

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

CIMENTO TUPI S.A.

Independent auditor's review report

Individual and consolidated interim financial  
information

As at June 30, 2018

CIMENTO TUPI S.A.

Individual and consolidated interim financial information  
As at June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF INDIVIDUAL AND CONSOLIDATED 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) and controlled companies, for the quarter ended June 30, 2018, which comprises the statement of financial position as at June 30, 2018, and the respective statements of operations, comprehensive income (loss) for the three- and six-month period then ended, changes in equity (deficit) and cash flows for the six-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.

### Conclusion on the individual and consolidated interim financial information

Based on our review, 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 and 12, which indicate that the Company did not pay the interest of certain debts during 2015, 2016, 2017 and in the first and second quarters 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 June 30, 2018, in the amount of R\$ 1,296,540 thousand. On that date, consolidate current liabilities exceeded consolidated current assets by R\$ 1,285,498 thousand and consolidate equity is negative in the amount of R\$ 553,374 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

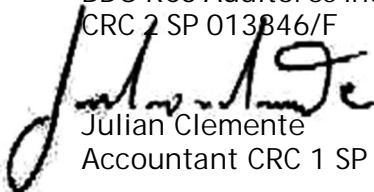
We have also reviewed the statements of value added for the six-month period ended June 30, 2018, prepared by the Company's Management, whose disclosure in the interim financial information is required in accordance with the standards issued by CVM applicable to the preparation of the Quarterly Information 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, August 10, 2018.



BDO RCS Auditores Independentes SS  
CRC 2 SP 013846/F



Julian Clemente  
Accountant CRC 1 SP 197232/O-6 - S - RJ

## Cimento Tupi S.A.

### Statements of financial position As at June 30, 2018 and December 31, 2017 (In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents (Note 4)	467	1,740	3,947	5,462
Accounts receivable (Note 5)	18,480	14,337	18,480	14,338
Inventories (Note 6)	38,273	34,652	55,780	52,168
Recoverable taxes (Note 7)	8,305	7,473	9,022	8,271
Notes receivable (Note 8)	-	-	3,330	20,395
Advances to suppliers	992	3,541	2,588	3,265
Receivables from third parties	4,239	4,474	4,239	4,474
Other current assets	1,065	4,462	1,780	1,222
<b>Total current assets</b>	<b>71,821</b>	<b>70,679</b>	<b>99,166</b>	<b>109,595</b>
<b>Noncurrent</b>				
Notes receivable (Note 8)	5,826	3,121	5,826	11,742
Receivables from third parties	1,949	1,949	1,949	1,949
Related-party transactions (Note 13)	1,123	-	5	533
Recoverable taxes (Note 7)	3,377	5,437	3,377	5,437
Deferred income and social contribution taxes (Note 17)	11,448	13,092	11,448	13,092
Court deposits (Note 18)	7,006	6,773	7,133	6,892
<b>Investments</b>				
Subsidiaries (Note 9)	94,393	99,714	-	-
Other investments	744	744	4,648	4,648
Fixed assets (Note 10)	566,354	572,248	594,071	598,140
Intangible assets (Note 11)	129,384	129,552	149,875	149,959
<b>Total noncurrent assets</b>	<b>821,604</b>	<b>832,630</b>	<b>778,332</b>	<b>792,392</b>
<b>Total assets</b>	<b>893,425</b>	<b>903,309</b>	<b>877,498</b>	<b>901,987</b>

## Cimento Tupi S.A.

### Statements of financial position As at June 30, 2018 and December 31, 2017 (In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
<b>Liabilities</b>				
<b>Current</b>				
Loans and financing (Note 12)	1,296,540	1,100,341	1,296,540	1,100,341
Trade accounts payable	28,747	18,154	28,301	22,308
Salaries and social charges	8,218	7,519	8,392	7,640
Income and social contribution taxes payable	-	-	538	11
Accounts payable - Related parties (Note 13)	19,019	33,608	418	15,990
Taxes payable (Note 15)	20,248	11,882	20,841	12,128
Taxes in installments (Note 14)	23,909	19,069	23,928	19,088
Other accounts payable	5,681	5,169	5,706	5,209
<b>Total current liabilities</b>	<b>1,402,362</b>	<b>1,195,742</b>	<b>1,384,664</b>	<b>1,182,715</b>
<b>Noncurrent</b>				
Taxes in installments (Note 14)	39,834	42,572	39,871	42,617
Provision for contingencies (Note 18)	1,415	1,415	1,415	1,415
Provision for unsecured liabilities (Note 9)	-	1,441	-	-
Other accounts payable	3,238	5,389	4,922	6,924
<b>Total noncurrent liabilities</b>	<b>44,487</b>	<b>50,817</b>	<b>46,208</b>	<b>50,956</b>
<b>Equity (Note 16)</b>				
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	4,078	3,258	4,078	3,258
Accumulated losses	(865,078)	(612,085)	(865,078)	(612,085)
<b>Total equity attributable to controlling shareholders</b>	<b>(553,424)</b>	<b>(343,250)</b>	<b>(553,424)</b>	<b>(343,250)</b>
Non-controlling interest	-	-	50	11,566
<b>Total equity</b>	<b>(553,424)</b>	<b>(343,250)</b>	<b>(553,374)</b>	<b>(331,684)</b>
<b>Total liabilities and equity</b>	<b>893,425</b>	<b>903,309</b>	<b>877,498</b>	<b>901,987</b>

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

## Cimento Tupi S.A.

### Statements of operations

For the six-month periods ended June 30, 2018 and 2017

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

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Net operating revenue (Note 21)	108,346	103,678	109,506	114,648
Cost of goods sold	(111,207)	(110,012)	(109,868)	(114,314)
Gross profit (loss)	(2,861)	(6,334)	(362)	334
Operating expenses				
Selling	(5,516)	(5,486)	(5,516)	(5,486)
General and administrative (Note 22)	(13,209)	(13,461)	(13,958)	(14,280)
Other operating revenues (expenses), net (Note 23)	1,903	397	4,875	295
	(16,822)	(18,550)	(14,599)	(19,471)
Operating income (loss) before equity in earnings of subsidiaries and financial income (loss)	(19,683)	(24,884)	(14,961)	(19,137)
Equity in earnings of subsidiaries (Note 9)	3,815	5,735	-	-
Financial income (Note 24)				
Financial expenses	(210,440)	(69,067)	(210,549)	(69,088)
Financial revenues	958	1,065	1,174	1,634
	(209,482)	(68,002)	(209,375)	(67,454)
Income (loss) before Income and Social Contribution taxes	(225,350)	(87,151)	(224,336)	(86,591)
Income and social contribution taxes (Note 17)	(1,644)	5,214	(2,349)	4,654
Minority interest	-	-	(309)	(1)
Loss for the six-month period	(226,994)	(81,937)	(226,994)	(81,937)
Loss attributable to:				
Controlling shareholder	(226,994)	(81,937)	(226,685)	(81,936)
Non-controlling shareholder	-	-	(309)	(1)
Basic and diluted losses per share (Note 16)				
Preferred shares	(150.0291)	(0.4197)	-	-
Common Shares	(150.0291)	(0.4197)	-	-

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

## Cimento Tupi S.A.

### Statements of operations

For the three-month periods ended June 30, 2018 and 2017

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

	Parent company		Consolidated	
	04/01 to 06/30/2018	04/01 to 06/30/2017	04/01 to 06/30/2018	04/01 to 06/30/2017
Net operating revenue (Note 21)	57,848	48,969	60,402	48,312
Cost of goods sold	(57,895)	(50,968)	(57,312)	(50,078)
Gross profit (loss)	(47)	(1,999)	3,090	(1,766)
Operating expenses				
Selling	(3,273)	(2,618)	(3,273)	(2,618)
General and administrative (Note 22)	(6,886)	(7,077)	(7,206)	(7,440)
Other operating expenses, net (Note 23)	(120)	74	2,233	53
	(10,279)	(9,621)	(8,246)	(10,005)
Operating income (loss) before equity in earnings (losses) of subsidiaries and financial income (loss)	(10,326)	(11,620)	(5,156)	(11,771)
Equity in earnings (losses) of subsidiaries (Note 9)	4,492	52	-	-
Financial income (loss) (Note 24)				
Financial expenses	(176,479)	(39,054)	(176,545)	(39,074)
Financial revenues	377	(21,130)	424	(20,789)
	(176,102)	(60,184)	(176,121)	(59,863)
Income (loss) before Income and Social Contribution taxes	(181,936)	(71,752)	(181,227)	(71,634)
Income and social contribution taxes (Note 17)	(1,011)	(655)	(1,670)	(773)
Net loss for the six-month period	(182,947)	(72,407)	(182,947)	(72,407)
Loss attributable to				
Controlling shareholders	(182,947)	(72,407)	(182,947)	(72,407)
Non-controlling shareholder	-	-	-	-
Basic and diluted losses per share (Note 16)				
Preferred shares	(120.9167)	(0.3709)	-	-
Common Shares	(120.9167)	(0.3709)	-	-

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



## Cimento Tupi S.A.

### Statements of comprehensive income (loss)

For the six-month periods ended June 30, 2018 and 2017

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Loss for the six-month period	(226,994)	(81,937)	(226,994)	(81,937)
Other comprehensive income (losses) not later reclassified to income (loss) for the year, net of taxes	-	-	-	-
Exchange rate gains (losses) on investment abroad (Note 9)	820	74	820	74
Total comprehensive income (loss), net of taxes	<u>(226,174)</u>	<u>(81,863)</u>	<u>(226,174)</u>	<u>(81,863)</u>
Attributable to				
Controlling shareholder	(226,174)	(81,863)	(225,865)	(81,862)
Non-Controlling shareholder	-	-	(309)	(1)

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

## Cimento Tupi S.A.

### Statements of comprehensive income (loss)

For the three-month periods ended June 30, 2018 and 2017

(In thousands of Brazilian Reais)

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>04/01 to 06/30/2018</b>	04/01 to 06/30/2017	<b>04/01 to 06/30/2018</b>	04/01 to 06/30/2017
Loss for the six-month period	<b>(182,947)</b>	(72,407)	<b>(182,947)</b>	(72,407)
Other comprehensive income (losses) not later reclassified to income (loss) for the period, net of taxes				
Exchange rate gains (losses) on investment abroad (Note 9)	<b>797</b>	209	<b>797</b>	209
Total comprehensive income (loss), net of taxes	<b>(182,150)</b>	(72,198)	<b>(182,150)</b>	(72,198)
Attributable to				
Controlling shareholder	<b>(182,150)</b>	(72,198)	<b>(182,150)</b>	(72,198)
Non-Controlling shareholder	-	-	-	-

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

## Cimento Tupi S.A.

### Statements of changes in equity For the six-month periods ended June 30, 2018 and 2017 (In thousands of Brazilian Reais)

	Capital stock	Treasury shares	Capital reserve	Asset and liability valuation adjustment	Accumulated (losses)	Controlling interest	Non-controlling interest	Total
			Additional paid- in capital					
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	-	-	-	74	-	74	-	74
Loss for the six-month period	-	-	-	-	(81,937)	(81,937)	(5)	(81,942)
As at June 30, 2017	279,891	(25,999)	11,685	3,258	(526,548)	(257,713)	53	(257,660)
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	-	-	-	820	-	820	-	820
Loss for the six-month period	-	-	-	-	(226,994)	(226,994)	-	(226,994)
Cancellation of treasury shares	-	25,999	-	-	(25,999)	-	-	-
Minority interest write-off upon the disposal of investments	-	-	-	-	-	-	(11,516)	(11,516)
As at June 30, 2018	295,891	-	11,685	4,078	(865,078)	(553,424)	50	(553,374)

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

# Cimento Tupi S.A.

## Statements of cash flows

For the six-month periods ended June 30, 2018 and 2017

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Operating activities				
Income (loss) before Income and Social Contribution taxes	(225,350)	(87,151)	(224,336)	(86,591)
Adjustments from				
Depreciation/amortization	10,180	10,478	10,857	10,698
Write-off of fixed assets	22	331	98	332
Equity in earnings (losses) of subsidiaries	(3,815)	(5,735)	-	-
Exchange rate gains (losses) on foreign loans and intercompany loans	146,929	12,884	146,921	12,858
Discount to Present Value	1,778	-	1,778	-
Fines and interest on assets	(196)	(55)	(788)	(165)
Fines and interest on liabilities	58,677	50,157	58,677	50,157
Amortization of loan costs	1,687	2,634	1,687	2,634
Allowance for doubtful accounts	955	373	955	373
Other amortization	-	-	-	-
	(9,133)	(16,084)	(4,151)	(9,704)
(Increase) /decrease in asset accounts				
Accounts receivable	(5,100)	707	(5,098)	784
Notes receivable	(4,440)	21,035	21,836	18,769
Recoverable taxes	(33,540)	(28,888)	(34,531)	(29,290)
Inventories	(3,622)	(3,393)	(3,611)	853
Advances to suppliers	2,549	5,437	677	5,561
Other assets	3,632	(1,032)	210	(1,019)
Court deposits	(233)	425	(241)	395
Increase /(decrease) in liability accounts				
Trade accounts payable	10,761	(3,324)	6,161	(4,703)
Tax liabilities	42,514	31,052	43,747	30,960
Salaries and social charges	699	888	752	962
Interest paid on loans	(3,079)	(3,095)	(3,079)	(3,095)
Change in minority interest	-	-	(11,825)	-
Other liabilities	(1,638)	(139)	(687)	(109)
Cash flows from operating activities	(630)	3,589	10,160	10,364
Investing activities				
Acquisition of fixed assets	(4,658)	(3,546)	(7,321)	(7,152)
Disposal of fixed assets	351	2,146	437	2,146
Acquisition of investments	(3,311)	(3,000)	-	-
Disposal of investments	9,466	-	-	-
Acquisition of intangible assets	-	-	(85)	(33)
Receipt of dividends	2,359	-	-	-
Cash flows from investing activities	4,207	(4,400)	(6,969)	(5,039)
Financing activities				
AFAC (Advance for future increase in capital) - payment from related parties	(1,123)	681	-	-
Receipt from related parties	1,402	-	423	-
Paid loans and financing	(5,129)	(4,776)	(5,129)	(4,776)
Cash flows from financing activities	(4,850)	(4,095)	(4,706)	(4,776)
Use of cash and cash equivalents	(1,273)	(4,906)	(1,515)	549
Cash and cash equivalents at beginning of period	1,740	5,842	5,462	7,763
Cash and cash equivalents at end of period	467	936	3,947	8,312

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

## Cimento Tupi S.A.

### Statements of value added

For the six-month periods ended June 30, 2018 and 2017

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
<b>Revenues</b>				
Gross operating revenue	147,582	141,270	151,628	153,608
Sales returns	(377)	(357)	(377)	(357)
Allowance for doubtful accounts	(955)	(373)	(955)	(373)
Other operating revenues (expenses), net	801	1,183	3,230	1,187
	<u>147,051</u>	<u>141,723</u>	<u>153,526</u>	<u>154,065</u>
<b>Inputs acquired from third parties</b>				
Costs of goods sold	(82,695)	(81,978)	(84,025)	(85,975)
Materials, energy, third-party services and others	(33,282)	(38,295)	(29,107)	(39,061)
Gross value added	<u>31,074</u>	<u>21,450</u>	<u>40,394</u>	<u>29,029</u>
<b>Withholdings</b>				
Depreciation and amortization	(10,180)	(10,478)	(10,857)	(10,698)
Net generated value added	<u>20,894</u>	<u>10,972</u>	<u>29,537</u>	<u>18,331</u>
<b>Value added received in transfer</b>				
Equity in earnings (losses) of controlled companies	3,815	5,735	-	-
Financial revenues	958	1,065	1,174	1,634
Deferred Income and Social Contribution taxes	(1,644)	5,214	(1,644)	5,214
Total value added to be distributed	<u>24,023</u>	<u>22,986</u>	<u>29,067</u>	<u>25,179</u>
Controlling shareholders	<u>24,023</u>	<u>22,986</u>	<u>29,067</u>	<u>25,179</u>
Non-controlling shareholders	<u>-</u>	<u>-</u>	<u>(309)</u>	<u>-</u>
<b>Value added distribution</b>				
Personnel and charges	20,316	21,749	20,842	21,917
Taxes, fees and contributions	19,334	12,823	23,417	14,785
Interest and rents	211,367	70,351	211,493	70,414
(Loss) for the six-month period	(226,994)	(81,937)	(226,994)	(81,937)
Value added distributed	<u>24,023</u>	<u>22,986</u>	<u>28,758</u>	<u>25,179</u>

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

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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### 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, 2017, and principal and interest due in May 2018, 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 renegotiated in April 2018 the payment of its debt up to July 2019.

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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 June 30, 2018, net working capital ("CCL") is negative by approximately R\$ (1,285,498) (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 August 10, 2018.

The Company's 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. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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.

Prospective accounting changes, new pronouncements and interpretations not adopted yet

The following new standards were approved and issued by IASB and CPC. They are not yet in effect as at December 31, 2017 and were not early adopted by the Company. Management evaluates the impacts of their adoption as mentioned below:

In effect for periods on or after January 01, 2018

- IFRS 9 - Financial Instruments (CPC 48)

The standard addresses the classification, measurement, and recognition of financial assets and liabilities. The main amendments to IFRS 9 are the new classification criteria for financial assets into two categories (measured at fair value and at amortized cost), depending on the characteristics of each instrument, it may be classified in financial income (loss) or comprehensive income (loss), a new model of impairment of financial assets, being a hybrid of expected and incurred losses, in replacement to current model of incurred losses, and flexibility of requirements to adopt hedge accounting. This standard is effective as from January 01, 2018. Management evaluated the new pronouncement and, considering its current transactions, it did not identify changes that could have relevant impact on the Company's financial statements.



## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

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### ▪ IFRS 15 - Revenue from Contracts with Customers (CPC 47)

The standard brings the principles an entity will use to determine revenue measurement and when it is recognized. It will be effective as from January 01, 2018 and it replaces IAS 11 - "Construction contracts", IAS 18 - "Revenues" and the related interpretations. The amendments establish the criteria for measuring and recording sales, in the way they are effectively made with the proper presentation, as well as the recognition at the amounts the Company is entitled to in the transaction. Management evaluated the possible impacts of adoption of this standard and did not identify relevant effects on the financial statements.

In effect for periods on or after January 01, 2019

### ▪ IFRS 16 - Lease (CPC 06 (R2))

The new standard replaces IAS 17 - "Lease" and the related interpretations, it determines that lessees will have to recognize the liabilities of future payments and the right of the leased assets for practically all lease agreements, including operating agreements, certain short-term agreements or agreements in small amounts may not be included in the scope of this new standard. The criteria for recognition and measurement of lease in the financial statements of the lessors are substantially maintained. This standard will be in effect as from January 01, 2019. Management is evaluating the impacts of the adoption of this standard on its financial statements, however, it is not expected to have relevant effects.

## 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	
	06/30/2018	12/31/2017	06/30/2018	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
Vape 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. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Cash and banks	84	1,611	164	2,632
CDB - Bank Certificate of Deposit	370	116	3,770	2,741
Public debt security funds	13	13	13	89
Cash and cash equivalents	467	1,740	3,947	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	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Notes receivable	27,026	22,201	27,026	22,202
Allowance for doubtful accounts	(8,546)	(7,864)	(8,546)	(7,864)
	18,480	14,337	18,480	14,338

Changes in allowance for doubtful accounts during the six-month periods ended June 30, 2018 and 2017 are as follows:

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

Balance as at December 31, 2017	<u>(7,864)</u>
(+) Complement of the allowance for doubtful accounts	(955)
(-) Write-off due to loss	<u>273</u>
Balance as at June 30, 2018	<u>(8,546)</u>
Balance as at December 31, 2016	<u>(6,858)</u>
(+) Complement of the allowance for doubtful accounts	<u>(373)</u>
(-) Credit receipt	<u>(139)</u>
Balance as at June 30, 2017	<u>(7,370)</u>

The Company recognizes this allowance based on the history of losses expected monitored by Management and at an amount deemed sufficient to cover probable losses on the realization of accounts receivable.

Consolidated accounts receivable balance per maturity is as follows:

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Falling due	15,856	11,206	15,856	11,207
Overdue up to 90 days	2,376	2,401	2,376	2,401
Overdue between 91 and 180 days	248	730	248	730
Overdue for more than 180 days	8,546	7,864	8,546	7,864
	<u>27,026</u>	<u>22,201</u>	<u>27,026</u>	<u>22,202</u>

## 6. Inventories

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Current				
Finished goods	5,390	4,148	5,847	4,604
Work in process	1,112	795	1,112	795
Raw material - slag	6,932	1,998	6,932	1,998
Raw material - coke	3,014	2,450	3,014	2,450
Other raw materials	3,699	7,541	3,699	7,541
Materials for maintenance and consumption	16,930	16,973	16,930	16,973
Inventory in transit	1,196	747	1,196	747
Land for sale (i)	-	-	17,050	17,060
	<u>38,273</u>	<u>34,652</u>	<u>55,780</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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

#### 7. Recoverable taxes

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Current assets				
State VAT (ICMS)	5,041	5,004	5,041	5,004
Income tax/Social Contribution tax	30	69	39	77
Taxes on sales (PIS/COFINS)	-	326	708	1,032
Federal VAT (IPI)	3,234	2,074	3,234	2,158
	<u>8,305</u>	<u>7,473</u>	<u>9,022</u>	<u>8,271</u>
Noncurrent assets				
State VAT (ICMS)	3,377	5,437	3,377	5,437
	<u>3,377</u>	<u>5,437</u>	<u>3,377</u>	<u>5,437</u>

#### 8. Notes receivable

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Seival Sul Mineração S.A. (i)	3,164	3,121	3,164	3,121
Ano Bom Incorp. e empreendimentos S.A. (ii)	-	-	2,443	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)	(1,778)	-	(1,778)	-
Others	-	-	887	887
Current assets	-	-	3,330	20,395
Noncurrent assets	5,826	3,121	5,826	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). Amount written off in March 2018, due to sales of its subsidiary Suape Granéis do Nordeste Ltda., owner of the credit.
- (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. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

#### a) Statements on main subsidiaries

	06/30/2018					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	36,586	291	38,727	2,136	5,771	37,693	(1,472)	35,550	2,331	4,951
Income (loss) for the six-month period	(1,107)	1,734	(135)	(196)	-	3,944	(1,782)	(1,345)	(381)	-

#### b) Changes in investments

	06/30/2018							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	(1,106)	1,733	(135)	(196)	-	309	3,210	3,815	11,028
Exchange rate gains (losses) on investments	-	-	-	-	820	-	-	820	74
Receipt of dividends	-	-	-	-	-	(2,360)	-	(2,360)	(6,500)
Reclassification of liabilities	-	(1,441)	-	-	-	-	-	(1,441)	1,441
Balance at end of six-month period	36,584	292	42,333	2,135	5,772	-	7,277	94,393	99,714

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

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	06/30/2017						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	40,246	311	38,253	2,348	4,878	-	8,259	94,294	92,743
Capital contributions	-	-	-	-	-	-	3,000	3,000	2,379
Equity in earnings (losses) of subsidiaries	6,412	(232)	5	(177)	-	-	(273)	5,735	139
Exchange rate gains (losses) on investments	-	-	-	-	73	-	-	73	(967)
Balance at end of six-month period	46,658	78	38,258	2,171	4,951	-	10,986	103,102	94,294

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

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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. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

#### 10. Fixed assets

Accounts	Parent company				
	Cost	06/30/2018		12/31/2017	Annual depreciation rates
		Accumulated depreciation/depletion	Net	Net	
Plots of land	28,811	-	28,811	28,811	
Buildings	109,578	(22,874)	86,704	87,807	2%
Industrial machinery, equipment and facilities	635,172	(238,435)	396,737	402,883	3.33%
Furniture and fixtures	3,207	(2,820)	387	282	10%
Vehicles	6,147	(5,216)	931	1,486	20%
Railway wagons	12,143	(1,927)	10,216	9,820	3.33%
Leasehold improvements	875	(354)	521	632	(*)
Machinery and equipment to be installed	2,714	(317)	2,397	2,443	3.33%
Construction in progress	16,272	-	16,272	14,284	
Advances to suppliers	2,047	-	2,047	2,193	
Limestone mines	23,033	(1,953)	21,080	21,309	(**)
Others	5,379	(5,128)	251	298	4% to 20%
	<u>845,378</u>	<u>(279,024)</u>	<u>566,354</u>	<u>572,248</u>	

Accounts	Consolidated				
	Cost	06/30/2018		12/31/2017	Annual depreciation rates
		Accumulated depreciation/dep lection	Net	Net	
Plots of land	53,014	-	53,014	51,067	
Buildings	109,608	(22,887)	86,721	87,853	2%
Industrial machinery, equipment and facilities	636,330	(239,242)	397,088	403,288	3.33%
Furniture and fixtures	3,306	(2,914)	392	288	10%
Vehicles	10,119	(6,687)	3,432	3,704	20%
Railway wagons	12,143	(1,927)	10,216	9,820	3.33%
Leasehold improvements	875	(354)	521	632	(*)
Machinery and equipment to be installed	2,714	(317)	2,397	2,443	3.33%
Construction in progress	16,272	-	16,272	14,344	
Advances to suppliers	2,507	-	2,507	2,913	
Limestone mines	23,033	(1,953)	21,080	21,309	(**)
Others	5,631	(5,200)	431	479	4% to 20%
	<u>875,552</u>	<u>(281,481)</u>	<u>594,071</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 June 30, 2018, the amount of R\$ 9,845 (R\$ 10,201 as at June 30, 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.



## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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").

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

The changes in fixed assets in the six-month periods ended June 30, 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	Construction in progress	Adv. to suppliers	Limestone mines	Others	
Balance as at 12/31/2017	28,811	109,578	634,651	3,074	6,886	11,559	903	2,714	14,284	2,193	23,033	5,368	843,054
Additions	-	-	22	133	-	584	-	-	4,220	25	-	11	4,862
Transfers	-	-	1,898	-	-	-	-	-	(2,031)	-	-	-	-
Write-offs	-	-	(1,399)	-	(739)	-	(28)	-	(201)	(171)	-	-	(2,538)
Balance as at 06/30/2018	28,811	109,578	635,172	3,207	6,147	12,143	875	2,714	16,272	2,047	23,033	5,379	845,378

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	Construction in progress	Adv. to suppliers	Limestone mines	Others	
Balance as at 12/31/2017	-	(21,771)	(231,768)	(2,792)	(5,400)	(1,739)	(271)	(271)	-	-	(1,724)	(5,070)	(270,806)
Additions	-	(1,103)	(7,808)	(28)	(462)	(188)	(90)	(46)	-	-	(229)	(58)	(10,012)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	1,141	-	646	-	7	-	-	-	-	-	1,794
Balance as at 06/30/2018	-	(22,874)	(238,435)	(2,820)	(5,216)	(1,927)	(354)	(317)	-	-	(1,953)	(5,128)	(279,024)

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(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	Construction in progress	Adv. to suppliers	Limestone mines	Others	
Balance as at 12/31/2016	29,367	109,534	628,583	3,001	10,901	10,156	2,209	2,714	16,248	2,113	21,858	5,244	841,928
Additions	-	-	14	6	148	737	-	-	2,615	-	-	23	3,543
Transfers	-	44	4,996	25	-	-	-	-	(5,065)	-	-	-	-
Write-offs	-	-	(144)	-	(3,995)	-	(1,892)	-	(325)	-	-	-	(6,356)
Balance as at 06/30/2017	29,367	109,578	633,449	3,032	7,054	10,893	317	2,714	13,473	2,113	21,858	5,267	839,115

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	Construction in progress	Adv. to suppliers	Others	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	-	(1,102)	(7,860)	(23)	(790)	(165)	(17)	(45)	-	-	(51)	(229)	(10,282)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	88	-	1,904	-	1,887	-	-	-	-	-	3,879
Balance as at 06/30/2017	-	(20,668)	(223,944)	(2,769)	(5,084)	(1,562)	(241)	(226)	-	-	(5,019)	(1,495)	(261,008)

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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	Construction in progress	Adv. to suppliers	Limestone mines	Others	Total
Balance as at 12/31/2017	51,067	110,281	636,190	3,174	9,911	11,559	903	2,714	14,344	2,913	23,033	5,621	871,710
Additions	1,974	-	22	-	947	584	-	-	4,220	25	-	10	7,782
Transfers	-	-	1,898	133	-	-	-	-	(2,031)	-	-	-	-
Write-offs	(27)	(673)	(1,780)	(1)	(739)	-	(28)	-	(261)	(431)	-	-	(3,940)
Balance as at 06/30/2018	53,014	109,608	636,330	3,306	10,119	12,143	875	2,714	16,272	2,507	23,033	5,631	875,552

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	Construction in progress	Adv. to suppliers	Limestone mines	Others	Total
Balance as at 12/31/2017	-	(22,428)	(232,902)	(2,886)	(6,207)	(1,739)	(271)	(271)	-	-	(1,724)	(5,142)	(273,570)
Additions	-	(1,104)	(7,817)	(29)	(1,127)	(188)	(90)	(46)	-	-	(229)	(58)	(10,688)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	645	1,477	1	647	-	7	-	-	-	-	-	2,777
Balance as at 06/30/2018	-	(22,887)	(239,242)	(2,914)	(6,687)	(1,927)	(354)	(317)	-	-	(1,953)	(5,200)	(281,481)

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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	Construction in progress	Adv. to suppliers	Limestone mines	Others	Total
Balance as at 12/31/2016	45,903	110,238	630,123	3,101	10,933	10,156	2,209	2,714	21,160	5,704	21,858	5,494	869,593
Additions	-	-	14	6	3,168	737	-	-	2,998	200	-	26	7,149
Transfers	1,387	44	4,996	25	-	-	-	-	(6,452)	-	-	-	-
Write-offs	(1)	-	(144)	-	(3,996)	-	(1,892)	-	(325)	-	-	-	(6,358)
Balance as at 06/30/2017	47,289	110,282	634,989	3,132	10,105	10,893	317	2,714	17,381	5,904	21,858	5,520	870,384

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	Construction in progress	Adv. to suppliers	Limestone mines	Others	Total
Balance as at 12/31/2016	-	(20,206)	(217,291)	(2,839)	(6,229)	(1,397)	(2,111)	(181)	-	-	(1,266)	(5,038)	(256,558)
Additions	-	(1,112)	(7,868)	(24)	(989)	(165)	(17)	(45)	-	-	(229)	(52)	(10,501)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	88	-	1,906	-	1,887	-	-	-	-	-	3,881
Balance as at 06/30/2017	-	(21,318)	(225,071)	(2,863)	(5,312)	(1,562)	(241)	(226)	-	-	(1,495)	(5,090)	(263,178)

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 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	-	-	-	-	-	86	-	86
Amortization	-	-	(168)	(168)	-	-	(170)	(170)
Balance as at June 30, 2018	93,564	35,143	677	129,384	93,564	55,490	821	149,875

	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	-	-	-	-	-	36	-	36
Transfer to investments	-	-	-	-	-	(3,655)	-	(3,655)
Write-offs	-	-	-	-	-	(3)	-	(3)
Amortization	-	-	(193)	(193)	-	-	(194)	(194)
Balance as at June 30, 2017	93,564	36,318	1,034	130,916	93,564	55,765	1,390	150,719

#### 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, 2017, the recoverable amount is higher than the book value of the assets. Accordingly, no provision was made for impairment as at June 30, 2018.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

## 12. Loans and financing - Parent Company and Consolidated

	06/30/2018		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	146,533	-	139,110	-
Unallocated transaction cost	(454)	-	(578)	-
	<u>146,079</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	101,191	-	99,542	-
Unallocated transaction cost	-	-	(112)	-
	<u>101,191</u>	<u>-</u>	<u>99,430</u>	<u>-</u>
	<u>247,270</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 due in May 2018	982,282	-	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	66,988	-	56,095	-
Unallocated transaction cost	-	-	(1,451)	-
	<u>1,049,270</u>	<u>-</u>	<u>862,379</u>	<u>-</u>
Parent company	<u>1,296,540</u>	<u>-</u>	<u>1,100,341</u>	<u>-</u>
Consolidated	<u>1,296,540</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).

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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 June 30, 2018, balances of fund raising costs totaled R\$ 454 (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.



## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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.

On April 09, 2018, the Company signed an addendum to the Bank Credit Note - CCB, with Banco Fibra S/A, changing the payment condition and extending the 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.

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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.

The fund raising costs totaled R\$ 1,451, including commission paid to financial agent (coordinating bank) responsible for fund raising, lawyers' fees, external auditors, advisors, in addition to expenditures for preparation of prospectus 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 May 2018 (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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

### 13. Related-party transactions

#### Noncurrent assets and current liabilities and transactions

	Parent company							12/31/2017 Total
	06/30/2018		Cimento Tupi do Nordeste Ltda.		Cimento Santo Estevão e Participações S.A.	Others	Total	
Current assets	Tupi Rio Transportes S.A.	Mape Incorporação e Empreendimentos Ltda.	Tupi Mineradora de Calcário Ltda.					
Advance for future increase in capital	-	-	928	186	-	9	1,123	-
Current liabilities								33,608
Intercompany accounts/ Advance for future increase in capital	-	16,116	-	-	418	2,485	19,019	
Transactions								
Cost of goods sold and services rendered	(15,171)	-	-	-	-	-	(15,171)	(16,855)
	Consolidated							
	06/30/2018		12/31/2017					
	Cimento Santo Estevão	Total	Total					
Current assets								
Credit with associated companies	-	5	533					
Current liabilities								
Advance for future increase in capital	418	418	15,990					

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

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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(In thousands of Brazilian, unless otherwise stated)

#### 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					
	06/30/2018			12/31/2017		
	Principal	Interest/ Fine	Total	Principal	Interest/ Fine	Total
Current liabilities	16,518	7,391	23,909	15,338	3,731	19,069
ICMS	15,380	7,391	22,771	13,097	3,731	16,828
Tax Regularization Program (PRT)	912	-	912	2,058	-	2,058
Others	226	-	226	183	-	183
Noncurrent liabilities	26,713	13,121	39,834	31,471	11,101	42,572
ICMS	26,297	13,121	39,418	30,797	11,101	41,898
PRT	-	-	-	343	-	343
Others	416	-	416	331	-	331
<b>Total</b>	<b>43,231</b>	<b>20,512</b>	<b>63,743</b>	<b>46,809</b>	<b>14,832</b>	<b>61,641</b>
	Consolidated					
	06/30/2018			12/31/2017		
	Principal	Interest/ Fine	Total	Principal	Interest/ Fine	Total
Current liabilities	17,576	6,406	23,928	15,357	3,731	19,088
ICMS	15,380	7,391	22,771	13,097	3,731	16,828
PRT	912	-	912	2,058	-	2,058
Others	245	-	245	202	-	202
Noncurrent liabilities	26,750	13,121	39,871	31,515	11,102	42,617
ICMS	26,297	13,121	39,418	30,797	11,102	41,899
PRT	-	-	-	343	-	343
Others	453	-	453	375	-	375
<b>Total</b>	<b>44,326</b>	<b>19,527</b>	<b>63,799</b>	<b>46,872</b>	<b>14,833</b>	<b>61,705</b>

#### 15. Taxes payable

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Current liabilities				
ICMS	12,866	6,940	13,081	7,115
PIS/COFINS	6,577	3,985	6,787	4,040
Tax on Services (ISS)	552	529	557	532
Others	253	428	416	441
<b>Total</b>	<b>20,248</b>	<b>11,882</b>	<b>20,841</b>	<b>12,128</b>

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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 June 30, 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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

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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 six-month periods ended June 30, 2018 and 2017.

The basic 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 loss per share:

	06/30/2018			06/30/2017		
	Common Shares	Preferred shares	Total	Common Shares	Preferred shares	Total
Loss for the year	(125,124)	(101,870)	(226,994)	(45,045)	(36,892)	(81,937)
Weighted average of shares (in thousands of shares)	834	679	1,513	107,336	87,909	195,245
Basic and diluted loss per share	(150.0291)	(150.0291)	-	(0.4197)	(0.4197)	

For the period ended June 30, 2018 there is no difference between the calculation of basic and diluted losses 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	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Loss before taxes	(225,350)	(87,151)	(225,350)	(87,151)
ADD-BACKS				
Gains on deferred capital - sale of assets	-	19,030	-	19,030
Realization sub-account dif. positive asset	7,740	8,097	7,740	8,097
Amortization, cost of loans raising	1,687	2,634	1,687	2,634
Exchange rate loss on loans	146,922	12,858	146,922	12,858
Other add-backs	4,012	2,295	4,012	2,295
DEDUCTIONS				
Equity in earnings (losses) of subsidiaries	(3,890)	(5,734)	(3,890)	(5,734)
Depreciation	(16,232)	(16,396)	(16,232)	(16,396)
Adjusted loss	(85,111)	(64,367)	(85,111)	(64,367)
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	(1,209)	3,834	(435)	1,380
Income and social contribution taxes in income (loss)	(1,209)	3,834	(435)	1,380

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

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	Consolidated			
	Income tax		Social Contribution Tax	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Loss before taxes	(224,336)	(86,591)	(224,336)	(86,591)
ADD-BACKS				
Gains on deferred capital - sale of assets	-	19,030	-	19,030
Realization sub-account dif. positive asset	7,740	8,097	7,740	8,097
Amortization, cost of loans raising	1,687	2,634	1,687	2,634
Exchange rate loss on loans	146,922	12,858	146,922	12,858
Other add-backs	4,012	2,295	4,012	2,295
DEDUCTIONS				
Income (loss) from subsidiaries under deemed income	(2,727)	(6,412)	(2,727)	(6,412)
Depreciation	(16,232)	(16,396)	(16,232)	(16,396)
Adjusted loss	(82,934)	(64,485)	(82,934)	(64,485)
Applicable rates	25%	25%	9%	9%
Current IRPJ and CSLL	-	-	-	-
Current IRPJ and CSLL of subsidiaries	(384)	(5)	(142)	(3)
IRPJ and CSLL - deemed income	(116)	(371)	(63)	(181)
Tax debts accrued from deferred income and social contribution taxes on temporary differences	(1,209)	3,834	(435)	1,380
Income and social contribution taxes in income (loss)	(1,709)	3,458	(640)	1,196

#### b) Breakdown of deferred income and social contribution taxes

	Parent company and consolidated	
	06/30/2018	12/31/2017
Income and social contribution tax losses	135,616	150,639
Provisions for contingencies	482	482
Deferred Income (IR) and Social Contribution (CS) tax assets	136,098	151,121
Deferred IR and CS on temporary differences	(47,844)	(61,223)
Taxed transactions on cash basis - (v/c)	(44,994)	(44,994)
Tax amortization of goodwill	(31,812)	(31,812)
Deferred IR and CS tax liabilities	(124,650)	(138,029)
	11,448	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.

The Company realized part of the balance of deferred income and social contribution taxes recognized on tax losses in 2014 and 2017.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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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 June 30, 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 June 30, 2018, the Company has court deposits in the amount of R\$ 7,133 (R\$ 6,773 as at December 31, 2017).

	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	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 June 30, 2018, value of such contingencies was R\$ 114,499 (R\$ 124,339 at December 31, 2017), as follows:

Nature	Parent company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	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



## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

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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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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

Financial assets	Parent company					
	06/30/2018			12/31/2017		
	Receivables	Fair value through income (loss)	Total	Receivables	Fair value through income (loss)	Total
Cash and cash equivalents	467	-	467	1,740	-	1,740
Accounts receivable	18,480	-	18,480	14,337	-	14,337
Notes receivable	5,826	-	5,826	3,121	-	3,121
	<u>24,773</u>	<u>-</u>	<u>24,773</u>	<u>19,198</u>	<u>-</u>	<u>19,198</u>
Financial assets	Consolidated					
	06/30/2018			12/31/2017		
	Receivables	Fair value through income (loss)	Total	Receivables	Fair value through income (loss)	Total
Cash and cash equivalents	3,947	-	3,947	5,462	-	5,462
Accounts receivable	18,480	-	18,480	14,338	-	14,338
Notes receivable	9,156	-	9,156	32,137	-	32,137
	<u>31,583</u>	<u>-</u>	<u>31,583</u>	<u>51,937</u>	<u>-</u>	<u>51,937</u>

## 20.2. Classification of financial instruments by category

As at June 30, 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	
	06/30/2018	12/31/2017
Trade accounts payable	28,747	18,154
Loans and financing	1,296,540	1,100,341
Related parties	19,019	33,608
	<u>1,344,306</u>	<u>1,152,103</u>
Financial liabilities	Consolidated	
	06/30/2018	12/31/2017
Trade accounts payable	28,301	22,308
Loans and financing	1,296,540	1,100,341
Related parties	418	15,990
	<u>1,325,259</u>	<u>1,138,639</u>

## Cimento Tupi S.A. and Subsidiaries

Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

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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	713,323	891,654	1,069,984
Agricultural Bank of China - US\$ 15,391	59,345	74,181	89,017

#### 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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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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 06/30/2018
	Up to a year	From one to three years	Over three years	
Loans and financing	1,296,540	-	-	1,296,540
Trade accounts payable	28,747	-	-	28,747
Customers' advances	223	-	-	223
Other financial liabilities	76,852	24,490	19,997	121,339
Balance as at June 30, 2018	1,402,362	24,490	19,997	1,446,849

	Consolidated			Total at 06/30/2018
	Up to a year	From one to three years	Over three years	
Loans and financing	1,296,540	-	-	1,296,540
Trade accounts payable	28,301	-	-	28,301
Customers' advances	223	-	-	223
Other financial liabilities	59,600	26,211	19,997	105,808
Balance as at June 30, 2018	1,384,664	26,211	19,997	1,430,872

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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(In thousands of Brazilian, unless otherwise stated)

#### 21. Net operating revenue

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Gross sales				
Sales of goods	147,582	141,270	151,628	153,608
Deductions from sales	(39,236)	(37,592)	(42,122)	(38,960)
Sales returns	(377)	(357)	(377)	(357)
ICMS on sales	(25,247)	(24,202)	(26,550)	(24,694)
PIS and COFINS on sales	(13,612)	(13,033)	(15,163)	(13,892)
Others	-	-	(32)	(17)
Net operating revenue	108,346	103,678	109,506	114,648

#### 22. General and administrative expenses

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Administrative personnel expenses	(7,684)	(7,809)	(7,776)	(7,825)
Lawyers' fees	(2,278)	(1,377)	(2,300)	(1,473)
Third-party services	(537)	(642)	(557)	(942)
Real estate lease	(124)	(399)	(124)	(399)
Travel expenses	(240)	(219)	(264)	(238)
Advisory services	(880)	(1,202)	(880)	(1,230)
Others	(1,466)	(1,813)	(2,057)	(2,173)
	(13,209)	(13,461)	(13,958)	(14,280)

In the six-month period ended June 30, 2018, the Management's fees totaled R\$ 2,571 (R\$ 2,573 as at June 30, 2017). Charges related to these fees are recorded under the caption general and administrative operating expenses, in the amount of R\$ 614 and R\$615, respectively.

#### 23. Other operating revenues (expenses), net

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Sales of fixed assets/ investments	622	196	2,960	196
Others	1,281	201	1,915	99
	1,903	397	4,875	295

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

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#### 24. Financial income (loss)

	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Financial expenses				
Interest on loans	(46,278)	(40,119)	(46,278)	(40,119)
Discounts granted	(1,319)	(211)	(1,319)	(212)
Contract interest - Finame	(10,640)	(9,900)	(10,640)	(9,900)
Interest/ fines on tax installment payments	(3,582)	(6,270)	(3,582)	(6,270)
Exchange rate gains (losses) on loans	(146,629)	(12,269)	(146,629)	(12,269)
Other financial expenses	(1,992)	(298)	(2,101)	(318)
	<u>(210,440)</u>	<u>(69,067)</u>	<u>(210,549)</u>	<u>(69,088)</u>
	Parent company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Financial revenues				
Discounts obtained	101	290	101	290
Interest on financial investments	7	203	45	767
Interest received from customers	511	537	511	537
Other financial revenues	339	35	517	40
	<u>958</u>	<u>1,065</u>	<u>1,174</u>	<u>1,634</u>
	<u>(209,482)</u>	<u>(68,002)</u>	<u>(209,375)</u>	<u>(67,454)</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.

## Cimento Tupi S.A. and Subsidiaries

### Notes to the financial information

As at June 30, 2018 and December 31, 2017

(In thousands of Brazilian, unless otherwise stated)

The Company's segment information is as follows:

	06/30/2018				Total Consolidated
	Cement	Development and administration of properties	Others	Eliminations	
Net revenues	108,346	3,899	12,432	(15,171)	109,506
Gross profit (loss)	(2,861)	2,907	(408)	-	(362)
Depreciation and amortization	(10,180)	-	(677)	-	(10,857)
Operating income (loss)	(19,683)	2,532	2,190	-	(14,961)
Financial income (loss)	(209,482)	194	(87)	-	(209,375)
Equity in earnings (losses) of subsidiaries	3,815	-	-	(3,815)	-
Income (loss) before taxes	(225,350)	2,726	2,103	(3,815)	(224,336)
Income and social contribution taxes	(1,644)	(179)	(526)	-	(2,349)
Minority interest	-	-	-	(309)	(309)
Net income (loss)	(226,994)	2,547	1,577	(4,124)	(226,994)
Current assets	71,821	24,514	3,644	(813)	99,166
Noncurrent assets	821,604	17,224	49,750	(110,246)	778,332
Current liabilities	1,402,362	308	2,495	(20,501)	1,384,664
Noncurrent liabilities	44,487	-	1,721	-	46,208

	06/30/2017				Total Consolidated
	Cement	Development and administration of properties	Others	Eliminations	
Net revenues	103,678	11,672	3,859	(4,561)	114,648
Gross profit (loss)	(6,334)	6,475	193	-	334
Depreciation and amortization	(10,478)	-	(220)	-	(10,698)
Operating income (loss)	(24,884)	6,411	(669)	-	(19,137)
Financial income (loss)	(68,002)	554	(6)	-	(67,454)
Equity in earnings (losses) of subsidiaries	5,735	-	-	(5,735)	-
Income (loss) before taxes	(87,151)	6,965	(675)	(5,730)	(86,591)
Income and social contribution taxes	5,214	(552)	(8)	-	4,654
Net income (loss)	(81,937)	6,413	(683)	(5,730)	(81,937)
Current assets	66,879	33,458	3,995	(2,937)	101,395
Noncurrent assets	836,795	13,240	53,214	(118,217)	785,032
Current liabilities	1,124,350	37	4,501	(21,884)	1,107,004
Noncurrent liabilities	37,037	-	46	-	37,083

## 26. Subsequent Events

In July 2018, the Company signed an amendment to the Bank Credit Note with China Construction Bank (Brazil) Banco Múltiplo S/A, changing the payment condition and terms.