018 | 28,811 | 109,578 | 634,673 | 3,074 | 6,184 | 11,848 | 903 | 2,714 | 5,379 | 16,557 | 2,024 | 23,033 | 844,778 |

| Depreciation of fixed assets | Parent company | | | | | | | | | | | | Total |
|------------------------------|----------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|---------|--------------------------|-------------------|-----------------|-----------|
| | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | |
| Balance as at 12/31/2017 | - | (21,771) | (231,768) | (2,792) | (5,400) | (1,739) | (271) | (271) | (5,070) | - | - | (1,724) | (270,806) |
| Additions | - | (552) | (3,898) | (13) | (240) | (93) | (45) | (23) | (29) | - | - | (115) | (5,008) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | 615 | - | - | - | - | - | - | - | 615 |
| Balance as at 03/31/2018 | - | (22,323) | (235,666) | (2,805) | (5,025) | (1,832) | (316) | (294) | (5,099) | - | - | (1,839) | (275,199) |

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(In thousands of Brazilian, unless otherwise stated)

| Fixed asset cost | Parent company | | | | | | | | | | | | Total |
|--------------------------|----------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|--------|--------------------------|-------------------|-----------------|---------|
| | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | |
| Balance as at 12/31/2016 | 29,367 | 109,534 | 628,583 | 3,001 | 10,901 | 10,156 | 2,209 | 2,714 | 5,244 | 16,248 | 2,113 | 21,858 | 841,928 |
| Additions | - | - | 13 | 3 | - | 409 | - | - | 21 | 730 | - | - | 1,176 |
| Transfers | - | - | 34 | - | - | - | - | - | - | (34) | - | - | - |
| Write-offs | - | - | - | - | - | - | - | - | - | (57) | - | - | (57) |
| Balance as at 03/31/2017 | 29,367 | 109,534 | 628,630 | 3,004 | 10,901 | 10,565 | 2,209 | 2,714 | 5,265 | 16,887 | 2,113 | 21,858 | 843,047 |

| Depreciation of fixed assets | Parent company | | | | | | | | | | | | Total |
|------------------------------|----------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|---------|--------------------------|-------------------|-----------------|-----------|
| | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | |
| Balance as at 12/31/2016 | - | (19,566) | (216,172) | (2,746) | (6,198) | (1,397) | (2,111) | (181) | (4,968) | - | - | (1,266) | (254,605) |
| Additions | - | (551) | (3,930) | (12) | (420) | (81) | (9) | (23) | (25) | - | - | (115) | (5,166) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 03/31/2017 | - | (20,117) | (220,102) | (2,758) | (6,618) | (1,478) | (2,120) | (204) | (4,993) | - | - | (1,381) | (259,771) |

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| Consolidated | | | | | | | | | | | | | |
|--------------------------|---------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|--------|--------------------------|-------------------|-----------------|---------|
| Fixed asset cost | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | Total |
| Balance as at 12/31/2017 | 51,067 | 110,281 | 636,190 | 3,174 | 9,911 | 11,559 | 903 | 2,714 | 5,621 | 14,344 | 2,913 | 23,033 | 871,710 |
| Additions | - | - | 22 | - | 360 | 289 | - | - | 11 | 2,273 | - | - | 2,955 |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | (15) | - | (1) | (702) | - | - | - | - | (60) | (169) | - | (947) |
| Balance as at 03/31/2018 | 51,067 | 110,266 | 636,212 | 3,173 | 9,569 | 11,848 | 903 | 2,714 | 5,632 | 16,557 | 2,744 | 23,033 | 873,718 |

| Consolidated | | | | | | | | | | | | | |
|------------------------------|---------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|---------|--------------------------|-------------------|-----------------|-----------|
| Depreciation of fixed assets | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | Total |
| Balance as at 12/31/2017 | - | (22,428) | (232,902) | (2,886) | (6,207) | (1,739) | (271) | (271) | (5,142) | - | - | (1,724) | (273,570) |
| Additions | - | (553) | (3,905) | (13) | (554) | (93) | (45) | (23) | (28) | - | - | (115) | (5,329) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | 1 | 615 | - | - | - | - | - | - | - | 616 |
| Balance as at 03/31/2018 | - | (22,981) | (236,807) | (2,898) | (6,146) | (1,832) | (316) | (294) | (5,170) | - | - | (1,839) | (278,283) |

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| Consolidated | | | | | | | | | | | | | |
|--------------------------|---------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|--------|--------------------------|-------------------|-----------------|---------|
| Fixed asset cost | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | Total |
| Balance as at 12/31/2016 | 45,903 | 110,238 | 630,123 | 3,101 | 10,933 | 10,156 | 2,209 | 2,714 | 5,494 | 21,160 | 5,704 | 21,858 | 869,593 |
| Additions | - | - | 13 | 3 | - | 409 | - | - | 24 | 928 | - | - | 1,377 |
| Transfers | 1,387 | - | 34 | - | - | - | - | - | - | (1,421) | - | - | - |
| Write-offs | - | - | - | - | (2) | - | - | - | - | (57) | - | - | (59) |
| Balance as at 03/31/2017 | 47,290 | 110,238 | 630,170 | 3,104 | 10,931 | 10,565 | 2,209 | 2,714 | 5,518 | 20,610 | 5,704 | 21,858 | 870,911 |

| Consolidated | | | | | | | | | | | | | |
|------------------------------|---------------|-----------|---------------------------------------|------------------------|----------|----------------|------------------------|--------------------------------------|---------|--------------------------|-------------------|-----------------|-----------|
| Depreciation of fixed assets | Plots of land | Buildings | Ind. machinery, equip. and facilities | Furniture and fixtures | Vehicles | Railway wagons | Leasehold improvements | Machinery and equip. to be installed | Others | Construction in progress | Adv. to suppliers | Limestone mines | Total |
| Balance as at 12/31/2016 | - | (20,206) | (217,291) | (2,839) | (6,229) | (1,397) | (2,111) | (181) | (5,038) | - | - | (1,266) | (256,558) |
| Additions | - | (556) | (3,934) | (12) | (421) | (81) | (9) | (23) | (26) | - | - | (115) | (5,177) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | 2 | - | - | - | - | - | - | - | 2 |
| Balance as at 03/31/2017 | - | (20,762) | (221,225) | (2,851) | (6,648) | (1,478) | (2,120) | (204) | (5,064) | - | - | (1,381) | (261,733) |

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Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

11. Intangible assets - Parent Company and Consolidated

| | Parent company | | | | Consolidated | | | |
|---------------------------------|----------------|---------------|--------|---------|--------------|---------------|--------|---------|
| | Goodwill | Mining rights | Others | Total | Goodwill | Mining rights | Others | Total |
| Balance as at December 31, 2017 | 93,564 | 35,143 | 845 | 129,552 | 93,564 | 55,404 | 991 | 149,959 |
| Additions | - | - | - | - | - | 44 | - | 44 |
| Amortization | - | - | (84) | (84) | - | - | (85) | (85) |
| Balance as at March 31, 2018 | 93,564 | 35,143 | 761 | 129,468 | 93,564 | 55,448 | 906 | 149,918 |

| | Parent company | | | | Consolidated | | | |
|---------------------------------|----------------|---------------|--------|---------|--------------|---------------|--------|---------|
| | Goodwill | Mining rights | Others | Total | Goodwill | Mining rights | Others | Total |
| Balance as at December 31, 2016 | 93,564 | 36,318 | 1,227 | 131,109 | 93,564 | 59,387 | 1,584 | 154,535 |
| Additions | - | - | - | - | - | 24 | - | 24 |
| Amortization | - | - | (97) | (97) | - | - | (98) | (98) |
| Balance as at March 31, 2017 | 93,564 | 36,318 | 1,130 | 131,012 | 93,564 | 59,411 | 1,486 | 154,461 |

Impairment test for cash generating units containing goodwill

The goodwill is directly related to the Pedra do Sino-MG plant. The recoverable value of the assets was calculated based on the Company's cash generating unit: Pedra do Sino Plant. and the methodology used was the discounted cash flow in the useful life of the assets of the cash generating unit. For more details see explanatory Note 10.

As a consequence of the impairment test of the Company's assets made on December 31, 2016, the recoverable amount is higher than the book value of the assets. Accordingly, no provision was made for impairment as at March 31, 2018.

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Notes to the financial information

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(In thousands of Brazilian, unless otherwise stated)

12. Loans and financing - Parent Company and Consolidated

| | 03/31/2018 | | 12/31/2017 | |
|---|------------------|------------|------------------|------------|
| | Current | Noncurrent | Current | Noncurrent |
| Parent company | | | | |
| Local currency | | | | |
| Development banks | | | | |
| BDMG and others - interest of 7.5% to 18% p.a. (Dec 2017 - 7.5% to 18%) and inflation adjustment based on official index basket, with maturities up to 2022 | 142,576 | - | 139,110 | - |
| Unallocated transaction cost | (516) | - | (578) | - |
| | <u>142,060</u> | <u>-</u> | <u>138,532</u> | <u>-</u> |
| Working capital | | | | |
| Megeve Capital LLC (CCB granted by the Bank Credit Suisse) Fibra, Alfa, ABC Brasil and Banco CCB Brasil - average charges of 18.4% p.a. (Dec 2017 - 18.4%), with maturities up to November 2020 | 101,064 | - | 99,542 | - |
| Unallocated transaction cost | (28) | - | (112) | - |
| | <u>101,036</u> | <u>-</u> | <u>99,430</u> | <u>-</u> |
| | <u>243,096</u> | <u>-</u> | <u>237,962</u> | <u>-</u> |
| Foreign currency | | | | |
| Notes - US\$185,000 | | | | |
| Senior Unsecured Notes - interest 9.75% p.a. with half annual payments. Principal matures in May 2018 | 827,386 | - | 807,735 | - |
| Agricultural Bank of China - US\$ 25,500 | | | | |
| Facility Agreement - Libor interest - 12M + 2.80% p.a. with half-annual payments. Principal overdue in February 2017 | 57,023 | - | 56,095 | - |
| Unallocated transaction cost | (363) | - | (1,451) | - |
| | <u>884,046</u> | <u>-</u> | <u>862,379</u> | <u>-</u> |
| Parent company | <u>1,127,142</u> | <u>-</u> | <u>1,100,341</u> | <u>-</u> |
| Consolidated | <u>1,127,142</u> | <u>-</u> | <u>1,100,341</u> | <u>-</u> |

In 2016, the Company renegotiated part of its debts in domestic currency with Banks Alfa, Banco CCB Brasil, ABC Brasil and Credit Suisse, with flexible payment flow and extension of maturities to December 2018 and November 2020. The Company remains trying to renegotiate debts with Banco de Desenvolvimento de Minas Gerais (BDMG) and Banco Fibra, for which the Company is seeking a solution to perform a loan repayment due on January 09, 2017.

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Notes to the financial information

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a) Local currency

Some financing transactions are guaranteed by real security, and part of them is guaranteed by financed assets themselves.

On April 12, 2013, the Company entered into a financing contract with Banco de Desenvolvimento de Minas Gerais S.A. - BDMG through transfer of funds from BNDES in the amount of R\$ 106,310. The loan started to be amortized on November 15, 2014 in 66 monthly and successive installments, restated at TJLP (long-term interest rate) variation plus interest of 4.30% per annum.

On December 16, 2016, a 3rd addendum was executed, establishing intermediate grace period for the principal up to May 15, 2018, with monthly payment of interest beginning on December 15, 2016. The principal amount, adjusted plus finance charges agreed and not paid, will be paid in 55 monthly and successive installments, the first maturing on June 15, 2018 and the last one maturing on December 15, 2022.

Considering that the Company did not amortize part of the installments established in the agreement, the Company is negotiating with the Bank a renegotiation of its debt.

As at March 31, 2018, balances of fund raising costs totaled R\$ 544 (R\$ 690 as at December 31, 2017). This amount was accounted for as a reduction to loans in the period and will be amortized until 2021.

On April 30, 2013, the Company contracted credit operation for fund raising in the form of CCBs (Bank Credit Notes), with Banco de Investimentos Credit Suisse (BRASIL) S.A., amounting to R\$ 40,000, bearing interest calculated at the rate of 100% of CDI + 4.00% per annum, paid monthly; with maturity of principal until April 27, 2018. On April 30, 2013, the company entered into a contract for swap transactions for the purpose of modifying remuneration; this transaction is now remunerated at foreign exchange rate (PTAX) + 10.95% p.a.

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As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

On May 25, 2016, the Company entered into a Term of Distract of the Contract for the Execution of "CASH FLOW SWAP" with Banco de Investimentos Credit Suisse (BRASIL) S.A. and with Credit Suisse Investment Fund Multimercado Investimento Abroad, terminating the existing swap and having, in return, issued a CCB, in the amount of R\$ 34,440, whose terms and conditions are in line with the other Bank Credit Notes. At same date, it has entered into a new addendum to the CCB, with the extension of the maturity of its debt for November 2020.

On July 03, 2017, a new amendment to the CCB was signed with China Construction Bank (Brasil) Banco Múltiplo S/A, changing the payment condition and postponing maturity to June 2019.

On July 03, 2017, a new amendment to the CCB was signed with Banco Alfa de Investimentos S.A., changing the payment condition and postponing maturity to May 2019.

On July 11, 2017, the Company signed an addendum to the CCB with Banco ABC Brasil S.A., changing the payment condition and postponing maturity to July 2019.

b) Foreign currency

On May 06, 2011, the Company issued debt securities (9.75% Senior Unsecured Notes) for placement in the international market, in the amount of US\$ 100,000, equivalent to R\$ 161,780 on that date, with no guarantee and maturing on May 11, 2018, nominal interest of 9.75% (effective interest rate of 10.68% p.a.), and payable on a half-annual basis on November 11 and May 11 each year, beginning as of 2011.

On February 07, 2012, the Company made a supplementary issuance of debt securities intended for placement in the international market, with the same characteristics of initial issuance, in the amount of US\$ 50,000, equivalent to R\$ 86,305 on that date.

The Company used these funds to expand Pedra do Sino Plant, prepay existing debts, and for corporate purposes.

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(In thousands of Brazilian, unless otherwise stated)

On January 08, 2013, the Company obtained financing from the Agricultural Bank of China LTD, in the amount of US\$ 25,500, equivalent to R\$ 51,765 on that date, with amortization of principal in half-annual installments, beginning as from August 20, 2014 and ending on February 20, 2017.

On October 02, 2014, the Company made a supplementary issuance of debt securities intended for placement in the international market, with the same characteristics of initial issuance, in the amount of US\$ 35,000, equivalent to R\$ 77,574 on that date.

Balances of fund raising costs as at March 31, 2018 totaled R\$ 363 (R\$ 1,451 as at December 31, 2017), including commission paid to financial agent (coordinating bank) responsible for fund raising, lawyers, external auditors, advisors, in addition to expenditures for preparation of prospects and reports. This amount was accounted for as a reduction to loans in the period, as expenditures for issuance of debt securities, net of tax effects.

c) Covenants

Pursuant to terms of issuance of Senior Unsecured Notes and other loans, the Company is subject to certain conditions and/or restrictions of financial and non-financial nature, among which: (i) raising of indebtedness provided that certain financial indices are met; (ii) payment of dividends in excess of mandatory dividends provided that certain conditions are met, and (iii) disposal of operating assets except for reinvestments in the Company.

Following accounting practice, due to non-compliance with covenants caused by lack of payment of interest on notes due from May 2015 to November 2017 (see Note 1 for further information), and existence of cross-default clauses in other loans. Beginning as at June 30, 2015, the Company restated its debts from noncurrent liabilities to current liabilities, in the amount of R\$ 684,861.

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Notes to the financial information

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(In thousands of Brazilian, unless otherwise stated)

13. Related-party transactions

Noncurrent assets and current liabilities and transactions

| | Parent company | | | | | | 12/31/2017 Total |
|--|------------------------------|--------------------------------------|-----------------------------------|--|--------|---------|---------------------|
| | 03/31/2018 | | Cimento Tupi do Nordeste Ltda. | Cimento Santo Estevão e Participações S.A. | Others | Total | |
| Current assets | Tupi Rio Transportes S.A. | Tupi Mineradora de Calcário Ltda. | | | | | |
| Advance for future increase in capital | - | 475 | | - | 56 | 634 | - |
| | | | 103 | | | | |
| Current liabilities | | | | | | | |
| Intercompany accounts/ Advance for future increase in capital | - | 16,695 | - | 318 | 1,661 | 18,674 | 33,608 |
| Transactions | | | | | | | |
| Cost of goods sold and services rendered | (7,495) | - | - | - | - | (7,495) | (16,855) |

| | Consolidated | | |
|--|--------------|-------|---------------------|
| | 03/31/2018 | Total | 12/31/2017 Total |
| Current assets | | | |
| Advance for future increase in capital | - | - | 533 |
| Current liabilities | | | |
| Advance for future increase in capital | 318 | 318 | 15,990 |

Related-party transactions basically refer to intercompany accounts and provision of services and input for production and operation of the entities' businesses.

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14. Taxes and contributions in installments

These mainly refer to the installment payment of ICMS of the states of São Paulo, Minas Gerais and Rio de Janeiro.

| | Parent company | | | | | |
|----------------------------------|----------------|-------------------|---------------|---------------|-------------------|---------------|
| | 03/31/2018 | | | 12/31/2017 | | |
| | Principal | Interest/ Fine | Total | Principal | Interest/ Fine | Total |
| Current liabilities | 17,557 | 6,406 | 23,963 | 15,338 | 3,731 | 19,069 |
| ICMS | 15,487 | 6,406 | 21,893 | 13,097 | 3,731 | 16,828 |
| Tax Regularization Program (PRT) | 1,887 | - | 1,887 | 2,058 | - | 2,058 |
| Others | 183 | - | 183 | 183 | - | 183 |
| Noncurrent liabilities | 30,016 | 12,291 | 42,307 | 31,471 | 11,101 | 42,572 |
| ICMS | 29,696 | 12,291 | 41,987 | 30,797 | 11,101 | 41,898 |
| PRT | - | - | - | 343 | - | 343 |
| Others | 320 | - | 320 | 331 | - | 331 |
| Total | 47,573 | 18,697 | 66,270 | 46,809 | 14,832 | 61,641 |
| | Consolidated | | | | | |
| | 03/31/2018 | | | 12/31/2017 | | |
| | Principal | Interest/ Fine | Total | Principal | Interest/ Fine | Total |
| Current liabilities | 17,576 | 6,406 | 23,982 | 15,357 | 3,731 | 19,088 |
| ICMS | 15,487 | 6,406 | 21,893 | 13,097 | 3,731 | 16,828 |
| PRT | 1,887 | - | 1,887 | 2,058 | - | 2,058 |
| Others | 202 | - | 202 | 202 | - | 202 |
| Noncurrent liabilities | 30,057 | 12,291 | 42,348 | 31,515 | 11,102 | 42,617 |
| ICMS | 29,696 | 12,291 | 41,987 | 30,797 | 11,102 | 41,899 |
| PRT | - | - | - | 343 | - | 343 |
| Others | 361 | - | 361 | 375 | - | 375 |
| Total | 47,633 | 18,697 | 66,330 | 46,872 | 14,833 | 61,705 |

15. Taxes payable

| | Parent company | | Consolidated | |
|-----------------------|----------------|---------------|---------------|---------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Current liabilities | | | | |
| ICMS | 7,337 | 6,940 | 7,563 | 7,115 |
| PIS/COFINS | 4,522 | 3,985 | 4,578 | 4,040 |
| Tax on Services (ISS) | 529 | 529 | 534 | 532 |
| Others | 270 | 428 | 300 | 441 |
| Total | 12,658 | 11,882 | 12,975 | 12,128 |

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16. Equity

a) Capital stock

At the Extraordinary General Meeting held on January 24, 2018, the Company's capital stock was increased by R\$ 16,000 through the issue of common and preferred shares, the cancellation of treasury shares and the reverse stock split of the common and preferred shares.

As at March 31, 2018, fully subscribed and paid-in capital is represented by 834 common shares and 670 preferred shares (December 31, 2017, 107,336,023 common shares and 107,336,023 preferred shares) with no par value. Preferred shares are not entitled to voting and to receiving minimum or fixed dividends. As established in the Bylaws, the Company may increase capital through issuance of up to 21,467,204 new common and/or preferred shares, following legal limit for each share species.

b) Capital reserves

Goodwill reserve represents excess value upon issuance or capitalization in relation to the basic share value on issuance date, 1996.

c) Statutory reserve

Established through recognition of 5% of net income for the year until it reaches 20% of capital - limit provided for in corporate law - and may be used to absorb accumulated losses.

d) Appropriated retained earnings

Established by retaining part of net income for the year, if any. Said retention is based on capital budget prepared by Management, approved by Shareholders in the Annual General Meeting and is intended to be used in the Company's future investments.

e) Dividends

Shareholders are entitled to mandatory dividends of 25% of net income for the year, adjusted in conformity with legal provisions.

Preferred shares are entitled to receive dividends per share that are 10% higher than dividends per share paid to common shares.

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f) Earnings (losses) per share

In compliance with CPC 41, the Company presents the following statements on earnings (losses) per share for the years ended December 31, 2017 and 2016.

The basic earnings (losses) per share is calculated by dividing net income (loss) for the period, attributable to the holders of the parent company's common and preferred shares by the weighted average number of common and preferred shares outstanding during the year.

The following tables present the result data and shares used to calculate basic and diluted earnings (loss) per share:

| | 03/31/2018 | | | 03/31/2017 | | |
|---|---------------|------------------|-----------|---------------|------------------|---------|
| | Common Shares | Preferred shares | Total | Common Shares | Preferred shares | Total |
| Loss for the year | (24,280) | (19,767) | (44,047) | (5,240) | (4,292) | (9,532) |
| Weighted average of shares (in thousands of shares) | 834 | 679 | 1,513 | 107,336 | 87,909 | 195,245 |
| Basic and diluted loss per share | (29,1124) | (29,1124) | (29,1124) | (0.0488) | (0.0488) | - |

For the period ended March 31, 2018 there is no difference between the calculation of basic and diluted earnings since there are no dilutive instruments.

17. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expenses

| | Parent company | | | |
|---|----------------|------------|-------------------------|------------|
| | Income tax | | Social Contribution Tax | |
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Income (loss) before taxes | (43,414) | (15,401) | (43,414) | (15,401) |
| ADD-BACKS | | | | |
| Gains on deferred capital - sale of assets | - | 19,030 | - | 19,030 |
| Realization sub-account dif. positive asset | 4,049 | 4,049 | 4,049 | 4,049 |
| Amortization, cost of loans raising | 1,234 | 1,399 | 1,234 | 1,399 |
| Exchange rate loss on loans | 4,510 | - | 4,510 | - |
| Other add-backs | 3,664 | 1,148 | 3,664 | 1,148 |
| DEDUCTIONS | | | | |
| Equity in earnings (losses) of subsidiaries | - | (5,682) | - | (5,682) |
| Depreciation | (8,129) | (8,202) | (8,129) | (8,202) |
| Realization of goodwill | - | - | - | - |
| Exchange rate gains (losses) and derivative transactions | - | (21,588) | - | (21,588) |
| Adjusted loss | (38,086) | (25,247) | (38,086) | (25,247) |
| Applicable rates | 25% | 25% | 9% | 9% |
| Current Income and Social Contribution taxes | - | - | - | - |
| Tax debts accrued from deferred income and social contribution taxes on temporary differences | (465) | 4,315 | (168) | 1,554 |
| Income and social contribution taxes in income (loss) | (465) | 4,315 | (168) | 1,554 |

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| | Consolidated | | | |
|---|--------------|------------|-------------------------|------------|
| | Income tax | | Social Contribution Tax | |
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Income (loss) before taxes | (43,059) | (14,958) | (43,059) | (14,958) |
| ADD-BACKS | | | | |
| Income (loss) from subsidiaries under deemed income | 580 | - | 580 | - |
| Gains on deferred capital - sale of assets | - | 19,030 | - | 19,030 |
| Realization sub-account dif. positive asset | 4,049 | 4,049 | 4,049 | 4,049 |
| Amortization, cost of loans raising | 1,234 | 1,399 | 1,234 | 1,399 |
| Exchange rate loss on loans | 4,510 | - | 4,510 | - |
| Other add-backs | 3,664 | 1,148 | 3,664 | 1,148 |
| DEDUCTIONS | | | | |
| Income (loss) from subsidiaries under deemed income | - | (6,644) | - | (6,644) |
| Depreciation | (8,129) | (8,202) | (8,129) | (8,202) |
| Exchange rate gains (losses) and derivative transactions | - | (21,588) | - | (21,588) |
| Other deductions | - | (5,684) | - | (5,684) |
| Adjusted loss | (37,151) | (31,450) | (37,151) | (31,450) |
| Applicable rates | 25% | 25% | 9% | 9% |
| Current IRPJ and CSLL | - | - | - | - |
| Current IRPJ and CSLL of subsidiaries | - | - | - | - |
| IRPJ and CSLL - deemed income | (32) | (326) | (14) | (117) |
| Tax debts accrued from deferred income and social contribution taxes on temporary differences | (465) | 4,315 | (168) | 1,554 |
| Income and social contribution taxes in income (loss) | (497) | 3,989 | (182) | 1,437 |

b) Breakdown of deferred income and social contribution taxes

| | 03/31/2018 | 12/31/2017 |
|--|------------|------------|
| Income and social contribution tax losses | 150,639 | 150,639 |
| Provisions for contingencies | 482 | 482 |
| Deferred Income (IR) and Social Contribution (CS) tax assets | 151,121 | 151,121 |
| Deferred IR and CS on temporary differences | (61,856) | (61,223) |
| Taxed transactions on cash basis | (44,994) | (44,994) |
| Tax amortization of goodwill | (31,812) | (31,812) |
| Deferred IR and CS tax liabilities | (138,662) | (138,029) |
| | 12,459 | 13,092 |

Considering expected generation of taxable income up to 2026, the Company recognized deferred income and social contribution taxes on income and social contribution tax losses and temporary differences. Deferred income and social contribution taxes on income and social contribution tax losses, calculated as from the second half of 2015, were not recognized.

Income and social contribution tax losses have no statute of limitations, however, the Company may use only the amount equivalent to up to 30% of taxable income per year.

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18. Provisions for contingencies

The Company and its subsidiaries are parties in lawsuits and administrative suits incidental to its business, regarding tax, labor, civil and other issues. The Company, based on the opinion of its legal advisors, conducts an analysis of pending lawsuits and, forms a provision in an amount deemed sufficient to cover the estimated losses from ongoing lawsuits for those with expectation of probable loss.

As at March 31, 2018, the Company recognizes provision for contingencies arising from labor claims whose likelihood of an unfavorable outcome is probable in amount of R\$ 1,415 (R\$ 1,415 as at December 31, 2017). As at March 31, 2018, the Company has court deposits in the amount of R\$ 6,835 (R\$ 6,773 as at December 31, 2017).

| | Parent company | | Consolidated | |
|-------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Beginning balance | 110 | 110 | 110 | 110 |
| New | 1,752 | 1,752 | 1,752 | 1,752 |
| Concluded | (447) | (447) | (447) | (447) |
| Final balance | 1,415 | 1,415 | 1,415 | 1,415 |

In addition, the Company and its subsidiaries are parties to civil, labor, and tax claims whose likelihood of an unfavorable outcome has been rated as possible by Management and its legal advisors. Therefore, no provision for contingencies was set up.

As at March 31, 2018, value of such contingencies was R\$ 114,499 (R\$ 124,339 at December 31, 2017), as follows:

| Nature | Parent company | | Consolidated | |
|---------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 12/31/2017 | 03/31/2018 | 12/31/2017 |
| Tax contingencies | 45,752 | 55,604 | 86,680 | 96,501 |
| Labor contingencies | 25,814 | 24,444 | 25,558 | 25,976 |
| Civil contingencies | 2,261 | 1,862 | 2,261 | 1,862 |
| | 73,827 | 81,910 | 114,499 | 124,339 |

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19. Insurance coverage

The Company and its subsidiaries contract insurance coverage for its inventories and fixed assets as Named-perils and Civil Liability Insurances. Aspects considered when evaluating risks are as follows: (a) decentralized location of industrial plants (Minas Gerais, Rio de Janeiro and São Paulo); (b) nature of activities; and (c) accident prevention measures. Maximum indemnity limit (LMI) - total is R\$ 198,685 for the industrial plants.

The amounts of contracted coverage take into consideration estimates to cover possible losses in sites with concentrated risks and maximum possible claim loss in a single event.

The risk assumptions adopted, due to their nature, were established by Management.

20. Financial instruments and risk management

20.1. Analysis of financial instruments

The fair value of financial assets and liabilities is included in the value by which an instrument may be changed in a current transaction between the parties on an arm's length basis, and not in a sale and forced settlement. The following methods and assumptions were used to estimate fair value:

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other short-term obligations approximate their respective book value mostly due to maturity in short term of these instruments.
- Fair value of receivables does not significantly differ from book balances, since it is monetarily restated consistently with market rates and/or is adjusted by the provision for impairment.

Loans and financing bear fixed rates, which are consistent with those observable in the market; therefore, the book balances informed approximate their respective fair values.

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The classification of financial assets of the Company and its subsidiaries per category is as follows:

| Financial assets | Parent company | | | | | |
|---------------------------|----------------|----------------------------------|---------------|---------------|----------------------------------|---------------|
| | 03/31/2018 | | | 12/31/2017 | | |
| | Receivables | Fair value through income (loss) | Total | Receivables | Fair value through income (loss) | Total |
| Cash and cash equivalents | 545 | - | 545 | 1,740 | - | 1,740 |
| Accounts receivable | 18,238 | - | 18,238 | 14,337 | - | 14,337 |
| Notes receivable | 5,742 | - | 5,742 | 3,121 | - | 3,121 |
| | <u>24,525</u> | <u>-</u> | <u>24,525</u> | <u>19,198</u> | <u>-</u> | <u>19,198</u> |
| Financial assets | Consolidated | | | | | |
| | 03/31/2018 | | | 12/31/2017 | | |
| | Receivables | Fair value through income (loss) | Total | Receivables | Fair value through income (loss) | Total |
| Cash and cash equivalents | 967 | - | 967 | 5,462 | - | 5,462 |
| Accounts receivable | 18,238 | - | 18,238 | 14,338 | - | 14,338 |
| Notes receivable | 9,044 | - | 9,044 | 32,137 | - | 32,137 |
| | <u>28,249</u> | <u>-</u> | <u>28,249</u> | <u>51,937</u> | <u>-</u> | <u>51,937</u> |

20.2. Classification of financial instruments by category

As at March 31, 2018, the Company and its subsidiaries did not record any financial assets held to maturity.

Significant financial liabilities of the Company and its subsidiaries may be classified as loans and financing and derivatives accounted for at fair value through income (loss), as follows:

| Financial liabilities | Parent company | |
|------------------------|------------------|------------------|
| | 03/31/2018 | 12/31/2017 |
| Trade accounts payable | 20,255 | 18,154 |
| Loans and financing | 1,127,142 | 1,100,341 |
| Intercompany payables | 18,674 | 33,608 |
| | <u>1,166,071</u> | <u>1,152,103</u> |
| Financial liabilities | Consolidated | |
| | 03/31/2018 | 12/31/2017 |
| Trade accounts payable | 19,290 | 22,308 |
| Loans and financing | 1,127,142 | 1,100,341 |
| Intercompany payables | 318 | 15,990 |
| | <u>1,146,750</u> | <u>1,138,639</u> |

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20.3. Risk management

The financial transactions of the Company and its subsidiaries are previously approved by the Company's management and performed through the finance area according to conservative strategies, aiming at safety, profitability and liquidity. Hedging mechanisms are adopted against financial risks stemming from liabilities contracted, either in foreign or local currency, in order to manage exposure to currency and interest rate risks.

Criteria for selection of financial institutions obey parameters that take into consideration rating made available by renowned agencies of analysis of risk, equity, and concentration levels of transactions and resources. Market risk factors that could affect Company business and that of its subsidiaries are as follows:

a) Currency risk

Currency risks are related to the possibility of the Company recording losses derived from fluctuations in exchange rates.

The Company's liabilities are indexed at US dollar, therefore, the unpredictability of floating liabilities substantially derives from foreign exchange variation, as shown in simulation of future values considering devaluation of Brazilian Real before US dollar by 25% and 50%.

| Foreign currency loans | Value in Brazilian Reals | Sensitivity analysis | |
|--|-----------------------------|--------------------------------|----------------------------------|
| | | (Scenario I) Future value I | (Scenario II) Future value II |
| Notes - US\$ 185,000 | 614,903 | 768,629 | 922,354 |
| Agricultural Bank of China - US\$ 15,391 | 51,157 | 63,946 | 76,735 |

b) Credit risk

Financial instruments are subject to credit risks such as cash and cash equivalents and trade accounts receivable. All operations are conducted with banks having acknowledged liquidity, thus minimizing risks.

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The risk of incurring losses resulting from difficulty in receiving values billed to its clients is minimized, since sales are dispersed among a high number of clients, and contingent to a credit limit individually established per client.

c) Interest rate risk

This risk derives from the possibility of incurring losses due to fluctuations in interest rates that increase financial expenses mainly stemming from borrowings.

d) Liquidity risk

Liquidity risk represents the risk of scarcity and difficulty of the Company to pay its financial liabilities. The Company and its subsidiaries seek to align the maturity of the financial liabilities with the period of cash generation to avoid a mismatch and generate the need of greater leverage.

The following table shows in detail the remaining contractual maturity of the main financial liabilities of the Company and the contractual amortization terms. This table was prepared in accordance with the undiscounted cash flows of financial assets and liabilities based on the nearest date on which the Company and the its subsidiaries shall settle the respective obligations.

| | Parent company | | | Total at 03/31/2018 |
|------------------------------|----------------|----------------------------|---------------------|------------------------|
| | Up to a year | From one to three years | over three years | |
| Loans and financing | 1,127,142 | - | - | 1,127,142 |
| Trade accounts payable | 20,255 | - | - | 20,255 |
| Customers' advances | 355 | - | - | 355 |
| Other financial liabilities | 67,883 | 32,161 | 17,509 | 117,553 |
| Balance as at March 31, 2018 | 1,215,635 | 32,161 | 17,509 | 1,265,305 |

| | Consolidated | | | Total at 03/31/2018 |
|------------------------------|--------------|-------------------------------|---------------------|------------------------|
| | Up to a year | From one to three years | over three years | |
| Loans and financing | 1,127,142 | - | - | 1,127,142 |
| Trade accounts payable | 19,290 | - | - | 19,290 |
| Customers' advances | 355 | - | - | 355 |
| Other financial liabilities | 50,095 | 31,877 | 17,509 | 99,481 |
| Balance as at March 31, 2018 | 1,196,882 | 31,877 | 17,509 | 1,246,268 |

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(In thousands of Brazilian, unless otherwise stated)

21. Net operating revenue

| | Parent company | | Consolidated | |
|-------------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Gross sales | | | | |
| Sales of goods | 68,723 | 74,612 | 68,723 | 86,677 |
| Deductions from sales | (18,225) | (19,904) | (19,619) | (20,342) |
| Sales returns | (141) | (224) | (141) | (224) |
| ICMS on sales | (11,740) | (12,799) | (12,426) | (12,799) |
| PIS and COFINS on sales | (6,344) | (6,881) | (7,037) | (7,319) |
| Others | - | - | (15) | - |
| Net operating revenue | 50,498 | 54,708 | 49,104 | 66,335 |

22. General and administrative expenses

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Administrative personnel expenses | (3,826) | (3,697) | (3,909) | (3,719) |
| Lawyers' fees | (926) | (911) | (930) | (966) |
| Third-party services | (269) | (324) | (286) | (534) |
| Real estate lease | (59) | - | (96) | - |
| Travel expenses | (95) | (88) | (109) | (135) |
| Advisory services | (422) | (506) | (421) | (534) |
| Others | (726) | (858) | (1,001) | (952) |
| | (6,323) | (6,384) | (6,752) | (6,840) |

In the year ended March 31, 2018, the Management's fees totaled R\$ 1,286 (R\$ 1,287 as at March 31, 2017). Charges related to these fees are recorded under the caption general and administrative operating expenses, in the amount of R\$307 and R\$355, respectively.

23. Other operating revenues (expenses), net

| | Parent company | | Consolidated | |
|------------------------------------|----------------|------------|--------------|------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Sales of fixed assets/ investments | 587 | 196 | 587 | 196 |
| PIS and COFINS credits | 1,171 | - | 1,171 | - |
| Others | 265 | 128 | 884 | 46 |
| | 2,023 | 324 | 2,642 | 242 |

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Notes to the financial information

As at March 31, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

24. Financial income (loss)

| | Parent company | | Consolidated | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Financial expenses | | | | |
| Interest on loans | (19,881) | (19,899) | (19,881) | (19,899) |
| Discounts granted | (721) | (57) | (721) | (57) |
| Contract interest - Finame | (5,099) | (5,129) | (5,099) | (5,129) |
| Interest/ fines on tax installment payments | (1,856) | (3,302) | (1,856) | (3,302) |
| Exchange rate gains (losses) on loans | (4,504) | - | (4,504) | - |
| Other financial expenses | (1,900) | (1,626) | (1,943) | (1,627) |
| | <u>(33,961)</u> | <u>(30,013)</u> | <u>(34,004)</u> | <u>(30,014)</u> |
| | | | | |
| | Parent company | | Consolidated | |
| | 03/31/2018 | 03/31/2017 | 03/31/2018 | 03/31/2017 |
| Financial revenues | | | | |
| Discounts obtained | 81 | 127 | 81 | 127 |
| Interest on financial investments | 3 | 187 | 23 | 415 |
| Interest received from customers | 244 | 313 | 244 | 313 |
| Exchange rate gains (losses) on loans | - | 21,540 | - | 21,540 |
| Other financial revenues | 253 | 27 | 402 | 28 |
| | <u>581</u> | <u>22,194</u> | <u>750</u> | <u>22,423</u> |
| | <u>(33,380)</u> | <u>(7,819)</u> | <u>(33,254)</u> | <u>(7,591)</u> |

25. Segment reporting

Management groups entities into two distinct segments:

a) Cement

Which is mainly engaged in manufacturing cements and mortars of all types in the Company's manufacturing units.

b) Development and administration of properties

Mainly engaged in developing and administrating properties.

Management monitors, on a separate basis, operating income of its business units for the purpose of making decisions on allocation of resources and performance assessment.

The performance of the segment is appraised based on the operating result, measured in a manner consistent with the operating result of the consolidated financial information.

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The Company's segment information is as follows:

| | 03/31/2018 | | | | Total Consolidated |
|---|------------|--|--------|--------------|--------------------|
| | Cement | Development and administration of properties | Others | Eliminations | |
| Net revenues | 50,498 | - | 6,101 | (7,495) | 49,104 |
| Gross profit (loss) | (2,814) | (534) | (104) | - | (3,452) |
| Depreciation and amortization | (5,092) | - | (321) | - | (5,413) |
| Operating income (loss) | (9,357) | (739) | 291 | - | (9,805) |
| Financial income (loss) | (33,380) | 158 | (32) | - | (33,254) |
| Equity in earnings (losses) of subsidiaries | (677) | - | - | 677 | - |
| Income (loss) before taxes | (43,414) | (581) | 259 | 677 | (43,059) |
| Income and social contribution taxes | (633) | (46) | - | - | (679) |
| Minority interest | - | - | - | (309) | (309) |
| Net income (loss) | (44,047) | (627) | 259 | 368 | (44,047) |
| Current assets | 71,530 | 21,719 | 3,006 | (2,803) | 93,452 |
| Noncurrent assets | 822,501 | 16,695 | 48,118 | (105,722) | 781,592 |
| Current liabilities | 1,215,635 | 157 | 2,850 | (21,760) | 1,196,882 |
| Noncurrent liabilities | 49,670 | - | 1,211 | (1,495) | 49,386 |

| | 03/31/2017 | | | | Total Consolidated |
|---|------------|--|--------|--------------|--------------------|
| | Cement | Development and administration of properties | Others | Eliminations | |
| Net revenues | 54,708 | 11,627 | - | - | 66,335 |
| Gross profit | (4,336) | 6,455 | (20) | - | 2,099 |
| Depreciation and amortization | (5,263) | - | (11) | - | (5,274) |
| Operating income (loss) | (13,264) | 6,416 | (519) | - | (7,367) |
| Financial income (loss) | (7,819) | 228 | - | - | (7,591) |
| Equity in earnings (losses) of subsidiaries | 5,682 | - | - | (5,682) | - |
| Income (loss) before taxes | (15,401) | 6,644 | (519) | (5,682) | (14,958) |
| Income and social contribution taxes | 5,869 | (443) | - | - | 5,426 |
| Net income (loss) | (9,532) | 6,201 | (519) | (5,682) | (9,532) |
| Current assets | 71,925 | 45,451 | 3,001 | (32) | 120,345 |
| Noncurrent assets | 839,454 | 1,890 | 53,494 | (106,556) | 788,282 |
| Current liabilities | 1,057,752 | 892 | 3,173 | (6,928) | 1,054,890 |
| Noncurrent liabilities | 39,145 | - | 51 | - | 39,196 |

26. Subsequent Events

In April 2018, the Company signed an amendment to the Bank Credit Note with Banco Fibra, changing the payment condition and terms.