

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

CIMENTO TUPI S.A.

Independent auditor's review report

Individual and consolidated interim
financial information
As at September 30, 2019

CIMENTO TUPI S.A.

Individual and consolidated interim financial information
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Contents

Independent auditor's review report on the individual and consolidated interim financial information

Statements of financial position

Statements of operations

Statements of comprehensive income (loss)

Statements of changes in equity

Statements of cash flows

Statements of value added

Notes to the individual and consolidated interim financial information

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim financial information of Cimento Tupi S.A. ("Company") and subsidiaries, for the quarter ended September 30, 2019, which comprises the statement of financial position as at September 30, 2019 and the respective statements of operations and comprehensive income (loss) for the three- and nine-month periods then ended, and of changes in equity (deficit) and cash flows for the nine-month period then ended, as well as the corresponding notes to the financial information, including a summary of significant accounting policies.

The Company's management is responsible for the preparation of this individual and consolidated interim financial information in accordance with Brazilian accounting practices. Our responsibility is to express a conclusion on this individual and consolidated interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international review standards. An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Basis for qualified conclusion on the individual and consolidated interim financial information

Deferred Income and Social Contribution Taxes

As mentioned in Note 18, the Company has the amount of R\$ 135,285 thousand recorded under the caption 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 NBC TG 32 (R4) - Taxes on Income, 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 by R\$ 80,194 thousand from 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 information.

Qualified conclusion on the individual and consolidated interim financial information

Based on our review, except for the effects of the matter described in the section “Basis for qualified conclusion on the individual and consolidated interim financial information” we are not aware of any fact which would lead us to believe that the interim financial information does not present fairly, in all material respects, the financial position of the Company, as at September 30, 2019, its financial performance and its cash flows for the six-month period then ended in accordance with Brazilian accounting practices.

Emphasis

Going concern

We draw attention to Notes 1 and 13, which indicate that the Company did not pay the interest of certain debts during 2015, 2016, 2017, 2018 and for the nine-month period ended September 30, 2019, 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 September 30, 2019, in the amount of R\$ 1,570,793 thousand. On that date, consolidated current liabilities exceeded consolidated current assets by R\$ 1,555,517 thousand and consolidated equity is negative in the amount of R\$ 1,502,089 thousand in the quarter then ended. These conditions indicate significant uncertainties which may raise relevant doubt regarding the Company's going concern. The interim financial information was prepared assuming the Company's continuity as going concern, which is directly related to the success in the implementation of the plans and renegotiation of the terms to pay the debts mentioned in Note 1. The interim financial information has no adjustments to cover the noncontinuity of the Company as a going concern. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 - Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as whole.

Audit and review of the previous year's and quarter's amounts

The interim financial information mentioned in the first paragraph includes financial information corresponding to income (loss), comprehensive income (loss), changes in equity, cash flows and added value for the quarter ended September 30, 2018, obtained from the quarterly information of that comparative quarter, and to the statements of financial position as at December 31, 2018, obtained from the financial information as at December 31, 2018, presented for comparison purposes.



The review of the quarterly information for the quarter ended September 30, 2018, and the audit of financial information for the year ended December 31, 2018, were conducted under our responsibility, and our report thereon, dated November 28, 2018 and June 24, 2019, respectively, included paragraphs on material uncertainty as to going concern and was qualified regarding external confirmations and deferred Income and Social Contribution Taxes on the financial statements as at December 31, 2018.

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

Rio de Janeiro, November 08, 2019.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/F

A handwritten signature in black ink, appearing to read 'Fernando Pereira da Silva Marques'.

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

Cimento Tupi S.A.

Statements of financial position As at September 30, 2019 and December 31, 2018 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Assets | | | | |
| Current | | | | |
| Cash and cash equivalents (Note 5) | 669 | 1,451 | 1,282 | 2,376 |
| Accounts receivable (Note 6) | 18,346 | 17,094 | 18,346 | 17,111 |
| Inventories (Note 7) | 39,956 | 38,573 | 57,683 | 56,124 |
| Recoverable taxes (Note 8) | 11,521 | 9,509 | 11,582 | 10,252 |
| Notes receivables (Note 9) | 3,902 | - | 7,373 | 3,386 |
| Advances to suppliers | 1,508 | 1,011 | 2,155 | 1,584 |
| Receivables from third parties | 7,913 | 4,260 | 7,913 | 4,260 |
| Other current assets | 1,181 | 1,146 | 1,709 | 1,666 |
| Total current assets | 84,996 | 73,044 | 108,044 | 96,759 |
| Noncurrent | | | | |
| Notes receivables (Note 9) | 5,693 | 6,035 | 5,693 | 6,035 |
| Receivables from third parties | 1,949 | 1,949 | 1,949 | 1,949 |
| Related-party transactions (Note 14) | 2,901 | - | - | - |
| Recoverable taxes (Note 8) | 5,740 | 5,588 | 5,740 | 5,588 |
| Deferred income and social contribution taxes (Note 18) | 53,826 | 61,146 | 53,826 | 61,146 |
| Court deposits (Note 19) | 9,579 | 8,870 | 9,689 | 9,063 |
| Investments | | | | |
| Subsidiaries (Note 10) | 80,703 | 82,741 | - | - |
| Other investments | - | - | - | 249 |
| Fixed assets (Note 11) | 548,958 | 557,884 | 575,032 | 585,058 |
| Intangible assets (Note 16) | 129,139 | 129,290 | 150,087 | 149,819 |
| Total noncurrent assets | 838,488 | 853,503 | 802,265 | 818,907 |
| Total assets | 923,484 | 926,547 | 910,309 | 915,666 |

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

Cimento Tupi S.A.

Statements of financial position As at September 30, 2019 and December 31, 2018 (In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Liabilities | | | | |
| Current | | | | |
| Loans and financing (Note 13) | 1,570,793 | 1,376,801 | 1,570,793 | 1,376,801 |
| Trade accounts payable | 24,707 | 26,146 | 22,420 | 27,568 |
| Salaries and social charges | 13,403 | 12,935 | 14,029 | 13,480 |
| Income and Social Contribution taxes payable | - | - | 13 | 11 |
| Accounts payable - Related parties (Note 14) | 16,739 | 16,173 | - | - |
| Taxes payable (Note 16) | 12,278 | 72,434 | 13,438 | 73,229 |
| Taxes in installments (Note 15) | 32,514 | 12,860 | 33,748 | 13,327 |
| Notes payable | - | 890 | - | 890 |
| Other accounts payable | 9,099 | 5,653 | 9,120 | 5,673 |
| Total current liabilities | 1,679,533 | 1,523,892 | 1,663,561 | 1,510,979 |
| Noncurrent | | | | |
| Loans and financing (Note 13) | 622,092 | 488,774 | 622,092 | 488,774 |
| Taxes in installments (Note 15) | 117,729 | 18,461 | 120,651 | 19,872 |
| Provision for contingencies (Note 19) | 709 | 709 | 709 | 709 |
| Other accounts payable | 5,560 | 5,385 | 5,385 | 5,956 |
| Total noncurrent liabilities | 746,090 | 513,329 | 748,837 | 515,311 |
| Equity (Note 17) | | | | |
| Capital stock | 298,809 | 298,809 | 298,809 | 298,809 |
| Capital reserves | 11,685 | 11,685 | 11,685 | 11,685 |
| Accumulated losses | (1,812,633) | (1,421,168) | (1,812,633) | (1,421,168) |
| Total equity attributable to controlling shareholders | (1,502,139) | (1,110,674) | (1,502,139) | (1,110,674) |
| Non-controlling interest | - | - | 50 | 50 |
| Total equity | (1,502,139) | (1,110,674) | (1,502,089) | (1,110,624) |
| Total liabilities and equity | 923,484 | 926,547 | 910,309 | 915,666 |

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

Cimento Tupi S.A.

Statements of operations

For the nine-month periods ended September 30, 2019 and 2018

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

| | Parent company | | Consolidated | |
|--|----------------|------------|--------------|------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Net operating revenue (Note 22) | 178,609 | 165,483 | 174,956 | 165,435 |
| Cost of products sold | (185,998) | (167,423) | (183,395) | (165,354) |
| Gross profit (loss) | (7,389) | (1,940) | (8,439) | 81 |
| Operating expenses | | | | |
| Selling | (11,056) | (8,271) | (11,056) | (8,271) |
| General and administrative (Note 23) | (24,831) | (19,362) | (25,482) | (20,389) |
| Other operating revenues (expenses), net (Note 24) | 34,973 | 1,179 | 34,761 | 4,218 |
| | (914) | (26,454) | (1,777) | (24,442) |
| Operating income (loss) before equity in earnings (losses) of subsidiaries and financial income (loss) | (8,303) | (28,394) | (10,216) | (24,361) |
| Equity in earnings (losses) of subsidiaries (Note 10) | (2,213) | 3,047 | - | - |
| Financial income (loss) (Note 25) | | | | |
| Financial expenses | (375,460) | (290,907) | (375,889) | (291,148) |
| Financial revenues | 1,831 | 1,460 | 2,006 | 1,735 |
| | (373,629) | (289,447) | (373,883) | (289,413) |
| Income (loss) before Income and Social Contribution taxes | (384,145) | (314,794) | (384,099) | (313,774) |
| Income and Social Contribution Taxes (Note 18) | (7,320) | (3,184) | (7,366) | (3,895) |
| Minority interest | - | - | - | (309) |
| Loss for the period | (391,465) | (317,978) | (391,465) | (317,978) |
| Loss attributable to: | | | | |
| Controlling shareholder | (391,465) | (317,978) | (391,465) | (317,669) |
| Noncontrolling shareholder | - | - | - | (309) |
| Basic and diluted losses per share (Note 17) | | | | |
| Preferred shares | (16.5980) | (13.4822) | - | - |
| Common shares | (16.5980) | (13.4822) | - | - |

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

Cimento Tupi S.A.

Statements of operations

For the three-month periods ended September 30, 2019 and 2018

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

| | Parent company | | Consolidated | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 07/01 to 09/30/2019 | 07/01 to 09/30/2018 | 07/01 to 09/30/2019 | 07/01 to 09/30/2018 |
| Net operating revenue | 64,231 | 57,137 | 63,043 | 55,929 |
| Cost of products sold | (65,970) | (56,216) | (65,243) | (55,486) |
| Gross profit (loss) | (1,739) | 921 | (2,200) | 443 |
| Operating expenses | | | | |
| Selling | (4,273) | (2,755) | (4,273) | (2,755) |
| General and administrative | (8,773) | (6,153) | (9,041) | (6,431) |
| Other operating revenues (expenses), net | (1,462) | (724) | (1,769) | (657) |
| | (14,508) | (9,632) | (15,083) | (9,843) |
| Operating income (loss) before equity in earnings (losses) of subsidiaries and financial income (loss) | (16,247) | (8,711) | (17,283) | (9,400) |
| Equity in earnings (losses) of subsidiaries | (1,309) | (768) | - | - |
| Financial income (loss) | | | | |
| Financial expenses | (207,005) | (80,467) | (207,341) | (80,599) |
| Financial revenues | (11,259) | 502 | (11,174) | 561 |
| | (218,264) | (79,965) | (218,515) | (80,038) |
| Income (loss) before Income and Social Contribution taxes | (235,820) | (89,444) | (235,798) | (89,438) |
| Income and Social Contribution taxes | (2,420) | (1,540) | (2,442) | (1,546) |
| Loss for the quarter | (238,240) | (90,984) | (238,240) | (90,984) |
| Loss attributable to: | | | | |
| Controlling shareholder | (238,240) | (90,984) | (238,240) | (90,984) |
| Noncontrolling shareholder | - | - | - | (309) |
| Basic and diluted loss per share | | | | |
| Preferred shares | (10.1013) | (3.8577) | - | - |
| Common shares | (10.1013) | (3.8577) | - | - |

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

Cimento Tupi S.A.

Statements of comprehensive income (loss)

For the nine-month periods ended September 30, 2019 and 2018

(In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Loss for the period | (391,465) | (317,978) | (391,465) | (317,978) |
| Other comprehensive income (losses) not later reclassified to income (loss) for the year, net of taxes | - | - | - | - |
| Exchange rate gains on investment abroad (Note 9) | - | 1,041 | - | 1,041 |
| Total comprehensive income (loss), net of taxes | <u>(391,465)</u> | <u>(316,937)</u> | <u>(391,465)</u> | <u>(316,937)</u> |
| Attributable to | | | | |
| Controlling shareholder | (391,465) | (316,937) | (391,465) | (316,628) |
| Noncontrolling shareholder | - | - | - | (309) |

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

Cimento Tupi S.A.

Statements of comprehensive income (loss)

For the three-month periods ended September 30, 2019 and 2018

(In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 07/01 to 09/30/2019 | 07/01 to 09/30/2018 | 07/01 to 09/30/2019 | 07/01 to 09/30/2018 |
| Loss for the quarter | (238,240) | (90,984) | (238,240) | (90,984) |
| Other comprehensive income (losses) not later reclassified to income (loss) for the period, net of taxes | | | | |
| Exchange rate gains on investment abroad | - | 221 | - | 221 |
| Total comprehensive income (loss), net of taxes | (238,240) | (90,763) | (238,240) | (90,763) |
| Attributable to | | | | |
| Controlling shareholder | (238,240) | (90,763) | (238,240) | (90,763) |
| Noncontrolling shareholder | - | - | - | (309) |

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

Cimento Tupi S.A.

Statements of changes in equity For the nine-month periods ended September 30, 2019 and 2018 (In thousands of Brazilian Reais)

| | Capital stock | Treasury shares | Capital reserve Goodwill on share subscriptions | Asset and liability valuation adjustment | Accumulated losses | Controlling interest | Noncontrolling interest | Total |
|--|---------------|-----------------|--|--|-----------------------|-------------------------|----------------------------|-------------|
| 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 |
| Unpaid capital | (2,250) | - | - | - | - | (2,250) | - | (2,250) |
| Translation adjustment for the year | - | - | - | 1,041 | - | 1,041 | - | 1,041 |
| Loss for the period | - | - | - | - | (317,978) | (317,978) | - | (317,978) |
| Cancellation of treasury shares | - | 25,999 | - | - | (25,999) | - | - | - |
| Minority interest write-off through investment disposal | - | - | - | - | - | - | (11,516) | (11,516) |
| As at September 30, 2018 | 296,559 | - | 11,685 | 4,299 | (956,062) | (643,519) | 50 | (643,469) |
| As at December 31, 2018 | 298,809 | - | 11,685 | - | (1,421,168) | (1,110,674) | 50 | (1,110,624) |
| Loss for the period | - | - | - | - | (391,465) | (391,465) | - | (391,465) |
| As at September 30, 2019 | 298,809 | - | 11,685 | - | (1,812,633) | (1,502,139) | 50 | (1,502,089) |

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

Cimento Tupi S.A.

Statements of cash flows

For the nine-month periods ended September 30, 2019 and 2018

(In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|---|----------------|-----------------|----------------|----------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Operating activities | | | | |
| Income (loss) before Income and Social Contribution taxes | (384,145) | (314,794) | (384,099) | (313,774) |
| Adjustments from | | | | |
| Depreciation/ amortization | 15,015 | 15,196 | 16,171 | 16,290 |
| Write-off of fixed assets | 427 | 776 | 456 | 852 |
| Equity in earnings (losses) of subsidiaries | 2,213 | (3,047) | - | - |
| Exchange rate gains (losses) on foreign and intercompany loans | 88,918 | 188,078 | 88,918 | 187,714 |
| Adjustment to present value | (202) | 1,716 | (202) | 1,716 |
| Fines and interest on assets | (498) | (271) | (104) | (889) |
| Fines and interest on liabilities | 290,459 | 97,027 | 290,579 | 97,027 |
| Amortization of loan costs | 186 | 1,749 | 186 | 1,749 |
| Allowance for doubtful accounts | 1,623 | 1,120 | 1,623 | 1,120 |
| Other assets/liabilities write-offs | (10,258) | - | (10,258) | - |
| | <u>3,738</u> | <u>(12,450)</u> | <u>3,270</u> | <u>(8,195)</u> |
| (Increase) /decrease in asset accounts | | | | |
| Accounts receivable | (2,876) | (5,402) | (2,858) | (5,400) |
| Notes receivable | (2,861) | (4,440) | (3,342) | 21,836 |
| Recoverable taxes | (47,705) | (48,378) | (49,359) | (47,021) |
| Inventories | (1,383) | (3,413) | (1,559) | (3,305) |
| Advances to suppliers | (497) | 2,530 | (571) | 564 |
| Other assets | (3,689) | 3,117 | (3,696) | (184) |
| Court deposits | (709) | (445) | (627) | (518) |
| Increase /(decrease) in liability accounts | | | | |
| Trade accounts payable | (1,441) | 10,123 | (5,146) | 4,623 |
| Tax liabilities | 66,496 | 62,796 | 71,311 | 62,230 |
| Salaries and social charges | 469 | 2,849 | 549 | 3,094 |
| Interest paid on loans | (519) | (3,401) | (519) | (3,401) |
| Minority shareholders | - | - | - | (11,825) |
| Other liabilities | 3,446 | (2,217) | 2,876 | (1,581) |
| Cash flows from operating activities | <u>12,469</u> | <u>1,269</u> | <u>10,329</u> | <u>10,917</u> |
| Investing activities | | | | |
| Acquisition of fixed assets | (6,619) | (6,079) | (6,831) | (8,897) |
| Disposal of fixed assets | 20 | 351 | 146 | 441 |
| Acquisition of investments | - | (3,311) | - | - |
| Disposal of investments | - | 10,266 | - | 744 |
| Acquisition of intangible assets | (43) | (12) | (463) | (120) |
| Indemnity of loss | 278 | 98 | 278 | 98 |
| Receipt of dividends | - | 2,359 | - | - |
| Cash flows from investing activities | <u>(6,364)</u> | <u>3,672</u> | <u>(6,870)</u> | <u>(7,734)</u> |
| Financing activities | | | | |
| Advance for future increase in capital - Payment from related parties | (2,901) | (2,098) | - | - |
| Receipt from related parties | 567 | 3,454 | - | 428 |
| Paid loans and financing | (4,553) | (7,789) | (4,553) | (7,789) |
| Receipt for the issue of shares | - | 250 | - | 250 |
| Cash flows from financing activities | <u>(6,887)</u> | <u>(6,183)</u> | <u>(4,553)</u> | <u>(7,111)</u> |
| Use/generation of cash and cash equivalents | <u>(782)</u> | <u>(1,242)</u> | <u>(1,094)</u> | <u>(3,928)</u> |
| Cash and cash equivalents at beginning of year | 1,451 | 1,740 | 2,376 | 5,462 |
| Cash and cash equivalents at end of year | 669 | 498 | 1,282 | 1,534 |

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

Cimento Tupi S.A.

Statements of value added

For the nine-month periods ended September 30, 2019 and 2018

(In thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|--|----------------|----------------|----------------|----------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Revenues | | | | |
| Gross operating revenue | 243,579 | 225,518 | 243,937 | 229,770 |
| Sales returns | (580) | (587) | (580) | (587) |
| Allowance for doubtful accounts | (1,623) | (1,120) | (1,623) | (1,120) |
| Other operating revenues (expenses), net | 212 | 409 | 631 | 2,870 |
| | <u>241,588</u> | <u>224,220</u> | <u>242,365</u> | <u>230,933</u> |
| Inputs acquired from third parties | | | | |
| Costs of goods sold | (137,867) | (129,840) | (132,929) | (148,971) |
| Materials, energy, third-party services and others | (29,330) | (48,893) | (30,383) | (25,602) |
| Gross value added | <u>74,391</u> | <u>45,487</u> | <u>79,053</u> | <u>56,360</u> |
| Withholdings | | | | |
| Depreciation and amortization | (15,015) | (15,196) | (16,171) | (16,290) |
| Net generated value added | <u>59,376</u> | <u>30,291</u> | <u>62,882</u> | <u>40,070</u> |
| Value added received in transfer | | | | |
| Equity in earnings (losses) of subsidiaries | (2,213) | 3,047 | - | - |
| Financial revenues | 1,831 | 1,460 | 2,006 | 1,735 |
| Deferred Income and Social Contribution taxes | (7,320) | (3,184) | (7,320) | (3,184) |
| Total value added to be distributed | <u>51,674</u> | <u>31,614</u> | <u>57,568</u> | <u>38,621</u> |
| Controlling shareholders | <u>51,674</u> | <u>31,614</u> | <u>57,568</u> | <u>38,621</u> |
| Noncontrolling shareholders | <u>-</u> | <u>-</u> | <u>-</u> | <u>(309)</u> |
| Value added distribution | | | | |
| Personnel and charges | 31,127 | 30,199 | 32,227 | 31,028 |
| Taxes, fees and contributions | 34,580 | 27,138 | 38,913 | 32,767 |
| Interest and rents | 377,432 | 292,255 | 377,893 | 292,495 |
| Loss for the period | (391,465) | (317,978) | (391,465) | (317,978) |
| Value added distributed | <u>51,674</u> | <u>31,614</u> | <u>57,568</u> | <u>38,312</u> |

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

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

1. Operations

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

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 Union of the Cement Industry), the market researches present a resumption of launches and sales of real estate of upper and middle class, more concentrated in the southeast region, mainly in São Paulo. Reduction of interest rates for residential properties shall maintain the demand for real estate constructions.

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 flows to be generated in its operation, based on the improvement in the economic scenario of cements in the market as from 2019.

As at September 30, 2019, consolidated net working capital ("CCL") is negative by approximately (R\$ 1,555,517) (2018 - CCL, negative by R\$ 1,414,220).

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

A legal agreement was entered into, on April 24, 2019, with CODEMIG - Companhia de Desenvolvimento Econômico de Minas Gerais, amounting to R\$ 22,000 determining the receipt of 50% of that value in May 2019, in the net amount of R\$ 10,175, after deduction of R\$ 825 for lawyers' fees, and the payment of the remaining 50% in 6 fixed monthly and consecutive installments between June and November 2019, the first amounting to R\$ 1,850 and the remaining to R\$ 1,830.

2. Presentation of interim financial information and main accounting practices

The interim financial information has been prepared assuming that the Company will continue as a going concern, and has been approved by the Board of Directors on November 08, 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 regarding the previous period.

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

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

Summary of the main accounting practices and estimates

The accounting practices used in the preparation of this individual and consolidated quarterly information are consistent with the ones used for the preparation of the financial statements as at December 31, 2018.

3. New standards, amendments and interpretations of standards

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

This standard replaces the prior standard on leases, 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 01, 2019.

Management evaluated the impacts of IFRS 16 and concluded that its adoption did not 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 evaluated the impacts of the new standard and concluded that its adoption did not affect the financial statements.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

4. Group companies

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

| | Ownership interest % | | | |
|--|----------------------|------------|----------------|------------|
| | Capital stock | | Voting capital | |
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Touro Empreendimentos Imobiliários e Participações 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 Overseas Co. | 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 |
| IMape Incorporação e Empreendimentos Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |
| Tupi Mineradora de Calcário Ltda. | 99.88 | 99.88 | 99.88 | 99.88 |
| Britas Arujá Ltda. | 99.99 | 99.99 | 99.99 | 99.99 |

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 statements of financial position were included in consolidation.
- Balances of intercompany revenues and expenses.
- Effects from material intercompany transactions.

The periods of the financial information of consolidated subsidiaries coincide with that of the Company. Accounting practices were consistently applied by all consolidated companies.

5. Cash and cash equivalents and financial investments

| | Parent company | | Consolidated | |
|------------------------------------|----------------|------------|--------------|------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Cash and banks | 38 | 965 | 43 | 973 |
| CDB - Bank Certificates of Deposit | 617 | 472 | 1,225 | 1,389 |
| Public debt security funds | 14 | 14 | 14 | 14 |
| Cash and cash equivalents | 669 | 1,451 | 1,282 | 2,376 |

CDBs 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.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

6. Accounts receivable

| | Parent company | | Consolidated | |
|---------------------------------|----------------|---------------|---------------|---------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Notes receivable | 28,300 | 25,425 | 28,300 | 25,442 |
| Allowance for doubtful accounts | (9,954) | (8,331) | (9,954) | (8,331) |
| | <u>18,346</u> | <u>17,094</u> | <u>18,346</u> | <u>17,111</u> |

The changes in the allowance for doubtful accounts during the periods ended September 30, 2019 and 2018, are as follows:

| | |
|---|----------------|
| Balances as at December 31, 2018 | <u>(8,331)</u> |
| (+) Complement of the allowance for doubtful accounts | (1,623) |
| (-) Write-off for loss | - |
| Balances as at September 30, 2019 | <u>(9,954)</u> |
| Balances as at December 31, 2017 | <u>(7,864)</u> |
| (+) Complement of the allowance for doubtful accounts | (1,120) |
| (-) Write-off for loss | 896 |
| Balances as at September 30, 2018 | <u>(8,088)</u> |

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

Consolidated accounts receivable balance per maturity is as follows:

| | Parent company | | Consolidated | |
|---------------------------------|----------------|---------------|---------------|---------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Falling due | 17,071 | 14,804 | 17,071 | 14,821 |
| Overdue up to 90 days | 1,116 | 2,137 | 1,116 | 2,137 |
| Overdue between 91 and 180 days | 159 | 153 | 159 | 153 |
| Overdue for more than 180 days | 9,954 | 8,331 | 9,954 | 8,331 |
| | <u>28,300</u> | <u>25,425</u> | <u>28,300</u> | <u>25,442</u> |

7. Inventories

| | Parent company | | Consolidated | |
|---|----------------|---------------|---------------|---------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Finished goods | 2,017 | 3,366 | 2,402 | 3,754 |
| Work in process | 3,915 | 3,191 | 3,915 | 3,191 |
| Raw material - slag | 8,130 | 7,724 | 8,130 | 7,724 |
| Raw material - coke | 1,958 | 1,295 | 1,958 | 1,295 |
| Other raw materials | 5,382 | 4,843 | 5,382 | 4,843 |
| Materials for maintenance and consumption | 18,294 | 16,924 | 18,294 | 16,924 |
| Inventory in transit | 260 | 1,230 | 260 | 1,230 |
| Land for sale (i) | - | - | 17,342 | 17,163 |
| | <u>39,956</u> | <u>38,573</u> | <u>57,683</u> | <u>56,124</u> |

(i) Refers to inventories of plots of land belonging to subsidiaries Mape Incorporação e Empreendimentos Ltda. and Touro Empreendimentos Imobiliários e Participações Ltda.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

8. Recoverable taxes

| | Parent company | | Consolidated | |
|------------------------------------|----------------|--------------|---------------|---------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Current assets | | | | |
| ICMS (State VAT) | 5,907 | 5,037 | 5,913 | 5,037 |
| Income Tax/Social Contribution Tax | 1 | 8 | 43 | 46 |
| PIS/COFINS | - | - | 13 | 705 |
| IPI (Federal VAT) | 5,280 | 4,020 | 5,280 | 4,020 |
| Others | 333 | 444 | 333 | 444 |
| | <u>11,521</u> | <u>9,509</u> | <u>11,582</u> | <u>10,252</u> |
| Noncurrent assets | | | | |
| ICMS | 5,740 | 5,588 | 5,740 | 5,588 |
| | <u>5,740</u> | <u>5,588</u> | <u>5,740</u> | <u>5,588</u> |

9. Notes receivable

| | Parent company | | Consolidated | |
|---|----------------|--------------|---------------|--------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Seival Sul Mineração S.A. (i) | 2,703 | 3,247 | 2,703 | 3,247 |
| Ano Bom Incorp. e empreendimentos S.A. (ii) | - | - | 2,584 | 2,499 |
| Agemar Empreendimentos e Participações Ltda. (iii) | 4,440 | 4,440 | 4,440 | 4,440 |
| Adjustment to present value | (1,450) | (1,652) | (1,450) | (1,652) |
| Capella- Fundo de Investimentos em direitos creditórios não-padronizados (iv) | 3,883 | - | 3,883 | - |
| Others | 19 | - | 906 | 887 |
| | <u>9,595</u> | <u>6,035</u> | <u>13,066</u> | <u>9,421</u> |
| Current assets | 3,902 | - | 7,373 | 3,386 |
| Noncurrent assets | 5,693 | 6,035 | 5,693 | 6,035 |

(i) It refers to balance receivable from the sale of shares of Companhia Nacional de Mineração Candiota.

(ii) It refers to balance receivable from the sale of a property in Barra Mansa, state of Rio de Janeiro, by the subsidiary Mape.

(iii) It refers to balance receivable from the sale of the subsidiary Suape Granéis do Nordeste Ltda

(iv) Receivables assigned to CAPELLA - FUNDO DE INVESTIMENTOS EM DIREITOS CREDITÓRIOS NÃO-PADRONIZADOS related to the Arbitration Proceeding against Companhia Siderúrgica Nacional - CSN in terms of the contract.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

10. Investments in subsidiaries

a) Statements on main subsidiaries

| | 09/30/2019 | | | | | 12/31/2018 | | | | |
|----------------------------|--|---|--|---|----------------------------|--|--|--|---|----------------------------|
| | 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 | - |
| Equity | 35,841 | 121 | 40,661 | 2,008 | - | 36,524 | 220 | 40,838 | 2,332 | - |
| Income/(loss) for the year | (683) | (99) | (176) | (324) | - | (1,168) | 1,663 | (451) | (387) | (3) |

b) Changes in investments

| | 09/30/2019 | | | | | | | 2018 | |
|--|--|---|---|--------------------------------------|----------------------------|------------------------------------|--------|---------|----------|
| | 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 | 36,522 | 219 | 40,789 | 2,332 | - | - | 2,879 | 82,741 | 99,714 |
| Capital contributions | - | - | - | - | - | - | - | - | 6,242 |
| Disposal of investments | - | - | - | - | - | - | - | - | (14,975) |
| Write-off of appreciation | - | - | - | - | - | - | - | - | (3,655) |
| Equity in earnings of subsidiaries | (683) | (99) | (176) | (324) | - | - | (931) | (2,213) | 2,073 |
| Exchange rate gains (losses) on investments | - | - | - | - | - | - | - | - | 616 |
| Receipt of dividends | - | - | - | - | - | - | - | - | (5,775) |
| Capital return | - | - | - | - | - | - | - | - | (56) |
| Reclassification of liabilities | - | - | - | - | - | - | 175 | 175 | (1,443) |
| Balance at end of year | 35,839 | 120 | 40,613 | 2,008 | - | - | 2,123 | 80,703 | 82,741 |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

| | 09/30/2018 | | | | | | | 2017 | |
|---|---|----------------------------------|-----------------------------------|--------------------------------|-------------------------|---------------------------------|--------|---------|---------|
| | Mape Incorporação e Empreendimentos Ltda. | Tupimec Indústria Mecânica Ltda. | Tupi Mineradora de Calcário Ltda. | Cimento Tupi do Nordeste Ltda. | CP Cimento Overseas Co. | Suape Granéis do Nordeste Ltda. | Others | Total | Total |
| Balance at beginning of year | 37,690 | - | 39,157 | 2,331 | 4,952 | 11,517 | 4,067 | 99,714 | 94,294 |
| Capital contributions | - | - | 3,311 | - | - | - | - | 3,311 | 3,920 |
| Transfer of inventory at cost | - | - | - | - | - | - | - | - | 100 |
| Disposal of investments | - | - | - | - | - | (9,466) | - | (9,466) | (4,643) |
| Equity in earnings of subsidiaries | (1,164) | 1,730 | (235) | (298) | (3) | 309 | 2,708 | 3,047 | 11,028 |
| Exchange rate gains (losses) on investments | - | - | - | - | 1,041 | - | - | 1,041 | 74 |
| Receipt of dividends | - | - | - | - | - | (2,360) | - | (2,360) | (6,500) |
| Capital return | - | - | - | - | (56) | - | - | (56) | - |
| Reclassification to liabilities | - | (1,443) | - | - | - | - | - | (1,441) | 1,441 |
| Balance at end of year | 36,526 | 287 | 42,233 | 2,033 | 5,934 | - | 6,775 | 93,790 | 99,714 |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

Mape Incorporação e Empreendimentos Ltda.

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

Tupimec Indústria Mecânica Ltda.

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

Tupi Mineradora de Calcário Ltda.

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

Cimento Tupi do Nordeste Ltda.

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

Britas Arujá Ltda.

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

Touro Empreendimentos Imobiliários e Participações Ltda.

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

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

11. Fixed assets

| Accounts | Parent company | | | | |
|--|----------------|------------------------------------|----------------|----------------|---------------------------|
| | 09/30/2019 | | 12/31/2018 | | Annual depreciation Rates |
| | Cost | Accumulated depreciation/depletion | Net | Net | |
| Plots of land | 28,698 | - | 28,698 | 28,698 | |
| Buildings | 109,578 | (25,632) | 83,946 | 85,601 | 2% |
| Industrial machinery, equipment and facilities | 646,355 | (258,892) | 387,463 | 390,134 | 3.33% |
| Furniture and fixtures | 3,213 | (2,897) | 316 | 356 | 10% |
| Vehicles | 5,113 | (4,640) | 473 | 366 | 20% |
| Railway wagons | 13,525 | (2,436) | 11,089 | 10,620 | 3.33% |
| Leasehold improvements | 875 | (566) | 309 | 436 | (*) |
| Machinery and equipment to be installed | 2,714 | (430) | 2,284 | 2,352 | 3.33% |
| Construction in progress | 11,105 | - | 11,105 | 16,243 | |
| Advances to suppliers | 2,475 | - | 2,475 | 2,024 | |
| Limestone mines | 23,033 | (2,525) | 20,508 | 20,851 | (**) |
| Others | 5,529 | (5,237) | 292 | 203 | 4% to 20% |
| | <u>852,213</u> | <u>(303,255)</u> | <u>548,958</u> | <u>557,884</u> | |

| Accounts | Consolidated | | | | |
|--|----------------|------------------------------------|----------------|----------------|---------------------------|
| | 09/30/2019 | | 12/31/2018 | | Annual depreciation rates |
| | Cost | Accumulated depreciation/depletion | Net | Net | |
| Plots of land | 53,056 | - | 53,056 | 53,056 | |
| Buildings | 109,608 | (25,646) | 83,962 | 85,617 | 2% |
| Industrial machinery, equipment and facilities | 647,512 | (259,705) | 387,807 | 390,482 | 3.33% |
| Furniture and fixtures | 3,222 | (2,904) | 318 | 357 | 10% |
| Vehicles | 8,397 | (7,211) | 1,186 | 2,175 | 20% |
| Railway wagons | 13,525 | (2,436) | 11,089 | 10,620 | 3.33% |
| Leasehold improvements | 875 | (566) | 309 | 436 | (*) |
| Machinery and equipment to be installed | 2,714 | (430) | 2,284 | 2,352 | 3.33% |
| Construction in progress | 11,105 | - | 11,105 | 16,243 | |
| Advances to suppliers | 2,935 | - | 2,935 | 2,484 | |
| Limestone mines | 23,033 | (2,525) | 20,508 | 20,851 | (**) |
| Others | 5,724 | (5,251) | 473 | 385 | 4% to 20% |
| | <u>881,706</u> | <u>(306,674)</u> | <u>575,032</u> | <u>585,058</u> | |

(*) Depreciation of agreement with lease contract terms.

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

As at September 30, 2019, the amount of R\$ 14,615 (R\$ 14,713 as at September 30, 2018), referring to depreciation, was accounted for as cost of goods sold.

As described in Note 12, Management reviewed the net book value of its assets to evaluate impairment, and the recognition of a provision for impairment was not considered necessary.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reals, unless otherwise stated)

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 pursuant to business plans;
- Country macroeconomic scenario;
- Cash flow period compatible with proven mineral reserves, without perpetuity, also including assets with long maturation periods;
- Constant discount rate of 13.92% based on the Weighted Average Cost of Capital ("WACC").

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

The changes in fixed assets in the six-month periods ended September 30, 2019 and 2018 were as follows:

| 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 | Advances to suppliers | Limestone mines | Others | Total |
| Balances as at 12/31/2018 | 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 |
| Additions | - | - | 861 | 5 | 258 | 781 | - | - | 4,109 | 451 | - | 153 | 6,618 |
| Transfers | - | - | 8,542 | - | - | - | - | - | (8,542) | - | - | - | - |
| Write-offs | - | - | - | - | (290) | - | - | - | (705) | - | - | - | (995) |
| Balances as at 09/30/2019 | 28,698 | 109,578 | 646,355 | 3,213 | 5,113 | 13,525 | 875 | 2,714 | 11,105 | 2,475 | 23,033 | 5,529 | 852,213 |

| 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 | Advances to suppliers | Limestone mines | Others | Total |
| Balances as at 12/31/2018 | - | (23,977) | (246,818) | (2,852) | (4,779) | (2,124) | (439) | (362) | - | - | (2,182) | (5,173) | (288,706) |
| Additions | - | (1,655) | (12,074) | (45) | (131) | (312) | (127) | (68) | - | - | (343) | (64) | (14,819) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | 270 | - | - | - | - | - | - | - | 270 |
| Balances as at 09/30/2019 | - | (25,632) | (258,892) | (2,897) | (4,640) | (2,436) | (566) | (430) | - | - | (2,525) | (5,237) | (303,255) |

| 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 | Advances to suppliers | Limestone mines | Others | Total |
| Balances as at 12/31/2017 | 28,811 | 109,578 | 634,651 | 3,074 | 6,886 | 11,559 | 903 | 2,714 | 14,284 | 2,193 | 23,033 | 5,368 | 843,054 |
| Additions | - | - | 30 | - | - | 883 | - | - | 5,283 | 75 | - | 11 | 6,282 |
| Transfers | - | - | 1,898 | 133 | - | - | - | - | (1,790) | (241) | - | - | - |
| Write-offs | - | - | (2,305) | - | (739) | - | (28) | - | (540) | (3) | - | - | (3,615) |
| Balances as at 09/30/2018 | 28,811 | 109,578 | 634,274 | 3,207 | 6,147 | 12,442 | 875 | 2,714 | 17,237 | 2,024 | 23,033 | 5,379 | 845,721 |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(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 | Advances to suppliers | Limestone mines | Others | Total |
| Balance as at 12/31/2017 | - | (21,771) | (231,768) | (2,792) | (5,400) | (1,739) | (271) | (271) | - | - | (1,724) | (5,070) | (270,806) |
| Additions | - | (1,655) | (11,719) | (44) | (621) | (285) | (131) | (68) | - | - | (344) | (84) | (14,951) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | 1,296 | - | 646 | - | 6 | - | - | - | - | - | 1,948 |
| Balance as at 09/30/2018 | - | (23,426) | (242,191) | (2,836) | (5,375) | (2,024) | (396) | (339) | - | - | (2,068) | (5,154) | (279,096) |
| 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 | Advances to suppliers | Limestone mines | Others | Total |
| 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 |
| Additions | - | - | 861 | 6 | 468 | 781 | - | - | 4,109 | 451 | - | 154 | 6,830 |
| Transfers | - | - | 8,542 | - | - | - | - | - | (8,542) | - | - | - | - |
| Write-offs | - | - | - | - | (1,318) | - | - | - | (705) | - | - | - | (2,023) |
| Balance as at 09/30/2019 | 53,056 | 109,608 | 647,512 | 3,222 | 8,397 | 13,525 | 875 | 2,714 | 11,105 | 2,935 | 23,033 | 5,724 | 881,706 |
| 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 | Advances to suppliers | Limestone mines | Others | Total |
| Balance as at 12/31/2018 | - | (23,991) | (247,627) | (2,859) | (7,072) | (2,124) | (439) | (362) | - | - | (2,182) | (5,185) | (291,841) |
| Additions | - | (1,655) | (12,078) | (45) | (1,282) | (312) | (127) | (68) | - | - | (343) | (66) | (15,976) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | - | - | - | 1,143 | - | - | - | - | - | - | - | 1,143 |
| Balance as at 09/30/2019 | - | (25,646) | (259,705) | (2,904) | (7,211) | (2,436) | (566) | (430) | - | - | (2,525) | (5,251) | (306,674) |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(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 | Construction in progress | Advances 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 | - | 30 | - | 947 | 883 | - | - | 5,283 | 75 | - | 11 | 9,099 |
| Transfers | 260 | - | 1,898 | 133 | - | - | - | - | (1,790) | (501) | - | - | - |
| Write-offs | (27) | (673) | (2,688) | (92) | (739) | - | (28) | - | (600) | (3) | - | (59) | (4,909) |
| Balance as at 09/30/2018 | 53,170 | 109,608 | 635,430 | 3,215 | 10,119 | 12,442 | 875 | 2,714 | 17,237 | 2,484 | 23,033 | 5,573 | 875,900 |

| 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 | Advances to suppliers | Limestone mines | Others | Total |
| Balance as at 12/31/2017 | - | (22,428) | (232,902) | (2,886) | (6,207) | (1,739) | (271) | (271) | - | - | (1,724) | (5,142) | (273,570) |
| Additions | - | (1,655) | (11,732) | (44) | (1,702) | (285) | (131) | (68) | - | - | (344) | (84) | (16,045) |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs | - | 644 | 1,635 | 86 | 646 | - | 6 | - | - | - | - | 60 | 3,077 |
| Balance as at 09/30/2018 | - | (23,439) | (242,999) | (2,844) | (7,263) | (2,024) | (396) | (339) | - | - | (2,068) | (5,166) | (286,538) |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

12. Intangible assets - Parent Company and Consolidated

| | Parent company | | | | Consolidated | | | |
|-----------------------------------|----------------|---------------|--------|---------|--------------|---------------|--------|---------|
| | Goodwill | Mining rights | Others | Total | Goodwill | Mining rights | Others | Total |
| Balances as at December 31, 2018 | 93,564 | 35,143 | 583 | 129,290 | 93,564 | 55,526 | 729 | 149,819 |
| Additions | - | - | 43 | 43 | - | 419 | 44 | 463 |
| Amortization | - | - | (194) | (194) | - | - | (195) | (195) |
| Balances as at September 30, 2019 | 93,564 | 35,143 | 432 | 129,139 | 93,564 | 55,945 | 578 | 150,087 |

| | 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 | - | - | 12 | 12 | - | 108 | 12 | 120 |
| Amortization | - | - | (242) | (242) | - | - | (243) | (243) |
| Balances as at September 30, 2018 | 93,564 | 35,143 | 615 | 129,322 | 93,564 | 55,512 | 760 | 149,836 |

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 Note 11.

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 September 30, 2019.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

13. Loans and financing - Parent Company and Consolidated

| | 09/30/2019 | | 12/31/2018 | |
|--|------------------|----------------|------------------|----------------|
| | Current | Non-Current | Current | Non-Current |
| Parent company | | | | |
| Local currency | | | | |
| Development banks | | | | |
| BDMG and others, with maturity up to 2022 | 181,442 | - | 157,836 | - |
| Unrecognized transaction costs | (144) | - | (330) | - |
| | <u>181,298</u> | <u>-</u> | <u>157,506</u> | <u>-</u> |
| Working capital | | | | |
| CCBs issued by Bank Credit Suisse, Fibra, Alfa, ABC Brasil and Bank CCB Brasil, with maturity up to 2020 | 103,505 | - | 100,611 | - |
| Votorantim S.A., with maturity in Jan/2022 | - | 22,706 | - | 22,114 |
| | <u>103,505</u> | <u>22,706</u> | <u>100,611</u> | <u>22,114</u> |
| | <u>284,803</u> | <u>22,706</u> | <u>258,117</u> | <u>22,114</u> |
| Foreign Currency | | | | |
| Notes - US\$ 185,000 | | | | |
| Senior Unsecured Notes matured in May/2018 | 1,207,107 | - | 1,040,239 | - |
| Agricultural Bank of China - US\$ 25,500 Facility Agreement matured in Feb/2017 | 78,812 | - | 69,075 | - |
| Financing | | | | |
| Tupacta AG - US\$ 119,691- maturity in Dec/2028 (i) | - | 598,865 | - | 466,177 |
| Others - maturity up to Sep/2030 | 71 | 521 | 9,370 | 483 |
| | <u>1,285,990</u> | <u>599,386</u> | <u>1,118,684</u> | <u>466,660</u> |
| Parent company | <u>1,570,793</u> | <u>622,092</u> | <u>1,376,801</u> | <u>488,774</u> |
| Consolidated | <u>1,570,793</u> | <u>622,092</u> | <u>1,376,801</u> | <u>488,774</u> |

(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 June 2020, debts with banks CCB Brasil and ABC Brasil will be settled. The Company is renegotiating its indebtedness with other creditors.

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 24, 2019, 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 May 2020.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reals, unless otherwise stated)

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 S.A., maturing in December 2028.

14. Related-party transactions

| | Parent company | | | | | 12/31/2018 | |
|--|---------------------------|---|-----------------------------------|--|--------|------------|----------|
| | 09/30/2019 | | | | | Total | Total |
| | Tupi Rio Transportes S.A. | Mape Incorporação e Empreendimentos Ltda. | Tupi Mineradora de Calcário Ltda. | Touro Empreendimentos Imobiliários e Participações Ltda. | Others | | |
| Noncurrent assets | | | | | | | - |
| Advance for future increase in capital | 16 | - | 2,572 | - | 313 | 2,901 | |
| Current liabilities | | | | | | | |
| Anticipated dividends | - | 15,919 | - | - | 820 | 16,739 | 16,173 |
| Transactions | | | | | | | |
| Cost of goods sold and services rendered | (23,902) | - | - | - | - | (23,902) | (30,658) |

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

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

15. 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 | | | | | |
|--|----------------|-------------------|----------------|---------------|-------------------|---------------|
| | 09/30/2019 | | | 12/31/2018 | | |
| | Principal | Interest/ Fine | Total | Principal | Interest/ Fine | Total |
| Current liabilities | 26,978 | 5,536 | 32,514 | 9,871 | 2,989 | 12,860 |
| ICMS | 21,907 | 5,223 | 27,130 | 9,275 | 2,989 | 12,264 |
| PRT (Tax Regularization Program) | - | - | - | 369 | - | 369 |
| Others | 5,071 | 313 | 5,384 | 227 | - | 227 |
| Noncurrent liabilities | 86,560 | 31,169 | 117,729 | 13,421 | 5,040 | 18,461 |
| ICMS | 67,303 | 30,829 | 98,132 | 13,084 | 5,040 | 18,124 |
| Others | 19,257 | 340 | 19,597 | 337 | - | 337 |
| | <u>113,538</u> | <u>36,705</u> | <u>150,243</u> | <u>23,292</u> | <u>8,029</u> | <u>31,321</u> |
| | Consolidated | | | | | |
| | 09/30/2019 | | | 12/31/2018 | | |
| | Principal | Interest/ Fine | Total | Principal | Interest/ Fine | Total |
| Current liabilities | 28,437 | 5,311 | 33,748 | 10,270 | 3,057 | 13,327 |
| ICMS | 22,702 | 5,276 | 27,978 | 9,461 | 3,057 | 12,518 |
| PRT | - | - | - | 369 | - | 369 |
| Others | 5,735 | 35 | 5,770 | 440 | - | 440 |
| Noncurrent liabilities | 89,166 | 31,485 | 120,651 | 14,567 | 5,305 | 19,872 |
| ICMS | 68,848 | 30,979 | 99,827 | 13,483 | 5,305 | 18,788 |
| Others | 20,318 | 506 | 20,824 | 1,084 | - | 1,084 |
| | <u>117,603</u> | <u>36,796</u> | <u>154,399</u> | <u>24,837</u> | <u>8,362</u> | <u>33,199</u> |

16. Taxes payable

| | Parent company | | Consolidated | |
|--------------------------------|----------------|---------------|---------------|---------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| ICMS | 8,331 | 60,325 | 8,494 | 60,733 |
| PIS/COFINS (Taxes on Sales) | 2,294 | 11,162 | 3,278 | 11,540 |
| ISS (Tax on services) | 569 | 589 | 573 | 594 |
| Others | 1,084 | 358 | 1,093 | 362 |
| | <u>12,278</u> | <u>72,434</u> | <u>13,438</u> | <u>73,229</u> |

17. Equity

a) Capital stock

As at September 30, 2019, capital stock, fully subscribed and paid-in, is represented by 11,793 common shares and 11,792 preferred shares (as at December 31, 2018, 11,793 common shares and 11,792 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 in 1996.

c) Statutory reserve

Established through the recognition of 5% of net income for the year until it reaches 20% of capital stock – 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 periods ended September 30, 2019 and 2018.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

The basic earnings (losses) per share are 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 losses per share:

| | 09/30/2019 | | | 09/30/2018 | | |
|--|---------------|------------------|-----------|---------------|------------------|-----------|
| | Common shares | Preferred shares | Total | Common shares | Preferred shares | Total |
| Loss for the year | (195,741) | (195,724) | (391,465) | (158,996) | (158,982) | (317,978) |
| Weighted average shares (in thousands of shares) | 11,793 | 11,792 | 23,585 | 11,793 | 11,792 | 23,585 |
| Basic and diluted loss per share | (16.5980) | (16.5980) | (16.5980) | (13.4822) | (13.4822) | (13.4822) |

For the year ended September 30, 2019, there is no difference between the calculation of basic and diluted losses, since there are no dilutive instruments.

18. Income and Social Contribution taxes

a) Reconciliation of Income and Social Contribution tax expenses

| | Parent company | | | |
|---|----------------|------------|-------------------------|------------|
| | Income Tax | | Social Contribution Tax | |
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Loss before taxes | (384,145) | (314,794) | (384,145) | (314,794) |
| ADD-BACKS | | | | |
| Equity in earnings (losses) of subsidiaries | 2,213 | - | 2,213 | - |
| Realization sub-account dif. positive asset | 80 | 11,244 | 80 | 11,244 |
| Amortization, cost of loans raising | 186 | 1,749 | 186 | 1,749 |
| Exchange rate gains (losses) on loans | 88,909 | 187,720 | 88,909 | 187,720 |
| Other add-backs | 3,442 | 5,281 | 3,442 | 5,281 |
| DEDUCTIONS | | | | |
| Equity in earnings (losses) of subsidiaries | - | 3,047 | - | 3,047 |
| Depreciation - Corporate x Tax differences | 24,536 | 24,338 | 24,536 | 24,338 |
| Exchange rate gains (losses) on loans | - | - | - | - |
| Other deductions | 201 | 188 | 201 | 188 |
| Adjusted loss | (314,052) | (136,373) | (314,052) | (136,373) |
| 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 | (5,382) | (2,341) | (1,938) | (843) |
| Income and Social Contribution taxes in income (loss) | (5,382) | (2,341) | (1,938) | (843) |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

| | Consolidated | | | |
|---|--------------|------------|-------------------------|------------|
| | Income Tax | | Social Contribution Tax | |
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Loss before taxes | (384,099) | (313,774) | (384,099) | (313,774) |
| ADD-BACKS | | | | |
| Income (loss) from subsidiaries under deemed profit | 401 | - | 401 | - |
| Realization sub-account dif. positive asset | 80 | 11,244 | 80 | 11,244 |
| Amortization, cost of loans raising | 186 | 1,749 | 186 | 1,749 |
| Exchange rate gains (losses) on loans | 88,909 | 187,720 | 88,909 | 187,720 |
| Other add-backs | 3,442 | 5,281 | 3,442 | 5,281 |
| DEDUCTIONS | | | | |
| Income (loss) from subsidiaries under deemed profit | - | 3,047 | - | 3,047 |
| Depreciation - Corporate x Tax differences | 24,536 | 24,338 | 24,536 | 24,338 |
| Exchange rate gains (losses) on loans | - | - | - | - |
| Other deductions | 201 | 188 | 201 | 188 |
| Adjusted loss | (315,818) | (135,353) | (315,818) | (135,353) |
| Applicable rates | 25% | 25% | 9% | 9% |
| Current IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) | - | - | - | - |
| Current IRPJ and CSLL of subsidiaries - taxable income | - | (375) | - | (141) |
| IRPJ and CSLL - deemed profit | (28) | (148) | (18) | (47) |
| Tax debts accrued from deferred Income and Social Contribution taxes on temporary differences | (5,382) | (2,341) | (1,938) | (843) |
| Income and Social Contribution taxes in income (loss) | (5,410) | (2,864) | (1,956) | (1,031) |

b) Breakdown of deferred Income and Social Contribution taxes

| | Parent company and consolidated | |
|---|---------------------------------|------------|
| | 09/30/2019 | 12/31/2018 |
| Income and Social Contribution tax losses | 135,285 | 135,285 |
| Provisions for contingencies | 241 | 241 |
| Deferred Income (IR) and Social Contribution (CS) tax assets | 135,526 | 135,526 |
| Deferred IR and CS on temporary differences | (43,101) | (35,781) |
| Taxed transactions on cash basis - (exchange rate gains (losses)) | (6,787) | (6,787) |
| Tax amortization of goodwill | (31,812) | (31,812) |
| Deferred IR and CS tax liabilities | (81,700) | (74,380) |
| | 53,826 | 61,146 |

Considering expected generation of taxable income up to 2028, the Company recognized deferred Income and Social Contribution on the balance of tax losses and temporary differences. Deferred Income and Social Contribution on tax losses were not recognized, calculated as from the second half of 2015.

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

The Company realized part of the balance of deferred Income and Social Contribution taxes recognized on tax losses in 2014 and 2017.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

19. Provisions for contingencies

The Company and its subsidiaries are parties to lawsuits and administrative proceedings 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 September 30, 2019, the Company maintains a provision for contingencies arising from labor claims whose likelihood of loss is probable, in the amount of R\$ 709 (R\$ 709 as at December 31, 2018).

As at September 30, 2019, the Company has court deposits in the amount of R\$ 9,689 (R\$ 9,063 as at December 31, 2018).

| | Parent company | | Consolidated | |
|-------------------|----------------|------------|--------------|------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Beginning balance | 1,415 | 1,415 | 1,415 | 1,415 |
| New | - | - | - | - |
| Concluded | (706) | (706) | (706) | (706) |
| Final balance | 709 | 709 | 709 | 709 |

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 September 30, 2019, the amount of such contingencies was R\$ 152,999 (R\$ 152,999 as at December 31, 2018), as follows:

| Nature | Parent company | | Consolidated | |
|---------------------|----------------|------------|--------------|------------|
| | 09/30/2019 | 12/31/2018 | 09/30/2019 | 12/31/2018 |
| Tax contingencies | 74,192 | 74,192 | 131,940 | 131,940 |
| Labor contingencies | 18,580 | 18,580 | 18,947 | 18,947 |
| Civil contingencies | 2,112 | 2,112 | 2,112 | 2,112 |
| | 94,884 | 94,884 | 152,999 | 152,999 |

20. Insurance coverage (unaudited)

The Company and its subsidiaries contract insurance coverage for its inventories and fixed asset items 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.

21. Financial instruments and risk management

21.1. Analysis of financial instruments

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

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

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

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

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

| Financial assets | Parent company | | | | | |
|---------------------------|----------------|----------------------------------|---------------|----------------|----------------------------------|---------------|
| | 09/30/2019 | | | 12/31/2018 | | |
| | Amortized cost | Fair value through income (loss) | Total | Amortized cost | Fair value through income (loss) | Total |
| Cash and cash equivalents | 669 | - | 669 | 1,451 | - | 1,451 |
| Accounts receivable | 18,346 | - | 18,346 | 17,094 | - | 17,094 |
| Notes receivable | 11,544 | - | 11,544 | 6,035 | - | 6,035 |
| | <u>30,559</u> | <u>-</u> | <u>30,559</u> | <u>24,580</u> | <u>-</u> | <u>24,580</u> |

| Financial assets | Consolidated | | | | | |
|---------------------------|----------------|----------------------------------|---------------|----------------|----------------------------------|---------------|
| | 09/30/2019 | | | 12/31/2018 | | |
| | Amortized cost | Fair value through income (loss) | Total | Amortized cost | Fair value through income (loss) | Total |
| Cash and cash equivalents | 1,282 | - | 1,282 | 2,376 | - | 2,376 |
| Accounts receivable | 18,346 | - | 18,346 | 17,111 | - | 17,111 |
| Notes receivable | 15,015 | - | 15,015 | 11,370 | - | 11,370 |
| | <u>34,643</u> | <u>-</u> | <u>34,643</u> | <u>30,857</u> | <u>-</u> | <u>30,857</u> |

21.2. Classification of financial instruments by category

The main 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:

| Financial liabilities | Parent company | |
|----------------------------|------------------|------------------|
| | 09/30/2019 | 12/31/2018 |
| Trade accounts payable | 24,707 | 26,146 |
| Loans and financing | 2,192,885 | 1,865,575 |
| Related-party transactions | 16,739 | 16,173 |
| | <u>2,234,331</u> | <u>1,907,894</u> |

| Financial liabilities | Consolidated | |
|------------------------|------------------|------------------|
| | 09/30/2019 | 12/31/2018 |
| Trade accounts payable | 22,420 | 27,568 |
| Loans and financing | 2,192,885 | 1,865,575 |
| | <u>2,215,305</u> | <u>1,893,143</u> |

21.3. 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.

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

Hedging mechanisms are adopted against financial risks stemming from liabilities contracted, either in foreign or domestic currency, in order to manage exposure to exchange 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. The main market risk factors that could affect Company business and that of its subsidiaries are as follows:

a) Exchange rate risk

Exchange rate risks are related to the possibility of the Company incurring losses derived from fluctuations in exchange rates.

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

| Foreign currency loans | Amount In Brazilian Reais | Sensitivity analysis | |
|--|------------------------------|--------------------------------|----------------------------------|
| | | (Scenario I) Future value I | (Scenario II) Future value II |
| Notes - US\$ 185,000 | 770,414 | 963,017 | 1,155,621 |
| Agricultural Bank of China - US\$ 15,391 | 64,094 | 80,117 | 96,141 |
| Tupacta - US\$ 119,691 | 498,441 | 623,051 | 747,661 |
| Cemrock - US\$ 125 | 520 | 650 | 780 |

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.

c) Interest rate risk

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

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

d) Liquidity risk

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

The following table shows in detail the remaining contractual maturity of the main financial liabilities of the Company and the contractual amortization terms.

This table was prepared in accordance with the undiscounted cash flows of financial assets and liabilities based on the nearest date on which the Company and the its subsidiaries shall settle the respective obligations.

| | Parent company | | | Total at 09/30/2019 |
|----------------------------------|----------------|----------------------|-----------------|------------------------|
| | Up to a year | From 1 to 3 years | Over 3 years | |
| | | | | |
| Loans and financing | 1,570,793 | 22,706 | 599,386 | 2,192,885 |
| Trade accounts payable | 24,707 | - | - | 24,707 |
| Advances from clients | 3,767 | - | - | 3,767 |
| Other financial liabilities | 80,266 | 57,071 | 66,936 | 204,273 |
| Balance as at September 30, 2019 | 1,679,533 | 79,777 | 666,322 | 2,425,632 |
| | Consolidated | | | |
| | Up to a year | From 1 to 3 years | Over 3 years | Total at 09/30/2019 |
| | | | | |
| Loans and financing | 1,570,793 | 22,706 | 599,386 | 2,192,885 |
| Trade accounts payable | 22,420 | - | - | 22,420 |
| Advances from clients | 3,767 | - | - | 3,767 |
| Other financial liabilities | 66,581 | 58,607 | 68,138 | 193,326 |
| Balance as at September 30, 2019 | 1,663,561 | 81,313 | 667,524 | 2,412,398 |

22. Net operating revenue

| | Parent company | | Consolidated | |
|-------------------------|----------------|------------|--------------|------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Gross sales | | | | |
| Sales of goods | 243,579 | 225,518 | 243,937 | 229,770 |
| Deductions from sales | (64,970) | (60,035) | (68,981) | (64,335) |
| Sales returns | (580) | (587) | (580) | (587) |
| ICMS on sales | (41,904) | (38,646) | (43,642) | (40,606) |
| PIS and COFINS on sales | (22,471) | (20,802) | (24,690) | (23,088) |
| Others | (15) | - | (69) | (54) |
| Net operating revenue | 178,609 | 165,483 | 174,956 | 165,435 |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

23. General and administrative expenses

| | Parent company | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Administrative personnel expenses | (12,173) | (11,402) | (12,296) | (11,570) |
| Lawyers' fees | (7,637) | (2,870) | (7,655) | (2,888) |
| Lease of properties/vehicles/equipment | (217) | (189) | (246) | (189) |
| Travel expenses | (449) | (309) | (481) | (346) |
| Third-party/consulting services | (2,492) | (2,290) | (2,612) | (2,348) |
| Others | (1,863) | (2,302) | (2,192) | (3,048) |
| | <u>(24,831)</u> | <u>(19,362)</u> | <u>(25,482)</u> | <u>(20,389)</u> |

24. Other operating revenues (expenses), net

| | Parent company | | Consolidated | |
|--|----------------|--------------|---------------|--------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Indemnity - legal proceedings | 32,661 | - | 32,661 | - |
| Write-off of fixed assets/ investments | 212 | 230 | 553 | 2,579 |
| Write-off of liabilities | 9,368 | - | 9,368 | - |
| ICMS installment payment | (3,965) | - | (3,965) | - |
| Others | (3,303) | 949 | (3,856) | 1,639 |
| | <u>34,973</u> | <u>1,179</u> | <u>34,761</u> | <u>4,218</u> |

25. Financial income (loss)

| | Parent company | | Consolidated | |
|---|------------------|------------------|------------------|------------------|
| | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
| Financial expenses | | | | |
| Interest on loans | (94,997) | (76,431) | (94,997) | (76,431) |
| Interest/ fines on tax installment payments | (34,010) | (6,190) | (34,387) | (6,190) |
| Discounts granted | (741) | (2,022) | (742) | (2,022) |
| Contract interest - Finame | (156,616) | (16,761) | (156,616) | (16,761) |
| Exchange rate gains (losses) on loans | (88,915) | (187,345) | (88,915) | (187,345) |
| Other financial expenses | (181) | (2,158) | (232) | (2,399) |
| | <u>(375,460)</u> | <u>(290,907)</u> | <u>(375,889)</u> | <u>(291,148)</u> |
| Financial revenues | | | | |
| Discounts obtained | 372 | 219 | 372 | 222 |
| Interest on financial investments | 12 | 12 | 100 | 78 |
| Interest received from customers | 599 | 735 | 599 | 735 |
| Other financial revenues | 848 | 494 | 935 | 700 |
| | <u>1,831</u> | <u>1,460</u> | <u>2,006</u> | <u>1,735</u> |
| | <u>(373,629)</u> | <u>(289,447)</u> | <u>(373,883)</u> | <u>(289,413)</u> |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

26. Segment reporting

Management groups entities into two distinct segments:

a) Cement

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

b) Real estate management and merger

This segment is mainly engaged in developing and administrating properties.

Management monitors, on a separate basis, operating income (loss) of its business units for the purpose of making decisions on allocation of funds 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:

| | 09/30/2019 | | | | Total Consolidated |
|---|------------|-----------------------------------|---------|--------------|--------------------|
| | Cement | Real estate management and merger | Others | Eliminations | |
| Net revenues | 178,609 | 221 | 20,028 | (23,902) | 174,956 |
| Gross profit (loss) | (7,389) | 183 | (1,233) | - | (8,439) |
| Depreciation and amortization | (15,015) | - | (1,156) | - | (16,171) |
| Operating income (loss) | (8,303) | (528) | (1,385) | - | (10,216) |
| Financial income (loss) | (373,629) | 127 | (381) | - | (373,883) |
| Equity in earnings (losses) of subsidiaries | (2,213) | - | - | 2,213 | - |
| Income (loss) before taxes | (384,145) | (401) | (1,766) | 2,213 | (384,099) |
| Income and Social Contribution taxes | (7,320) | (46) | - | - | (7,366) |
| Minority interest | - | - | - | - | - |
| Net income (loss) | (391,465) | (447) | (1,766) | 2,213 | (391,465) |
| Current assets | 84,996 | 21,257 | 5,848 | (4,057) | 108,044 |
| Noncurrent assets | 838,488 | 16,730 | 47,143 | (100,096) | 802,265 |
| Current liabilities | 1,679,533 | 83 | 7,645 | (23,700) | 1,663,561 |
| Noncurrent liabilities | 746,090 | 201 | 2,722 | (176) | 748,837 |

Cimento Tupi S.A and Subsidiaries

Notes to the interim financial information

As at September 30, 2019 and December 31, 2018

(In thousands of Brazilian Reais, unless otherwise stated)

| | 09/30/2018 | | | | Total Consolidated |
|---|------------|-----------------------------------|---------|--------------|--------------------|
| | Cement | Real estate management and merger | Others | Eliminations | |
| Net revenues | 165,483 | 3,965 | 19,080 | (23,093) | 165,435 |
| Gross profit (loss) | (1,940) | 2,955 | (934) | - | 81 |
| Depreciation and amortization | (15,196) | - | (1,094) | - | (16,290) |
| Operating income (loss) | (28,394) | 2,509 | 1,524 | - | (24,361) |
| Financial income (loss) | (289,447) | 178 | (144) | - | (289,413) |
| Equity in earnings (losses) of subsidiaries | 3,047 | - | - | (3,047) | - |
| Income (loss) before taxes | (314,794) | 2,687 | 1,380 | (3,047) | (313,774) |
| Income and Social Contribution taxes | (3,184) | (195) | (516) | - | (3,895) |
| Minority interest | - | - | - | (309) | (309) |
| Net income (loss) | (317,978) | 2,492 | 864 | (3,356) | (317,978) |
| Current assets | 72,530 | 22,001 | 3,761 | (957) | 97,335 |
| Noncurrent assets | 815,008 | 19,711 | 49,491 | (113,030) | 771,180 |
| Current liabilities | 1,484,154 | 83 | 3,507 | (24,063) | 1,463,681 |
| Noncurrent liabilities | 46,903 | 253 | 1,147 | - | 48,303 |

27. Subsequent events

On October 02, 2019, a new amendment to the Bank Credit Note (CCB) was signed with China Construction Bank (Brazil) Banco Múltiplo S/A, changing the payment flow and postponing the maturity to June 2020.