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

CIMENTO TUPI S.A.

Independent auditor’s report

Individual and consolidated financial statements
As at December 31, 2018

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Contents

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

Qualified opinion on the financial statements

We have audited the individual and consolidated financial statements of Cimento Tupi S.A. ("Company"), identified as parent company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the following section of this report "Basis for a qualified opinion on the financial statements" the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Cimento Tupi S.A. as at December 31, 2018, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for a qualified opinion on the financial statements

External confirmation

We have not received replies to the confirmation letters sent to the company Geribá Participações SPE. Therefore, although we applied alternative auditing tests, we were unable to satisfy ourselves as to the totality of the transactions conducted with this financial institution, such as funds, guarantees, debentures, endorsements or other material transactions that may have been left unrecognized and/or undisclosed in the financial statements for the year ended December 31, 2018.

Deferred Income and Social Contribution taxes

As mentioned in Note 19, the Company has the amounts of R$ 135,285 thousand recorded under the caption of deferred income and social contribution taxes, of which the amounts of R$ 99,475 thousand and R$ 35,810 thousand, respectively, refer to deferred income and social contribution taxes recognized on income and social contribution tax losses. As required by Technical Pronouncement No. 32 (CPC 32), the Company shall recognize a deferred tax asset as it is probable the existence of taxable income against which the mentioned asset can be used. The Company's Management presented a feasibility study on the realization of these credits considering assumptions of future cash generation different from R$ 80,194 thousand of those usually adopted in the market. Therefore, given the circumstances, we were unable to conclude on the realization of the respective amounts, as well as on the possible effects that may affect the individual and consolidated financial statements.

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty as to going concern

We draw attention to Notes 1 and 14, which indicate that the Company did not pay the interest of certain debts in the years from 2015 to 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 December 31, 2018, in the amount of R$ 1,376,801 thousand. On that date, consolidated current liabilities exceeded consolidated current assets by R$ 1,414,220 thousand and consolidated equity is negative in the amount of R$ 1,110,624 thousand in the year. In the mentioned Note 1, the Company describes Management's business plan, which determines the renegotiation of the Company's debt, sale of assets (plots of land) and increase in cement production resulting from the greater efficiency of its industrial plants. The recovery of amounts recorded in non-current assets, as well as its ability to meet short-term financial obligations, depend on the success of this plan. These events or conditions, along with other matters described in the mentioned note, indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added for the year ended December 31, 2018 prepared under the responsibility of the Company's management, whose reporting is required according to the standards issued by CVM applicable to the preparation of individual and consolidated financial statements, and considered supplementary information by the IFRS, which do not require the presentation of the statement of value added. These statements were 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 financial statements taken as a whole.

Audit and review of previous year's amounts

The individual and consolidated financial statements for the year ended December 31, 2017 presented for comparison purposes were audited by us and our report thereon, dated April 19, 2018, was unqualified and had an emphasis on the Company's continuity as a going concern.

Other information accompanying the individual and consolidated financial statements and auditor's report

The Company's management is responsible for this other information that comprises the Management Report. Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with the IFRS, issued by IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual and consolidated financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Rio de Janeiro, June 24, 2019.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/F

Fernando Pereira da Silva Marques
Accountant CRC 1 RJ 092490/O-3

Cimento Tupi S.A.

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

	Parent company		Consolidated	
	2018	2017	2018	2017
Assets				
Current				
Cash and cash equivalents (Note 6)	1,451	1,740	2,376	5,462
Accounts receivable (Note 7)	17,094	14,337	17,111	14,338
Inventories (Note 8)	38,573	34,652	56,124	52,168
Recoverable taxes (Note 9)	9,509	7,473	10,252	8,271
Notes receivable (Note 10)	-	-	3,386	20,395
Advances to suppliers	1,011	3,541	1,584	3,265
Receivables from third parties	4,260	4,474	4,260	4,474
Other current assets	1,146	4,462	1,666	1,222
Total current assets	73,044	70,679	96,759	109,595
Noncurrent				
Notes receivable (Note 10)	6,035	3,121	6,035	11,742
Receivables from third parties	1,949	1,949	1,949	1,949
Related-party transactions (Note 15)	-	-	-	533
Recoverable taxes (Note 9)	5,588	5,437	5,588	5,437
Deferred income and social contribution taxes (Note 19)	61,146	13,092	61,146	13,092
Court deposits (Note 20)	8,870	6,773	9,063	6,892
Investments				
Subsidiaries (Note 11)	82,741	99,714	-	-
Other investments	-	744	249	4,648
Fixed assets (Note 12)	557,884	572,248	585,058	598,140
Intangible assets (Note 13)	129,290	129,552	149,819	149,959
Total noncurrent assets	853,503	832,630	818,907	792,392
Total assets	926,547	903.309	915,666	901,987

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

Cimento Tupi S.A.

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

	Parent company		Consolidated	
	2018	2017	2018	2017
Liabilities				
Current				
Loans and financing (Note 14)	1,376,801	1,100,341	1,376,801	1,100,341
Trade accounts payable	26,146	18,154	27,568	22,308
Salaries and social charges	12,935	7,519	13,480	7,640
Income and social contribution taxes payable	-	-	11	11
Accounts payable – Related parties (Note 15)	16,173	33,608	-	15,990
Taxes payable (Note 17)	72,434	11,882	73,229	12,128
Taxes in installments (Note 16)	12,860	19,069	13,327	19,088
Notes payable	890	-	890	-
Other accounts payable	5,653	5,169	5,673	5,209
Total current liabilities	1,523,892	1,195,742	1,510,979	1,182,715
Noncurrent				
Loans and financing (Note 14)	488,774	-	488,774	-
Taxes in installments (Note 16)	18,461	42,572	19,872	42,617
Provision for contingencies (Note 20)	709	1,415	709	1,415
Provision for unsecured liabilities (Note 11)	-	1,441	-	-
Other accounts payable	5,385	5,389	5,956	6,924
Total noncurrent liabilities	513,329	50,817	515,311	50,956
Equity (Note 18)				
Capital stock	298,809	279,891	298,809	279,891
Treasury shares	-	(25,999)	-	(25,999)
Capital reserves	11,685	11,685	11,685	11,685
Asset and liability valuation adjustment	-	3,258	-	3,258
Accumulated losses	(1,421,168)	(612,085)	(1,421,168)	(612,085)
Total equity attributable to controlling shareholders	(1,110,674)	(343,250)	(1,110,674)	(343,250)
Non-controlling interest	-	-	50	11,566
Total equity	(1,110,674)	(343,250)	(1,110,624)	(331,684)
Total liabilities and equity	926,547	903,309	915,666	901,987

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

Cimento Tupi S.A.

Statements of operations
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais, except earnings/losses per share stated in Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Net operating revenue (Note 23)	219,571	207,152	218,374	215,777
Cost of goods sold	(221,855)	(215,820)	(219,031)	(218,762)
Loss	(2,284)	(8,668)	(657)	(2,985)
Operating expenses				
Selling	(11,493)	(11,429)	(11,493)	(11,429)
General and administrative (Note 24)	(25,240)	(28,522)	(26,448)	(30,175)
Other operating revenues (expenses), net (Note 25)	(1,208)	(9,987)	1,894	11,529
	(37,941)	(49,938)	(36,047)	(30,075)
Operating income (loss) before equity in earnings of subsidiaries and financial income (loss)	(40,225)	(58,606)	(36,704)	(33,060)
Equity in earnings of subsidiaries (Note 11)	2,073	11,028	-	-
Financial income (Note 26)				
Financial expenses	(299,948)	(131,113)	(300,720)	(134,413)
Financial revenues	1,876	2,130	2,207	2,935
	(298,072)	(128,983)	(298,513)	(131,478)
Income (loss) before Income and Social Contribution taxes	(336,224)	(176,561)	(335,217)	(164,538)
Income and social contribution taxes (Note 19)	48,054	9,087	47,356	8,472
Minority interest	-	-	(309)	(11,408)
Loss for the year	(288,170)	(167,474)	(288,170)	(167,474)
Loss attributable to:				
Controlling shareholder	(288,170)	(167,474)	(287,861)	(156,066)
Non-controlling shareholder	-	-	(309)	(11,408)
Basic and diluted losses per share (Note 16)				
Preferred shares	(12.2184)	(0.8578)	-	-
Common Shares	(12.2184)	(0.8578)	-	-

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

Cimento Tupi S.A.

Statements of comprehensive income (loss)
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Loss for the year	(288,170)	(167,474)	(288,170)	(167,474)
Other comprehensive income (losses) not later reclassified to income (loss) for the year, net of taxes	-	-	-	-
Exchange rate gains (losses) on foreign investments (Note 11)	-	74	-	74
Total comprehensive income (loss), net of taxes	(288,170)	(167,400)	(288,170)	(167,400)
Attributable to				
Controlling shareholders	(288,170)	(167,400)	(288,170)	(167,400)
Non-controlling shareholder	-	-	-	-

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

Cimento Tupi S.A.

Statements of changes in equity
(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	-	-	-	74	-	74	-	74
Loss for the year	-	-	-	-	(167,474)	(167,474)	11,508	(155,966)
As at December 31, 2017	279,891	(25,999)	11,685	3,258	(612,085)	(343,250)	11,566	(331,684)
Capital increase	18,918	-	-	-	-	18,918	-	18,918
Translation adjustment for the year	-	-	-	1,041	-	1,041	-	1,041
Loss for the year	-	-	-	-	(288,170)	(288,170)	-	(288,170)
Cancellation of treasury shares	-	25,999	-	-	(25,999)	-	-	-
Minority interest write-off upon the disposal of investments	-	-	-	-	-	-	(11,516)	(11,516)
Write-off of investment in foreign currency				(4,299)	-	(4,299)	-	(4,299)
Merger - Cimento Santo Estevão e Participações S.A.	-	-	-	-	(494,914)	(494,914)	-	(494,914)
As at December 31, 2018	298,809	-	11,685	-	(1,421,168)	(1,110,674)	50	(1,110,624)

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

Notes to the financial statements
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais, unless otherwise stated)

Cimento Tupi S.A.

Statements of cash flows
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Operating activities				
Income (loss) before Income and Social Contribution taxes	(336,224)	(176,561)	(335,217)	(164,538)
Adjustments from				
Depreciation/amortization	20,167	20,753	21,668	21,596
Write-off of fixed assets	900	557	976	560
Equity in earnings (losses) of subsidiaries	(2,073)	(11,028)	-	-
Labor contingencies	(706)	1,304	(706)	1,304
Exchange rate gains (losses) on foreign loans and intercompany loans	152,808	13,782	152,291	13,756
Discount to Present Value	1,652	-	1,652	-
Fines and interest on assets	(282)	(71)	(928)	(542)
Fines and interest on liabilities	138,135	107,489	138,464	107,489
Amortization of loan costs	1,811	5,103	1,811	5,103
Allowance for doubtful accounts	1,363	883	1,363	883
Other amortization	-	-	-	1,299
	(22,449)	(37,789)	(18,626)	(13,090)
(Increase) /decrease in asset accounts				
Accounts receivable	(4,122)	2,196	(4,138)	2,273
Notes receivable	(4,440)	21,035	21,836	(592)
Recoverable taxes	(64,797)	(57,941)	(67,002)	(60,688)
Inventories	(3,921)	(2,683)	(3,956)	1,084
Advances to suppliers	2,531	8,272	1,681	8,104
Other assets	3,530	(3,833)	303	(532)
Court deposits	(2,093)	109	(2,167)	324
Increase /(decrease) in liability accounts				
Trade accounts payable	8,234	(958)	5,501	4,601
Tax liabilities	85,637	66,772	89,233	69,361
Salaries and social charges	5,416	58	5,840	167
Interest paid on loans	(3,661)	(5,913)	(3,661)	(5,913)
Change in minority interest	-	-	(11,825)	-
Other liabilities	480	(109)	(3,764)	1,603
Cash flows from operating activities	345	(10,784)	9,255	6,702
Investing activities				
Acquisition of fixed assets	(7,875)	(7,420)	(10,822)	(14,044)
Disposal of fixed assets	351	2,185	441	6,816
Acquisition of investments	(6,240)	(3,365)	-	-
Disposal of investments	14,058	4,644	4,399	100
Acquisition of intangible assets	(53)	-	(175)	(258)
Indemnity of loss	898	-	898	-
Receipt of dividends	2,359	-	-	-
Return of subsidiary's capital	56	-	-	-
Cash flows from investing activities	3,554	(3,956)	(5,259)	(7,386)
Financing activities				
Advance for future increase in capital – Related party payables	(338)	-	(206)	(533)
Related Party receivables	3,457	19,722	431	8,000
Paid loans and financing	(9,807)	(9,084)	(9,807)	(9,084)
Receipt from issue of shares	2,500	-	2,500	-
Cash flows from financing activities	(4,188)	10,638	(7,082)	(1,617)
Use of cash and cash equivalents	(289)	(4,102)	(3,086)	(2,301)
Cash and cash equivalents at beginning of year	1,740	5,842	5,462	7,763
Cash and cash equivalents at end of year	1,451	1,740	2,376	5,462

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

Notes to the financial statements
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais, unless otherwise stated)

Cimento Tupi S.A.

Statements of value added
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Revenues				
Gross operating revenue	299,337	282,315	303,766	294,639
Sales returns	(784)	(656)	(784)	(656)
Allowance for doubtful accounts	(1,363)	(883)	(1,363)	(883)
Other operating revenues (expenses), net	(3,096)	(3,124)	(605)	38,922
	294,094	277,652	301,014	332,022
Inputs acquired from third parties				
Costs of goods sold	(173,372)	(154,811)	(174,524)	(160,597)
Materials, energy, third-party services and others	(63,993)	(74,264)	(57,264)	(93,596)
Loss/recovery of receivable values	67	-	67	-
Gross value added	56,796	48,577	69,293	77,829
Withholdings				
Depreciation and amortization	(20,167)	(20,753)	(21,668)	(21,596)
Net generated value added	36,629	27,824	47,625	56,233
Value added received in transfer				
Equity in earnings (losses) of controlled companies	2,073	11,028	-	-
Financial revenues	1,876	2,130	2,207	2,935
Deferred Income and Social Contribution taxes	48,054	9,087	48,054	9,087
Total value added to be distributed	88,632	50,069	97,886	68,255
Controlling shareholders	88,632	50,069	97,886	68,255
Non-controlling shareholders	-	-	(309)	(11,408)
Value added distribution				
Personnel and charges	40,386	43,424	41,755	44,381
Taxes, fees and contributions	34,695	40,717	41,500	45,273
Interest and rents	301,721	133,402	302,492	134,667
Loss for the year	(288,170)	(167,474)	(288,170)	(167,474)
Value added distributed	88,632	50,069	97,577	56,847

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

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.

The sharp economic decline in the country generated a significant impact on cement sector that, since 2014, has been facing progressive drops in volume and sale prices. In addition, the Company's debt in foreign currency exposed the Company to foreign exchange volatility.

Despite the Brazilian crisis, Cimento Tupi has implemented a series of measures to reduce costs and renegotiate its debts and; accordingly, has maintained its operating activities.

As announced by SNIC (National Cement Industry Union) in December 2018, there is a projection of growth of cement sales for 2019 close to 3%, arising from the increase in the industry confidence index recorded in the country and, regarding real estate construction, from new rule in the cancellation of contract in purchase of real estate that could bring greater security to investments and boost new launches.

Regarding its indebtedness, the Company renegotiated part of its debts in domestic currency in 2018, through the amendments entered into with flexible payment flow and extension of maturities, and has renegotiated other debts, including in foreign currency, with other creditors.

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.

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 its operation, based on the improvement of the cement market scenario as from 2019.

Corporate restructuring

On December 21, 2018, the merger of its parent company Cimento Santo Estevão e Participações S.A. ("Santo Estevão") was approved by the Company's shareholders. The merger is part of a project to simplify the corporate structure, intended to result in a reduction of operational, administrative and financial costs. As a result of this merger, Santo Estevão was dissolved and the Company became its successor. The equity of Santo Estevão was valued on December 18, 2018, based on book value, at the amount of (R$ 494,914), according to an accounting appraisal report issued by an independent expert Company for the purpose of merger. The valued net assets are as follows:

Assets	
Current assets	447
Noncurrent assets	4
Total assets	451
Liabilities	
Current liabilities	32,755
Noncurrent liabilities	462,610
Total liabilities	495,365
Net assets	(494,914)

2. Presentation of financial statements and main accounting practices

The financial statements have been prepared assuming that the Company will continue a going concern, and have been approved by the Executive Board and analyzed by the Company's Board of Directors on June 24, 2019.

The Company's individual and consolidated financial statements were and are presented in accordance with the Brazilian accounting practices and with the pronouncements issued by the Committee of Accounting Pronouncements (CPC), in conformity with the international accounting standards issued by the International Accounting Standards Board (IASB). The consolidated financial statements present comparative information in relation to the previous year.

The financial statements were 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 thousands of Brazilian Reais (R$ thousand), which is the Company's functional and reporting currency.

The financial statements have been prepared in accordance with various valuation bases used for accounting estimates. The accounting estimates involved in the preparation of financial statements were based on objective and subjective factors and management's judgment to determine the proper fair value to be recorded in the financial statements. 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.

The main accounting practices applied in the preparation of these financial statements are set forth below. These policies have been consistently applied to every reported year, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

The Company controls an entity when it is exposed to, or is entitled to, variable returns from its involvement with the entity and it is able to affect these returns using its control over the entity. The subsidiaries' financial statements are included in the consolidated financial statements as from the date the control starts until the control no longer exists.

The subsidiaries' financial information is recognized through the equity method in the Parent Company's individual financial statements.

(ii) Loss of control

When the entity losses control over a subsidiary, it derecognizes the assets and liabilities and any non-controlling interest and other components recorded in equity related to this subsidiary. Any gain or loss arising from the loss of control is recognized in the statement of operations. If the Company holds any interest in the former subsidiary, it is measured by its fair value as at the date the control was lost.

(iii) Transactions eliminated in consolidation

Related-party transactions and balances, or any unrealized revenues or expenses arising from transactions with the Company and subsidiaries are eliminated. Unrealized gains from transactions with invested companies accounted for on an equity basis are eliminated against the investment in proportion to the Company's interest in the invested company. Unrealized losses are eliminated in the same way, but only when the transaction shows no evidence of impairment loss.

(b) Foreign currency

(i) Foreign-currency transactions

Foreign-currency transactions are translated into the respective functional currencies of the entities of Company at the exchange rates in effect at the transaction dates.

Monetary assets and liabilities denominated and calculated in foreign currency are retranslated into the functional currency at the exchange rate calculated on balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to functional currency at the exchange rate on the date fair value was calculated. Non-monetary items stated at historic cost in foreign currency are translated using the exchange rate prevailing at transaction date. Foreign currency differences arising from the translation are usually recognized in income (loss).

(ii) Foreign transactions

Assets and liabilities from foreign transactions, including goodwill and fair value adjustments arising from the acquisition, are translated into Reais at the exchange rates of the balance sheet date. Revenues and expenses from foreign transactions are translated into Reais at the exchange rates of the transactions dates.

The differences in foreign currency arising from the translation to the reporting currency are recognized in other comprehensive income (loss) and cumulative translation adjustments in equity. If the subsidiary is not a wholly-owned controlled company, the corresponding portion of the translation difference is attributed to the non-controlling shareholders.

(c) Financial instruments – Initial recognition and subsequent measurement

Financial instruments are initially recorded at their fair value, plus, in the case of financial assets or liabilities other than at fair value through income (loss), transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities. Their later measurement happens at each balance sheet date, according to the classification of financial instruments in the following categories: (i) at amortized cost, (ii) at fair value through income (loss) and (iii) at fair value through other comprehensive income (loss).

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when the Company is legally entitled to offset the amounts and has the intention to settle them on a net basis or simultaneously realize the asset and settle the liability. The legal right must not depend on future events and must be applicable in the regular course of business and in case of default, insolvency or bankruptcy of the company or counterparty.

The Company's financial assets include cash and cash equivalents, marketable securities, accounts receivable and related-party receivables.

(d) Operating revenue

Sale of goods

The operating revenue is recognized when (i) the most significant risks and benefits inherent to ownership of assets are transferred to the buyer, (ii) financial economic benefits are probable to flow to the Company, (iii) the associated costs and possible return of goods can be reliably estimated, (iv) there is no continuous involvement with the sold assets, and (v) the revenue value can be reliably measured. The revenue is measured net of returns, business discounts and bonuses.

(e) Financial revenues and expenses

The Company’s revenues and expenses comprise:

- Interest revenue;
- Interest expenses;

- Revenue from dividends;
- Net gains/losses from financial assets measured at fair value through income (loss);
- Net exchange rate gains/losses on financial assets and liabilities;
- Net gains/losses on hedging instruments which are recognized in income (loss);

Interest expenses and revenues are recognized in income (loss) under the effective interest rate method.

Dividend revenue is recognized in the statement of operations on the date the Company's right to receive payment is established.

The Company classifies dividends and interest on equity capital received as cash flows from investing activities.

(f) Income and Social Contribution Taxes

Current and deferred income and social contribution taxes are calculated at the following rates: 15% plus a 10% surtax on any taxable income in excess of R$ 240, in the case of income tax; and 9% on taxable income, in the case of social contribution tax, considering income and social contribution tax loss carry forwards, up to 30% of taxable income.

Income and social contribution tax expenses include current and deferred income taxes. Current and deferred taxes are recognized in income (loss) unless they are related to business combination or to items directly recognized in equity or in other comprehensive income (loss).

(i) Expense on current Income and Social Contribution taxes

Current tax expenses are the estimated tax payable or receivable calculated on taxable income or loss for the year, as well as any adjustment to payable taxes from prior years. The amount of current taxes payable or receivable is recognized in the statement of financial position as tax asset or liability at the best estimate of expected amount of taxes to be paid or received which reflects the uncertainties related to its calculation, if any. It is measured based on tax rates established at balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income and social contribution tax expenses

Deferred tax assets and liabilities are recognized for temporary differences between the book values of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income and social contribution tax expense. The deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect accounting or taxable income or loss;

Taxable temporary differences arising from initial recognition of goodwill.

A deferred tax asset is recognized as non-utilized tax losses and deductible temporary differences, when it is probable that future taxable income will be available and against which they will be used. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that they will be realized.

Deferred tax assets and liabilities are measured at the rates which are expected to be applied to temporary differences when they are reversed, at the rates established at balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Accounts Receivable

Accounts receivable are stated at their nominal and realization amounts, and trade accounts receivable abroad (if any) are adjusted according to the exchange rates in force at the date of the financial statements. When applicable, an allowance is recognized in an amount considered sufficient by Management for allowance for doubtful accounts based on an individual analysis of amounts receivable, considering: (i) the concept of incurred loss and expected loss, taking into account events of default that are likely to occur within twelve months after the date of disclosure of these financial statements, (ii) financial instruments that have significantly increased credit risk, but do not present objective evidence of impairment, and; (iii) financial assets that have already presented objective evidence of impairment as at December 31, 2018

The allowance for doubtful accounts were recognized in an amount considered necessary and sufficient by Management to cover probable losses on the realization of these credits, which may be changed due to the recovery of credits from debtors or changes in the financial situation of clients.

The discount to present value of trade accounts receivable is not relevant due to its short-term realization.

(h) Impairment of financial assets

The Company and its subsidiaries evaluate at least once a year if there is objective evidence that the financial asset or group of financial assets is not recoverable.

A financial asset or a group of financial assets is considered not to be recoverable if, and only if, there is objective evidence of impairment as a result of one or more events that happened after the initial recognition of the asset (an incurred 'impairment event'), with such event impacting estimated future cash flow of the financial asset or group of financial assets that can be reasonably estimated.

Financial liabilities, which are initially recognized at fair value, include trade accounts payable, loans and financing and related-party payables.

(i) Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined by using the average acquisition cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are recognized when considered necessary by management.

(i) Investments in subsidiaries

A subsidiary is an entity over which the Company exercises significant influence.

Based on the equity method, investment in subsidiaries is accounted for in the statement of financial position at cost, plus changes after the acquisition of ownership interest in the subsidiary.

Ownership interest held in the subsidiary is stated in the statement of operations as equity in earnings (losses), representing the net income attributable to the shareholders of the subsidiary.

When a change is directly recognized in equity of the subsidiary, the Company recognizes its portion of the changes, and discloses this event, if applicable, in the statement of changes in equity. In the consolidated financial statements, unrealized gains and losses arising from transactions between the Company and its subsidiary are eliminated according to the ownership interest held in such subsidiary.

The financial statements of the subsidiary are prepared for the same period of disclosure as the Company. Adjustments are made, if necessary, to align the accounting practices with those adopted by the Company.

After applying the equity method, the Company determines if additional impairment of its investments in subsidiary needs to be recognized. The Company determines, at each balance sheet closing date, whether there is objective evidence that such investments in subsidiary were impaired. If so, the Company calculates the impairment loss as the difference between the recoverable value of the subsidiary and its book value, and also recognizes the amount in the statement of operations.

The subsidiary's assets and liabilities abroad are translated into Brazilian Reais at the exchange rate of the balance sheet date, and the related statements of operations are translated at the average monthly exchange rate. Exchange differences resulting from such translation are individually accounted for in equity.

(j) Fixed assets

(i) Recognition and measurement

Fixed asset items are measured at historical acquisition or construction cost, including costs of capitalized loan, less accumulated depreciation and impairment.

Any gains and losses on disposal of an item of fixed asset are recognized in income (loss).

(ii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the expenses will be obtained by the Company.

(iii) Depreciation

Depreciation is calculated to amortize the cost of fixed asset items, less its estimated residual values, using the straight-line method based on estimated useful life for the items. Depreciation is recognized in income (loss). Leased assets are depreciated at the lower period between the estimated useful lives of the assets and the contract term, unless it is more likely than not that the Company will obtain the item by the end of the lease term. Plots of land are not depreciated.

Estimated useful lives of fixed assets are as follows:

Description	Rate
Buildings	50%
Industrial machinery, equipment and facilities	30%
Furniture and fixtures	10%
Vehicles	5%
Railway wagons	30%
Others	5%

The depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if necessary.

(iv) Intangible assets and goodwill

Recognition and measurement

Goodwill

Goodwill is measured at cost, less accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the Company and with finite useful lives are measured at cost, less accumulated amortization and any losses accumulated by impairment.

Amortization

Amortization is calculated using the straight-line method based on the estimated useful life of the items, net of their estimated residual values. The amortization is usually recognized in income (loss). Goodwill is not amortized.

(m) Impairment loss

(i) Nonderivative financial assets

Financial assets not classified as financial assets at fair value through income (loss), including investments accounted for under equity method, are evaluated at each balance sheet date to determine if there is objective evidence of impairment.

Objective evidence that financial assets were impaired includes:

- Default or debtor late payments;
- Restructuring of an amount owed to the Company in circumstances that would not be accepted under normal conditions;
- Indication that the debtor or issuer will go bankrupt/request court-ordered reorganization;
- Negative changes in the situation of payments from debtors or issuers;
- Disappearance of an active market for the instrument due to financial difficulties; or
- Observable data indicating reduction in the measurement of projected cash flows of a group of financial assets.

Financial assets measured at amortized cost

An impairment loss is calculated as the difference between the book value and the present value of estimated future cash flows discounted at the original effective interest rate of the asset. The losses are recognized in the statement of operations and in a valuation account. When the Company considers that there is no reasonable expectation of recovery, the amounts are written off. When a subsequent event indicates a reduction in impairment, the provision is reverted through income (loss).

Investments accounted for under equity method

An impairment loss related to an investee evaluated using the equity method is measured by the comparison between the recoverable value of the investment and its book value. An impairment loss is recognized in income (loss) and it is reversed if there was a favorable change in estimates used to determine the recoverable value.

(ii) Nonfinancial assets

The recoverable value of an asset or Cash Generating Unit (CGU) is the higher between its value in use and fair value less selling costs. The value in use is based on estimated future cash flows, discounted to present value at a discount rate before taxes that reflects the current market evaluations of the time value of money and of the specific risks of the asset or CGU.

An impairment loss is recognized if the book value of the asset or CGU exceeds its recoverable value.

A goodwill-related impairment loss is not reversed. As for other assets, impairment losses are reversed only if the asset's book value does not exceed the book value that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

(n) Trade accounts payable

Trade accounts payable are obligations payable for assets or services acquired in the ordinary course of business. They are classified as current liabilities if payment is due in the period of up to one year.

Otherwise, accounts payable are presented as noncurrent liabilities. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In fact, they are normally recognized at the corresponding billed amount.

(o) Loans and financing

Loans and financing are adjusted based on exchange rate gains (losses) or monetary variation and at effective interest rates incurred up to the balance sheet dates, in accordance with the financial agreement terms, less transaction costs incurred in raising of funds.

Costs of loans directly related to the acquisition, construction or manufacturing of an asset, that necessarily requires a significant time to be finished for use purposes, are capitalized as part of the cost of the asset. Loan costs include interest and other costs incurred by an entity related to the loan.

(p) Accounts receivable from and/or payable to related parties

Trade accounts receivable are stated at present and realization values. Management does not have the policy of recognizing allowance for doubtful accounts in transactions with related parties.

(q) Provisions

Provisions are recognized when the Company and its subsidiaries have an actual obligation (legal or informal) as a result of past events, funds are likely to be necessary to settle this obligation and a reliable estimate of its amount can be made.

When the Company and its subsidiaries expects the amount of a provision to be reimbursed, fully or partially, by means of an insurance contract, for example, this reimbursement is recognized as a separate asset, but only when its realization is considered virtually certain.

The Company and its subsidiaries are party to legal and administrative proceedings.

Provisions are recognized for contingencies related to legal lawsuits to which funds are likely to be necessary to settle the contingency/obligation and a reasonable estimate may be done. The assessment of the likelihood of loss includes assessing the evidence available, the hierarchy of the laws, available case law, the most recent court decisions and their significance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted to take into account changes in circumstances in which the Company and its subsidiaries are included.

(r) Capital stock

(i) Common shares

Additional costs directly attributable to the issuance of shares and share options are recognized as deduction from equity. Tax effects related to the costs of these transactions are accounted for under CPC 32 / IAS 12.

(ii) Preferred shares

Non-redeemable preferred shares are classified in equity, as the payment of dividends is discretionary, and they do not generate any obligation to deliver cash or other financial assets of the Company and do not require settlement in a variable number of equity instruments. Discretionary dividends are recognized as distributions in equity at the date of their approval by the Company's shareholders.

(iii) Repurchase and reissue of shares (treasury shares)

When shares recognized in equity are repurchased, the value of the paid compensation, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares, being then presented as a deduction from equity. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity, and the gains or losses resulting from transactions are stated as capital reserve.

(s) Statements of cash flows and value added

The statements of cash flows were prepared and are presented according to the Accounting Pronouncement CPC 03 (R2) - Statement of cash flows, issued by the Committee of Accounting Pronouncements (CPC). The Statements of value added were prepared and are presented according to Technical Pronouncement CPC 09 – Statement of Value Added, also issued by CPCs.

3. Significant judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires the management to make judgments, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the base-date of the financial statements. However, the uncertainty related to these assumptions and estimates may lead to results requiring significant adjustments to the book value of the affected asset or liability in future periods.

Estimates and assumptions

The main assumptions related to uncertainties on future estimates and other significant sources of uncertainties at balance sheet date, involving a material risk of resulting in a significant adjustment to the book value of assets and liabilities in the following year are discussed below.

(a) Fair value of financial instruments

When the fair value of financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, valuation techniques are used, including the discounted cash flow method. Data for this method are based on those applied in the market if possible. Otherwise, a certain level of judgment is required to determine the fair value. The judgment includes considerations on the data used, such as liquidity risk, credit risk, and volatility. Changes in the assumptions on these factors may affect the fair value of financial instruments.

(b) Provisions for tax, civil and labor risks

The Company recognizes provisions for civil and labor claims. The assessment of the likelihood of loss includes assessing the evidence available, the hierarchy of the laws, available case law, the most recent court decisions and their significance in the legal system, as well as the opinion of external legal advisors.

The provisions are reviewed and adjusted to take into consideration change in circumstances, such as applicable statutes of limitations, conclusions from tax inspections or additional exposures identified based on new matters or court decisions.

(c) Impairment test

Management annually reviews the net book value of the Company's assets with the purpose of identifying events or changes in economic, operating or technological circumstances that may indicate impairment or loss of their recoverable amount. When this evidence is identified, the recoverable value of the asset is calculated and if the net book value exceeds recoverable value an impairment charge is recognized writing the net book value down to recoverable value, when applicable.

The recoverable value of an asset or cash-generating unit is defined as the highest value between the net price of sales and the value in use of an asset.

Assumptions used to determine asset values are based on the assessment or indication that assets recorded at book value exceed its recoverable value. These indications take into account the obsolescence of assets, the significant and unexpected reduction of its market value, changes in the macroeconomic environment in which the Company operates, and fluctuations in interest rates that may impact the future cash flows of cash generating units.

The Company's main assets that have their recoverable values annually tested at the end of each year are intangible assets with indefinite useful lives.

4. Prospective accounting changes, new pronouncements and interpretations not yet adopted

(a) New standards, amendments and interpretations of existing standards not yet in effect

The standards and interpretations issued, but not yet adopted until the issue date of the Company's individual and consolidated financial statements, are presented below. The Company and its subsidiaries intend to adopt these standards, if applicable, when they are in effect:

IFRS 16 - Lease transactions - (CPC 06 (R2))

This standard replaces the prior standard on lease IAS 17/CPC 06 (R1) and related interpretations, and establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties of an agreement, that is, the clients (lessees) and suppliers (lessors). The lessees are required to recognize a lease liability reflecting future payments of the lease and a “right of use of an asset” for basically all lease agreements, except for certain short-term leases and agreements for low-value assets. For the lessors, the accounting treatment basically remains the same with classification of the leases as operating or finance, and accounting for those two types of lease agreements in a different manner. The new standard is applicable as from January 1, 2019.

Management evaluated the impacts of IFRS 16 and estimates that its adoption will not significantly affect the financial statements.

ICPC 22 - Uncertainty over Income Tax treatment

The new interpretation establishes requirements for recognition and measurement in situations where the Company has defined, during the process of calculating taxes on income (income and social contribution taxes), the use of uncertain tax treatments that may be questioned by the tax authority.

In situations where some treatments are uncertain, the Company shall define the probability of acceptance of the tax authorities related to them, and present them separately, identifying possible contingencies if it is concluded that the tax authority will not accept such treatment.

Management is evaluating the impacts of the new standard and intends to complete implementation after the beginning of its effective date in January 01, 2019.

(b) Standards, amendments and interpretations of existing standards that are effective on January 01, 2018:

IFRS 9 - Financial Instruments (CPC 48)

The Company adopted the standard as from January 01, 2018 that had the following amendments as impacts:

(i) Classification and measurement of financial assets: Inclusion of additional information on the notes regarding the classification of the previous six categories of financial assets, to the current three categories informed by the standard: At amortized cost, at fair value through other comprehensive income (loss) and at fair value through income (loss).

(In thousands of Brazilian Reais, unless otherwise stated)

(ii) Impairment of financial assets: change in the valuation model for expected losses in three stages: 1) The Company adopted the simplified approach considering expected losses during the whole life of the financial asset, except for the financial segment, which considers all default events possible within 12 months; 2) Expected credit losses throughout the life of the financial asset; and 3) Effective credit losses considering the model applied by the Company.

Upon adopting this valuation model, the Company considered its current valuation procedure based on the history of losses, its credit analysis policies and the credit risk characteristics of its operations. The change in the model has not caused relevant impact on its financial information.

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

CPC 47 / IFRS 15 establishes a comprehensive framework for determining whether, when and for how much revenue is recognized. Revenue is recognized when a customer obtains control over goods or services. Determining the timing of transfer of controls requires judgment, whether in a specific point in time or over time. The Company's Management evaluated its operations based on the five-step model set by this new standard and it did not identify any significant impacts.

5. 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	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Touro Empreendimentos Imobiliários e Participações Ltda. (Previously named 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
Mape 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

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.

(In thousands of Brazilian Reais, unless otherwise stated)

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

6. Cash and cash equivalents and financial investments

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash and banks	965	1,611	973	2,632
CDB – Bank Certificate of Deposit	472	116	1,389	2,741
Public debt security funds	14	13	14	89
Cash and cash equivalents	1,451	1,740	2,376	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 96% of CDI.

7. Accounts receivable

	Parent company		Consolidated	
	2018	2017	2018	2017
Notes receivable	25,425	22,201	25,442	22,202
Allowance for doubtful accounts	(8,331)	(7,864)	(8,331)	(7,864)
	17,094	14,337	17,111	14,338

The changes in allowance for doubtful accounts in the years ended December 31, 2018 and 2017 were as follows:

Balances as at December 31, 2017	(7,864)
(+) Complement of the allowance for doubtful accounts	(1,363)
(-)Write-off for loss	896
Balances as at December 31, 2018	(8,331)
Balances as at December 31, 2016	(6,858)
(+) Complement of the allowance for doubtful accounts	(883)
(-) Credit receipt	(123)
Balances as at December 31, 2017	(7,864)

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

Consolidated accounts receivable balance per maturity is as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Falling due	14,804	11,206	14,821	11,207
Overdue up to 90 days	2,137	2,401	2,137	2,401
Overdue between 91 and 180 days	153	730	153	730
Overdue for more than 180 days	8,331	7,864	8,331	7,864
	25,425	22,201	25,442	22,202

(In thousands of Brazilian Reais, unless otherwise stated)

8. Inventories

	Parent company		Consolidated	
	2018	2017	2018	2017
Finished goods	3,366	4,148	3,754	4,604
Work in process	3,191	795	3,191	795
Raw material - slag	7,724	1,998	7,724	1,998
Raw material - coke	1,295	2,450	1,295	2,450
Other raw materials	4,843	7,541	4,843	7,541
Materials for maintenance and consumption	16,924	16,973	16,924	16,973
Inventory in transit	1,230	747	1,230	747
Land for sale (i)	-	-	17,163	17,060
	38,573	34,652	56,124	52,168

(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.

9. Recoverable taxes

	Parent company		Consolidated	
	2018	2017	2018	2017
Current assets				
State VAT (ICMS)	5,037	5,004	5,037	5,004
Income tax/Social Contribution tax	8	69	46	77
Taxes on sales (PIS/COFINS)	-	326	705	1,032
Federal VAT (IPI)	4,020	2,074	4,020	2,158
Others	444	-	444	-
	9,509	7,473	10,252	8,271
Noncurrent assets				
State VAT (ICMS)	5,588	5,437	5,588	5,437
	5,588	5,437	5,588	5,437

10. Notes receivable

	Parent company		Consolidated	
	2018	2017	2018	2017
Seival Sul Mineração S.A. (i)	3,247	3,121	3,247	3,121
Ano Bom Incorp. e empreendimentos S.A. (ii)	-	-	2,499	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	(1,652)	-	(1,652)	-
Others	-	-	887	887
	6,035	3,121	9,421	32,137
Current assets	-	-	3,386	20,395
Noncurrent assets	6,035	3,121	6,035	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

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments in subsidiaries

a) Statements on main subsidiaries

	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.	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	-	99.99	99.99	99.88	99.99	100
Equity	36,524	220	40,838	2,332	-	37,693	(1,472)	35,550	2,331	4,951
Income (loss) for the year	(1,168)	1,663	(451)	(387)	(3)	3,944	(1,782)	(1,345)	(381)	-

b) Changes in investments

	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	-	-	5,738	388	-	-	116	6,242	3,920
Transfer of inv. at cost	-	-	-	-	-	-	-	-	100
Disposal of investments	-	-	-	-	(5,509)	(9,466)	-	(14,975)	(4,643)
Appreciation write-off	-	-	(3,655)	-	-	-	-	(3,655)	-
Equity in earnings (losses) of subsidiaries	(1,168)	1,662	(451)	(387)	(3)	309	2,111	2,073	11,028
Exchange rate gains (losses) on investments	-	-	-	-	616	-	-	616	74
Receipt of dividends	-	-	-	-	-	(2,360)	(3,415)	(5,775)	(6,500)
Return of capital	-	-	-	-	(56)	-	-	(56)	
Reclassification to liabilities	-	(1,443)	-	-	-	-	-	(1,443)	1,441
Balance at end of year	36,522	219	40,789	2,332	-	-	2,879	82,741	99,714

	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	-	8,258	94,294	92,743
Capital contributions	-	-	-	365	-	-	3,555	3,920	2,379
Transfer of inv. at cost	-	-	-	-	-	100	-	100	-
Partial spin-off	-	-	2,239	-	-	-	(2,239)	-	-
Disposal of investments	-	-	-	-	-	-	(4,643)	(4,643)	-
Equity in earnings (losses) of subsidiaries	3,944	(1,752)	(1,335)	(382)	-	11,417	(864)	11,028	139
Exchange rate gains (losses) on investments	-	-	-	-	74	-	-	74	(967)
Receipt of dividends	(6,500)	-	-	-	-	-	-	(6,500)	-
Reclassification to liabilities	-	1,441	-	-	-	-	-	1,441	-
Balance at end of year	37,690	-	39,157	2,331	4,952	11,517	4,067	99,714	94,294

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.

(In thousands of Brazilian Reais, unless otherwise stated)

12. Fixed assets

	Parent company				
	2018			2017	Annual
Accounts	Cost	Accumulated depreciation/ depletion	Net	Net	depreciation rates
Plots of land	28,698	-	28,698	28,811	
Buildings	109,578	(23,977)	85,601	87,807	2%
Industrial machinery, equipment and facilities	636,952	(246,818)	390,134	402,883	3.33%
Furniture and fixtures	3,208	(2,852)	356	282	10%
Vehicles	5,145	(4,779)	366	1,486	20%
Railway wagons	12,744	(2,124)	10,620	9,820	3.33%
Leasehold improvements	875	(439)	436	632	(*)
Machinery and equipment to be installed	2,714	(362)	2,352	2,443	3.33%
Construction in progress	16,243	-	16,243	14,284	
Advances to suppliers	2,024	-	2,024	2,193	
Limestone mines	23,033	(2,182)	20,851	21,309	(**)
Others	5,376	(5,173)	203	298	4% to 20%
	846,590	(288,706)	557,884	572,248	

	Consolidated				
	2018			2017	Annual
Accounts	Cost	Accumulated depreciation/dep letion	Net	Net	depreciation rates
Plots of land	53,056	-	53,056	51,067	
Buildings	109,608	(23,991)	85,617	87,853	2%
Industrial machinery, equipment and facilities	638,109	(247,627)	390,482	403,288	3.33%
Furniture and fixtures	3,216	(2,859)	357	288	10%
Vehicles	9,247	(7,072)	2,175	3,704	20%
Railway wagons	12,744	(2,124)	10,620	9,820	3.33%
Leasehold improvements	875	(439)	436	632	(*)
Machinery and equipment to be installed	2,714	(362)	2,352	2,443	3.33%
Construction in progress	16,243	-	16,243	14,344	
Advances to suppliers	2,484	-	2,484	2,913	
Limestone mines	23,033	(2,182)	20,851	21,309	(**)
Others	5,570	(5,185)	385	479	4% to 20%
	876,899	(291,841)	585,058	598,140	

(*) 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 December 31, 2018, the amount of R$ 19,542 (R$ 20,177 as at December 31, 2017), referring to depreciation, was accounted for as cost of goods sold.

As described in Note 13, Management reviewed the net book value of its assets to evaluate impairment, and the recognition of a provision for impairment was not considered necessary.

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 2019 and 2018, 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").

(In thousands of Brazilian Reais, unless otherwise stated)

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

	Parent company												
Fixed asset costs	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
Balances in 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	-	-	410	-	32	1,185	-	-	6,365	119	-	10	8,121
Transfers	-	-	4,197	134	(1,034)	-	-	-	(3,297)	-	-	-	-
Write-offs	(113)	-	(2,306)	-	(739)	-	(28)	-	(1,109)	(288)	-	(2)	(4,585)
Balances in 2018	28,698	109,578	636,952	3,208	5,145	12,744	875	2,714	16,243	2,024	23,033	5,376	846,590

	Parent company												
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
Balances in 2017	-	(21,771)	(231,768)	(2,792)	(5,400)	(1,739)	(271)	(271)	-	-	(1,724)	(5,070)	(270,806)
Additions	-	(2,206)	(15,631)	(60)	(742)	(385)	(174)	(91)	-	-	(458)	(105)	(19,852)
Transfers	-	-	(717)	-	717	-	-	-	-	-	-	-	-
Write-offs	-	-	1,298	-	646	-	6	-	-	-	-	2	1,952
Balances in 2018	-	(23,977)	(246,818)	(2,852)	(4,779)	(2,124)	(439)	(362)	-	-	(2,182)	(5,173)	(288,706)

	Parent company												
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
Balances in 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	-	-	124	50	265	1,403	-	-	5,281	168	1,175(*)	126	8,592
Transfers	-	44	6,144	26	-	-	586	-	(6,800)	-	-	-	-
Write-offs	(556)	-	(200)	(3)	(4,280)	-	(1,892)	-	(445)	(88)	-	(2)	(7,466)
Balances in 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

(*) Transfer of mining rights from intangible assets to fixed assets, referring to the mine of Carandaí.

Notes to the financial statements
As at December 31, 2018 and 2017
(In thousands of Brazilian Reais, unless otherwise stated)

	Parent company												
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	-	(19,566)	(216,172)	(2,746)	(6,198)	(1,397)	(2,111)	(181)	-	-	(1,266)	(4,968)	(254,605)
Additions	-	(2,205)	(15,722)	(48)	(1,355)	(342)	(48)	(90)	-	-	(458)	(104)	(15,369)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	126	2	2,153	-	1,888	-	-	-	-	2	3,881
Balance as at 12/31/2017	-	(21,771)	(231,768)	(2,792)	(5,400)	(1,739)	(271)	(271)	-	-	(1,724)	(5,070)	(266,093)

	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	1,870	-	410	-	1,109	1,185	-	-	6,365	119	-	10	11,068
Transfers	260	-	4,197	133	(1,034)	-	-	-	(3,296)	(260)	-	-	-
Write-offs	(141)	(673)	(2,688)	(91)	(739)	-	(28)	-	(1,170)	(288)	-	(61)	(5,879)
Balance as at 12/31/2018	53,056	109,608	638,109	3,216	9,247	12,744	875	2,714	16,243	2,484	23,033	5,570	876,899

	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	-	(2,208)	(15,643)	(60)	(2,229)	(385)	(174)	(91)	-	-	(458)	(105)	(21,353)
Transfers	-	-	(717)	-	717	-	-	-	-	-	-	-	-
Write-offs	-	645	1,635	87	647	-	6	-	-	-	-	62	3,082
Balance as at 12/31/2018	-	(23,991)	(247,627)	(2,859)	(7,072)	(2,124)	(439)	(362)	-	-	(2,182)	(5,185)	(291,841)

(In thousands of Brazilian Reais, 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	Constructio n 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	3,847	-	124	50	3,286	1,403	-	-	6,027	369	1,175	129	16,410
Transfers	2,466	43	6,144	26	-	-	586	-	(6,799)	(2,466)	-	-	-
Write-offs	(1,149)	-	(201)	(3)	(4,308)	-	(1,892)	-	(6,044)	(694)	-	(2)	(14,293)
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

	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	Constructio n 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	-	(2,222)	(15,737)	(49)	(2,158)	(342)	(48)	(90)	-	-	(458)	(106)	(21,210)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	126	2	2,180	-	1,888	-	-	-	-	2	4,198
Balance as at 12/31/2017	-	(22,428)	(232,902)	(2,886)	(6,207)	(1,739)	(271)	(271)	-	-	(1,724)	(5,142)	(273,570)

(In thousands of Brazilian Reais, unless otherwise stated)

13. Intangible assets – Parent Company and Consolidated

	Parent company				Consolidated			
	Goodwill	Mining rights	Others	Total	Goodwill	Mining rights	Others	Total
Balances as at December 31, 2017	93,564	35,143	845	129,552	93,564	55,404	991	149,959
Additions	-	-	52	52	-	122	52	174
Amortization	-	-	(314)	(314)	-	-	(314)	(314)
Balances as at December 31, 2018	93,564	35,143	583	129,290	93,564	55,526	729	149,819

	Parent company				Consolidated			
	Goodwill	Mining rights	Others	Total	Goodwill	Mining rights	Others	Total
Balances as at December 31, 2016	93,564	36,318	1,227	131,109	93,564	59,387	1,584	154,535
Additions	-	-	-	-	-	258	-	258
Transfer to investments	-	-	-	-	-	(3,655)	-	(3,655)
Write-offs	-	(1,175)	-	(1,175)	-	(794)	-	(794)
Amortization	-	-	(382)	(382)	-	-	(385)	(385)
Balances as at December 31, 2017	93,564	35,143	845	129,552	93,564	55,196	1,199	149,959

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, 2018, the recoverable amount is higher than the book value of the assets. Accordingly, no provision was made for impairment as at December 31, 2018.

(In thousands of Brazilian Reais, unless otherwise stated)

14. Loans and financing – Parent Company and Consolidated

	2018		2017	
	Current	Non-Current	Current	Non-Current
Parent company				
Local Currency				
Development banks				
BDMG and others with maturity up to 2022	157,836	-	139,110	-
Unallocated transaction cost	(330)	-	(578)	-
	157,506	-	138,532	-
Working capital				
CCBs issued by Bank Credit Suisse, Fibra, Alfa, ABC Brasil and Bank CCB Brasil, with maturity up to 2020	100,611	-	99,542	-
Votorantim S.A., with maturity up to Jan/2022	-	22,114		
Unallocated transaction cost	-	-	(112)	-
	100,611	22,114	99,430	-
	258,117	22,114	237,962	-
Foreign currency				
Notes - US$185,000 Senior Unsecured Notes matured in May/2018	1,040,239	-	807,735	-
Agricultural Bank of China - US$ 25,500 Facility Agreement matured in Feb/2017	69,075	-	56,095	-
Unallocated transaction cost	-	-	(1,451)	-
Financing				
Tupacta AG – US$119,691-maturity in Dec/2028 (i)	-	466,177	-	-
Others – maturity up to Sep/2030	9,370	483	-	-
	1,118,684	466,660	862,379	-
Parent company	1,376,801	488,774	1,100,341	-
Consolidated	1,376,801	488,774	1,100,341	-

(i) If there is maturity or prepayment of the debt before 3 years of the signing of this contract, the amount due shall correspond to the higher of: (a) the debt adjusted under the terms agreed; (b) R$ 650,000 or (c) that equivalent to US$ 165,000.

In 2018, the Company renegotiated part of its debts in domestic currency with Brazilian financial institutions, with flexible payment flow and extension of maturities. Until January 2020, debts with banks Alfa, Banco CCB Brasil, ABC Brasil and Fibra will be settled. The Company is renegotiating with other creditors its indebtedness.

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.

(In thousands of Brazilian Reais, unless otherwise stated)

On July 10, 2018, a new amendment to the Bank Credit Note (CCB) was signed with China Construction Bank (Brasil) Banco Múltiplo S/A, changing the payment condition and postponing the maturity to December 2019.

On July 18, 2018, the Company signed an addendum to the Bank Credit Note - CCB, with Banco ABC Brasil S/A, changing the payment condition and postponing the maturity to January 2020.

On September 24, 2018, the Company received a notice that the Bank Credit Notes issued by Banco de Investimentos Credit Suisse (BRASIL) S.A. would have been guaranteed to SPE Geribá Participações SPE-1 Ltda. The access to the documentation brought to the Company doubts as to the regularity of the mentioned guarantee, which is being discussed in court. The Company has not amortized the installments of the mentioned CCBs.

Debt notes (9.75% Senior Unsecured Notes) intended for placement in the international market, totaling US$ 185,000, matured on May 11, 2018. The Company seeks to renegotiate its debt with these creditors in terms adequate to the Company's financial situation and reasonable for all involved parties.

In December 2018, the Company merged its parent company Cimento Santo Estevão e Participações S.A. in order to optimize its current corporate structure and with the consequent reduction in financial and operating costs and rationalization of its activities. With the merger, the Company assumed all rights and obligations of the merged company, including total debt equivalent to R$ 498,144, of which (93.58%) is mainly related to the debt originally assumed through Bradesco Vida e Previdência by Cimento Santo Estevão e Participações SA, maturing in December 2028.

15. Related-party transactions

	2018				2017
	Tupi Rio Transportes S.A.	Mape Incorporação e Empreendimentos Ltda.	Others	Total	Total
Current liabilities					
Anticipated dividends	-	16,163	10	16,173	33,608
Transactions					
Cost of goods sold and services rendered	(30,658)	-	-	(30,658)	(16,855)

(In thousands of Brazilian Reais, unless otherwise stated)

	Consolidated		
	2018		2017
	Cimento Santo Estevão	Total	Total
Current assets			
Receivables from affiliated company	-	-	533
Current liabilities			
Advance for future increase in capital	-	-	15,990

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

16. 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					
	2018			2017		
	Principal	Interest/ Fine	Total	Principal	Interest/ Fine	Total
Current liabilities	9,871	2,989	12,860	15,338	3,731	19,069
ICMS	9,275	2,989	12,264	13,097	3,731	16,828
Tax Regularization Program (PRT)	369	-	369	2,058	-	2,058
Others	227	-	227	183	-	183
Noncurrent liabilities	13,421	5,040	18,461	31,471	11,101	42,572
ICMS	13,084	5,040	18,124	30,797	11,101	41,898
PRT	-	-	-	343	-	343
Others	337	-	337	331	-	331
	23,292	8,029	31,321	46,809	14,832	61,641

	Consolidated					
	2018			2017		
	Principal	Interest/ Fine	Total	Principal	Interest/ Fine	Total
Current liabilities	10,270	3,057	13,327	15,357	3,731	19,088
ICMS	9,461	3,057	12,518	13,097	3,731	16,828
PRT	369	-	369	2,058	-	2,058
Others	440	-	440	202	-	202
Noncurrent liabilities	14,567	5,305	19,872	31,515	11,102	42,617
ICMS	13,483	5,305	18,788	30,797	11,102	41,899
PRT	-	-	-	343	-	343
Others	1,084	-	1,084	375	-	375
	24,837	8,362	33,199	46,872	14,833	61,705

17. Taxes payable

	Parent company		Consolidated	
	2018	2017	2018	2017
ICMS	60,325	6,940	60,733	7,115
PIS/COFINS	11,162	3,985	11,540	4,040
Tax on Services (ISS)	589	529	594	532
Others	358	428	362	441
	72,434	11,882	73,229	12,128

18. 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.

In the Extraordinary General Meeting (AGE) held on September 26, 2018, the Company's capital stock was increased to the amount of R$ 2,918 through the issuance of common and preferred shares.

As at December 31, 2018, fully subscribed and paid-in capital is represented by 11,793 common shares and 11,792 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.

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.

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, 2018 and 2017.

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 loss per share:

	2018			2017		
	Common Shares	Preferred shares	Total	Common Shares	Preferred shares	Total
Loss for the year	(144,091)	(144,091)	(288,170)	(92,069)	(75,405)	(167,563)
Weighted average of shares (in thousands of shares)	11,793	11,792	23,585	107,336	87,909	195,245
Basic and diluted loss per share	(13.4822)	(13.4822)	-	(0.8578)	(0.8578)	-

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

19. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expenses

	Parent company			
	Income tax		Social Contribution Tax	
	2018	2017	2018	2017
Loss before taxes	(336,224)	(176,561)	(336,224)	(176,561)
ADD-BACKS				
Gains on deferred capital – sale of assets	-	19,030	-	19,030
Realization sub-account dif. positive asset	13,549	16,195	13,549	16,195
Amortization, cost of loans raising	1,811	5,103	1,811	5,103
Exchange rate gains (losses) on loans	152,297	13,756	152,297	13,756
Write-off of appreciation in investments	3,655	-	3,655	-
Other additions	6,429	6,155	6,429	6,155
DEDUCTIONS				
Equity in earnings (losses) of subsidiaries	2,073	11,028	2,073	11,028
Depreciation – Corporate x T. differences	32,443	32,863	32,443	32,863
Other deductions	962	-	962	-
Adjusted loss	(193,961)	(160,213)	(193,961)	(160,213)
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	35,334	6,682	12,720	2,405
Income and social contribution taxes in income (loss)	35,334	6,682	12,720	2,405

(In thousands of Brazilian Reais, unless otherwise stated)

	Consolidated			
	Income tax		Social Contribution Tax	
	2018	2017	2018	2017
Loss before taxes	(335,217)	(164,538)	(335,217)	(164,538)
ADD-BACKS				
Gains on deferred capital – sale of assets	-	19,030	-	19,030
Realization sub-account dif. positive asset	13,549	16,195	13,549	16,195
Amortization, cost of loans raising	1,811	5,103	1,811	5,103
Exchange rate loss on loans	152,297	13,756	152,297	13,756
Write-off of appreciation in investments	3,655	-	3,655	-
Other add-backs	6,429	6,679	6,429	6,679
DEDUCTIONS				
Income (loss) from subsidiaries under deemed income	2,779	4,560	2,779	4,560
Depreciation	32,443	32,863	32,443	32,863
Other deductions	962	352	962	352
Adjusted loss	(193,660)	(141,370)	(193,660)	(141,370)
Applicable rates	25%	25%	9%	9%
Current IRPJ and CSLL	-	-	-	-
Current IRPJ and CSLL of subsidiaries	(352)	-	(135)	
IRPJ and CSLL – deemed income	(161)	(414)	(50)	(201)
Tax debts accrued from deferred income and social contribution taxes on temporary differences	35,334	6,682	12,720	2,405
Income and social contribution taxes in income (loss)	34,821	6,268	12,535	2,204

b) Breakdown of deferred income and social contribution taxes

	Parent company and consolidated	
	2018	2017
Income and social contribution tax losses	135,285	150,639
Provisions for contingencies	241	482
Deferred Income (IR) and Social Contribution (CS) tax assets	135,526	151,121
Deferred IR and CS on temporary differences	(35,781)	(61,223)
Taxed transactions on cash basis – (exchange rate gains (losses))	(6,787)	(44,994)
Tax amortization of goodwill	(31,812)	(31,812)
Deferred IR and CS tax liabilities	(74,380)	(138,029)
	61,146	13,092

Considering expected generation of taxable income up to 2028, 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.

(In thousands of Brazilian Reais, unless otherwise stated)

20. 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 December 31, 2018, the Company recognizes provision for contingencies arising from labor claims whose likelihood of an unfavorable outcome is probable in amount of R$ 709 (R$ 1,415 as at December 31, 2017). As at December 31, 2018, the Company has court deposits in the amount of R$ 8,870 (R$ 6,773 as at December 31, 2017).

	Parent company		Consolidated	
	2018	2017	2018	2017
Beginning balance	1,415	110	1,415	110
New	-	1,752	-	1,752
Concluded	(706)	(447)	(706)	(447)
Final balance	709	1,415	709	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 December 31, 2018, value of such contingencies was R$ 152,999 (R$ 124,339 at December 31, 2017), as follows:

	Parent company		Consolidated	
Nature	2018	2017	2018	2017
Tax contingencies	74,192	55,604	131,940	96,501
Labor contingencies	18,580	24,444	18,947	25,976
Civil contingencies	2,112	1,862	2,112	1,862
	94,884	81,910	152,999	124,339

21. Insurance coverage (Unaudited)

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.

22. Financial instruments and risk management

22.1. 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.

(In thousands of Brazilian Reais, unless otherwise stated)

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

	Parent company					
	2018			2017		
Financial assets	Amortized cost	Fair value through income (loss)	Total	Amortized cost	Fair value through income (loss)	Total
Cash and cash equivalents	1,451	-	1,451	1,740	-	1,740
Accounts receivable	17,094	-	17,094	14,337	-	14,337
Notes receivable	6,035	-	6,035	3,121	-	3,121
	24,580	-	24,580	19,198	-	19,198

	Consolidated					
	2018			2017		
Financial assets	Amortized cost	Fair value through income (loss)	Total	Amortized cost	Fair value through income (loss)	Total
Cash and cash equivalents	2,376	-	2,376	5,462	-	5,462
Accounts receivable	17,111	-	17,111	14,338	-	14,338
Notes receivable	9,421	-	9,421	32,137	-	32,137
	28,908	-	28,908	51,937	-	51,937

22.2. Classification of financial instruments by category

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

	Parent company	
Financial liabilities	2018	2017
Trade accounts payable	26,146	18,154
Loans and financing	1,865,575	1,100,341
Related-party transactions	16,173	33,608
	1,907,894	1,152,103

	Consolidated	
Financial liabilities	2018	2017
Trade accounts payable	27,568	22,308
Loans and financing	1,865,575	1,100,341
Related-party transactions	-	15,990
	1,893,143	1,138,639

(In thousands of Brazilian Reais, unless otherwise stated)

22.3. 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%.

		Sensitivity analysis	
	Value	(Scenario I)	(Scenario II)
Foreign currency loans	in Brazilian Reais	Future value I	Future value II
Notes - US$ 185,000	716,838	896,047	1,075,257
Agricultural Bank of China - US$ 15,391	59,637	74,546	89,455
Tupacta – USD119,691	463,778	579,722	695,667
Cemrock and Brown Brothers – USD2,543	9,854	12,317	14,781

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.

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.

(In thousands of Brazilian Reais, unless otherwise stated)

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			
	Up to a year	From one to three years	over three years	Total in 2018
Loans and financing	1,376,801	-	488,774	1,865,575
Trade accounts payable	26,146	-	-	26,146
Customers' advances	264	-	-	264
Other financial liabilities	120,681	19,880	4,675	145,236
Balance as at December 31, 2018	1,523,892	19,880	493,449	2,037,221

	Consolidated			
	Up to a year	From one to three years	over three years	Total in 2018
Loans and financing	1,376,801	-	488,774	1,865,575
Trade accounts payable	27,568	-	-	27,568
Customers' advances	264	-	-	264
Other financial liabilities	106,346	20,796	5,741	132,883
Balance as at December 31, 2018	1,510,979	20,796	494,515	2,026,290

23. Net operating revenue

	Parent company		Consolidated	
	2018	2017	2018	2017
Gross sales				
Sales of goods	299,337	282,315	303,766	294,639
Deductions from sales	(79,766)	(75,163)	(85,392)	(78,862)
Sales returns	(784)	(656)	(784)	(656)
ICMS on sales	(51,370)	(48,456)	(53,931)	(50,113)
PIS and COFINS on sales	(27,612)	(26,050)	(30,604)	(28,048)
Others	-	(1)	(73)	(45)
Net operating revenue	219,571	207,152	218,374	215,777

(In thousands of Brazilian Reais, unless otherwise stated)

24. General and administrative expenses

	Parent company		Consolidated	
	2018	2017	2018	2017
Administrative personnel expenses	(15,219)	(15,835)	(15,409)	(16,309)
Lawyers' fees	(3,647)	(4,600)	(3,700)	(4,790)
Real estate lease	(254)	(507)	(255)	(538)
Travel expenses	(393)	(394)	(449)	(438)
Advisory/fees/third-party service	(2,939)	(4,439)	(3,035)	(4,758)
Others	(2,788)	(2,747)	(3,600)	(3,342)
	(25,240)	(28,522)	(26,448)	(30,175)

25. Other operating revenues (expenses), net

	Parent company		Consolidated	
	2018	2017	2018	2017
Write-off of fixed assets/ investments	(2,986)	(3,003)	(737)	(2,961)
PIS/COFINS on sales of electric power	-	(1,361)	-	(1,361)
ICMS installment payment	1,502	(5,046)	1,502	(5,046)
Indemnity for emerging damages	-	-	-	42,000
Expenses on lawyers	-	-	-	(20,563)
Others	276	(577)	1,129	(540)
	(1,208)	(9,987)	1,894	11,529

26. Financial income (loss)

	Parent company		Consolidated	
	2018	2017	2018	2017
Financial expenses				
Interest on loans	(105,036)	(86,602)	(105,036)	(86,602)
Interest/ fines on tax installment payments	(10,707)	(10,114)	(11,053)	(10,114)
Discounts granted	(2,699)	-	(2,699)	(1,989)
Contract interest - Finame	(26,651)	(19,748)	(26,651)	(19,748)
Exchange rate gains (losses) on loans	(151,867)	(13,728)	(151,867)	(13,728)
Other financial expenses	(2,988)	(921)	(3,414)	(2,232)
	(299,948)	(131,113)	(300,720)	(134,413)

	Parent company		Consolidated	
	2018	2017	2018	2017
Financial revenues				
Discounts obtained	327	535	327	535
Interest on financial investments	15	214	112	1,000
Interest received from customers	954	977	954	977
Other financial revenues	580	404	814	423
	1,876	2,130	2,207	2,935
	(298,072)	(128,983)	(298,513)	(131,478)

(In thousands of Brazilian Reais, unless otherwise stated)

27. 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.

The Company's segment information is as follows:

	2018				
	Cement	Real estate management and merger	Others	Eliminations	Total Consolidated
Net revenue	219,571	4,037	25,424	(30,658)	218,374
Gross profit (loss)	(2,284)	3,009	(1,381)	(1)	(657)
Depreciation and amortization	(20,167)	-	(1,501)	-	(21,668)
Operating income (loss)	(40,225)	2,554	968	(1)	(36,704)
Financial income (loss)	(298,072)	226	(672)	5	(298,513)
Equity in earnings (losses) of subsidiaries	2,073	-	-	(2,073)	-
Income (loss) before taxes	(336,224)	2,780	296	(2,069)	(335,217)
Income and Social Contribution taxes	48,054	(210)	(488)	-	47,356
Minority interest	-	-	-	(309)	(309)
Net income (loss)	(288,170)	2,570	(192)	(2,378)	(288,170)
Current assets	73,044	22,307	2,959	(1,551)	96,759
Noncurrent assets	853,503	16,164	47,942	(98,702)	818,907
Current liabilities	1,523,892	84	4,727	(17,577)	1,510,979
Noncurrent liabilities	513,329	237	1,745	(147)	515,311

(In thousands of Brazilian Reais, unless otherwise stated)

	2017				
	Cement	Development and administration of properties	Others	Eliminations	Total Consolidated
Net revenues	207,152	11,657	13,823	(16,855)	215,777
Gross profit (loss)	(8,668)	5,997	(314)	-	(2,985)
Depreciation and amortization	(20,753)	-	(843)	-	(21,596)
Operating income (loss)	(58,606)	5,872	19,674	-	(33,060)
Financial income (loss)	(128,983)	(1,312)	(1,183)	-	(131,478)
Equity in earnings (losses) of subsidiaries	11,028	-	-	(11,028)	-
Income (loss) before taxes	(176,561)	4,560	18,491	(11,028)	(164,538)
Income and social contribution taxes	9,087	(615)	-	-	8,472
Minority interest	-	-	-	(11,408)	(11,408)
Net income (loss)	(167,474)	3,945	18,491	(22,436)	(167,474)
Current assets	70,679	24,339	20,885	(6,308)	109,595
Noncurrent assets	832,630	14,603	60,826	(115,667)	792,392
Current liabilities	1,195,742	59	13,080	(26,166)	1,182,715
Noncurrent liabilities	50,817	-	1,581	(1,442)	50,956

28. Subsequent Events

Until the present date, there were no other events that may significantly affect the financial statements or the Company’s operations.